

The Role of Human Resources

in Building a High-Performance Sustainability Organization

Firms interested in advancing their corporate social responsibility¹ (CSR)/sustainability performance face the challenge of operationalizing their strategy and objectives through their workforce. This article provides the result of a recent project conducted for Industry Canada. The approach was to develop an "issue brief" for the purposes of laying out the challenges and opportunities firms confront in their efforts to bridge the gap between their CSR commitments and their CSR performance through the lens of the human resources (HR) function.

As the two lessons outlined here suggest, human resource management—the function that deals with recruiting, managing, developing, and motivating people—plays a critical role in delivering on a firm's CSR commitments.² Indeed, under-engagement of a firm's workforce in achieving CSR objectives will result in guaranteed CSR under-performance and the risk of "greenwashing" when a firm's rhetoric is not matched by its actions.

Unfortunately, there is a dearth of guidance for the HR professional, who is typically not trained or experienced in CSR management. However, the HR manager is well-positioned within a firm to contribute to the development

Two HR Lessons

LESSON ONE

The Board of Vancity was frustrated with the lack of progress on its CSR strategy. At quarterly meetings, lengthy discussions were held about goals and targets, to be followed by modest actions and effort on the part of senior management. At the time, the CEO's incentive goals were financial and operational—return on investment, efficiency ratio, liquidity, capital adequacy, etc. It dawned on the Compensation Committee that they should include the Board's CSR objectives as a component of the CEO's compensation. The Board now includes its CSR objectives in the CEO's performance incentive package, and Vancity's CSR progress has accelerated the company to the point where it consistently ranks among the top 50 CSR companies in Canada.

Lesson Learned

To encourage CSR uptake on the part of staff, ensure the reward and compensation system is based in part on social and environmental performance goals. Don't send mixed messages about the company's priorities. Provide clear signals to staff about the importance of achieving CSR objectives as well as traditional corporate objectives.

LESSON TWO

In 1999, Vancity's CEO retired and the Board set up a recruitment process to hire a replacement CEO who was even more aligned with their CSR values. The CEO, who took office in 2000, showed alignment with the organization's CSR values to the point that he took Al Gore's "An Inconvenient Truth" training and then made a number of presentations on climate change to over 600 business people and others. Vancity became carbon-neutral in 2008, two years ahead of schedule.

Lesson Learned

If a company seeks turbocharged CSR performance, it is important to include CSR in its recruitment efforts. CSR must be built into its employee brand and value proposition—the job interview needs to address values alignment as much as skills, knowledge, and experience.

of a CSR strategy—which articulates the firm's environmental and social priorities—and to foster its integration throughout the business, so that a CSR culture and ethic becomes the "way we do business around here."

This article, which draws heavily from the Industry Canada-funded issue brief and road map "The Role of Human Resource Management in Corporate Social Responsibility" provides a scan of the key trends and business drivers

for HR's role in CSR implementation, followed by proposed roles for the HR manager to embed CSR throughout an organization.

TRENDS AND BUSINESS CASE DRIVERS OF THE CSR-HR CONNECTION

The following are some of the trends and business case drivers for the integration of a CSR mandate within the HR department. Many are drawn from "The Business Case for Sustainability" at http://corostrandberg.com/publications_Tools.html#25h.

TRENDS

- HR is typically directly involved in CSR activities—up to two-thirds according to one Canadian study.³
- HR is less often involved in implementing CSR strategies (from 17 per cent in Canada up to 25 per cent in the U.K.).⁴
- Fewer still are involved in creating a CSR strategy (6 per cent).⁵
- Research regarding leading Canadian CSR companies concludes that senior management and board-level commitment; engaged staff; and the provision of skills, tools, and incentives are critical success factors for integrating CSR throughout a business—all HR leverage points.⁶
- Employees increasingly seek to work for organizations "with a conscience" that are aligned with their values.

BUSINESS CASE DRIVERS

- Recognition that staffing is a growing area of risk for business confronted by talent shortages brings CSR further into scope for the HR function. CSR efforts can help man-

age the risk of high staff turnover and high recruitment and training costs. Staff engaged in CSR delivery, whose values are aligned with those of their employers, are more productive, motivated, innovative, and loyal.

- A well-executed CSR program can result in reduced employee turnover, as Sears and Novo Nordisk, a Danish pharmaceutical company, have found.⁷
- A frequently cited top driver for a CSR strategy is employee recruitment and retention.
- As the number of Canadian firms adopting CSR policies and strategies increases, it generates a trickle-down effect. After a few years, senior management recognizes the need to engage staff more significantly in implementation, or CSR will remain marginal to the firm's core strategy—generating a performance gap and a risk to the firm's brand.
- A number of studies place employee interest in working for a CSR-oriented company at roughly 75 per cent. Therefore, a firm with these commitments is in a better position to attract the "best and the brightest." Some studies report statistics that demonstrate graduating students would sacrifice a portion of their salary to work for a socially responsible company.

These trends and business case drivers are among the reasons why leading CSR companies are developing their employee brands and value propositions to include a CSR perspective and ensuring that the CSR ethic is part of the employee experience. Savvy HR professionals know that firms that fail to deliver on their CSR commitments will generate employee cynicism and disloyalty, resulting in rising attrition rates and difficulties attracting qual-

ity employees. There are 10 top steps an HR manager can take to embed and align the CSR ethic and strategy throughout the firm. These steps can serve as a starting point for HR managers beginning to develop their CSR role or as a checklist for advanced practitioners to identify gaps in their approach. (The complete checklist can be found at www.corostrandberg.com.)

TEN STEPS TO INTEGRATING CSR INTO HR MANAGEMENT

HR professionals are highly tuned to considering CSR from both a values-based and a business-case perspective. They work in a business function that readily identifies the business and people benefits of fostering CSR alignment and integration. However, they typically lack the tools or methodology for full-scale integration. The following steps attempt to bridge that gap by laying out 10 intervention points that an HR manager can use to leverage the business benefits and the social and environmental outcomes sought by the firm.

STEP 1: VISION, MISSION, VALUES, AND CSR STRATEGY DEVELOPMENT

A critical first step in the development of a CSR strategy or culture is the creation of a vision, mission, and values framework that incorporates CSR or sustainability components. The Co-operators Group Ltd., for example, includes in their mission statement: "... to be a catalyst for a sustainable society." This sets out their intention to play a role in advancing sustainability within their business, and within society in general. Often CSR-oriented companies have a compelling vision or mission, but overlook translating their CSR commitment

into their values. If the firm has not yet incorporated its CSR vision or ethic into its overarching core purpose and values framework, the HR manager may wish to be a champion of such an effort.

In the case of CSR strategy development, HR professionals can bring an important "people perspective" to the exercise. Typically, companies take an interdepartmental approach to strategy building, resulting in the HR manager playing a key role. Many CSR strategies incorporate workforce deliverables, including such aspirations as becoming an "employer of choice" or an organization that models and promotes workforce diversity.

STEP 2: EMPLOYEE CODES OF CONDUCT

The HR department is typically responsible for drafting and updating the employee code of conduct. If a firm seeks behavioural alignment with its CSR commitments and values, it should ensure its code of conduct covers its sustainability ethic, along with conflicts of interest, bribery and corruption, harassment, and other matters. CIBC's code of conflict, for example, includes environmental responsibility among its principles.

STEP 3: WORKFORCE PLANNING AND RECRUITMENT

Workforce planning—the process that assesses the gap between current workforce competencies and those required in the future, and then puts plans in place to close the gap—needs to take CSR competencies into account in the CSR-oriented firm. Structural changes are under way that will affect entire industries, including increasing resource and energy scarcity, labour market shortages, an aging population, climate change, and changing societal norms and government expectations. These shifts and pressures,

and the business opportunities they create, will compel employees to adapt to changing job requirements.

In the recruitment arena, leading CSR companies are incorporating their CSR values into their employer brand and employee value proposition, believing that their CSR ethics can position them well in the "talent war." It is only by marketing their CSR to future employees that are they able to attract values-based employees across all their business lines and functions.

STEP 4: ORIENTATION, TRAINING, AND COMPETENCY DEVELOPMENT

The orientation process is one of the first opportunities to demonstrate how the company is "walking its talk." Along with traditional job orientation elements, employees should be provided with a clear line of sight from their position and responsibility areas to the company's vision, mission, and core CSR values and goals. They should learn how their daily work helps the company deliver on its CSR objectives.

In addition to the orientation, there should be regular CSR training of employees to ensure a common perspective and understanding of their industry's social and environmental footprint, risks, challenges and opportunities, and how the industry and the firm are positioned to respond.

STEP 5: COMPENSATION AND PERFORMANCE MANAGEMENT

As highlighted in the Vancity scenarios presented earlier, integrating CSR objectives into compensation and performance management systems is fundamental to fostering CSR compliance among employees. Today, Vancity's CSR commitments (referred to as their "Statement of Values and

Commitments") are incorporated as a key area of accountability in all executive role descriptions with the expectation that this approach will be cascaded down throughout the organization.⁸ At Assiniboine Credit Union, their balance scorecard includes a CSR component, which drives a portion of the annual bonus for their executive team.⁹ To motivate CSR commitment and innovation, it is important that the total reward and recognition package—including the base salary, incentive pay, long-term incentives, and non-monetary recognition benefits (such as award programs, employee of the month, promotions, career pathing, etc.)—are aligned with the firm's core CSR values and strategy.

STEP 6: CHANGE MANAGEMENT AND CORPORATE CULTURE

CSR management is fundamentally a change management exercise. Successful integration of social and environmental factors into company processes necessitates rethinking the business model and the "way business is done around here." Done well, it requires new skills, new decision-making approaches, new relationships, and a new way of thinking about the business value proposition. Mindsets and behavioural change come about through role modelling, building awareness, desire (what's in it for me?) and conviction, developing knowledge and ability, and reinforcement through incentive programs.

STEP 7: EMPLOYEE INVOLVEMENT AND PARTICIPATION

Employee engagement is a top priority of company management. The link between engagement and productivity is well known, and many a chief executive has made increased employee engagement a corporate priority. In the case of building a CSR culture, employees should

be active participants in developing and implementing a firm's CSR vision, mission, values, and strategy. Leading companies are also leveraging employee action on sustainability within the workforce, at their homes, and in the community—setting up engagement programs that encourage employee efforts to advance social and environmental outcomes at work and beyond.

Those firms that conduct annual employee engagement surveys are beginning to also track employee views of the firm's CSR commitment. For example, Hewitt Associates, which regularly tracks employee engagement for Canadian firms, is incorporating a number of CSR questions in its survey for the first time, such as: "This organization's strategies/activities are socially/environmentally responsible." Organizations that track employee perceptions in this way are likely to be on top of the credibility and trust gaps that could undermine future employee and customer confidence.

STEP 8: CSR POLICY AND PROGRAM DEVELOPMENT

The HR department often has direct influence over a number of CSR programs and commitment areas. These may include diversity, work-life balance, health and wellness, volunteering, and some environmental programs—such as employee commuting and the promotion of alternative transportation. To be an "employer of choice"—a frequent CSR goal—requires initiating these CSR policy and program initiatives. Proactive HR managers can scan their responsibility areas to identify opportunities to role model and activate a CSR ethic within their department.

STEP 9: EMPLOYEE COMMUNICATIONS

Effective employee communications are typically named as one of the critical success factors for implementing CSR. From communication of board and management commitment to regular updates on CSR progress, employee communications are fundamental to further driving CSR into the DNA of the organization.

STEP 10: MEASUREMENT, REPORTING—AND CELEBRATING SUCCESSES

Most companies find that the process of tracking and measuring their CSR performance, particularly against annual and longer-term targets, is a key driver of continuous improvement—proving the management adage that "what gets measured gets managed." This is no less true with respect to the process of CSR embedment. Scores received on engagement questions can be illuminating, as can values-alignment questions, such as:

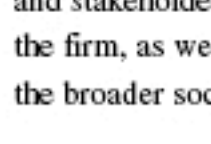
- "I am aware of and understand our CSR strategy."
- "I believe the firm is making progress toward implementing its CSR strategy."
- "I feel comfortable raising CSR issues in the workplace."

The next step—reporting—is as crucial. Firms that report their progress—in building their CSR principles into their DNA—to their board of directors and outside stakeholders are more likely to actively manage the integration process. Other diversity metrics—such as turnover, diversity, health and safety, and employee development—are additional indicators that can tell a compelling story about the workplace culture.

But don't overlook opportunities to celebrate employee success in CSR implementation. From posts on the back and stories in the company newsletter, to awards and recognition nights, it is imperative that people are congratulated and their achievements recognized on an informal and formal basis.

CONCLUSION

The HR department is central to the fulfillment of a firm's CSR objectives. If the HR manager is not centrally engaged in building the CSR value proposition and leveraging the company's role to ensure that CSR is incorporated into its DNA, the firm will likely not realize its CSR objectives. At worst, this may jeopardize the firm's brand and reputation in labour and consumer markets. Ideally, a workforce fully engaged in a firm's CSR strategy will generate both shareholder and stakeholder value of great benefit to the firm, as well as the environment and the broader society.



Coro Strandberg
Principal, Strandberg
Consulting

Coro Strandberg is a sustainability entrepreneur. Her firm, Strandberg Consulting, provides strategic advice, facilitation, and planning services for organizations that are integrating sustainability into the marketplace and the business model. Coro specializes in sustainability strategy development and sustainability embedment—the latter with a focus on governance, human resources management, purchasing, investment, and community investment.

Clients include governments; trade associations; the 2010 Olympics; and banking, insurance, asset management, retail, forestry, academic, and transportation sectors. Coro is a past and director of Vancity Credit Union, and was instrumental in positioning the credit union as a sustainability leader in Canada. She is a thought leader; public speaker, trainer, and author in corporate social responsibility and sustainable markets. For more information see www.corostrandberg.com.

1 The term "corporate social responsibility"—defined as the integration of social and environmental considerations in a firm's governance, strategy and operations—is used interchangeably with sustainability for the purposes of this paper.

2 This article is equally relevant to firms and other non-shareholder organizations such as non-profits and academic institutions.

3 The Society for Human Resource Management, *2007 Corporate Social Responsibility: A Pilot Study* (Alexandria, VA: Author, 2007), pp. 17–19.

4 HR Gateway, "HR Responsibility: The Role of HR in CSR," *Our Press* 13 [online]. (February 2004). [Cited July 6, 2009]. www.article3.com/ATS_OurPress.asp?rAction=GetPublication&PMD=800.

5 The Society for Human Resource Management, *2007 Corporate Social Responsibility: A Pilot Study* (Alexandria, VA: Author, 2007), pp. 17–19.

6 Natural Resources Canada, *Corporate Social Responsibility Lessons Learned* [online]. (Ottawa: Five Winds International, January 2002). [Cited July 6, 2009]. www.livewinds.com/publications/publications.cfm?pid=57.

7 C. Skinner, "Links Between CSR and HR," *Ethical Corporation Magazine* (June 2002), p. 1.

8 Susan Karda, Manager, Organization Development and Learning, Vancity Credit Union. E-mail message. February 25, 2009.

9 Priscilla Boucher, VP CSR, Assiniboine Credit Union. E-mail message. June 16, 2009.