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Leadership role and employee acceptance of change

Implementing environmental sustainability strategies within Nordic insurance companies

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Abstract

Purpose – The change management literature on strategy implementation identifies different dimensions of resistance to change. The contrary view – that of dimensions of acceptance of change when implementing strategy – has received less attention. The purpose of this paper is to explore the implementation of environmental sustainability strategies by Nordic insurers, the role of leadership in implementing these changes, and employee acceptance of change.

Design/methodology/approach – For achieving this purpose, this paper reports on an explanatory case study of Nordic non-life insurers, where interviews with insurance executives and specialists were the primary source of data.

Findings – The authors have developed simple strategy maps, focusing on insurers' own operations, product offerings, loss prevention and claims settlements, investments and influence on stakeholders, to show how common elements of environmental strategies are implemented within the insurance industry. The importance of leadership in organizational change is evident in the data, as well as in employees' positive attitudes towards implementation of environmental sustainability strategies.

Originality/value – The scientific contribution of this paper is the empirical mapping of a hitherto unexplored area of the implementation of environmental sustainability strategies within the Nordic insurance industry, highlighting the leadership role in implementing environmental sustainability strategies and the elements shaping employee acceptance of change when implementing environmental sustainability strategies.

Keywords Leadership, Strategy, Implementation, Acceptance of change, Environmental sustainability

Paper type Case study

Introduction

To address some of the pressing economic, social, and environmental issues we are faced with, the principle of sustainability was developed by the World Commission on

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Environment and Development in 1987. Sustainable development is defined as “Development that meets the needs of the present without compromising the needs of future generations” (Bruntland, 1987, p. 43). This requires a balance between economic, social, and environmental prosperity. To address sustainability issues on a corporate level, corporate (or business) sustainability requires firms to commit to supporting sustainable development. In this context, corporate sustainability has been defined by Bansal and DesJardine (2014, p. 71) as “the ability of firms to respond to their short-term financial needs without compromising their (or others’) ability to meet their future needs”.

Sustainability issues entail risks and opportunities for the business sector, acting under ever-growing pressure to proactively take responsibility for their destructive behaviour (Anderson, 2005). However, they can also reap benefits by finding solutions to sustainability issues. The role of companies and leaders in contributing to sustainability is increasingly being recognized, as is evident in the development of various initiatives and tools to help them address sustainability issues, but the focus on “softer issues” such as change management efforts are discussed to a lesser degree (Lozano, 2012). Corporate sustainability is becoming a main concern and is dealt with as a strategic issue in spite of the economic downturn (KPMG International, 2011). “Business as usual” is not seen as an option and businesses must employ a holistic outlook of their operations as a whole and how their actions impact societies and the environment (Network for Business Sustainability, 2012). It is argued that success or failure in operating businesses in a sustainable manner is determined by the extent to which business leaders embrace or resist this development (Thomas and Lamm, 2012).

This paper is concerned with the environmental dimension of business sustainability as environmental issues are of key concern for insurers, including climate change, environmental liability, hazardous and toxic materials and waste, and water and weather-related issues such as floods (Jóhannsdóttir, 2012). For the insurance sector specifically, there are risks associated with losses and investment-related risks, while opportunities are associated with new products, supply chain improvements and investment-related opportunities, all of which have an impact on insurers’ operating results. Successful implementation of environmental sustainability strategies are therefore of the utmost importance for insurers. In light of this situation, this paper aims to answer the following questions:

- How are environmental sustainability strategies implemented by Nordic insurers?
- What is the leadership role in implementing environmental sustainability strategies?
- What elements shape employees’ acceptance of change when implementing environmental sustainability strategies?

The paper begins with an overview of the literature, detailing the contrasting views regarding acceptance of change and resistance to change. The case study methodology is then discussed. In the results chapter, strategic maps are used as examples of how sustainability strategies are implemented within Nordic insurance companies. The leadership role is evident in the strategic maps, as well as in interviewees’ quotations. Employee attitudes towards acceptance of change are elucidated through quotations. Finally, in the discussion section, we compare our findings with the literature and address the limitations of the study.

Literature review

Acceptance of change and resistance to change can be viewed as opposite poles (Coetsee, 1999). When implementing strategies, resistance to change must be overcome; if this does not happen, the change management effort will not be successful. If you can encourage acceptance to change, a positive outcome is more likely. Organizational change is rooted in personal change (Steinburg, 1992), meaning if organizational change is to take place, individual change is needed as well (Evans, 1994).

Using the ProQuest database, no studies were found combining “insurance” with “acceptance of change” and “sustainability”, “environmental sustainability”, or “CSR”. Only a handful of studies on “insurance”, “resistance to change”, and “sustainability”, “environmental sustainability”, or “CSR” came up in research, but these had no relevance to this study.

Acceptance of change

Key elements are required if a transformation of a business is to be successful, including establishing a sense of urgency, for instance crises or major opportunities; forming a powerful coalition; creating and communicating a vision, and empowering employees to act on the vision; creating short-term victories; consolidating improvements; and institutionalizing a new approach (Kotter, 2007). Furthermore, when organizations decide to change strategies or structure, or to implement new processes, the outcome depends greatly upon awareness, attitude, cooperation, and the support of employees (Chawla and Kelloway, 2004). The impact of corporate social responsibility (CSR) is shown to correlate positively with an employee’s intrinsic motivation, meaning, among other things, satisfaction, enjoyment of tasks, accomplishment, positive recognition, and involvement in decision making (Skudiene and Auruskeviciene, 2012).

Participation, guarantee of psychological safety (Antonioni, 1994), and the impression of fair treatment (Daly and Geyer, 1994) contribute to the successful implementation of strategy. A fit between organizational culture and personal goals of those affected has an impact on participation, and there is a strong positive relationship between participation and the ultimate achievement of a firm’s goals (Lines, 2004). The creation of context, or the “ability to integrate challenging or ambiguous situations into a framework of personal meaning, values and goals”, correlates positively with in-role performance (an employee’s formal role) and willingness to accept change (van den Heuvel *et al.*, 2009).

Job security and communication correlate positively with openness to change and trust, while participation predicts trust directly and openness to change indirectly (Chawla and Kelloway, 2004). In this respect, openness and commitment to change are based on employee faith in management and employees’ willingness to accept the risk embedded in the changes that take place (Chawla and Kelloway, 2004). Quality factors (information, service, system, and instructors) are seen as having a significant impact on employees’ beliefs, thus affecting their acceptance of e-learning in a positive way (Cheng, 2012), but a stream of literature on technology and user acceptance has been evolving (see e.g. Davis, 1989; Davis *et al.*, 1989; Mariani *et al.*, 2013; Lin and Chang, 2011).

To secure cooperation and support, introducing sustainability principles through on-the-job training is widely employed (Haugh and Talwar, 2010). Furthermore, training and educational programmes can be used to raise awareness about environmental issues and how business activities affect the environment

(Cordano *et al.*, 2003). In the case of small- and medium-sized firms (SMEs), voluntarily established environmental management programmes, attitudes, norms, and internal stakeholder pressure have a positive impact on the success of implementing energy conservation and recycling efforts (Cordano *et al.*, 2010).

Essential attitudes contributing to the perceived legitimacy of sustainability have been offered (see Table I), taking into account pragmatic, moral and cognitive dimensions of legitimacy, as well as internal propriety – meaning how proper, appropriate, or desirable the policy is within the firm – and external validity, i.e. taking into account the viewpoints of others, such as peers or authorities (Thomas and Lamm, 2012). So far, this conceptual framework of Thomas and Lamm (2012) has not been applied to empirical findings.

According to Bovey and Hede (2001) employee acceptance of change has four dimensions: openly expressive support, concealed support, active support, and passive support. In the case where employees are openly expressive and active, they initiate and embrace actions. When employees are openly expressive but passive, they agree and accept suggested changes. Concealed and active support is demonstrated through support and cooperation, but concealed and passive support means that employees give in and comply with changes being made.

Coetsee (1999) claims that commitment influencing positive outcomes of change management processes has to do with shared visions (goals and values), involvement, knowledge, information, empowerment, and reward and recognition. When implementing environmental management systems (EMS), change management efforts seem to improve perceived environmental performance in manufacturing firms, where implementation is driven by top management support (Ronnenberg *et al.*, 2011). Others claim the importance of management in organizational changes as well (Appelbaum *et al.*, 1998; Kotter, 2007; Mintzberg, 1973; Nadler and Tushman, 1990), for instance relations to pro-environmental behaviour of employees (Robertson and Barling, 2013). When studying intrinsic motivation factors, Tymon *et al.* (2010) found out that an employee’s perception of working for socially responsible business correlates strongly with the employee’s pride in the company.

Resistance to change

Resistance to change can be viewed as the opposite to acceptance of change. Studies have shown that strategy implementations fail partly because of resistance to change (Bovey and Hede, 2001; Lozano, 2012). This concerns industry, as the failure rate of change efforts is high, or up to 40 per cent (Cartwright and Cooper, 1992). It is therefore

Attitudinal locus	Pragmatic	Dimensions of legitimacy	
		Moral	Cognitive
Internal (propriety)	Is there a “business case?” Do I believe that this will benefit the organization?	Do I believe that this is the “right” thing to do?	Do I believe that this will make my job easier or more difficult?
External (validity)	Do peers/authorities believe there is a “business case? Do they think that this will benefit the organization?	Do peers/authorities believe that this is the “right” thing to do?	Do peers/authorities believe that this will make my job easier or more difficult?

Source: Thomas and Lamm (2012)

Table I.
Elemental attitudes of legitimacy

important to know the key elements of resistance to change before discussing the outcome of this study.

Resistance to change has multiple dimensions (Smollan, 2011), such as attitudes and behavioural responses to change goals of firms (Chawla and Kelloway, 2004; Lozano, 2012). If employees fear that they will lose something of value, e.g. jobs, pay, autonomy or comfort, they will resist the change (Chawla and Kelloway, 2004; Dent and Goldberg, 1999). Misconception about changes (Kotter and Schlesinger, 1979) undermines the intended change effort.

Bovey and Hede (2001) have defined four dimensions of resistance to change: openly expressive resistance, concealed resistance, and active and passive resistance. Openly expressive and active resistance means that employees oppose, argue against and obstruct intended changes. When the resistance is openly expressive but passive, the resistance is to observe, refrain, and wait. In case of concealed and active resistance, the resistance means to stall, dismantle, and undermine the change effort. Concealed and passive resistance is to ignore, withdraw, and avoid actions. Cynicism, scepticism or “change fatigue” (Beaudan, 2002; Bommer *et al.*, 2005; Lines, 2004; MacIntosh *et al.*, 2007; Rodrigo and Arenas, 2008; Stanley *et al.*, 2005) can lead to either active resistance or passive indifference towards efforts of implementing new policies or practices.

Based on the change management literature, Bovey and Hede (2001) offer the following conceptual model (see Figure 1), to demonstrate which human elements construct the resistance to change. According to the model, perception of how the change will impact people creates irrational ideas, resulting in negative emotions which give rise to resistance to change. Cognition and affects in particular explain 44 per cent of the variance in people’s intentions to resist changes (Bovey and Hede, 2001).

The most powerful resistance to overcome is values, as they are deeply rooted in companies’ cultures (Pardo del Val and Fuentes, 2003). Scepticism, disappointment, and critique are likely to emerge if employees believe that CSR activities receive rhetorical support from company leaders (Frandsen *et al.*, 2013; Morsing *et al.*, 2008). Furthermore, employees become passive and demotivated when managers promote their firms as sustainable by delivering symbolic talk to external stakeholders, as employee sustainability commitment is driven by their personal engagement, rather than economic justification of firms gaining from sustainability branding of firms (Frandsen *et al.*, 2013). To overcome resistance to change, “proper education, effective communication, facilitation, motivation, negotiation, manipulation, co-operation and coercion” are suggested (Agboola and Salawu, 2011, p. 235), as these methods may help unlearn “already established beliefs and methods”, and thus allow employees to become more receptive of alternative ways (Akgün *et al.*, 2007) of running the business in a socially acceptable manner. Additionally, if employees strongly identify with the organization, industry pressure or both organizational and institutional identities resistance to change can be minimized (Pitsakis *et al.*, 2012).

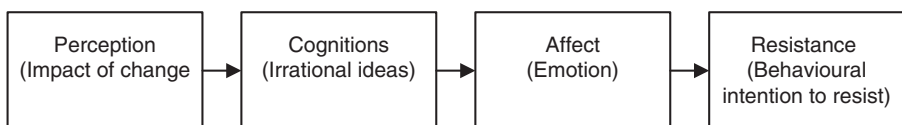


Figure 1.
Human elements of
resistance to change

Source: Bovey and Hede (2001)

Methodology

The Nordic states ranked high on the 2008 Environmental Performance Index (EPI) (Esty *et al.*, 2008)[1]. Furthermore, they have a strong climate profile within the European Union (EU), and are regarded as front-runners in protecting the environment (Magnúsdóttir, 2009). Magnúsdóttir claims that “Sweden, Denmark and Finland have been more influential in EU policy making than their modest size indicates”, and are able to act as “eco-entrepreneurs” within the EU by using their positive image based on “expertise, knowledge and/or national examples” (Magnúsdóttir, 2009, p. 2). However, a research gap exists in studying whether the environmental front-runner role of Nordic countries translates into proactive actions of Nordic insurers through implementation of environmental sustainability strategies, supported by leadership and employee acceptance of change. The actions of financial institutions concerning environmental issues in the context of corporate sustainability is an understudied area, as studies of this nature are heavily skewed towards large, heavily polluting firms and producers of tangible products (Jóhannsdóttir, 2012).

As stated in the introduction, environmental issues – and in particular climate change – put pressure on insurers to deal with them as strategic issues. Although insurers have been urged to deal with climate change in their day-to-day business (The Geneva Association, 2009), leading and lagging companies have been identified (Johannsdottir, 2014), meaning that it is of great importance to identify factors that influence actions of the leading companies, as this may help the companies that currently lag behind to move forward in their attempt to deal with environmental issues. The empirical goal of the study is therefore to investigate this under-explored field, i.e. the biggest Nordic non-life insurance companies, and how they implement environmental sustainability strategies. The sub-goals are to examine the leadership role in the implementation of environmental sustainability strategies and elements that shape employee acceptance of change when implementing environmental sustainability strategies.

Case selection and data collection

In each of the Nordic countries, a small number of insurers dominate the market. For theoretical sampling, two to four of the biggest companies in each country were included in the research design. Primary sources of data were in-depth interviews. Details about two case groups are shown in Table II (the Islands companies) and Table III (the Mainland companies). In the Mainland company group, four companies are national and four are regional. Additionally, results are based on observations, reports, PowerPoint presentations, and information published on company websites (Table III).

Data were collected in the participants’ natural settings (Creswell, 2007). A series of one-on-one interviews with 74 executives and specialists from different functional areas

Case group	Number of companies	Number of interviewees	Number of employees < 250	Regional/local
Åland	2	9	SMEs	National
Faroe Islands	2	6	SMEs	National
Iceland	4	16	SMEs	National
In total	8	31		

Table II.
The Islands group

in 16 Nordic companies operating in Åland, the Faroe Islands, Iceland, Denmark, Finland, Norway and Sweden were conducted. Because interviewees were promised anonymity, reference to them is based on their nationalities. Table IV provides a list of the number of insurance sites visited, the number of interviewees interviewed, and participants' observations, e.g. participation in Nordic insurers' climate conferences in 2009 and 2012, a field visit to the location of new headquarters, and a visit to an insurance claims collaborator.

Table V contains a list of interviewees' roles within the companies in each country, but who was actually interviewed depended on each company's size, structure and actions. In the SMEs, interviewees were contacted directly, but in large companies it was up to a contact person to select interviewees who were in a position to inform about the company's environmental and climate-related actions. Interviewees were either executives or specialists, for instance from administration, business development, claims and prevention, CSR, communication or insurance services.

A semi-structured interview framework was developed. It included a brief introduction of the research and the researcher, questions on whether decisions taken by the company can help reduce environmental issues, examples of actions taken, whether or not it is possible to assess impact of actions, and barriers for actions. Additionally, Figure 2 was used to explain to interviewees the boundaries of the research and within these boundaries the interviewees discussed their company's environmental and climate-related actions. The figure is read from left to right, following the arrow directions, meaning that environmental problems have an impact

Table III.
The Mainland group

Case group	Number of companies	Number of interviewees	Number of employees > 250	Regional/local
Denmark	2	4	Large	National/regional
Finland	2	10	Large	National/regional
Norway	2	9	Large	National/regional
Sweden	2	20	Large	National/regional
In total	8	43		

Table IV.
Number of sites, interviewees and participant observations

Company location and size	Number of insurance sites visited	Number of interviews within the field	Number of interviewees	Participant observations	Interviews with outside specialists
<i>Employees < 250</i>					
Åland	2	7	9	1	0
Faroe Islands	2	6	6	0	0
Iceland	4	14	16	2	5
In total: Islands	8	27	31	3	5
<i>Employees < 7,000</i>					
Denmark	2	4	4	2	0
Finland	2	9	10	1	0
Norway	2	8	9	2	1
Sweden	3	14	20	0	0
In total: mainland	9	35	43	5	1
In total: both groups	17	62	74	8	6

	Administration	Business development	Claims and prevention	Communication	CSR/ sustainability	Finance	Insurance services	Human resources	Risk management	Sales and marketing	Executives	Specialists
<i>Islands</i>												
Åland	3		3			1	1	1			7	2
Faroe Islands	1	1	2	1				1			4	2
Iceland	4	1	4			1	3	1	1	1	12	4
	8	2	9	1	0	2	4	3	1	1	23	8
<i>Mainland</i>												
Denmark		1			3						2	2
Finland	2		1	2	3				2		9	1
Norway	1		1	1	2		3		1		4	5
Sweden	6		8	3	2					1	12	8
	9	1	10	6	10	0	3	0	3	1	27	16

Table V.
Interviewee's roles
within the insurance
companies

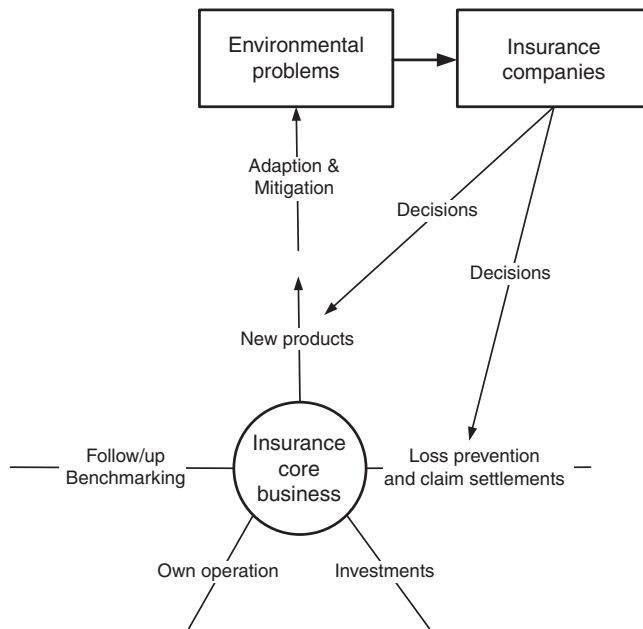


Figure 2.
Research boundaries

on the operating conditions of insurers. Insurance companies make decisions within particular fields of their operation in order to address environmental issues in a strategic manner.

A field note framework was developed. It included how the access to the company was gained and what pre-interview communication took place; how the field was entered, description of the field (e.g. photos), information about the interviewee, activity (if any), office equipment and layout (e.g. drawings or photos), events (if any), timeframe, word by word transcript of the interview, leaving the site, feelings about the interview, and reflections on the research in general. Each interview was transcribed verbatim, and stored in the field notes.

Analysing the data

Analysis of data is a sense-making process, not to verify or falsify the outcome, but with the purpose of increasing understanding (Easterby-Smith *et al.*, 2002). The analytical process started parallel to the gathering of data. In order to read through the interview data and create initial notes and maps, data has to be well organized. In this case, it was organized according to countries, with sub-files of each company and each interviewee. During and after the transcription of each interview, notes were read thoroughly, line by line, to see what themes emerged from the data. This was done as an open coding process, not guided by predetermined codes. Multiple methods were used for data analysis, for example theme analysis, content analysis and constant comparative method (Glaser and Strauss, 1967). A mind map in Mindjet Mind-Manager 8 was created for each company in order to keep track of specific themes, “aggregating information into large clusters of ideas and providing details that support the themes” (Creswell, 2007, p. 244). The initial codes (Creswell, 2007) that emerged in this way were

used to classify themes in other mind maps as well, even though new themes appeared during the process. The use of a mind map for each company allowed relatively easy analysis of themes within and between interviews from the same company. Cross-case analysis (Stake, 1998; Yin, 2003) took into consideration similarities and/or differences of cases. Figure 3 shows one branch of a mind map from one of the larger companies. The map shows that as a part of internal strategy, the company went for instance through a discussion about its own impact, product development, internal and external communication, employee engagement and establishment of green teams. RL and TM refers to the initials of interviewees, but in order to maintain confidentiality to the interviewees they all got new names and these are the initials of the new names. Page numbers where topics are discussed in data are also included in the Mind maps.

Validating of findings

Many perspectives and terms for validating findings of qualitative research exist. According to Creswell (2007), Whittemore *et al.* (2001) have put forward 29 procedures for validating the quality of qualitative work. This applies to designing of the research, gathering, analysing and presenting the data (Creswell, 2007). Eight of those techniques are frequently used. Creswell (2007, p. 209) suggests that “qualitative researchers engage in at least two of them in any given study”. Techniques that are relevant to this research include: prolonged engagement and persistent observation in the field; triangulation, where data was drawn from multiple resources including interviews, participant observations, direct observations, and documents; peer review, where feedback on different parts of the study were received from different actors; rich, thick description, recorded in field notes; and external audits, where former colleagues from the insurance sector were willing to give constructive feedback at any given time in the research process.

As suggested by Corden and Sainsbury (2006), quotations are used to present the findings. They have been selected to give participants a voice around the key issues addressed in the paper, to deepen reader understanding about the topic by offering explanations, and by offering evidence from the transcripts to strengthen the validity of the study.

Strategy implementation, leadership role, and acceptance of change

To demonstrate how Nordic insurers implement environmental sustainability strategies, we use strategy maps (Kaplan and Norton, 2001, 2008) grounded in the

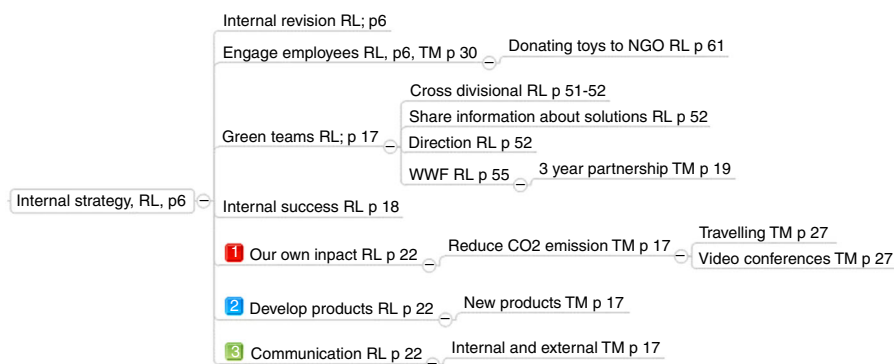


Figure 3.
Strategic map focusing on internal strategy

data. In these maps, we define different actors (or stakeholders), internal and/or external; the business processes involved; actions taken, and the expected outcomes. Additionally, we use interview quotations to discuss leadership role in implementing environmental sustainability strategies and the elements that shape employees' acceptance of change, as these are critical factors when implementing environmental sustainability strategies successfully. Strategy maps presented have to do with insurers' own operations, product offerings, loss prevention and claim settlements, investments, and influencing authorities and society, as these are key business areas for development with respect to environmental sustainability, as emphasized by interviewees. The first quotation is used to explain the importance of environmental issues for Nordic insurers. In a ClimateWise report, Tom Anders Stenbro, CSR Advisor from Tryg, explains the company's motivation for addressing climate change issues (ClimateWise, n.d.):

Our company doesn't just hope for a world where climate risk is better managed, we want to deliver concrete actions that create that world through our investments, our customer proposition and our risk management (ClimateWise, n.d.).

The importance of the vision and sharing the vision also came forth, as well as creating small victories, as suggested by Kotter (2007):

I think it is very important to have this common understanding of why we should do it and what CSR is, otherwise you are using a lot of resources and you are running in the same place without getting anywhere (Danish interviewee).

I think you have to communicate what you are doing and why you are doing it [...] and that in some way becomes the truth – that you are actually doing something very good, even though you are making small steps (Swedish interviewee).

In some cases, company values and beliefs are used to frame the environmental responsibilities of the insurance companies:

[...] it's more a question of values for the time being: that we should be a responsible citizen, a corporate citizen, in order to be credible (Finnish interviewee).

Own operation

Many interviewees discussed the importance of reducing their company's own environmental impact, or direct impact, although this is not seen as the most critical part of the business where environmental impact can be reduced. For many of the companies, this was the starting point when implementing environmental sustainability strategies. Reducing one's own impact contributes to credibility, which is important when attempting to influence acceptance of change and actions in other business areas. The following quotation shows how employees can be empowered and acceptance of change influenced:

So we started the first year just looking at ourselves. How can we internally make a difference? We started to engage all employees. The first year we had something called climate week. Every day there was a new subject which people should become involved in. We had group meetings and they [employees] had questions. We were just trying to reason why the company is trying to make a difference when it comes to climate (Danish interviewee).

A strategic map highlights the key areas brought forth by interviewees, see Figure 4. Key actors playing a role in reducing the environmental impact of given operations are

management (top-down) and employees (bottom-up). The business processes which require improvement in order to support company actions include corporate governance, including governance structure and systems; values and objectives; ethics; strategy, risk management and underwriting; product and service development; claims management; sales and marketing; investments; and reporting. In addition, various systems and processes have to be revised to support the overall implementation of the strategy, including the area of human resources (HR), which may require revision in the areas of training, hiring, reward system, and so forth.

In the action area, top management support is essential for success, as well as the education of employees and empowering them to act according to the environmental strategic emphasis of the company. The means of communicating the company's emphasis is of key importance:

We have this seminar asking "Will we know enough?" [about climate change] (Swedish interviewee).

If it is served as a ban or something that you are not allowed to do, then people will see it as something that is preventing them from working or preventing them from some kind of freedom, but if it is served as a new idea that can improve their day at work, to improve the company's situation, then it can always been sold (interviewee from the Faroe Islands).

We believe that training is important, that we create awareness among our employees [...] So you can say that top management is heavily involved in environmental matters (Swedish interviewee).

With respect to strategy implementation, it is noteworthy to mention that leadership commitment and leadership values also came forth; these factors will influence companies' emphases on environmental issues and employees' acceptance of change. According to interviewees, leaders must be role models, and there has to be consistency between words and deeds so that the change management effort is not undermined. Additionally, if leaders do not set the course and show commitment, not much will happen:

You really need to have someone who says "I do believe in this one", and we have seen this in our group (Swedish interviewee).

Of course people can do their own little [initiatives], every person can take responsibility of course, but it's always limited you know (interviewee from the Faroe Islands).

They are not allowed to fly when they are visiting Stockholm for conferences, but the CEO is always flying. I don't think that's a good example. As a CEO you have to set a good example and show that this is how we're working (Swedish interviewee).

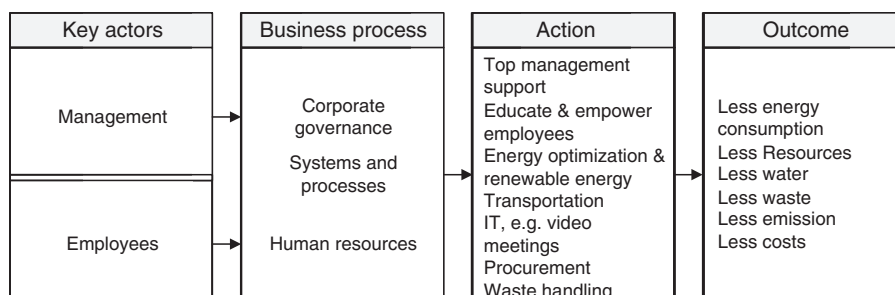


Figure 4. Strategic map focusing on own operations

Leadership became a key concern, as in-depth analysis of the data revealed that companies in the Islands case are still inactive or reactive with respect to environmental issues (Johannsdottir, 2014). At the time the interviews took place, none of those companies had developed an environmental strategy. The strategy maps developed are therefore based on actions taking place within the Mainland companies, although quotations from both case groups are used to demonstrate how acceptance of change influences change management support:

It would of course be arrogant to say that environmental issues do not matter, but I can at least say that they aren't important enough to have been really deliberated (Icelandic interviewee).

Ignorance of environmental issues, such as climate change, was also evident in the Islands case group, meaning that actions do not reach the levels that may influence acceptance of change by employees:

No, I have to answer that climate change is not much debated here. I have to admit I don't realize just from what perspective it should be (Icelandic interviewee).

It is highly unlikely that these kinds of top-down views will inspire acceptance of change or bottom-up actions of employees. Where acceptance to change is established throughout the companies, companies are likely to be successful in their integration of environmental sustainability into the core business:

And I think the winners of this contest so to speak are the ones that manage to implement it into all aspects [of the business], so that climate is an integrated part of how we think and how we do things, not just CSR or limited efforts but throughout the entire organization, from CEOs down to the smallest level (Norwegian interviewee).

In the case of the Islands group, the pragmatic legitimacy (Thomas and Lamm, 2012), i.e. the business case, has not been established by management, meaning that acceptance of change cannot be reached by employees:

They [management] are primarily thinking about costs, they have not made the connection to the environmental perspective (Icelandic interviewee).

The following quotation stresses the importance of vision, the sense of urgency and the importance of empowerment and involvement of employees in a similar way to Kotter (2007):

We had something called a team package where all 4,300 employees participated in a learning session concerning climate: giving them an overview, what is happening with the climate, why it is relevant for us, and how will this influence us. Also, part of this was they themselves, they came up with [ideas on] how can we both adapt on the company side and mitigate reductions (Norwegian interviewee).

People with ownership of "environmental issues", environmental ambassadors, "green" teams, or task forces are used to spread the message and to gain buy-in from employees through involvement:

It is of course a sign that these things are being taken more seriously now [hiring an environmental coordinator] and maybe that the leaders of the company realize that there is work to be done (Swedish interviewee).

Financial incentives were only brought up to a limited extent by interviewees, although these may support strategy implementation. Only in two of the mainland

companies are management bonuses tied to the company's environmental performance:

People do what they are asked to do and where they have incentives to do it – where they find a taste of honey in their mouth when they succeed (Finnish interviewee).

In cases where companies experience resistance to change motivation, persuasion or teaching new behaviour can result in a desirable outcome:

All of a sudden we started getting all these e-mails: We can't do this because if we want environmentally friendly paper it's going to cost us more and we don't have a budget for that. We kept saying – well try. Make sure you try and talk to suppliers and say that it's one of our issues this year, and we want to have environmentally friendly paper, and you need to deliver that to us within our existing budget. Try to do that and if you can't get it, just make sure that you start with the envelopes and as you go along make sure that it gets more and more environmentally friendly. And actually it seems that it was not a problem. We could do it within the existing budget (Danish interviewee).

It is also important to explain to employees how the new strategy affects them and in what way they can contribute in their daily work, see for instance an example related to facility management in one of the Mainland companies:

They are not used to talking about strategic things like climate change, that's not how they work usually. So it has taken a while to make sure that they are thinking in these areas as well and to make sure that they understand that we are meaning it seriously. The business case was therefore introduced: there is a lot of new technology that you can use which actually saves a lot of money and saves a lot of time [as well] (Danish interviewee).

With respect to environmental emphasis and CSR, interviewees mentioned personal values, ethics, pride, work with meaning, content richness of the job, involvement and the feeling of making a difference as important factors for choosing employers. They also relate this to employee satisfaction and talent management, meaning the possibility of retaining employees and attracting new ones:

The only opinion we have is that we want to make more money than last year. I think that is out of time. I think that employees don't accept that. They don't want to enter a job at a company which is just there to make more money than last year (Danish interviewee).

I think also that the company has been aware that if you are going to employ young people, they want to identify themselves with the company's ethics and values as well. Not just salaries, also the ethics and what we stand for. And that's also something you have to use to profile yourself as a company that actually takes care of them and the environment and works ethically (Swedish interviewee).

Normally they just look at the budget. We just said: "You need to, within that budget, find the best solution when it comes to climate." After one year they understood why they should do it, and they were engaged to it, and actually they are proud of doing it and I think it gives the job more content. It feels like they are actually making a difference (Danish interviewee).

When awareness about environmental emphasis has been raised, acceptance to change reached and employees take ownership for actions, positive changes start to escalate to the extent that they create internal pressure on the company to take on more environmental responsibility:

I think the company did something smart when they arranged this climate package to involve all the employees, because it is the employees that pollute, the employees that fly and drive

and use power and print and drink from bottles and so on. So you have to include the ones who will get affected by all the measures and build some kind of ownership, and build an understanding of why it is important (Norwegian interviewee).

One challenge could be that of course when you start working with this knowledge, personal awareness [will rise and] people [will] ask more and more (Finnish interviewee).

They came up with ideas: “why shouldn’t we do this and this and this?” It will pay back in a few years (Danish interviewee).

What is unconventional from general change management discussion is that in the case of environmental responsibility, employees welcome the changes and are willing to make additional efforts to support their company’s responsibility initiatives:

What we have achieved is that I believe that the mindset is better than it has been. We are ready to invite people to work in this group and they come positively even though it is work they have to do on top of their usual work. They are eager to start this and lots of small ideas have been provided (Finnish interviewee).

Product offering

Just as with one’s own operation, the key actors when revising product offerings of insurers, see Figure 5, are management and employees. The main business processes for product development are research and development (R&D), marketing and distribution channels. The actions take into account revisions of the existing product portfolio, including terms, conditions and pricing, as well as development of new products with respect to reducing environmental impact. One of the actions taken is to influence customers, both individuals and corporate clients, as they need to be educated about the new product offering so they can respond to new solutions. Many methods are used to influence customers, including lower premiums for electric cars and insurance solutions for clean technology, such as windmills. In this process, employees play a critical role. The outcome includes a reduced environmental impact of the product portfolio. A focus on environmentally friendly products (such as insurance products contributing to lower emissions, e.g. electric cars or renewable energy solutions) might enhance customer satisfaction and loyalty, thus raising barriers for new competitors. In markets with similar prices and products, the environmental aspects of products and services can be used for differentiation. In such cases it is the “sympathetic value” that can influence customer choice.

In the Islands case group, which were still at the inactive stage when the interviews took place (Johannsdottir, 2014), pragmatic legitimacy (Thomas and

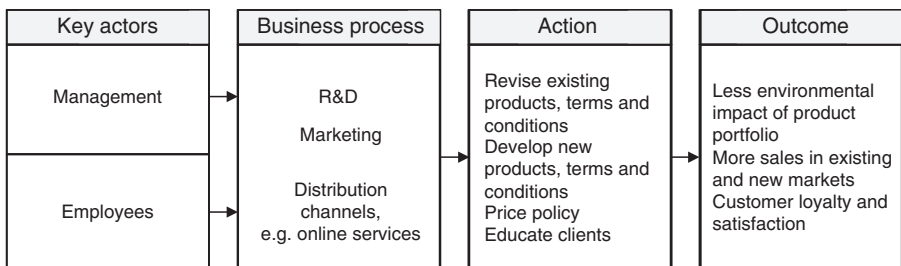


Figure 5.
Strategic map
focusing on
product offering

Lamm, 2012) has to be established within the companies before they can move forward:

Going forward, trade will more and more go into this direction so the sooner we step forward, the sooner we can make this company more competitive and create a name before someone else does (Icelandic interviewee).

In terms of new products, pragmatic legitimacy (Thomas and Lamm, 2012) also has to be established within the Mainland companies:

The new products are challenging and involve some risk, but if you succeed being number one in third world countries, we know there is a huge market. Maybe not now and maybe not in 5 years, but in 20 years there will be a huge market. If we are the first there, it will be good business for us (Danish interviewee).

The companies who find best products and services are the ones that will corner these markets [...] I hope that's an area where we'll get new services next year or this year, because we need more products and more services that promote green living and green caretaking (Norwegian interviewee).

To influence creative solutions and risk taking in developing new ideas, bringing in people from environmental non-governmental organizations (NGOs) is challenging, both for the NGO and the company. At the same time, it can be a way to educate and stimulate those involved, resulting in new ideas. The same applies to voluntary work which employees can take part in during office hours:

That's quite a huge step, having an NGO coming in and actually guiding us on how to behave and build up products (Danish interviewee).

Loss prevention and claims settlement

Claims handling is, to a great extent, outsourced to third parties. This means that the direct environmental impact of insurance operations is relatively low, while the indirect impact is high, particularly the impact of property and casualty insurance providers. Insurers are often aware of the indirect impact and try to minimize this, for instance by placing requirements on suppliers (partners) or by collaborating with them. Several of the interviewees claim that in order to influence suppliers, insurers must reduce their direct impact as well, as it gives them a "licence to speak" on those issues when attempting to influence others to act. This suggests a moral legitimacy (Thomas and Lamm, 2012), meaning that to lead by example is the right thing to do.

The strategic map in Figure 6 shows that management, suppliers and customers are the key actors in bringing about positive environmental outcomes according to the

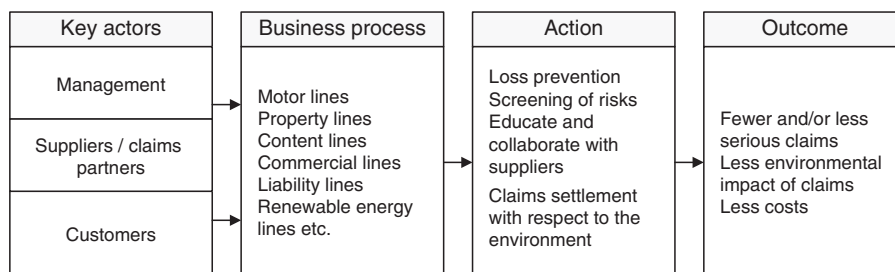


Figure 6.
Strategic map focusing on loss prevention and claims settlement

strategy being implemented. In terms of business processes, insurers should focus on claims categories where environmental impact is considered to be the greatest, including collective impact in categories such as motor and property insurance. Where the focus lies depends on key business areas of individual insurers. In order to decrease the number and/or magnitude of claims, insurers focus on loss prevention. Screening of risks is one method that can be used, as insurers can then educate clients about the risk and how it can be handled. In order to implement environmental sustainability claims processes, insurers must educate and collaborate with suppliers. Different methods are used to influence customers in terms of loss prevention, while pressure can be put on suppliers through demand, dialogue and collaboration. Insurers can also have criteria for selecting suppliers. Some of the interviewees recognized positive snowball effects on sub-suppliers and that collaboration means a mutual gain in terms of sharing of knowledge about environmentally friendly claims handling. The outcome should be fewer and/or less serious claims, and a reduced environmental impact of claims. The use of fewer resources in production of materials, together with a reduction in subsequent transportation, generates savings for insurers (Meyricke and ClimateWise Sustainable Claims Steering Group, 2010).

The role of management in influencing acceptance among various groups of stakeholders is shown in the following quotation:

Right now, they [management] are doing a pilot on integrating responsible procurement principles, where they survey our biggest suppliers and business partners and make sure they talk about CR issues and implement climate issues as well (Danish interviewee).

We want them to buy [and] we want them to settle a claim [online] [...] the Internet in itself is of course environmentally friendly (Swedish interviewee).

To influence loss preventive actions, the message from insurers can be quite clear:

We expect you to get rid of the snow as soon as possible. If you don't, you might get a reduction [of compensation] in case you have damage or you might not get any compensation at all (interviewee from Åland).

Pragmatic legitimacy (Thomas and Lamm, 2012) is very much relevant to loss prevention initiatives:

From a business perspective, obviously it is much more cost efficient to try to prevent accidents rather than take care of them afterwards (interviewee from Åland).

Investment strategy

As one of the world's largest institutional investors, insurers are in a position to influence positive environmental actions through investments. Publicly traded insurance companies also present investment options for other investors. In Figure 7, the key actors influencing positive environmental outcome through

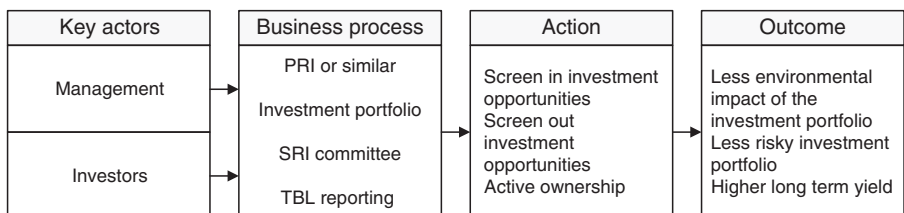


Figure 7. Strategic map focusing on investments

dialogue are management and investors: when insurers act as institutional investors, and when insurers act under pressure from other investors. Key business processes are investment processes based on Principles for Responsible Investments (PRI) or other principles of sustainable investments; the establishment of a socially responsible committee (SRI); transparent triple bottom line (TBL) reporting; and balancing the reporting of economic, social, and environmental performance. Three main investment methods are used by Nordic insurers: screening investment opportunities with potentially positive environmental outcomes; screening out environmentally unacceptable investment options; and active ownership, where environmentally acceptable decisions are influenced through communication or voting rights with the companies.

Interviewees discussed environmentally friendly investments from different perspectives, including commitment, importance and profitability:

It is interesting to do that because it gives us some kind of good company brand, if we are investing our money there, but they are very profitable also. And is easy to invest in the environment when you know you are going to have your money back (interviewee from Åland).

Influencing authorities and society

According to interview data, insurers play a key role in the public-private debate with authorities, as this dialogue can result in actions that can prevent loss of lives and economic losses, for instance by reducing climate change vulnerability of people living in high-risk areas threatened by floods, storms, landslides or other environmental risks. Insurers are in a position to raise awareness and influence different segments of society, including individuals, corporate clients, local authorities and legislators.

While committing to environmental issues themselves, the heads of four of the biggest Nordic insurance companies have explicitly challenged other industries to make the most of climate change opportunities and to speak out instead of slowing down necessary development (Nordisk Försäkringstidskrift, 2010). To influence the debate on a broader scale and to address environmental and climate issues, insurers collaborate and take part in many different initiatives such as the Carbon Disclosure Project, UN Principles for Responsible Investments (PRI), Global Reporting Initiative (GRI), UN Global Compact, ClimateWise, The Geneva Association, ISO 14001, Eco-labelled insurance, Eco-lighthouse and the Green Office environmental programme.

The strategic map in Figure 8 illustrates that key actors in the public discussion are those at the top level of management: as heads of insurance companies, they are in a position to make commitments on behalf of their companies and are capable of stimulating public debate and influencing a diverse groups of stakeholders to act on the

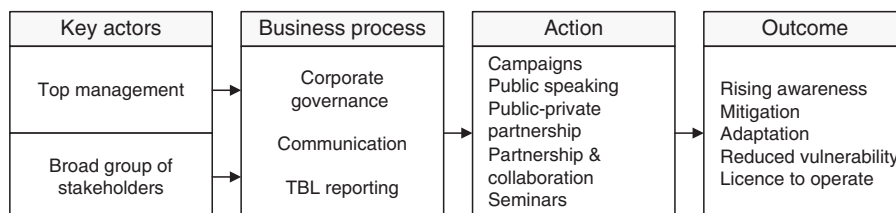


Figure 8. Strategic map focusing on influencing authorities and society

insurers' message. The key processes are corporate governance and support, different communication channels, and transparency in regard to their own commitment and actions. Different actions can be used, for instance awareness campaigns, sponsorship of community programmes, public speaking, public-private partnership and collaboration, and seminars for different stakeholders, to name a few action ideas. The outcome should result in rising awareness about environmental issues, resulting in mitigation of environmental risks or adaptation to risks that cannot be avoided, and thereby result in reduced vulnerability. Several interviewees also brought up the "license to speak" on important social issues.

The topic of communication often surfaced in the context of climate change and the importance of collaboration:

We have to get all people on board. [...] Even though politicians are still talking [after COP15], they are not doing anything (Danish interviewee).

Society has to be prepared for catastrophes. We are a major player in Finnish society and if we are not participating in this discussion I think some [will] say "why didn't you tell us, why didn't you ask critical questions before?" (Finnish interviewee).

We have to have a practical take on it so we don't end up just pointing fingers (Norwegian interviewee).

Discussion and conclusion

The scientific contribution of this paper is the empirical mapping of a hitherto unexplored area of the implementation of environmental sustainability strategies within the Nordic insurance industry. This is done by explaining how environmental sustainability strategies are implemented by Nordic insurers and by highlighting the leadership role that is evident in the maps and in interviewees' quotations. Particular points emphasized by interviewees were the role of leaders in setting the course, establishing a sense of urgency, acting as role models, sharing a vision, providing necessary resources, empowering employees to act, and committing themselves wholeheartedly to the implementation of successful environmental sustainability strategies. The elements shaping employee satisfaction and acceptance of change when implementing environmental sustainability strategies include whether employees' personal values are aligned with the company's values; ethics; pride; work with meaning and content richness of the job; involvement; and the feeling of making a difference to society and the environment. This paper adds valuable insights to the academic literature, and offers a practical contribution as well beyond the scope of the Nordic insurance industry, as the acceptance of change is an understudied area in general. The study results offer increased understanding of the situation with respect to the research questions.

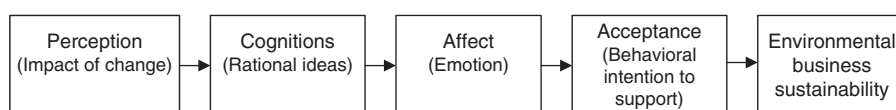
The study shows that when business leaders do not embrace and commit to principles of environmental sustainability, like in the Islands case group (SMEs) (Johannsdottir, 2014), company vision is not developed and shared, and only limited efforts to address environmental issues exist. This is in line with ideas from Thomas and Lamm (2012), who claim that success or failure in operating a business in a sustainable manner is determined by the extent to which business leaders embrace or resist this development. For this reason, the strategy maps presented in the paper are based on implementation efforts of environmental sustainability strategies taking place within the Mainland companies' case group. This is a matter of concern, as environmental issues – both risks and opportunities – can have an impact on insurers'

operating results, and are therefore issues that should be dealt with strategically. Two out of three fundamental attitudes contributing to the perceived legitimacy of sustainability were brought up by interviewees (Thomas and Lamm, 2012). The pragmatic legitimacy (the business case) was the one mainly discussed. The moral legitimacy (the right thing to do) was only mentioned by a few, while the cognitive legitimacy (making the job easier) did not come up at all which is interesting from change management perspective. In the case of the Islands case group, the pragmatic legitimacy had not been established.

Environmental sustainability issues can be addressed in various ways, but the key areas for insurers to develop are the company's own operations, product development, loss prevention and claims settlement, investments, and the influencing of various stakeholders. This paper demonstrates the importance of reaching outside company borders when implementing environmental sustainability strategies, and not just focusing on one's own direct impact.

This paper suggests that both top-down and bottom-up actions are needed when implementing environmental sustainability strategies successfully. The study supports ideas that if organizational change is to take place, individual change is needed as well (Evans, 1994). The key elements suggested by Kotters (2007) for successfully transforming businesses are confirmed in this study, as well as the human elements of awareness, attitude, cooperation, and support of employees (Chawla and Kelloway, 2004; Cordano *et al.*, 2010). The same applies to the internal employee motivation factors put forward by Skudiene and Auruskeviciene (2012), and the consistency between personal goals and organizational emphasis (Lines, 2004). All dimensions of acceptance of changes discussed by Bovey and Hede (2001) emerged from the data, although passive support of giving in or complying did not seem to be a great issue. Employee faith in management (Chawla and Kelloway, 2004), which demonstrates consistency between words and deeds, contributes to acceptance of change and willingness to support the implementation efforts. On-the-job training and participation supports ideas which enhance acceptance of change (Agboola and Salawu, 2011; Cordano *et al.*, 2003; Haugh and Talwar, 2010). But more creative ideas are also used for participation, as well as to gain new ideas, e.g. involvement of NGOs and voluntary work of employees.

Based on the preceding discussion, and contrary to the conceptual model of human elements of resistance to change presented by Bovey and Hede (2001), we have developed a model of human elements of acceptance of change, see Figure 9. In this case, the perception is that environmental sustainability strategies may impact employees' jobs, but because of the benefits to society or the sense of urgency to address environmental issues, they are willing to take on the responsibility to do the extra work. Cognition consists of positive attitudes towards change, optimism and internal motivation, creating positive feelings of joy and satisfaction for supporting the company's actions. These human elements will then support the implementation of their environmental sustainability strategy.



Source: Adapted from Bovey and Hede (2001)

Figure 9.
Human elements
of acceptance
of change

The study findings does not support the literature concerning the guarantee of psychological safety (Antonioni, 1994; Chawla and Kelloway, 2004) and the impression of fair treatment (Daly and Geyer, 1994). Losing something of value did not come forth (Dent and Goldberg, 1999), but instead it appears that employees gain something of value, e.g. the pride of working for companies taking responsibility and having a nobler agenda than pure financial gain, thus employees embrace organizational change. It is also suggested that this “sympathetic value” can influence customer choice when prices and products are similar, meaning that this is where the competitive edge of implementing environmental sustainability strategies lies, as well as in talent management of attracting and retaining top talent.

What is different from general discussion about change management, for instance the cognitive legitimacy of making the job easier (Thomas and Lamm, 2012), is that in the case of environmental responsibility, employees welcome the changes and are willing to make extra efforts in order to support their companies’ responsibility initiatives. What is also evident is that when awareness about environmental emphasis has been raised, acceptance to change rises, and employees take ownership for actions leading to positive changes, which in turn start to escalate to the extent that these create internal pressure on the company to take on more environmental responsibility.

As suggested by Pardo del Val and Fuentes (2003) the greatest hurdle to overcome is that of values that are deeply rooted in companies’ cultures, and perhaps the conventional perception of shareholder gain is more deeply rooted in management than in employees in general. Most of the commitment elements that influence a positive outcome of change management efforts (Coetsee, 1999) were brought up by interviewees, with the exception of rewards, which according to interviewees does not seem to be a great motivating factor with respect to environmental sustainability.

Just as with other qualitative studies, the key limitation of the study is the difficulty of generalizing the findings unless they are examined in a similar context. However, the conflicting findings of this study offer possibilities for future research. Hopefully this paper serves as a base for future research on employee acceptance of change and corporate sustainability issues where other industries, or a larger sample of companies, are assessed.

Note

1. EPI is a study of national sustainability metrics carried out by the Yale Centre for Environmental Law and Policy (YCELP) and the Centre for Earth Information Science Information Network (CIESIN) at Columbia University.

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