

Sustainable Human Resource Management in theory and practice

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Abstract

The concept of sustainability – understood as a company’s ability to achieve its business goals and to increase long-term shareholder value by integrating *economic, environmental* and *social* opportunities into its business strategies – seems vital for companies operating worldwide. Additionally, human resources are acknowledged to be among the most valuable assets for them. The purpose of the study is to examine the important factors associated with the organizations’ move towards greater sustainability and the role human resources are and might be playing in that process. The paper contributes to the emerging literature linking sustainability to the issues researched in HRM literature. Initially it discusses how the notion of sustainability has emerged and developed in the HRM literature. Then the role of Human Resource Management in the firm’s sustainability function is presented. Nine large, public, multinational companies rated among the world’s best for their handling of environment, governance, social responsibility, stakeholder management, and work environment issues, are analysed. These are the following: Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips, and Unilever. Finally, areas of HR’s greatest contribution and areas needing more HR contribution are indicated and discussed and suggestions for managerial practices are delivered.

Keywords

sustainability, Human Resource Management, sustainable enterprises

Introduction

In the 21st century, sustainability and sustainable development - applied as synonyms for 'long-term', 'durable', 'sound', and 'systematic' - have become a critical issue for the world and for business in particular. Companies have found themselves in need to develop more sustainable business models, in which the HR function has a key role to play. The understanding of sustainability in theory and practice has been influenced by three main groups: ecologists, business strategists, and the United Nation's World Commission on Environment and Development (WCED, 1987), called the 'Brundtland Commission'.

Ecologists' view on sustainability is said to have been coined in 1712 by the German nobleman Hans Carl von Carlowitz, and referred to the sustainable production of wood. In the 1970s, the term was adapted by the ecological movement concerned with the over-exploitation of natural and environmental resources. While ecologists focus on sustainability's ecological dimension – the protection of the natural environment – the traditional goal of business strategy scholars is economic sustainability of organizations. Business strategists link the term 'sustainability' with 'sustainable competitive advantages'. The Brundtland Commission added a social dimension to the ecological and economic ones, defining sustainable development as a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Since its dissemination through the Brundtland Report (WCED, 1987), the notion of sustainability has been associated with ecological issues in business practice primarily. In the recent years however, the focus on the social dimension of sustainability has become increasingly important. The diffusion of research and practice such as 'Corporate Social Responsibility' or 'Corporate Sustainability', in practice and research, has contributed to the interest in sustainability linked to Human Resources issues.

The purpose of the study is to examine important factors associated with moving organizations toward greater sustainability and the role Human Resources is and might be playing in that process.

1. Sustainability in Human Resources - related research

Today's approaches using the notion of sustainability in HRM and HR-related literature deal with one or more origins of sustainability described previously. Prior research linking sustainability and problems relevant for HRM can be traced in the

literature on Strategic HRM, Corporate Social Responsibility, Sustainable Work Systems as well as Sustainable HRM (Mazur, 2013). The approaches identified in this literature differ with regard to the origin of their understanding of sustainability, their objectives, focus, and theoretical foundations (Ehnert, 2006). With regard to understanding sustainability, the central difference could be found in the conceptualization of sustainability as a 'social responsibility' or as an 'economic rationality'.

2. Sustainable Work Systems literature

The literature on Sustainable Work Systems (SWS), promotes an understanding of sustainability based on the Brundtland Commission's definition and thus conceptualizes sustainability as social responsibility. As sustainability is a very complex concept, the scholars do not try to offer just one truth or one unified message, but rather various impressions on sustainability. For example, Docherty and colleagues propose a stakeholder perspective: Sustainability - as we understand it - encompasses three levels: the individual, the organizational and the societal. Sustainability at one level cannot be built on the exploitation of the others. These levels are intimately related to the organization's key stakeholders: personnel, customers, owners and society. [...] A prerequisite for sustainability at the system level (individual, organizational or societal) is to achieve a balance between stakeholders' needs and goals at different levels simultaneously (Docherty et al., 2002b, p. 12).

An increasingly short-termed profit orientation with strategies like downsizing, outsourcing, or contingent work is hold incompatible with social and long-term economic objectives (Docherty et al., 2002a). A further critical view is pursued by Moldaschl who understands his sustainability perspective as consciously subjective, and value-laden: The term sustainability does not stand for ecology, [...] but for a general resource perspective (2005, p. 5). Overall, the understanding of sustainability from proponents of SWS follows the assumption that the responsibility for negative side effects of their actions on their stakeholders and on society, for HR exploitation, and development are located in companies (Docherty et al. 2002a; Moldaschl, 2005). Work-related stress symptoms, work-dependent psychosomatic reactions, burnout, self-exploitation tendencies, increased pressure of time and work pace, increased pressure to perform, eroding trust in employment relations, and blurring boundaries between work and private life are the examples of these negative side effects (Ehnert, 2006).

The researches of SWS assume that these phenomena appear among highly skilled, self-determined, highly participating, and autonomously acting employees

because these employees face contradictory and ambiguous demands, experience increased work-related stress, and because not all of them are able to cope with these tensions (Ehnert, 2006). The goal of this stream of literature is to improve understanding of the mechanisms and processes leading to HR exploitation or development. While the SWS literature concentrates on detrimental effects of work on individuals, the emerging literature on Sustainable HRM tries to take a broader management perspective.

3. Sustainable HRM literature

As so far at least two distinct concepts have appeared on Sustainable HRM: the first one proposes an integrative HRM concept for reconciling economic competitiveness, self-responsibility, and social responsibility, while the second assumes that sustainability is an economically rational concept and thus ignores identifying a locus of responsibility. Sustainable HRM in the first concept is defined as those long-term oriented conceptual approaches and activities aimed at a socially responsible and economically appropriate recruitment and selection, development, deployment, and downsizing of employees (Ehnert, 2006).

Sustainable HRM is interpreted as a cross-functional task. Theoretical foundations of this approach are derived from the sustainability literature, from SWS literature and from SHRM literature. The researchers assume that companies, employees, and society are mutually in charge of sustainable activities. Therefore, responsibility is extended to employees' responsibility for themselves and for their careers. Human resources are interpreted as 'subjects', as equal partners, and as self-responsible actors.

It is also assumed, that employees' individual objectives include improved employability, increased desire to participate in decision-making processes, higher quality of life, and balancing roles within and outside of work (work-life-balance). In general, the approach conceptualizes sustainability as a mutual benefit for all stakeholders and as a contribution to long-term economic sustainability. Economic success alone is not regarded as sufficient for long-term organizational viability. The authors of the next concept agree with the assumption but seek to find an economically rational explanation for sustainability in organizations and criticize social responsibility as overemphasized in the literature.

In this instrumental and system-based concept, Sustainable HRM is defined from a Sustainable Management perspective as what companies themselves have to

do in their environments to have durable access to skilled human resources. The proponent's intention is not to remind actors of their responsibilities or moral obligations for the employees or the society. Instead, the central assumption is that it is economically rational to act in a sustainable way if resources are limited and that a sustainability perspective could lead to a more realistic theory of the firm. The conceptual objective of this approach encompasses exploring a causal explanation for mutual exchange relationships between organizations and their environments, and developing a general theoretical approach for handling scarce resources (Ehnert, 2006). Organizational environment is not regarded as a set of constraints but as a 'source for resources' which companies need for their long-term existence. To exploit these resources on a long-term basis, the sources for resources have to be sustained. According to this understanding, a company acts in a sustainable and economically rational way if its resource reproduction divided by resource consumption equals one.

4. Sustainability in Strategic HRM literature

In Strategic HRM, the understanding of sustainability has been related to that of economic competitiveness and 'sustained competitive advantages', deriving from business strategy scholars, for a long time. Firm resources are sources of sustained competitive advantage if they are valuable, rare, imperfectly imitable, and difficult to substitute. Human capital has been identified as a very important resource category for building a sustained competitive advantage (Barney, 1991; Schuler and Jackson, 2005). Barney (1991) points out that his definition of sustained competitive advantage is not oriented towards a long-lasting calendar time, but at stability of the competitive advantage over time. Accordingly, the term sustainable or sustainability is not always interpreted as a synonym for 'long-term' or 'durable' in the Strategic Management literature.

Recently, some scholars in the field of SHRM have emphasized a social responsibility oriented understanding of sustainability. For example, Schuler and Jackson state that success requires meeting the present demands of multiple stakeholders while also anticipating their future needs (2005, p. 24). In a similar vein, Boudreau and Ramstad understand sustainability as a new paradigm for HRM and define it as achieving success today without compromising the needs of the future (2005, p. 129). For them, sustainability sheds new light on the understanding of organizational success going beyond the traditional focus of financial results, and the authors

see practical application for the paradigm in HRM fields such as talent pools or sustainable employment relationships. Likewise, an article from Mariappandar focuses on the issue of ‘Sustainable Human Resource Strategy’ which can be defined as the management of human resources to meet the optimal needs of the company and community of the present without compromising the ability to meet the needs of the future (2003, p. 910). With reference to Sun and colleagues (2001), the author proposes that the economic reality of the companies and economic welfare of human society are the two sides of a coin and proper balance of the two is important (Mariappandar, 2003, p. 907).

5. Human Resource’s contribution to sustainable enterprises

To illuminate the issue of the role the Human Resource function is playing in firms’ sustainability, Wirtenberg, Harmon, Russell and Fairfield (2007) talked in depth with key executives at nine large, public, multinational firms rated among the world’s best for their handling of environment, governance, social responsibility, stakeholder management, and work environment issues: Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips, and Unilever. All of them are highly indexed on the list of “The Global 100 Most Sustainable Corporations in the World”¹. The firms represented diverse industry sectors, were founded between 1895 and 1968, and in 2006 averaged over 119,000 employees and \$38 billion in revenues. Five were headquartered in the United States and four in Europe.

For each firm, cited authors interviewed one or two top executives with broad and deep knowledge both of sustainability issues and HR activities in their organizations, including the heads of the sustainability, environmental, health and safety, corporate responsibility, and human resources areas. They carried out 12 semistructured interviews with key-executives with three anchoring questions:

- Does your firm explicitly emphasize the social, environmental, governance, and stakeholder aspects of sustainability and, if so, why?
- How are you aligning your entire organization around sustainability and what are the most significant challenges you are facing?

¹ The *Global 100 Most Sustainable Corporations in the World* is a project initiated by Corporate Knights Inc., with Innovest Strategic Value Advisors Inc. Full details on its methodology and results can be found at <http://www.global100.org>.

- What roles are human resource leaders and the HR function playing in your sustainability journey?

They used an interactive process in which they continuously reviewed interview data as it was being collected to make sense of the dynamics they were hearing and to generate new concepts for further exploration in subsequent interviews.

6. Human Resource's Role and Contribution

To examine HR's role in the sample companies, the cited researchers first rated the extent to which HR leadership:

- Appeared to be in a position of *strategic influence* with their company's top leadership, and
- Were playing a highly *proactive role* in driving initiatives related to sustainability, compared to playing a more consultative or even reactive role.

HR leaders were seen as strongly positioned for strategic influence in five of the nine companies participating on various board- and executive-level committees in which major initiatives were discussed and overseen. In only two companies HR leaders were seen as clearly out of the top-executive loop. On the other hand, HR leaders were seen as proactively initiating sustainability-related initiatives in only three of the nine companies.

Areas in which HR was or could be making a contribution to support human capital for the sustainability of the companies include:

- Leadership development,
- Training and development,
- Change management,
- Collaboration and teamwork,
- Talent management,
- Diversity and multiculturalism,
- Ethics and governance,
- Creating and inculcating values,
- Health and safety,
- Workforce engagement.

The researchers first assessed the degree to which a firm appeared to be engaging in sound human-capital management practices to support sustainability in each area – *regardless* of whether the HR function was involved or not-assigning an S to a company for which they had evidence of reasonably “Strong,” robust activities under way, and a W if there was evidence of a “Weak” performance, or the need for

more or better work in that area. They then took into consideration the degree to which the HR function appeared to be making a meaningful contribution in each area, denoting as S-HR cases for which they had evidence that HR was an active contributor in an area of robust activity, and as W-HR cases for which there was meaningful HR involvement in trying to improve an area of weakness.

Conversely, a cell with S-NoHR indicates a strong activity without involvement by the formal HR function, whereas W-NoHR denotes weak performance of the activity and the absence of the HR function. A blank cell indicates a lack of evidence on which to base a judgment.

As can be seen in Tab. 1, the HR function appeared to be actively involved and contributing to a wide spectrum of activities across the companies in our sample, although the specifics varied greatly from firm to firm. More specifically, the HR function was making meaningful contributions in 76 percent of the 78 rated cells in the table (52 instances coded S-HR plus 7 coded W-HR). The active involvement of HR was greatest in traditional HR areas such as development, diversity, ethics, talent management, and workforce engagement, and least likely in such areas as change management, collaboration/teamwork, inculcating cultural values, and health and safety. Researchers presume that, for the latter two areas, business managers from other functions were playing a reasonably effective role, considering that human capital practices in these areas tended to be robust (i.e., ratings of S) even in the absence of meaningful engagement by the HR function.

Tab. 1. Human Capital Activities and Contributions of HR Function

Areas of HR contribution	Companies in the study								
	Alcoa	Bank of America	BASF	The Coca Cola Co.	Eastman Kodak	Intel	Novartis AG	Royal Philips	Unilever
Leadership development	S-HR	S-HR	W-HR	S-HR	S-HR	S-HR	S-NoHR	S-HR	W-HR
Training and development	S-HR		S-HR	S-HR	S-HR	S-HR	S-NoHR	S-HR	W-HR
Change management	W-NoHR	S-HR		W-NoHR	S-HR	S-HR	S-NoHR	S-HR	W-HR
Collaboration and Teamwork	W-NoHR	W-HR	S-NoHR	S-NoHR	S-HR	S-HR	W-NoHR	W-NoHR	S-HR

cont. Tab. 1.

Talent management		S-HR	W-HR	S-HR	S-HR		S-HR	S-HR	
Diversity and multiculturalism	S-HR		S-HR	S-HR	W-NoHR	S-HR		S-HR	S-HR
Ethics and governance	S-HR		S-HR	S-HR	S-HR	S-HR	S-HR	S-HR	S-HR
Creating and inculcating values	S-NoHR	S-HR	S-NoHR	W-HR	S-HR	S-HR		S-HR	S-NoHR
Health and safety	S-HR		S-NoHR	S-NoHR		S-HR		S-HR	S-NoHR
Workforce engagement	S-HR	S-NoHR	W-HR	S-HR	S-HR		W-NoHR	S-HR	S-HR

(S-HR) - strong area, with meaningful role by HR function; (W-HR) - weak areas, with meaningful role by HR function; (S-NoHR) - strong area, with no meaningful role by HR function; (W-NoHR) - weak areas, with no meaningful role by HR function.

Source: author's elaboration on the basis (Wirtenberg et al., 2007).

7. Areas of HR's Greatest Contribution

The greatest contributions by the HR function to sustainability effectiveness were seen in the fields of leadership development, training and development, diversity/multiculturalism, and ethics and governance. Significant contributions in areas of effectiveness also were seen across many of the companies in talent management and workforce engagement.

- **Leadership Development.** Strong emphasis on creating a culture of development has been noticed in many of the companies. Several companies mentioned they offer almost unlimited leadership development opportunities for their high potential employees. These are oriented around a core of sustainability as an overarching corporate goal.
- **Training and Development.** In a number of companies, HR's role was considered essential to educating people about sustainable development.
- **Diversity and Multiculturalism.** A particular challenge of diversity and multiculturalism related to the issue of transparency and metrics in the

diversity policies and procedures has been observed. The second diversity challenge focused more broadly on how to achieve a “winning inclusive culture strategy” as well as how to achieve “cognitive diversity.” Thirdly, there also appeared diversity challenges in the global context, including practices in the workplace and social issues affecting compensation, such as providing a living wage in developing countries.

- **Ethics and Governance.** HR participation in this area covered high-level HR leadership involvement on the ethics and compliance oversight committees, self-assessments, design and administration of mandatory ethics and compliance training programs (including appropriate ways to be working as well as sustainability and values), and e-learning programs. Several companies were signatories to the UN Global Compact and indicated they have policies and performance standards that in many cases exceed local laws and regulations, especially in the developing countries.
- **Talent Management.** Significant contributions were also made by HR in support of sustainability from the perspectives of talent management. In the context of sustainability, the key to the recruiting and staffing that makes up talent management was providing the right people with the right mental models and values, in addition to their functional expertise. From a pragmatic standpoint, many of the companies saw sustainability as a key competitive advantage in attracting and retaining talent.
- **Workforce Engagement.** Employee engagement was seen as strongly related to the sustainability of the company as not only the right thing to do but as a factor enabling of customer satisfaction and business growth. Moreover, getting employees involved in the journey to sustainability was seen as a major challenge for which HR’s help was sorely needed.

8. Areas Needing More HR Contribution

Several areas in which HR was clearly needed to play a role but was not yet working to fulfill that need and in which HR was already playing a significant role but there was still a need or gap in that area were identified. Areas in which fewer than half of the companies identified a meaningful contribution by HR in support of the sustainable enterprise were change management, collaboration and teamwork, creating and inculcating values, and health and safety.

- **Change Management.** One respondent indicated a need for more support in change management, yet another spoke of HR as being the center of the change.
- **Collaboration and Teamwork.** The ability to lead cross-functional collaborative teams was seen as an important competency for HR to bring to the table. Typically sustainability teams are cross-functionally matrixed structures. Several companies also had teams organized around specific issues, such as water or energy, with internal portals for information transfer and building communities of practice. HR is also needed to support relationships beyond the company, such as with nongovernmental organizations (NGOs) and other community stakeholders.
- **Creating and Inculcating Values.** Sustainable values were seen as an essential foundation to sustainability in every company.
- **Health and Safety.** Interestingly, health and safety was considered a strength in every one of the interviewed companies, but HR played a meaningful role in only three of them. In many cases, health and safety is the responsibility of a department separate from HR.

Conclusions

Sustainability is an emerging phenomenon in HRM practice and research. As the world has entered the 21st century, companies found themselves in need to develop more sustainable business models, and the HR function has a key role to play in the process. This paper has attempted to make a contribution to both: sustainability and HRM literature. Firstly, it provided a short historical analysis of the emergence and different origins of understanding sustainability in HRM. Then, as a contribution to sustainability literature, research findings of nine highly sustainable corporations were presented and the areas of HR's greatest contribution and areas needing more HR contribution were indicated. The analysis of a small sample of the corporations suggests the existence of some relationship between the HR function's positioning in the firm and the degree of its contribution in areas of sustainability-related HR practices.

The challenge HR is now facing is to step up to this call and develop the necessary capabilities to help foster greater business and world sustainability.

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Zrównoważone zarządzanie zasobami ludzkimi w teorii i praktyce

Streszczenie

Termin zrównoważony rozwój zaczął zyskiwać szeroką akceptację pod koniec lat osiemdziesiątych XX wieku, po publikacji *Nasza wspólna przyszłość*, znanej także jako Raport Brundtland. W odniesieniu do przedsiębiorstw zarządzanie zasobami ludzkimi ma priorytetowe znaczenie w skutecznej implementacji społecznych zasad rozwoju zrównoważonego. Rekrutacja odpowiednich osób na poszczególne stanowiska, wpisanie zadań wynikających z przyjęcia wymogów rozwoju zrównoważonego, przeprowadzanie określonych szkoleń w obszarze koncepcji rozwoju zrównoważonego oraz audytowanie ich wyników w praktyce może istotnie wpłynąć na realizację koncepcji w danym przedsiębiorstwie. Celem artykułu jest ukazanie zrównoważonego zarządzania zasobami ludzkimi od strony teoretycznej i praktycznej. W części pierwszej artykułu zaprezentowano przegląd stanowisk w kwestii zrównoważonego rozwoju odniesionego do zasobów ludzkich w przedsiębiorstwie, a w części drugiej na przykładzie wybranych przedsiębiorstw - Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips oraz Unilever - zaprezentowano najlepsze praktyki zarządzania zasobami ludzkimi w powiązaniu z celami rozwoju zrównoważonego. W końcowej części artykułu przedstawiono największe osiągnięcia badanych przedsiębiorstw w dziedzinie implementacji zasad zrównoważonego zarządzania zasobami ludzkimi oraz wskazane obszary wymagające dalszej poprawy.

Słowa kluczowe

rozwój zrównoważony, zarządzanie zasobami ludzkimi, dobre praktyki

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