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CSR Leadership Defines Competitive Success

By **Coro Strandberg**

The title of a recent KPMG study says it all—“Expect the Unexpected: Building Business Value in a Changing World.” Exploring issues of sustainability, the summation was simple: the impact of sustainability on businesses will only increase over the next two decades, casting more traditional corporate social responsibility in a new competitive light.

(Em)bracing CSR for Global Change

This poses an urgent challenge for human resources leaders to ensure their organizations anticipate and plan for the inevitable effects of sustainability mega-forces—such as globalization, shifting demographics and competition for the world’s depleting resources. For organizations to succeed in this new global context, current and future leaders will need a host of new skills and competencies—and organizational incentives will need to align with strategic sustainability priorities. HR professionals can influence and enable this strategic shift.

Values-Based Companies to Prosper

Employees increasingly prefer to work for organizations that reflect their values. Millennials want to build careers with organizations that are making a positive difference. Mid-to-late career professionals, on the other hand, may be contemplating leaving their organizations to fulfill a deeply held desire to contribute to the greater good.

In that light, how can we evolve HR’s role within organizations to attract and retain these employees?

Corporate social responsibility (CSR) is strongly correlated with high employee engagement, and thus to innovation and productivity within an organization. Companies with strong CSR and sustainability programs enjoy higher morale and loyalty, according to US research conducted by the Society for Human Resources Management in 2010. Moreover, HR professionals occupy the key role to help foster good internal CSR results and build it into the employee value proposition.

CSR Central to HR Portfolio

The business discipline of sustainability and CSR has only emerged over the past two decades. Originally, CSR was a philanthropic, compliance or operational issue, but given the new business context and rising expectations from investors, customers, government and employees, such “responsibilities” have become an increasingly strategic issue for companies.

For the 21st century organization, social and environmental trends present both global risks and opportunities, which affect operations as well as suppliers and customers. Social and environmental issues are now, more than ever, executive and boardroom issues. As such, CSR considerations are central to the HR portfolio.

Tools to help

There are many resources to help HR managers become proficient in embedding CSR into the employee life-cycle and experience. If done correctly, HR can support an organization to become future-fit, helping to embed social and environmental factors into:

- corporate purpose, vision, mission, values and strategy;
- employee code of conduct;
- workforce planning and recruitment;
- orientation, training and competency development;
- compensation and performance management;
- change management and corporate culture;
- employee involvement and engagement;
- employee communications; and
- celebrating success.

These steps are inextricably linked to HR’s core competencies, including the ability to increase the attractiveness of the employer to desirable potential employees, to create a workforce plan by identifying future talent needs to support the organization’s goals and objectives, and to identify organizational learning priorities aligned with the business strategy.

CSR Critical to Succession Planning

Not far from this issue lies the matter of CEO succession planning. Given the relationship between effective sustainability performance and firm success—and with CEO turnover at about 16 per cent and retirements a top driver of CEO renewal in 2014 (US figures assumed relevant to Canada) according to outplacement consulting firm Challenger, Gray & Christmas—boards and their HR advisors must ensure they have adequately included sustainability and CSR factors in their succession plans and search criteria.

There are six critical CSR requirements for CEO succession planning and recruitment: a “values” role model; externally aware; CSR strategist and change manager; collaborates with stakeholders; serves as catalyst and advocate; and develops responsible leaders.

As CEOs set the tone from the top, getting this right is essential for CSR and sustainability progress within any organization.

Motivating Sustainable Behaviour

HR managers will also need to play a lead role advising on sustainable pay metrics and bonus-able goals. Canadian organizations have a long way to go in getting the right incentives in place. While many TSX60 companies include social and environmental factors in executive compensation plans, most are compliance-focused and backwards-looking, and few have actual targets.

When it comes to sustainable pay metrics, organizations often struggle to find the right incentives for motivating sustainable behaviour. HR managers can play a stronger role building organizational insights in this area and aligning incentive compensation with strategic sustainability objectives.

A value-added HR professional will support the organization to anticipate and manage these profound labour market and societal shifts to foster business and social success. This will not only help achieve positive organizational outcomes, but reveal CSR’s power as a top driver of employee engagement and retention. **■**

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“Things don’t have to change the world to be important.” —Steve Jobs