

SHRM Foundation Executive Briefing

HR's Role in Corporate Social Responsibility and Sustainability

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Produced in partnership with the World Federation of People Management Associations (WFPMA) and the North American Human Resource Management Association (NAHRMA)

Overview

Organizations are increasingly concerned with sustainability and corporate social responsibility. The HR function is uniquely positioned to assist in both developing and implementing sustainability strategy.

What is sustainability?

Why do firms pursue it?

Sustainability has been defined as the ability “to meet the needs of the present without compromising the ability of future generations to meet their needs.”

As regulatory pressures and societal demands for greater environmental and social responsibility have increased, sustainability has become a key focus for many organizations. A sustainable organization can be defined as an enterprise that simultaneously contributes economic, social and environmental benefits—known as the “triple bottom line”—to society while also ensuring its own long-term sustainability as an organization. Sustainability is seen by many as increasingly essential to creating shareholder value, as investors and employees look to organizations to be good corporate citizens.

There is an emerging business case that corporate performance, under the right conditions, can be enhanced in firms focused on sustainability. For example, a 2003 meta-analysis of research studies

suggests that corporate virtue in the form of social and environmental responsibility is likely to pay off financially.

PwC: Building Sustainability Mindset and Skills in Leaders

At PricewaterhouseCoopers, a novel initiative called the Ulysses Program sends teams of high-potential leaders to developing countries for eight weeks. They contribute their professional knowledge pro bono to address a social or environmental issue and, in the process, develop deep learning of the meaning of sustainability and the role of business in influencing economic, social and environmental well-being of communities and markets.

What is HR's role in developing strategy and advancing sustainability?

In organizations adopting a sustainability strategy—whether for business, legal or values-based reasons—HR has an important role to play. The HR function should help formulate and achieve environmental and social goals while also balancing these objectives with traditional financial performance metrics. The HR function can serve as a partner in determining what is needed or what is possible in formulating corporate values and sustainability strategy. At the same time, HR should play a key role in ensuring that employees implement the strategy consistently across the organization. Sustainable human resource management (HRM) can be defined as using the tools of HR to create a workforce that has the trust, values, skills and motivation to achieve a profitable triple bottom line.

Examples of sustainable HRM practices include:

- Encouraging employees, through training and compensation, to find ways to reduce the use of environmentally damaging chemicals in their products.
- Assisting employees in identifying ways to recycle products that can be used for playgrounds for children who don't have access to healthy places to play.
- Designing a company's HRM system to reflect equity, development and well-being, thus contributing to the long-term health and sustainability of both internal (employees) and external communities.
- Emphasizing long-term employment security to avoid disruption for employees, their families and communities.

Corporate Responsibility for Employee Well-Being

In recent years, two companies have made headlines due to their particularly high rates of employee suicides—France Telecom (24 suicides in 2008/2009) and Foxconn China (9 suicides in 2010). In both cases, the reasons cited for the suicides were directly related to organizational culture: long shifts, military-style discipline, a lack of recognition and work overload. This illustrates how HR policies shape the workplace and how HR can improve employee well-being through better working conditions and more positive workplace cultures.

Sustainable HRM is also about the role and sustainability of the HR function in the business. As business strategy becomes more driven by sustainability considerations, the HR function must revise its own mandate and transform the way it performs core HR responsibilities. It must ensure HR managers become enablers of an organization aligned with sustainability, which means taking on new roles and perspectives that have not traditionally been part of the HR brief. For example, the HR function must expand its view of who the company's stakeholders are and ensure that the HRM system enables their sustainability. Only by waking up to the new demands of sustainable businesses can the HR function become an indispensable business partner and safeguard its own future.

Advancing Sustainability: HR's Role (SHRM, 2011)

Recent research shows that HR is not currently accepted as a true partner in determining sustainability strategy, nor is HR a key implementer of sustainability programs. In a survey of more than 700 corporate social responsibility (CSR) and HR professionals in the United States, only 6% of respondents confirmed that HR was involved in developing CSR strategy and 25% maintained that HR was involved in implementing CSR strategy. Yet, 89% of respondents said that CSR is important for attracting top talent, improving employee retention (85%) and developing the organization's leaders (81%). This demonstrates a significant disconnect—and an opportunity for human resources. The HR function clearly has an important role to play in designing and implementing CSR strategy, but it has not yet achieved an influential position.

Research to date indicates that sustainable HRM can contribute significantly to the simultaneous attainment of economic, environmental and social goals. The majority of the research has focused on using HR functions such as selection, communication, training and rewards to achieve environmental sustainability. The term “green HRM” is emerging to describe this. It is clear that sustainable HRM can be critical to employees' engagement, motivation and creativity in finding new ways to reduce inputs, design eco-friendly products and increase quality. Top-management encouragement—particularly supervisory support—also has been identified as key to employee environmental actions. In addition, adopting sustainable HRM and communicating a pro-environmental image can have a positive reputational effect. This helps increase the pool of qualified candidates from which to staff the company, leading to lower recruitment and training costs and a better financial bottom line. In fact, in some cases, a pro-environmental stance may be more important to potential employees than pay or lay-off potential. The role of sustainable HRM in achieving social sustainability has been examined less, but it is clear that trust, job satisfaction and commitment are all higher in companies with sustainable HRM policies. In addition, sustainable HRM can help develop a social sustainability mindset in the company's leadership. It can help a company address wider social problems that are affecting not only its external

community but also the company's financial bottom line. Ultimately, sustainable HRM can contribute positively to firm profitability in a measurable and quantifiable way, as the US Postal Service example demonstrates.

The US Postal Service: Improving the Bottom Line with "Green" Employees

The US Postal Service employees participate in more than 80 cross-functional teams across the United States to drive energy reduction and resource conservation. These teams helped the Postal Service reduce energy, water, solid waste to landfills and petroleum fuel use as well as recycle more than 222,000 tons of material. In total, this generated tangible savings of more than \$27 million for the US Postal Service in one year alone.

The journey to sustainable HRM: Getting started

For organizations aspiring to advance along the corporate responsibility path, the HR function is arguably a critical partner. To get started on the sustainability journey, HR leaders should understand and adopt the practices outlined by leading global frameworks. A number of frameworks exist to support corporate sustainability strategy; however, only a few are truly global, comprehensive and applicable to the majority of organizations.

The main sustainability frameworks are the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, International Standard ISO26000, SA8000 and the Global Reporting Initiative (GRI). Of those, the GRI has become the leading set of guidelines for voluntary sustainability reporting, so it will be used as an example. Most companies that publish sustainability reports—close to 6,000 companies per year worldwide—use the GRI framework to guide their reporting. In doing so, they often find that the need to report creates an internal catalyst effect for the development of strategy and action plans in the organization. The GRI framework can therefore be seen as a guidance document for what should be done, not only what should be reported. The GRI framework covers a range of HR-related activities that support sustainability, such as responsible workplaces, human

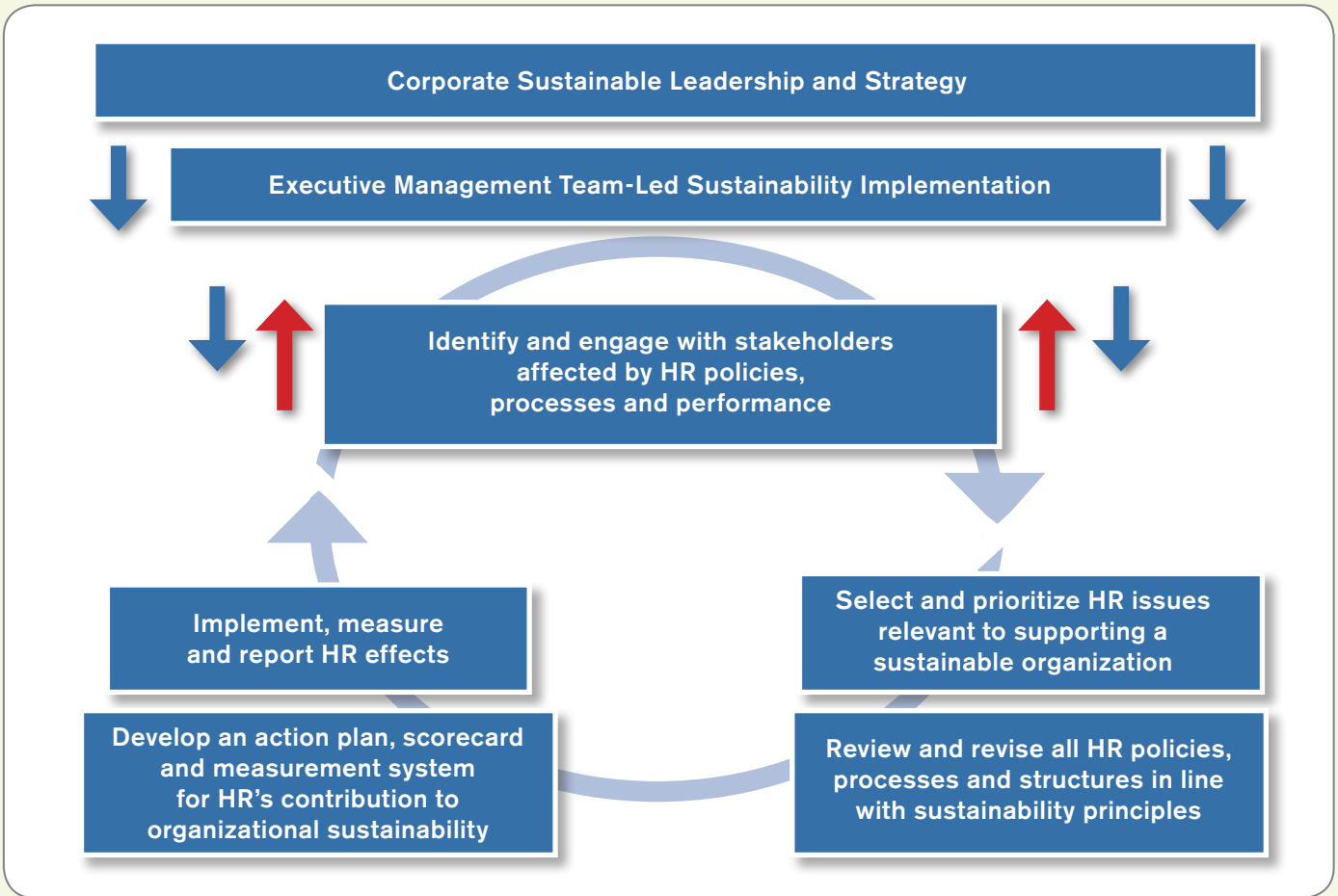
rights, safety practices, labor standards, performance development, diversity, employee compensation and more. HR can use the performance indicators contained in the GRI to create an initial roadmap and scorecard for its contributions to sustainability.

The GRI framework and many other standards have a similar core and use common reference points such as the Universal Declaration of Human Rights and universally accepted International Labor Conventions. To provide the best support for sustainability, HR managers should select a framework that has been adopted on a corporate basis and align their HR policies and processes to the standard's key elements, as required. However, given the common denominator of all these standards, it is also possible to develop a basic, generic roadmap for sustainable HRM and include the key elements contained in all such codes and frameworks.

Whichever standard or framework is adopted, the HR manager should review all HR core functions relating to protection of employee rights, equal opportunity in employment, recruitment, training, development, workplace facilities, health, safety and well-being, compensation, organizational culture, and communications. The process will involve aligning all aspects of the organization's HR infrastructure to support new ways of working sustainably. Throughout implementation, the HR manager would be advised to use a metrics-based tool to support measurement of HR sustainability performance parameters and report these internally and, if the organization has a practice of sustainability reporting, externally as well.

HR's approach must always reflect the business approach to sustainability. Managers should follow a broad roadmap that moves through understanding and engaging the stakeholders of the HR function, identifying the most important issues that the HR function faces and examining all the policies, processes, structures and cultural alignments required to deliver a sustainable HR strategy effectively. This will include identifying appropriate sustainable HRM metrics and correlating these with business outcomes. This process is shown in Fig. 1.

Fig. 1: Suggested Sustainable Organization Roadmap Showing the HR Contribution



Conclusion

The emerging concept of sustainable HRM has important implications both for organizational performance and for the HR function. First, HR must support the development and implementation of corporate sustainability strategy because the unique HR contribution is critical to sustainable business success. Second, to be considered a strategic partner and value-added function, HR must recognize the new sustainability context of business and align its practices accordingly. To do this, HRM needs to provide HR solutions for a sustainable organization as well as manage the HR function in a sustainable way. In this context, the recommended approach

includes the adoption of an iterative process for embedding sustainability values, understanding and engaging HR stakeholders, reviewing and developing HR policies and practices, and tracking and reporting performance and effects. Through this process, HR will demonstrate how its sustainability performance aligns with leading global frameworks and supports the overall business sustainability strategy.

About the Authors

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WFPMA

The World Federation of People Management Associations (WFPMA) is an organization representing more than 450,000 people management professionals in over 70 national personnel associations around the world. For any questions regarding the WFPMA, contact the WFPMA Secretariat at WFPMA.Secretariat@shrm.org.



NAHRMA

The North American Human Resource Management Association (NAHRMA) was founded in 1997 by the national human resource associations of Canada, Mexico and the United States. The Association is the North American representative body for human resource management, representing more than 300,000 human resource professionals and the interests of the human resource profession in North America. NAHRMA maintains contact with its member organizations and with other national and international organizations active in the same or similar fields. The Association seeks to advance, on a nonprofit basis, the interests of the human resource profession, improve the quality and effectiveness of professional human resource management, promote and develop knowledge of human resource issues and the importance of such issues to public and private sector organizations. Online at www.nahrma.org.

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