

# From Strategy to an Embedded Sustainable Culture and Practice

## The Seven R's of Sustainable HR Management and Execution

The HR Manager's journey to sustainability is complex. On the way, he or she requires a new level of HR competence and a broad understanding of the HR function's impact on business results, employees, society and broader environmental stakeholder groups. Navigating by the Seven R's of Sustainable HR Management, the HR Manager can plot a course to sustainability which will help to deliver better business and a better world for current and future generations. In essence, this is the true mandate of HRM. It should be seen not only as a strategic approach, but also as an obligatory and non-negotiable element of the HR Manager's role.



### THE AUTHOR

**ELAINE COHEN** ► Corporate Social Responsibility consultant and HR professional at Ramat-Gan, Israel. She is the author of "CSR for HR: A necessary partnership to advance responsible business practices", published by Greenleaf Publishing, 2010.



Sustainable HR policy is far reaching. Fighting stress at work or long hours working for example might help employees to be more motivated, more flexible and more loyal to the company.



When companies fail to deliver on their promises, the most frequent explanation is that the CEO's strategy was wrong. But the strategy by itself is not often the cause. Strategies most often fail because they aren't executed well." (Bossidy / Charan 2002, 15) This comment about strategy execution, which Larry Bossidy and Ram Charan call the "discipline of getting things done", is equally relevant to sustainability as to any other aspect of long-term business performance. Sustainability<sup>1</sup> is a strategy which, to be effective, must be wholly integrated into all aspects of business practice. It must provide the basis for determining what a company will do and how. A business strategy which integrates sustainability has two broad objectives: 1. to ensure the sustainability of the business for the long term, and 2. to ensure that the business contributes positively to the sustainability of the planet and is accountable for its short and long term impacts on people, society and environment.

In any discussion of a business strategy built on sustainable principles, it therefore stands to reason that what we really mean is the discipline of making sustainability part and parcel of working practice. This involves using all the energies and talents of all the people in the business. This is where sustainable business strategy meets sustainable HR Management strategy. The process is often called 'embedding sustainability'. The HR Management function is charged with shaping organizational culture and supporting the development of those organizational processes which build team and individual capability. As such, it must align its approach to people management with the demands of sustainability strategy and practice. And it must do so in a way which applies the same degree of discipline as any other business function. HR must learn how to 'embed' sustainability.

Most Chief Sustainability Officers (CSO) in business today seriously under-

play the potential of HRM when they promote sustainability plans and projects. The CSO often focuses on aligning the company brand, products and services on a sustainability platform. A study published by the Corporate Responsibility Officer Association (CROA) in 2010 defines the role of Director of Sustainability as having "responsibility for developing a comprehensive sustainability strategy across all dimensions of sustainability and delivered through the tools of the practitioner, including issue monitoring, stakeholder consultation, materiality, risk analysis, transparency and reporting".<sup>2</sup> According to this study, the key stakeholders of this Sustainability Director role include employees (but not specifically HR Management!). Their requirements include knowledge of training and education program development, employment best practices, worker health and safety and an understanding of customer and employee societal expectations. The Sustainability Director can best achieve these through a collaborative relationship with HR. Here we come to the paradox of embedding sustainability:

1. The CSO needs the engagement of all employees to ensure successful execution of strategy.
2. The HR Director is the expert in driving employee engagement.
3. The CSO does not typically relate to the HR Director as a key partner in driving sustainability.

The critical link between effective sustainability and employee engagement is the HR Manager. Having established the necessary link between sustainability strategy and employee engagement, the HR Manager must follow a function-specific strategic process. This consists of transforming HR practices into a sustainable reality and can be designed around seven core steps. We shall call these the 7 R's of sustainable HR Management.

**1. Re-vision** One of the first needs an HR Manager must incorporate into sustainable HR thinking is the re-positioning or leverage of the corporate vision or mission into something which is meaningful to all employees. That means going beyond the financial purpose of the organization to reflect a broader social purpose. Every business has social value which is supported by strong financial performance. That social value is propelled by an understanding that a strong business needs a strong society in which to survive and thrive and must have a commitment to a broader societal accountability. Many companies have already articulated this social mission.

Unilever recreated its corporate vision and mission nearly 10 years ago: "We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life." (www.unilever.com). This is a compelling, highly accessible social mission which appeals to exter-



nal and internal stakeholders and has the potential to engage employees at a deeply emotional level. And it is far more compelling than the former purpose which emphasized understanding the “aspirations of our consumers and customers and respond creatively and competitively with branded products and services”.

In 2010, Unilever published a “Sustainable Living Plan”<sup>3</sup> which goes further, establishing a target to “help more than one billion people improve their health and well-being”. Unilever’s 167,000 employees are encouraged to understand how their roles contribute to a sustainable world, rather than simply improving the bank balances of Unilever’s shareholders and investors.

In 1997, the Campbell’s Soup company introduced its financial results saying that the company was all about growth. Growth for growth’s sake lacks the potential to engage employees. In many ways, it can have the opposite effect. Today, Campbell’s Soup is about “Nourishing people’s lives, everywhere, every day” and the company makes this same commitment to its 16,000 employees around the world. Making a positive difference in people’s lives is much more engaging than simply growing revenues and profitability.

The massive concern Walmart changed its corporate slogan some years ago to “Save Money. Live Better” from the previous “Always low prices” as the drive towards sustainability was clearly perceived as more than just getting a better (financial) deal. What is important is the positive effect on people’s lives when they are able to make their financial resources stretch further. With more money available, people can get better education and healthcare, participate in arts and culture, go on vacation, purchase products which improve the way they live their lives and generally gain more pleasure from life using what they have more efficiently. Walmart’s two million and more employees are on a mission to help people live better, not simply save money. This “higher purpose”<sup>4</sup> is far more compelling and engaging.

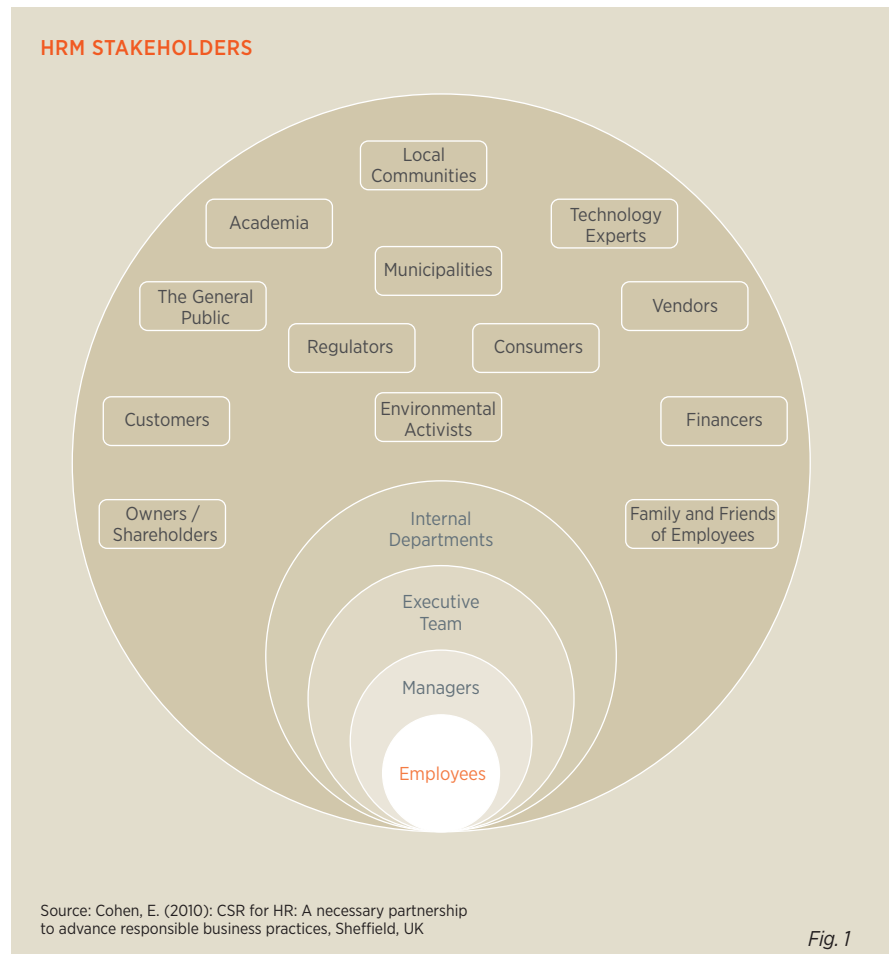
Contrast these with, for example, Rheinmetall AG, who state that “value enhancement through profitable growth is the focal point”<sup>5</sup> for its corporate development, or Blockbuster Inc. which simply states “Blockbuster is recognized around the world as a leader in rentable home entertainment.”<sup>6</sup>

Solar site at Sanlucar la Mayor, near Seville, Spain (top), young boy working in a metal casting factory in Dhaka in extreme conditions without safety gears like gloves, goggles, and other protective material (middle), family day at Premium Aerotec, Nordenham, Germany (left).

Why is this important for the HR Manager? She or he needs to understand that the first step on the road to creating a sustainable culture is internal leverage of an emotionally engaging corporate mission, if one exists, or assistance to the company management in articulating one, if one does not. This is the foundation upon which all aspects of employee engagement in sustainability will be built, as the emotional drivers of a social mission are far more effective than the logical drivers of delivering financial results.

What should the HR Manager do? If no social mission is articulated in the business, he or she could lead a process by which the leadership team grasps and communicates the social mission. Every business adds social value in some way. Every social mission can be articulated. The HR Manager's role is far easier when this mission is already tabled. In this case, the HR Manager must consider how the mission, which may typically have an external focus on consumers or customers, plays out internally. For example, Unilever's "feel good, look good and get the most out of life" is supported internally by a range of programs to help employees be "healthy, motivated and committed, both for their own well-being and our long-term prosperity".<sup>7</sup> The plan includes a comprehensive program to improve the health and nutrition of employees, which has delivered tangible results both for individuals and for the business, in terms of lower absenteeism and lower health costs. A subset of Campbell's Soup's social mission of "Nourishing People's Lives" is "Nourishing our Employees"<sup>8</sup>. This shows how Campbell's sees embedding sustainability internally as absolutely aligned with sustainable business strategy.

Any aspect of a company's social mission that is published externally should be driven internally in the same way. Employees who are engaged in a mission to make



people's lives better should first experience how this mission makes their own lives better. The first step to making HRM sustainable is to ensure that there is an externally stated social mission which is fully integrated into internal programs and practices in the business.

This is all the more relevant when you consider that 52 percent of graduate business students surveyed by Net Impact strongly agreed that the for-profit sector should play a role in addressing social and environmental issues.<sup>9</sup> Likewise, in a survey of 1,650 undergraduates, 88 percent agreed this should be the case.<sup>10</sup> Clearly, a social mission will play a role in motivating new recruits in years to come.

**2. Reality Check** The book, *CSR for HR: A necessary partnership for advancing re-*

*sponsible business practices* (Cohen 2010) introduced the concept of HR stakeholders. No business strategy can be complete without an external reality check. Similarly, sustainable HRM cannot be complete without understanding HR stakeholders. Figure 1 shows the HR Manager's stakeholders.

As a first step, the HR Manager should engage in dialog with the company's managers, including the leadership team, to ascertain what sustainability challenges are ahead and what tailored employee processes would help to navigate these.

Because the impacts of HR policies and practice are so far-reaching, however, the HR Manager needs to look well beyond the management team and the employees. He or she must understand how HR practices are impacting on society and the environment and

## SUSTAINABILITY – HR GAP ANALYSIS

BUSINESS NEED	REDUCE CARBON FOOTPRINT TO MEET NEW ENVIRONMENTAL REGULATIONS, REDUCE COSTS AND ATTRACT INVESTORS	DEVELOP A NEW PRODUCT LINE WHICH WILL BE MARKETED MAINLY TO WOMEN
<b>Capabilities required</b>	<ul style="list-style-type: none"> <li>▶ Technology skills to modify manufacturing / logistics processes and explore renewable energy options</li> <li>▶ Employee engagement in workplace energy savings</li> <li>▶ IT skills to record and report environmental data</li> <li>▶ Engagement with suppliers to identify new sourcing options for lower carbon emission products</li> </ul>	<ul style="list-style-type: none"> <li>▶ Intimate understanding of female purchasing habits</li> <li>▶ Capabilities for marketing to women</li> <li>▶ Ability to dialog with female consumers</li> </ul>
<b>HR Needs</b>	<ul style="list-style-type: none"> <li>▶ Personnel skilled in environmental technologies</li> <li>▶ Proactive engagement of all employees to generate energy savings</li> <li>▶ Purchasing department awareness of renewable and green technologies</li> </ul>	<ul style="list-style-type: none"> <li>▶ An organizational culture which values women and encourages and facilitates their advancement in the workplace</li> <li>▶ Understanding of organizational blockers to women's advancement</li> </ul>
<b>HR Solutions</b>	<ul style="list-style-type: none"> <li>▶ Recruit personnel skilled in environmental technologies</li> <li>▶ Establish a policy and process for Green Teams at each location to support local energy reduction practices</li> <li>▶ Link variable pay to energy consumption reduction targets</li> <li>▶ Define a process for energy saving suggestions with employee participation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Values based training for male leadership on the business case for gender diversity and women's advancement</li> <li>▶ Recruitment, development and remuneration practices which enable and encourage women's advancement</li> <li>▶ Flexible work programs, childcare support, supportive maternity leave policies which support women's retention</li> <li>▶ Compensation policies and practices which are gender-equal</li> </ul>

Fig. 2

what the broader stakeholder groups expect from a business. By engaging with employees' families, for example, an HR Manager may gain insight into the family pressures created when employees are stressed at work, or may engender family support for times when employees need to work particularly long hours. Encouraging families to visit the workplace can give husbands, wives and children a great view of how their partner or parent spends most of their days. This leads to greater understanding of job demands and impacts on family life. The outcome is that the employee may be more motivated, more flexible and more loyal to the company.

HR should consider including other external groups in stakeholder dialog. For example, if the HR Manager is charged with delivering an Employee Volunteering Program, aside from surveying employees for their preferences, the HR Manager may wish to maintain a dialog with local community leaders who can explain the key needs in the community and expectations of the company around volunteering programs. This may be the source of new insight for HR processes such as recruiting, identifying new opportunities for skills-based volunteering or simply ensuring that the right community partner is identified. How many

HR Managers proactively seek out stakeholder groups in order to engage with them about their company's role in society? The potential of such exchanges could provide powerful input for HR strategy development.

**3. Re-assess** By now, the HR Manager understands the need for a social mission and has received input from internal and external sources that provide guidance for HR strategy and policy. At this point the HR Manager needs to re-assess all strategic HR elements to ensure the fit with the sustainability agenda. The following checklist of questions may be helpful in making this assessment:

- What core elements of the company's sustainability strategy will impact on people strategies and HR requirements over the next 3 years?
- How can HRM proactively support the company's sustainability strategy over the next 3 years?
- Does the CEO frequently talk about aspects of business sustainability at internal events?
- Is the leadership aligned on sustainability issues? Are communications consistent with actions? What HR process could help achieve greater alignment?

HR SCORECARD FOR SUSTAINABLE HRM

BUSINESS VALUE (OUTCOME)	HRM METRIC	HRM OBJECTIVE	HRM RESPONSIBILITY
Mitigation of risk due to unethical behavior by employees Enhancement of corporate reputation and trust	Percent of employees trained in values and ethics Percent of employee responses in a survey showing that employees know and support the company values.	Employees understand and behave in line with corporate values.	Values and Ethics
Improved business results, innovation and customer satisfaction	Percent of employees recruited by gender and by minority groups	Recruitment is based on diversity principles.	Recruitment
Lower HR costs due to turnover, improved motivation and trust	Ratio of base salary men to women	Compensation is driven by equal opportunity for men and women.	Compensation
Improved execution of sustainable business strategy	Number of employees with sustainability targets in annual work-plans	Compensation is linked to sustainability performance.	
Reduced business health costs, lower absenteeism, improved productivity	Percent of employees who engage in a corporate wellbeing program Percent improvements achieved in employee wellbeing (health, stress, diet etc.)	Employees are fit to contribute to their maximum capability.	Well-being
Improved business results, innovation and customer satisfaction	Percent of women in management positions Percent of minorities in management positions	Diverse employees are given opportunities to advance.	Development
Improved execution of sustainable business strategy	Percent of employees trained in sustainability	Employees understand sustainability strategy and principles and act accordingly.	Engagement
Employee engagement, reputation benefits, enhanced community relationships	Percent of employee volunteers	Employees contribute to corporate community relations activities.	
Energy and materials costs reductions	Percent of employees participating in 'green' activities	Employees contribute to improving the company's impact on the environment.	

Fig. 3

- Does the company's middle management understand the risks and opportunities for the business associated with sustainability?
  - How will manpower planning (recruitment and / or downsizing) affect impacts on local communities? What are the risks and opportunities?
  - Do employees have an opportunity for community involvement?
  - Are employees taking personal responsibility for environmental stewardship?
  - Do employees understand sustainability and what it means for them in their roles?
  - What behavioral changes from all employees will be required to ensure consistent sustainable practices?
  - How many employees are actively aware of the company's code of ethics?
  - Do we assess risks for human rights violations in our business and the broader supply chain?
  - Do recruitment policies actively support diversity and inclusion?
  - How do internal communications support sustainability?
  - Are marketing campaigns adequately communicated internally alongside external promotion?
  - Do management targets include sustainability themes?
  - What skills are needed in different organizational functions to support sustainability and does HR have a plan to ensure these skills are available?
  - How can we measure the extent to which sustainability is embedded in the business?
  - Are HR staff competent to support sustainable culture, processes and performance?
- Following a review of these questions, and others, the HR Manager should be able to develop a gap analysis relating to specific business needs and the people capabilities to deliver them. This might look something like figure 2. A study conducted in

2008 found that HR directors appeared to be only marginally involved or interested in the firms' CSR activities.<sup>11</sup> A major study conducted in The Centre of CSR Development in the Ukraine in 2010 found that 72 percent of HR directors do not sit on sustainability steering committees in their companies and therefore have little influence on the way sustainability strategy is developed.<sup>12</sup> HR Managers need to reassess how they are integrating HR issues into corporate sustainability strategy, as in the example shown above, and ensure they get a seat at the table.

**4. Reframe** Having established the need for HR solutions in supporting a sustainable business strategy, and analyzed the specific requirements in support of strategy execution, the HR Manager is now well placed to reframe and align HR policies, programs and core processes in order to establish a consistent platform for advancing sustainable HRM. The HR Manager must ensure alignment between different aspects of HR policies in the areas of values and ethics, recruitment, talent management, training and development, compensation, welfare and wellbeing programs, health and safety, internal communications and general support for society and environmental issues. For example, at Campbell's Soup, Dave Stangis, Vice President for CSR, confirms that "every new hire orientation will include a module on the CSR strategy of the company that will describe not only how Campbell's looks at corporate social responsibility but also a specific directive on their participation and contribution in furthering the strategy."<sup>13</sup>

**5. Rate** A key element of advancing sustainability in any business is measuring progress. Measurement of sustainability-aligned results should be a core part of the HR Manager's approach to delivering an embedded sustainability culture and execution of strategy. This implies establishing clear targets at the outset and ensuring that every individual has performance targets which make the connection with sustainability objectives. In the example given above, a critical corporate need is to reduce the company's carbon footprint. Performance measurement systems and performance evaluations should include this reference to performance in this area. The HR scorecard for sustainable HRM may include those aspects shown in figure 3. This scorecard is not exhaustive. Each HR Manager should develop his or her own scorecard, based on the strategic imperatives and execution requirements in his or her own business.

**6. Report** A core principle of sustainability is business transparency. More companies than ever before publish reports disclosing their sustainability performance. In 2010, the number of sustainability reports published reached close to 6,000, the highest number ever. HR practices are a core part of sustainability reporting. The Lloyd's Bank Sustainability Report for 2009 includes a foreword by the HR Director who writes: "We are proud of our diverse workforce. Equally, we have a diverse customer base, with custom-

ers from many different communities and that continues to change. We need to be ready to respond to these changes in order to meet the needs of the communities we serve, if we are to ensure that our customers recommend us as a great place to bank."<sup>14</sup>

HR metrics are included in sustainability reports, and the Global Reporting Initiative<sup>15</sup>, the most widely used framework for sustainability reporting around the globe, includes 25 specific performance indicators which fall within the scope of HRM policies and practices. Whether or not the business publishes an external sustainability report, HR Managers should publish these metrics internally, perhaps as part of an overall sustainable HRM scorecard. Then they can be used as management tools for decision-making and as a basis for discussion with HR stakeholders. Kesko, headquartered in Finland and a leading trade supplier in several industries, devotes 15 pages in its 2009 Corporate Responsibility Report<sup>16</sup> to HR issues, demonstrating how sustainable HR practices are core to business strategy execution.

**7. Repeat** As with any core business process, it must be iterative. The business environment is dynamic and strategies are continuously adapted to meet new needs. Execution requirements must

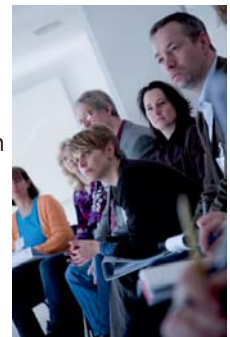
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be adjusted to ensure complete alignment with new objectives. The HR Manager should go back through all the seven R's of sustainable HRM in order to realign and redefine what's most important in any given period of a corporation's business. This is probably most appropriate on at least an annual basis.

### Zusammenfassung

#### In sieben Schritten zur Nachhaltigkeit

In der Ausgabe 12/2010 der PERSONALFÜHRUNG haben wir den ersten Beitrag von Elaine Cohen zum nachhaltigen HR-Management veröffentlicht („It's time for HR to wake up to CSR!“). Ihr aktueller Beitrag in dieser Ausgabe skizziert eine Roadmap hin zu nachhaltiger Personalarbeit. Der erste Schritt besteht darin, die Sinnfrage zu stellen: Gefordert ist eine Unternehmensvision mit emotionaler Ausstrahlung und Überzeugungskraft. Ein Realitätscheck sollte die Erwartungen der Stakeholder in Rechnung stellen, und schließlich gilt es, die Ausrichtung einzelner Handlungsfelder wie Recruitment, Training, Vergütung oder interne Kommunikation auf den neuen Kurs auszurichten. Mithilfe einer HR-Scorecard für nachhaltiges HRM können die ehrgeizigen Ziele überprüft werden. Ein aussagekräftiges Reporting ist ein weiterer Schritt in Richtung auf das Ziel. ●

### Endnotes

- 1 The term “sustainability” now replaces the term “Corporate Social Responsibility” (CSR) and both are often used interchangeably. This article will use sustainability to refer to all aspects of business which impact economic, social and environmental development.
- 2 [www.croassociation.org/files/structuring%20and%20staffing%20cr%202011.pdf](http://www.croassociation.org/files/structuring%20and%20staffing%20cr%202011.pdf)
- 3 [www.sustainable-living.unilever.com](http://www.sustainable-living.unilever.com)
- 4 The concept of “higher purpose” was introduced 2007 by Christine Arena in her book “The High Purpose Company” (Collins).
- 5 [www.rheinmetall.com/index.php?fid=863&clang=3](http://www.rheinmetall.com/index.php?fid=863&clang=3)
- 6 [www.blockbuster.com/corporate/international-Operations](http://www.blockbuster.com/corporate/international-Operations)
- 7 [www.sustainable-living.unilever.com/the-plan/people](http://www.sustainable-living.unilever.com/the-plan/people)
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- 9 [www.netimpact.org/displaycommon.cfm?an=1&subarticlenbr=2581#mba](http://www.netimpact.org/displaycommon.cfm?an=1&subarticlenbr=2581#mba)
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- 11 [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1097179](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1097179)
- 12 [www.csr-ukraine.org/?lang=en](http://www.csr-ukraine.org/?lang=en)
- 13 CRRRA '11, summary of reporting in 2010 published by CorporateRegister.com
- 14 [www.lloydsbankinggroup-cr.com/our-approach/hr-directors-introduction.aspx](http://www.lloydsbankinggroup-cr.com/our-approach/hr-directors-introduction.aspx)
- 15 [www.globalreporting.org](http://www.globalreporting.org)
- 16 [www.kesko.fi/en/Responsibility/Raportit/Keskos-Corporate-Responsibility-Report-2009](http://www.kesko.fi/en/Responsibility/Raportit/Keskos-Corporate-Responsibility-Report-2009)



Volunteers at the Special Olympics International in Inzell, Austria, supporting the athletes (top). Soup redevelopment at Campbell's in Camden, N.J. The food giant is making good on its promise to stay in its hometown of Camden, one of the nation's most impoverished cities.