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The Arbor Day Foundation Employee Carbon Neutralization Program

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New Business Venture Idea:
Employee Carbon Neutralization Program

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Executive Summary

Our College of Business Honors Academy Capstone Project aims to identify a new business opportunity for the Arbor Day Foundation that will allow ADF to further their mission while creating $1-2 million in revenue. Through research, analysis, and ideation, our team is proposing the Employee Carbon Neutralization Program (ECNP.) ECNP is an unprecedented solution for companies to neutralize their carbon footprint while engaging their employees. The ECNP platform allows employers and employees to work together to become carbon neutral in a fun and fulfilling way. It consists of the following key elements:

- *Partnership* - ADF will work with a company to create a customized ECNP to fit the company's needs and goals.
- *Employee onboarding and assessment* - From the ECNP online platform, employees will take a carbon emission assessment that will calculate the amount of carbon needed to be offset or reduced to become neutral.
- *Reduction and offsetting* - Employees can reach their goals in three ways:
    1) Carbon matching - Purchasing carbon credits that are matched by employers
    2) Employee experiences - Participating in events such as company-sponsored tree planting
    3) Carbon coaching - Completing activities that reduce carbon emission, such as washing clothes in cold water.
- *Gamification* - Goal progress will be tracked on the application and will include company leaderboards and incentives for reaching their goal, turning carbon neutralization into an exciting challenge.

The ENCP is perfectly positioned to tackle huge problems regarding the environment, employee engagement, and regulation. Climate change poses a tremendous threat to life as we know it, and luckily, individuals are concerned. Additionally, companies need to tackle increasing environmental scrutiny from new regulations and consumer pressure, as well as low levels of employee engagement.

Major implementation milestones will include activities in production, problem-solving, and platform. The first phase will consist of developing the ENCP platform (7-9 months) and working with partners to ensure a steady supply of carbon credits (4-6 months). The next phase will include identifying at Beta company (2-3 months), customizing the program to the Beta's goals (3-5 months), and then onboarding their employees to the platform (< 1 month.)

Implementing this program will result in wide-scale company and employee carbon neutralization, along with increased employee engagement. Most importantly, millions of trees will be protected or planted.

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Supporting Analysis

Giving, a concept as old as civilization itself, has been on the hearts and minds of this coming generation (millennials and Gen Z) more than it has before. This is especially true when it comes to the prioritization of giving back to the earth. It is no secret that the demographic of the new youth are significantly more environmentally and socially conscious than their predecessors. If their worldview prevails, their successors (Gen Z) will espouse these values more than the Millennials did before them. This underlying principle creates an imperative for organizations designed to benefit both the environment and society to reach out and make possible the giving that these generations so desire.

According to Forbes, consistent giving through payroll tax deductions seem to be the primary mechanism by which it is happening. Similar to investing, taxes, bills, and some existing charitable giving, donations have slowly but surely become an automated part of payroll with more than 60% of companies saying their giving program is year-round. Also similar to 401K programs, many companies are willing and already matching some donations made by their employees. (Ryan, 2016)

Despite appearances, this will not put an unrealistic burden on employers either. It is extremely easy for any 501(c)(3) charitable organization to set up this automation with any employer. And (although it is unlikely that employers would have concrete data on the environmental concern of all of their employees, most employers could give a good estimate for any 501(c)(3) 's "fit" for a particular organization. (Journey, 2019) This obviously makes ADF, with their extremely specific field of work, almost perfect for setting-up recurring donations through payroll deductions. Although not every organization will be the right 'fit' for ADF, the partners that are willing to begin the relationship will be much more committed to the mission as opposed to general charity. The actual establishment of automatic giving is also extremely easy. All it takes is a bit of coordination with the charitable organization itself and the employer in question along with two forms for the IRS, an IRS 2006-110 and a Tax-Exempt organization search. (IRS, 2020)

There are enormous benefits to employers as a result of the implementation of the proposed system directed at recurring giving to the Arbor Day Foundation, especially when the gamification mentioned above aspect of donation is included in the program. According to a 2016 Gallup report, 66% of all employees are not actively engaged at work. (Harter, 2016) This is a disaster. This means that employers are desperately searching for a way to help employees become involved in, enthusiastic about, and committed to their work and workplace. Gamification of giving would be a perfect way to solve this problem. By seeing their employer actively contribute to offsetting their carbon footprint, employees will be more enthusiastic about the company that they are employed under.

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Not only will this program help with employee engagement, but it will also improve the brand image of any company. The vast majority of customers, almost 90% of all buyers are willing to make purchases that directly result in the benefit of the environment. (Young, 2013) If buyers knew that every purchase with a certain seller would directly result in an environmental benefit (through an employer matching program or donations directly from the business), they are almost certainly more likely to make that purchase. This would do wonders for brand image, especially with the rising generation of buyers.

Though some industries are required to purchase carbon credits due to the nature of their business, many (if not all) businesses have the incentive to reduce their carbon footprint or even go carbon neutral. The business of buying and selling carbon credits can be enhanced by automated giving. The ECNP would give individuals the capacity to make a difference regarding their carbon footprint personally. Though individuals could not use carbon credits themselves for tax credits, both individuals and organizations can deduct donations as tax write-offs. This is yet another incentive for businesses and individuals to adopt and participate in this program.

Our recommendation could fill the needs of not only organizations but also employees as they strive to reduce their carbon credit and increase engagement within organizations. In the analysis for our customer segment, we broke the segmentation down into two categories, the target market organization and target market employee.

The target market organization we suggest the ADF focuses on includes a mid-size to large organization. We feel these businesses would be more likely to have the financial stability to offer programs and benefits to their employees for participating in these programs. Next, we believe that ADF should focus on businesses that care about corporate social responsibility and specifically those with strong values around environmental impacts. Lastly, an important characteristic of the target organizations is a focus on employee engagement. A statistic found stated "71% of surveyed employees say it is imperative or very important to work where culture is supportive of giving and volunteering." (Facts & Statistics, 2020.) This demonstrates that businesses that promote charitable giving and volunteering are attracting employees with the same values, providing a large base of people willing to donate. Any of the organizations that the Arbor Day Foundation has previously worked with, like Target, would be perfect examples of the types of organizations that would likely find great benefit in this program.

Additionally, we believe that the target market of employees should be employees that would be considered white-collar as they are more likely to have expendable income to donate to charities. Also, the employees should be and/or want to be more environmentally conscious and more technologically inclined. The gamification of the carbon credit program means it will be more fun and interactive as long as the employees are able to understand the service. Also, the more

the employee cares about making a difference, the more effort they will put into the program to really make a difference in their carbon output. Lastly, we believe the focus of our employee segment should be a younger workforce, falling in the age ranges of 22 to 50. A large portion of the people ages 22 to 50 would be identified as millennials and statistics show that 84% of Millennials donate to charity (The Ultimate List, 2018). In addition, as the millennials are now beginning to maintain a large segment of the workforce and take on leadership positions, it is clear their preferences will have influences in organizations and should be noted. This is a reason for gamifying the donation process which will be discussed next.

Not only do millennials make significant donations but they are also most likely to contribute to work sponsored initiatives, donate via mobile and watch online videos before making a gift (The Ultimate List, 2018). With the educational materials of ADP and the interaction of ECNP, the employees are more likely to feel care. This gives even more reason to gamify the donation processes, as each time an employee donates or works towards reducing their carbon credit they will be able to see it and will also be able to make their charitable acts part of an everyday routine. In addition to creating an experience for employees, when companies use the ECNP they will be giving more incentive for their employees to donate. A study shows that when a charitable choice is given, employee participation increases (Facts & Statistics, 2020). When an organization chooses a charity to work with, it can heavily promote that charity, therefore, encouraging its employees to care and at least growing awareness. When companies focus on charities like they would with the ADF, if they utilize the ECNP, they allow for a collective effort within the company that demonstrates significant results. Evidence of that was found in a statistic stating that more than 49% of non-profit respondents identified workplace giving as a growth strategy for their organization. They see workplace giving and employee engagement programs as opportunities to promote their mission, programs, and services, as well as identify and recruit new volunteers. (Facts & Statistics, 2020)

Results and Recommendations

Our analysis led us to create a new employee engagement program that helps the environment through carbon credits. The following outlines this process.

Partnership - Companies and the Arbor Day Foundation will work together to tailor the program to the company's needs. This includes onboarding to the ECNP online platform, creating employee experiences, and discussing company goals.

Employee onboarding and assessment - Participating employees will gain access to the ECNP platform. Here, they will take a carbon emission assessment to estimate how much carbon they emit. Their emission amount will set their goal for becoming carbon neutral.

Reduction and offsetting - After receiving their assessment results, employees can reduce and offset their carbon in three main ways:

1. *Carbon Matching* - Similar to a 401k or donation matching program, employees can purchase carbon credits that are matched by their employer. Employees can contribute a few dollars from each paycheck, or donate a lump sum. This allows carbon offsetting to become affordable, requiring only a few dollars a month.
2. *Employee experiences* - ADF's well-established employee experience program provides another opportunity for employees. For example, by attending a tree planting event, an employee can receive credit towards their goal.
3. *Carbon coaching* - Based on assessment answers, an employee will be automatically given personalized recommendations on how to reduce their emissions. Recommendations could consist of taking public transportation to work or reducing home electricity. When an employee completes a recommendation, their goal progress will reflect the reduction.
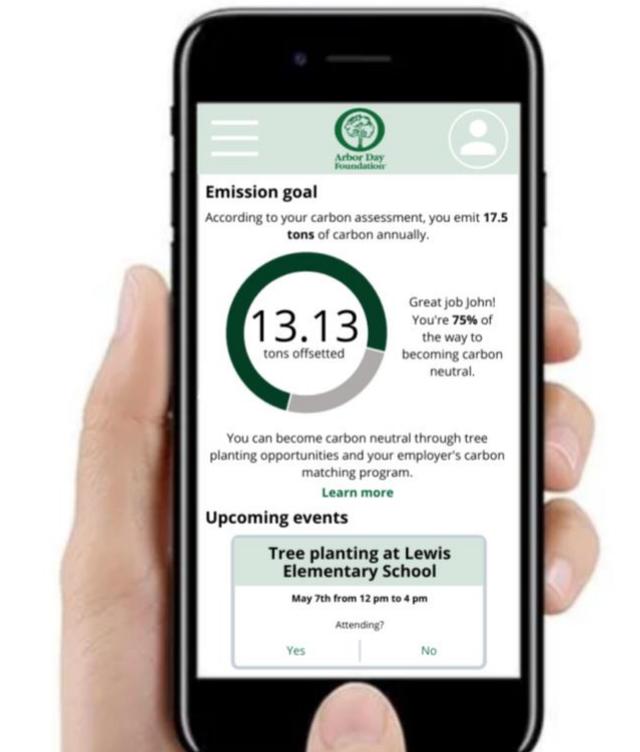
To encourage participation, the ECNP will include gamification elements. Goal progress will be tracked and displayed on the platform. Similar to popular company wellness programs, employers can

offer fun prizes or cash bonuses to carbon-neutral employees. Leaderboards and challenges displayed on the application can create friendly competition across the company.

The Employee Carbon Neutralization Program leverages existing resources and capabilities of the Arbor Day Foundation. First, since this program will require B2B selling, the Arbor Day Foundation story and mission can provide tremendous value. They can also upsell this program to organizations that are their current partners. Since ADF already has created employee experiences, they can easily be added to ECNP.

ADF's carbon expertise will also provide a competitive advantage over other businesses. This expertise will be used with carbon coaching and providing recommendations for reduction. Their relationships with accredited carbon credit suppliers are also key. Ensuring a consistent, high-quality supply for businesses will be necessary.

Value Proposition

1. *Positive environmental impact* - Companies can eliminate their carbon emissions along with their employees. With forestry carbon credits having additional benefits, the potential impact is large.
2. *Improved brand image* - As stated in our research, consumers increasingly care about environmental issues and respect companies who display eco-consciousness. Participation in this program displays deep care for the environment and provides metrics that can be easily communicated.
3. *Increased employee engagement* - This program gives a new benefit to employees never seen before. Not only can they become carbon neutral in a fun, easy, and affordable manner, but they can participate in unique and exciting experiences.
4. *Tax write-offs* - Supporting a carbon project by a registered non-profit organization is tax-deductible. Employees and companies can claim tax benefits; employees claim the credits they directly paid for, while employees claim the matching credits they paid for.

Although this program offers values to businesses and employees in several ways, our team believes the most important impact involves the overall environment. Imagine the Arbor Day Foundation being responsible for hundreds of companies and thousands of employees becoming carbon neutral. The number of trees protected and planted would be incredible.

Key Activities

On the business side of our Employee Carbon Neutralization Program, there are some Key Activities that will need to be reached to make it successful. These activities will be crucial to making this a successful aspect of Arbor Day's day to day operations.

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Problem Solving - It will be up to Arbor Day, and the proposed Customer Relationship Manager / Team to be the individual laying out what the partnered companies could achieve with this program. While it is great to say they will be helping out the environment, Arbor Day will need to provide a clear set of outcomes that are specific to the company Arbor Day is currently partnered with. This will be executed in a fashion where the Arbor Day team works with the companies and with their employee engagement individuals to set both goals and possible outcomes for that specific company. The most important "problems" to touch on is the amount of Carbon that will be able to realistically be offset by that specific company, as well as defining what those employee engagement experiences will look like and how frequently they can be executed.

Platform - As with what Arbor Day already has on their website, a solid, simple, easily understood platform will be crucial when implementing the ECNP. When rolling this out to partnering companies, it needs to work. If companies are unable to use the platform, and especially if employees are unable to use the software, the entire program may be viewed as a waste of time from the corporate partners.

Production - Arbor Day will need to make sure they are able to sustain the supply of high-quality carbon credits to ensure the program is able to expand, especially with consideration towards larger organizations that will utilize this service.

The timeline for these key activities to be executed is outlined in the following image.


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Channels

Owned-Direct Channels - The main way to reach customers with this program should be a Customer Relationship Manager / Team. These individuals will put a face on the ECNP, and sell it's benefits to the prospective buyers. These individuals must have thorough knowledge of the carbon credit industry, and how companies can utilize the service to benefit both the environment and their balance sheet. Constant communication and outreach will help the prospective clients understand the importance and ability the program provides to their employees. This team will also assist with the engagement aspect of the program, helping design the events the companies and partners will be able to put on for their employees. A complete and thorough website or app will also assist this team in the implementation of this new service. Companies and their employees need the ability to find answers, and purchase carbon credits, without needing to contact the Relationship Management Team.

Revenue Streams

Employee Purchased Carbon Credits - The purchase of Carbon Credit directly from employees is part of the main revenue stream of this service. This will allow the actual employees of the companies to purchase their own credits, to offset, and ultimately neutralize, their carbon footprint. These will be directly purchased through either the website or app.

Company Carbon Credit Match - This is the other half of the main revenue stream. When an employee purchases a Carbon Credit, the company they work for will match their purchase up to a certain amount. This will help the company show that they are invested in the program, and the ultimate goal of making the world a better place to live in.
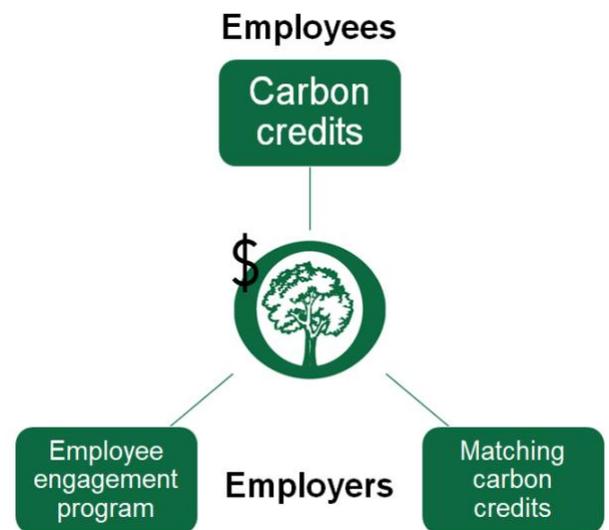
Employee Engagement Program - The Employee Engagement PRogram will be conducted through Arbor Days partnership with companies to provide their employees the opportunity to offset their carbon footprint physically. Revenue will come through the fee of setting up the events for them, and any other services provided for them.

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Appendix

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