<u>Title</u>
In it together – tapping the internal market for environmental and organisational performance

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In this theoretical paper we consider the deleterious effect of organisational climate action on employees. Using a social identity lens, we consider how poor signalling to employees can reduce their level of identification with the organisation and explore the effects that this can have on the organisation. We propose a set of measures to identify employees as an internal market and develop strategies from this position. These include an internal marketing strategy and co-creation of solutions.

The pursuit of climate measures at the organisational level often sits outside of the core business model and brings with it a set of costs to the organisation (Stringer, 2010). An important cost that receives little attention is that which is imposed on the employee. Negative institutional adjustments such as estate reduction, parking restrictions to encourage use of public transport and international travel restrictions each can feel like a punishment for climate misdemeanours. Alongside this, recognition of the climate crisis is a bleak assessment of the future and carries negative messaging. Combined, these signals can simultaneously reduce employee morale and generate a sense of disempowerment (Arshad *et al* 2022).

In addition, employees may observe operational practices that contradict the stated environmental agenda during the transition to a lower carbon arrangement. For instance, investment in solar panels and subscription to a higher cost sustainable energy supplier may be accompanied by an aging fossil fuel transport fleet and poorly insulated buildings. Such contradictions can damage employee perception of the sincerity of the organisation's values (Garavan *et al* 2022, Robertson *et al* 2023). Taken together, reduced morale, disempowerment and questions around the organisation's values will reduce trust. From a social exchange perspective value alignment is a driver of employee company identification. This is important because employee company identification is associated with performance outcomes including employee retention, customer retention and financial performance (Homburg *et al* 2009).

Framing the imposition of climate measures as a value proposition to an internal market of employees provides a counter perspective and offers the possibility to mitigate for the deleterious effects outlined above (Kim *et al* 2015, Naude *et al* 2003, Stringer, 2010). Initiatives generated by employees are likely to be smaller in scale and more closely linked to day-to-day operations. Removal of single use plastics and car lift sharing schemes are common examples. These solutions are often of lower

environmental impact than the external strategy, but they carry other benefits. Employees may generate solutions that create a more consistent set of behaviours and messaging in respect of environmental measure (Garavan *et al* 2022, Stringer, 2010). The use of employees' ideas and the support provided to them in implementing these initiatives is an empowering process (Ballantyne, 2003). Further benefits may exist in the particulars of the measures, for instance car lift sharing may foster greater collegiality (Ballantyne, 2003) while cycle to work schemes bring physical and psychological benefits (Page and Nilssen, 2023). The results improve organisational efficiency, employee wellbeing and reduce turnover intention (Homburg *et al* 2009).

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