

# Sustainable Human Resources Management

A Guide for Sustainable Entrepreneurs

**SUSTAINABLE ENTREPRENEURSHIP PROJECT**

Dr. Alan S. Gutterman

## **Sustainable Human Resources Management: A Guide for Sustainable Entrepreneurs**

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### **About the Author**

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# Sustainable Human Resources Management

## §1 Introduction

Mazur explained that 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, often referred to as the "Brundtland Commission".<sup>1</sup> Ecologists have traditionally focused on the ecological dimension of sustainability, generally recognized as a desire to protect the natural environment and prevent over-exploitation of natural and environmental resources. When business strategists speak of sustainability, they are interested in the creation of "sustainable competitive advantages" that will enhance the economic sustainability of organizations. The Brundtland Commission, through its dissemination of the Brundtland Report in 1987, added a social dimension to the discussion of sustainability by defining sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. In the years immediately following the release of the Brundtland Report much attention was paid to the manner in which business organizations coped with ecological issues; however, in recent years the social dimension of sustainability has attracted greater interest and led to the emergence of new research and practice areas such as "Corporate Sustainability" and "Corporate Social Responsibility".

Kim defined sustainable HRM as "strategies and activities to achieve a company's balanced objectives of social accountabilities and economic profits through acquiring, developing and attaining human resources".<sup>2</sup> Kim observed that close collaboration between employer and employee is needed since both sides have divergent perspectives and interests with respect to the employment relationship: employers are seeking to accomplish their goals with respect to sustainable profitability and acting in a socially responsible manner while employees are concerned with their individual interests (i.e., motivation and continuous development to achieve both organizational and personal goals, such as increasing their marketability in the labor market, maintaining their desired standard of living and achieving work-life balance). Kim argues that employees should be empowered to pursue individual sustainability by employers that provide support through their choices with respect to organizational culture, values, goals and strategies and methods and processes, since individual sustainability includes providing best efforts to the organization in line with one's responsibilities.

Kim reported on research conducted at the University of Bern in 2001 based on surveys of 1,000 organizations across eight countries that sought to shed light on the key subject

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<sup>1</sup> B. Mazur, "Sustainable Human Resource Management in theory and practice", *Economics and Management* (January 2014), 158, 159.

<sup>2</sup> S.K. Kim, *Sustainable Management and Future of Human Resource Management*, <http://docplayer.net/14543650-Sustainable-management-and-future-of-human-resource-management.html> [accessed June 16, 2016] The paper includes references to a 2007 study of sustainability efforts among South Korean companies and a brief case study of scheduling and training programs adopted at one of the highest ranked companies: Yuhan-Kimberly, a joint venture between Yuhan and Kimberly-Clark.

areas of sustainable HRM.<sup>3</sup> The two most frequently mentioned areas were human resource development—training and development, re-training, license and certification, and career development—and employee characteristics, such as employee motivation, flexibility, reliability and volunteerism for performance. Kim noted that the survey had a significant influence on subsequent research initiatives relating to sustainable HRM and that researchers had since focused their efforts on topics such as employee wellness programs, work-life balance (i.e., flexible working hours, job sharing, sabbaticals and telecommuting), human resource development (i.e., promoting employee motivation, increasing employee responsibility and expanding training opportunities), and leadership and coaching (i.e., participatory leadership, management by objectives and improved communication among employers and employees).

Stankeviciute and Savaneviciene claimed there are three rationales of sustainability for HRM that provided explanations as to why organizations commit themselves to sustainability.<sup>4</sup> The first rationale was referred to as “normative (social – responsibility)” and was based on the definition of sustainability in the Brundtland Report and required that employers treat their employees in a socially responsible fashion, foster employees’ well-being and reduce the impact of work. The second rationale was “efficiency-oriented” and assumed that organizations strived to lower the utilization of resources through innovations and/or use resources more efficiently. In the context of HRM management, this meant that organizations sought to reduce the impact on the human resources and to decrease the utilization of human resources. Interestingly, development of existing human resources is not addressed in this rationale. The third rationale was referred to “substance-oriented” and focused on maintaining the resource base by investing in its reproduction and seeking and achieving a balance between the consumption and the current and projected supply of resources. In the HRM context, this meant that organizations engaged in activities that would foster the regeneration of human resources including making investments in the origin of these resources (e.g., universities and education systems).

## §2 Research and literature on sustainability and HRM

Mazur explained that the relationship of sustainability to issues relevant for HRM has been addressed in various ways in several strands of HRM research and literature, each of which have different ideas about what “sustainability” is and whether it is a social responsibility or economic rationality.<sup>5</sup> For example, the literature on “Sustainable Work Systems”, or “SWS”, bases its understanding of sustainability on the Brundtland Report and thus sees sustainability as a social responsibility for organizations, which are

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<sup>3</sup> S.K. Kim, Sustainable Management and Future of Human Resource Management, <http://docplayer.net/14543650-Sustainable-management-and-future-of-human-resource-management.html> [accessed June 16, 2016]

<sup>4</sup> Z. Stankeviciute and A. Savaneviciene, “Sustainability as a Concept for Human Resource Management”, *Economics and Management*, 18(4) (2013), 837, 841.

<sup>5</sup> The following discussion of research and literature on sustainability and human resources management is adapted from B. Mazur, “Sustainable Human Resource Management in theory and practice”, *Economics and Management* (January 2014), 158, 159. See also B. Mazur, “Linking diversity management and corporate social responsibility”, *Journal of Intercultural Management*, 5(3) (2013), 39.

expected to assume responsibility for reducing the negative side effects of their actions on their stakeholders and on society. According to Ehnert, examples of such negative side effects include 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.<sup>6</sup> SWS researchers are focused on the individual in the workplace and are primarily interested in gaining a better understanding of the mechanisms and processes that lead to the exploitation of human resources and the aforementioned negative side effects and the steps that organizations can take to achieve a balance among the needs of their various stakeholders (i.e., employees, customers, owners and society).

In contrast to the SWS literature and its emphasis on the individuals, researchers writing on “Sustainable HRM” come at their subject matter from a broader managerial perspective, although Mazur argued that at least two distinct concepts have appeared on Sustainable HRM. One concept focuses on “long-term oriented conceptual approaches and activities aimed at a socially responsible and economically appropriate recruitment and selection, development, deployment, and downsizing of employees”.<sup>7</sup> This concept assumes that companies, employees, and society are mutually in charge of sustainable activities; that employees are responsible for themselves and their careers; and that the individual objectives of employees include improved employability, increased desire to participate in decision-making processes, higher quality of life, and balancing roles within and outside of work (i.e., work-life balance). This concept of Sustainable HRM sees sustainability as being mutually beneficial to all stakeholders and a necessary and important contribution to long-term economic sustainability and also argues that merely achieving economic success will not be sufficient for organizations in order for them to maintain long-term viability.

While the first concept of Sustainable HRM emphasizes social responsibility, a second concept prefers an economically rational explanation for sustainability in organizations and conceives Sustainable HRM to be the actions that companies themselves feel compelled to take in their environments in order to have durable access to skilled human resources. From this perspective, companies act in a sustainable manner with respect to HRM to get and retain their fair share of certain resources, human resources in this case, that are necessary for their long-term existence and not out of any particular sense of responsibility or moral obligation to employees or the broader society. Companies understand that they need to be able to use and rely upon, some might say “exploit”, their human resources for a long time and thus it is necessary, from an economic perspective, for companies to sustain the sources for those resources by, for example, investing in the sources for those resources (e.g., universities and education systems).

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<sup>6</sup> I. Ehnert, “Sustainability Issues in Human Resource Management: Linkages, theoretical approaches and outlines for an emerging field”, Paper presented at 21<sup>st</sup> EIASM Workshop on SHRM, March 30-31, 2006, Birmingham.

<sup>7</sup> Id.

Another strand of HRM research and literature, referred to as “Strategic HRM”, is grounded in business strategy scholarship and sees sustainability as a means, or strategy, for achieving a “sustainable competitive advantage” necessary for a company to maintain long-term economic competitiveness. Prerequisites for consideration as a source of sustained competitive advantage include being valuable, rare, imperfectly imitable and difficult to substitute, and a number of scholars have argued that human capital is definitely an important resources for companies seeking to build and sustain a competitive advantage.<sup>8</sup>

While there is a strong tinge of economic rationality to focusing on human resources as sources of competitive advantage, some Strategic HRM scholars has stressed that companies need to treat these resources in a socially responsible manner and that success means not only serving the present needs of multiple stakeholders but also anticipating their future needs by building sustainable employment relationships.<sup>9</sup> For example, one proposed conceptual model, which is similar to socially-responsible Sustainable HRM, includes among its objectives increasing employees’ employability and long-term development, using participatory management models to enhance individual responsibility, and ensuring a harmonious work-life balance.<sup>10</sup> It can even be argued that economically-rationale Strategic HRM is becoming less and less relevant as the notion of sustainability replaces the traditional standard of measuring organizational success solely by reference to financial returns and is therefore being supplanted by the broader concept of Sustainable HRM that represents the new step in HRM evolution.<sup>11</sup>

Spooner and Kaine argued that most of the literature on HRM and sustainability has been focused on two particular themes.<sup>12</sup> One theme has been identifying and assessing the implications of HRM for organizational sustainability. For example, Wirtenberg et al. wrote that a critical goal for the human resources field is seen to be the development of “competencies, collaborative strategies and organizational capabilities required to support the organization’s sustainability journey” and Harmon et al. observed that HR executives are assessed on their level of contribution to the organization’s sustainability strategies.<sup>13</sup> The second theme stresses the impact that HRM and HR practices within an organization

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<sup>8</sup> See, e.g., J. Barney, “Firm Resources and Sustained Competitive Advantage”, *Journal of Management*, 17(1) (1991), 99; and R. Schuler and S. Jackson, “A Quarter-Century Review of Human Resource Management in the U.S.”, *Management Review*, 16(1) (2005), 11.

<sup>9</sup> R. Schuler and S. Jackson, “A Quarter-Century Review of Human Resource Management in the U.S.”, *Management Review*, 16(1) (2005), 11, 24.

<sup>10</sup> Z. Stankeviciute and A. Savaneviciene, “Sustainability as a Concept for Human Resource Management”, *Economics and Management*, 18(4) (2013), 837, 843.

<sup>11</sup> Id. at 840 (citing I. Ehnert, “Sustainability and Human Recourse Management: A Model and Suggestions for Future Research” in A. Wilkinson and K. Townsend (Eds.), *The Future of Employment Relations* (London: Palgrave, 2011), 215 and W. Freitas, C. Habbour and F. Santo, “Continuing the Evolution: Towards Sustainable HRM and Sustainable Organizations”, *Business Strategy Series*, 12(5) (2011), 226).

<sup>12</sup> The discussion in this section is adapted from K. Spooner and S. Kaine, “Defining Sustainability and Human Resource Management”, *International Employment Relations Review*, 16(2) (2010), 70.

<sup>13</sup> J. Wirtenberg, J. Harmon, W. Russell and K. Fairfield, “HR’s Role in Building a Sustainable Enterprise: insights from some of the world’s best companies”, *Human Resource Planning*, 30(1) (2007), 1; and J. Harmon, K. Fairfield and J. Wirtenberg, “Missing an Opportunity: HR Leadership and Sustainability”, *People and Strategy*, 33(1) (2007), 16.

plays in developing the role of staff in assisting the organization to become more sustainable and/or contribute to environmental sustainability generally.<sup>14</sup>

Spooner and Kaine felt that the two popular themes mentioned above focused too much on the macro level and ignored the role that HRM can and should play in enhancing the sustainability of individual workers. According to Spooner and Kaine, workers were too often “viewed as a tool manipulated by HRM for the purpose of achieving organizational or environmental sustainability”.<sup>15</sup> They criticized this approach and argued that “if the primary role of HRM is the management of the employment relationship of the individual performing work, whether as an employee or a contractor, then it would seem reasonable to assume that the primary focus of HRM in the context of sustainability issues would be the sustainability of the workers themselves.”<sup>16</sup> For Spooner and Kaine, a coherent conceptual framework for examining the relationship of HRM and sustainability must have the sustainability of the worker at its core and their ideal framework “should be comprised of the following elements, each dealing with the implications of HRM activities upon: the sustainability of the organization’s human resources differentiated according to task and HRM domains; the sustainability of the organization; and the sustainability of the broader environment”.<sup>17</sup>

Spooner and Kaine acknowledged that there were a few instances in the literature where the role of HRM in enhancing the sustainability of the worker had been recognized. Among the issues that had been mentioned were the health status of the workforce, achieving “work life balance” and occupational health and safety.<sup>18</sup> Certainly the emotional well-being of workers is impacted by initiatives such as establishing volunteer environmental sustainability programs as a tool for improving employee engagement and boosting morale; however, Spooner and Kaine were skeptical of the motives of the employers and whether or not the employers were more interested in using the workers as tools for achieving organizational and/or environmental stability rather than the welfare of the individual workers.<sup>19</sup> Spooner and Kaine acknowledged that workers are obviously the resources through which HRM might work to pursue and achieves organizational and/or environmental sustainability, and that workers may benefit from those pursuits through their ability to maintain their jobs and live in a healthier and safer external environment, but they argued that if sustainability is concerned with human survival than

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<sup>14</sup> See, e.g., B. Glade, “Human Resources: CSR and Business Sustainability-HR’s Leadership Role”, *New Zealand Management*, 55(9) (2008), 51; C. Jabbour, F. Santos and M. Nagano, “Environmental Management System and Human Resource Practices: is there a link between them in four Brazilian Companies?”, *Journal of Cleaner Production*, 16 (2008), 1922; .and J. Wirtenberg, J. Harmon, W. Russell and K. Fairfield, “HR’s Role in Building a Sustainable Enterprise: insights from some of the world’s best companies”, *Human Resource Planning*, 30(1) (2007), 1.

<sup>15</sup> K. Spooner and S. Kaine, “Defining Sustainability and Human Resource Management”, *International Employment Relations Review*, 16(2) (2010), 70, 75.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 78.

<sup>18</sup> See, e.g., F. Malik, L. McKie, R. Beattie and G. Hogg, “A Toolkit to Support Human Resource Practice”, *Personnel Review*, 39(3) (2008), 287, and J. Pfeffer, “Building Sustainable Organizations: The Human Factor”, *Academy of Management Perspectives*, February 2010, 34.

<sup>19</sup> B. Brenner, “Instituting Employee Volunteer Programs as Part of Employee Benefit Plans Yields Tangible Business Benefits”, *Journal of Financial Service Professionals*, January 2010, 32.

it is appropriate for primary HRM sustainability concerns to include the psychological and physical well-being of workers, as well as their ability through employment development to be sustainable in employment.

Spooner and Kaine felt that while it was important to include individual workers as the focus of HRM sustainability efforts, it was also useful and necessary to distinguish between the task and HRM domains of the worker's experiences in the workplace.<sup>20</sup> The task domain for a worker is typically controlled and monitored by his or her supervisor and includes what the worker does in carrying out his or her job duties and how those duties are performed. How tasks are performed and controlled obviously impact organizational and environmental stability, but also have serious and direct consequences for the worker's continued employment and skill development. There will also be situations in which worker sustainability will conflict with organizational and/or environmental sustainability, such as when a proposed method of task performance, although seemingly the most efficient from an economic perspective for the organization, will create unreasonable risks to the health and/or safety of the worker who is to perform the task. The HRM domain includes a wide array of HRM practices and processes that occur away from the immediate task domain yet have a substantial impact on individual worker sustainability such as compensation, performance management and assessment and worker training and development programs.

### **§3 Role of the HR function with respect to sustainability initiatives**

Wirtenberg et al. analyzed the role that HR leaders and the HR function played with respect to sustainability initiatives at nine large, public, multinational companies that had been recognized as being among the world leaders in handling environmental, governance, social responsibility, stakeholder management and work environment issues.<sup>21</sup> In general, HR leaders were strongly positioned for strategic influence at these companies, meaning that they regularly participated on board- and executive-level committees that discussed and oversaw major initiatives; however, in only a few instances were HR leaders proactive initiators of sustainability-related initiatives. Wirtenberg et al. then turned to assessing how the companies acted and performed in ten key areas that the researchers felt that HR was or could be making a contribution to support human capital for the sustainability of the company: 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; and workforce engagement.

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<sup>20</sup> A. Haidar and L. Pullin, "Public management morality and the employment relationship", *Indian Journal of Public Administration*, XLVII(4) (2001), 629-47; and K. Spooner and A. Haidar, "Implications of the Coombs Commission Report for HRM in the Public Service", *International Employment Relations Review*, 14(1) (2008), 39.

<sup>21</sup> The discussion in this section is adapted from J. Wirtenberg, J. Harmon, W. Russell and K. Fairfield, "HR's role in building a sustainable enterprise: insights from some of the world's best companies", *Human Resource Planning*, 30(1) (2007), 10. The companies included Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips and Unilever. Id. at 12.

Wirtenberg et al. found that the greatest contributions by the HR function to sustainability effectiveness among the studied companies occurred in six of the ten areas listed above:

- **Leadership Development:** A number of the companies placed a strong emphasis on creating a “culture of development” and offered unlimited leadership development opportunities for high potential employees that reinforced a core of sustainability as one of the overarching corporate goals.
- **Training and Development:** The HR function was frequently cited as an essential element of the company’s efforts to educate employees about sustainable development. For example, HR personnel created examples for employees not involved in the technology area (i.e., accountants, administrators and floor workers) to help them see the relationship between their job tasks and sustainable development. The HR function can also leverage its learning management systems to build employee knowledge about sustainability and allow employees to continuously upgrade their competencies with an easy-to-use program that can also track individual performance and engagement.
- **Diversity and Multiculturalism:** The HR function played an active role in addressing a number of challenges and issues relating to diversity and multiculturalism including transparency and metrics in diversity policies and procedures; achieving a “winning inclusive culture strategy” and “cognitive diversity”; workplace practices in the global context; and compensation schemes, such as providing workers in developing countries with a living wage.
- **Ethics and Governance:** HR leaders were heavily involved in ethics and compliance oversight committees, development and implementation of policies and performance standards that often exceed local laws and regulations and which are consistent with the UN Global Compact<sup>22</sup>, self-assessments, design and administration of mandatory ethics and compliance training programs that also covered sustainability and values, and e-learning programs.
- **Talent Management:** HR leaders created value to their companies through their efforts with respect to recruiting and staffing and providing companies with the right people and right mental models, as well as the requisite functional expertise. An emphasis on sustainability also provided companies with a competitive advantage when attempting to attract and retain talent (i.e., the more talented workers tend to be attracted to firms that have been branded as a company that is sustainable and “doing the right thing”).
- **Workforce Engagement:** HR was an important player in getting employees engaged and involved in a company’s journey to sustainability and high levels of employee engagement were also found to be positively related to company sustainability,

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<sup>22</sup> The United Nations Global Compact ([www.unglobalcompact.org](http://www.unglobalcompact.org)) has been touted as the world’s largest corporate sustainability initiative and calls for companies to align their strategies and operations with ten universal principals on human rights, labor, environment and anti-corruption, and take actions that advance societal goals. The four principals dealing with labor include businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation. 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.

customer satisfaction and business growth. Wirtenberg et al. noted that workforce engagement may be the domain that best epitomized the “people” element of the “triple bottom line” and workforce engagement follows from building a sense of commitment among employees who become passionate about making a difference.

More contributions from HR were needed in the remaining four areas:

- **Change Management:** Some think of the HR function as the center of change for their organizations and the general feeling was that HR could do more to support the change management necessary for organizations to successfully embark on the sustainability journey. Among other things, the HR function could provide personal counseling and education to organizational leaders on how to manage change. Change management issues are particularly complex when a new “sustainability culture” needs to be transported across multiple locations and continents.
- **Collaboration and Teamwork:** HR was seen as having valuable capabilities and expertise in managing the cross-functional collaborative teams that are an important part of sustainability initiatives within organizations. Companies often used cross-functional teams as organizational units to focus on specific issues (e.g., water or energy) and relied on internal portals to transfer information and build and maintain communities of practice among different departments. HR skills and participation were also necessary to forge and build relationships with key external stakeholders such as community groups and non-governmental organizations.
- **Creating and Inculcating Values:** As a key participant in the nurturing and dissemination of core organizational values and norms (i.e., the “corporate culture”) the HR function had a large role to play in creating and inculcating the sustainable values that were an essential foundation to sustainability in every company. Among the companies Wirtenberg et al. studied a “sustainable mindset” was essential to career progress within the organization and a strong commitment to sustainable values was a powerful tool in implementing the sometimes difficult changes associated with transitioning to a sustainability strategy.
- **Health and Safety:** Health and safety was considered to be an area of strength in every one of the interviewed companies, all of whom reported that their own health and safety standards far exceeded those mandated by law in the countries in which they operated; however, in many cases health and safety was the responsibility of another department and the general feeling was that there was room for the HR function to play a more meaningful role.

Wirtenberg et al. were also interested in identifying the specific strategic HR competencies that organizations needed to have in order to become and remain sustainable enterprises. In order to do this they focused on a handful of core qualities that their research indicated were associated with achieving “triple-bottom-line corporate sustainability” and amenable to managerial intervention including deeply ingrained values relating to sustainability, strategic positions, senior management support, metrics and stakeholder engagement.<sup>23</sup> They then organized these qualities into a three level

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<sup>23</sup> The authors identified “seven distinguishing qualities that are critical to understanding and evaluating the sustainability journeys of the nine enterprises we studied; and discussed them at J. Wirtenberg, J. Harmon,

“pyramid” that represented an organization’s sustainability journey—“foundation” to “traction” to “collaborative integration”—and discussed how HR could contribute to success in managing sustainability at each level by referring to the areas discussed above.

The bottom level of the pyramid, referred to as the “foundation”, included three fundamental drivers of a successful journey to sustainable management: deeply held corporate values consistent with sustainability, visible support for sustainability from top management, and placing sustainability as central to the company’s business strategy. Wirtenberg et al. suggested that when companies were at this level, just starting out on their road to sustainability, the competencies of the HR function could be best used by ensuring the HR leaders attained positions of strategic influence by working proactively with top management and earning their respect as trusted business advisors. In that way, HR leaders could participate in formulation of sustainable business strategies that simultaneously take into account all stakeholders, as well as the short- and long-term view, and provide leadership development opportunities to build top management support for the sustainability initiative.

The second level of the pyramid, referred to as “traction”, focused on executing top management decisions regarding sustainability values and strategy and included the development of sustainability metrics and alignment of formal and informal organization systems around sustainability. According to Wirtenberg et al., HR can contribute in a number of different ways at this place on the journey including guidance in handling the large and difficult change process; development of necessary competencies to execute the sustainability strategy; supporting and enabling workforce engagement; talent management; training and development; diversity; and creating and inculcating sustainable values.

The third and top level of the pyramid, referred to as “integration”, called for broad stakeholder engagement and holistic integration, which was explained as an elusive state in which all “the many facets and functional domains of sustainability were conceptualized and coordinated in an integrative fashion”.<sup>24</sup> Wirtenberg et al. noted that even the companies they had studied, all of which had demonstrated exemplary progress with respect to implementing sustainability strategies, “seemed to be struggling with reaching this cross-boundary, multi-stakeholder, integrative pinnacle”.<sup>25</sup> The primary HR contribution to integration would be facilitating collaboration among a broad range of stakeholders; however, this would entail having HR leaders venture outside the traditional HR functions and proactively engage in aligning a variety of key enterprise functions around sustainability such as supply chain management, marketing and sales, accounting and finance, public relations, environment, and health and safety.

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W. Russell and K. Fairfield, “HR’s role in building a sustainable enterprise: insights from some of the world’s best companies”, *Human Resource Planning*, 30(1) (2007), 10, 13-15. These “sustainable enterprise qualities” included deeply ingrained values; strategic positioning; top management support; systems alignment (structures, processes around sustainability); metrics; holistic integration (across functions); and stakeholder engagement.

<sup>24</sup> J. Wirtenberg, J. Harmon, W. Russell and K. Fairfield, “HR’s role in building a sustainable enterprise: insights from some of the world’s best companies”, *Human Resource Planning*, 30(1) (2007), 10, 17.

<sup>25</sup> *Id.*

While their pyramid model provided a useful framework for illustrating the when and how HR leaders can make impactful contributions to management sustainability, Wirtenberg et al. noted that putting the suggestions into practice will not be easy. For one thing, it will require that organizations overcome traditional views of the roles and capabilities of the HR function and HR leaders, as well as the members of the top management team, will need to embrace the notion of proactive HR involvement in strategy development and execution. In many cases, HR seems to prefer to remain on the sidelines and play a more consultative role and reacting to the requests of others rather than acting as initiators of change. In addition, some of the most challenging issues facing companies moving up the pyramid call for support in areas in which the HR function has not been strong or actively involved such as creating and inculcating cultural values, facilitating cross-boundary collaboration and teamwork, change management and fostering holistic integration. In fact, Wirtenberg et al. pointed out that these roles have largely been ignored by researchers that have developed HR competency models.

#### **§4 “Art and science” approach to HRM involvement in strategic sustainability**

Schroeder advocated for an “art and science” approach to organizational sustainability initiatives that combined and balanced “soft” skills (i.e., the “art” side of the equation) such as the ability to influence, inspire and motivate others, excellent communication skills and team-building abilities, with “science” related project management capabilities including planning, budgeting, risk management, quality control and performance measurement.<sup>26</sup> Schroeder argued that HR professionals are best placed within their organizations to take on a central role in the art and science approach to sustainability because their role is to work closely with individuals and their skill sets are consistent with the elements mentioned above. He went on to identify and describe the following key areas that required HR input and as to which HR specialists could potentially add value and make a significant contribution to sustainability initiatives:

- **Raising Awareness and Promoting Dialogue:** The HR department, with its skills and responsibilities for training, should be well positioned to develop and deliver training programs that can raise awareness and understanding of environmental sustainability and related issues among all employees, which is important since such awareness is essential for securing employee engagement in and commitment to the sustainability initiative. Schroeder suggested that the HR function could plan and conduct seminars and workshops specifically tailored to the needs of the organization, publish newsletters and other literature, develop or acquire electronic learning resource, and conduct special events (e.g., brainstorming sessions and workshops) that facilitate team- and consensus-building around the sustainability initiative. Key goals in all of this include promoting an understanding of how sustainability can be achieved within specific areas of the organization and making sure that employees know their individual roles and responsibilities in relation to sustainability.

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<sup>26</sup> H. Schroeder, “The Importance of Human Resource Management in Strategic Sustainability: An Art and Science Perspective”, *Journal of Environmental Sustainability*, 2(2) (2012), Article 4, 75.

- Provision of “Art and Science” Skills and Expertise: Schroeder argued that the HR department should be held responsible for “ensuring that the organization possesses the right levels and combination of art and science skills necessary for successful implementation of strategic sustainability, which can be achieved either through training and development of existing employees, or recruitment”.<sup>27</sup> This means that the HR department should conduct an organization-wide review of existing skills and expertise within the workforce to identify current strengths and weaknesses. This information should be used to guide training, recruitment, and allocation of employees to those roles considered key to the development and implementation of the sustainability initiative. The HR department must display the “soft skills” needed to work effectively with organizational leaders and department heads to secure their commitment to the necessary levels of investment and recruitment and modification of the jobs identified as core to the sustainability initiative. At the same time, the HR department must be a good manager of the process, creating accurate budgets and schedules and a “robust business case for sustainability”.<sup>28</sup>
- Human Resources Policies and Procedures: The HR department should consider and implement necessary changes to the organization’s HR-related policies and procedures to ensure that the policies and processes are designed to provide the organization with the required mix of art and science skills for strategic sustainability and that sustainability-related factors are incorporated in organizational competencies and in individual, team and departmental plans and goals. Schroeder identified performance management, rewards and recognition and recruitment and selection processes as being particularly important areas of focus for policy redesign. Schroeder argued that it was essential to redesign selection and assessment systems and policies to ensure that both art and science skills were properly recognized, evaluated and rewarded. Ideas for doing this included incorporating specific art and science skills into job descriptions and core competencies, increased reliance on more qualitative or holistic methods in recruitment and performance evaluation (e.g., in depth interviews or 360 degree appraisals) to complement more structured knowledge tests, and making explicitly incorporating art and science skills into performance-related pay systems and promotion eligibility criteria.
- Socially Responsible Employment: Schroeder emphasized the importance of organizations embracing socially responsible employment and admonished HR specialists to “ensure that that the organization and its suppliers comply with or exceed employment standards and provide favorable terms and conditions of employment to their staff and contractors”.<sup>29</sup> The HR department can assist in this area through development of appropriate policies and procedures and providing training, guidance and support internally and throughout the organization’s supply chain. Schroeder noted that “high quality” HR policies and practices have been linked to improved morale, increased engagement, higher productivity and improved retention. In addition, organizations recognized as socially responsible employers experience improvements in their brand which lead to higher sales and better access to talented potential recruits. HR specialists should work with others in the

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<sup>27</sup> Id. at 79.

<sup>28</sup> Id.

<sup>29</sup> Id. at 80.

organization to incorporate the organization's sustainability practices and successes into marketing and recruitment strategies and materials.

- **Sustainability Champions and Change Management Specialists:** The fundamental premise of Schroeder's suggestions is that HR specialists have the required art and science skills that make them ideally suited to playing a key role in the development and implementation of sustainability initiatives. Schroeder argued that HR specialists should deploy their skills and experience in areas such as team-building and collaboration, communication with internal and external stakeholders, negotiation with organizational leaders and department heads, planning, budgeting, risk management and a range of other science-related skills. A shift toward a sustainability-driven strategy is generally a significant change for any organization and employees will naturally be uncomfortable about what it will all mean for them on a day-to-day basis, even though they may agree with the direction that the organization is taking. The HR department can and should be at the center of any organizational change initiative and should strive to convince organizational leaders to support specific investments and programs that may be necessary to make the changes associated with a sustainability strategy palatable to employees.
- **Performance Measurement:** HR specialists have the skills necessary for the crucial task of monitoring progress toward the organization's sustainability goals and objectives. Performance measurement is essential to demonstrate return on investment, identify and capitalize in business terms on successful achievements, and reveal and address areas where improvements are necessary. Schroeder emphasized that HR specialists should contribute to the performance measurement of employee-related aspects of sustainability by developing appropriate metrics and designing and implementing data collection methods and tools (e.g., analysis of recruitment data, design and implementation of staff surveys and interviews). In addition, it would seem that HR specialists can use their "soft skills" during the performance measurement process to communicate with individual employees about their progress and create development plans for each employee that include appropriate training and other strategies to help the employee become sustainable on a long-term basis as a participant in the broader job market.

Like others who have written on the subject of sustainability and HRM, Schroeder argued for more proactive involvement by HR specialists in planning, implementing and monitoring sustainability initiatives.<sup>30</sup> He noted that HR professionals are often not centrally involved in sustainability initiatives to the extent that their skills and expertise can contribute real value and observed that this may follow from a lack of understanding among many organizations as to how to approach sustainability in a strategic fashion and uncertainly within those organizations about which functional area should take the lead in driving their sustainability initiatives.<sup>31</sup> This means the HR leaders must first recognize the ways in which they can contribute to their organization's path to sustainability and

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<sup>30</sup> H. Schroeder, "The Importance of Human Resource Management in Strategic Sustainability: An Art and Science Perspective", *Journal of Environmental Sustainability*, 2(2) (2012), Article 4, 75, 81.

<sup>31</sup> Id. (citing J. Harmon, K. Fairfield and J. Wirtenberg, "Missing an Opportunity: HR Leadership and Sustainability." *People and Strategy*, suppl. Special Issue: Transitioning to the Green Economy, 33(1) (2010), 16, 17.).

then marshal the arguments that will convince senior management that HR should be given a significant role in the development of organizational sustainability strategies. This is not an easy task, particularly in organizations that are used to a more limited and traditional role for the HR function. Moreover, even if senior management is won over HR leaders will still need to reach out and develop collaborative relationships with leaders of other functions and departments who have their own goals and agendas and may view aspects of the sustainability initiatives as being at odds with the metrics upon which their performance has historically been assessed.

Schroeder's prescriptions appear to fall squarely into the camp of those with a strong focus on the strategic benefits of sustainability initiatives and there is clearly a focus on how the HR function can support sustainability in a way that leads to improvements in economic performance and organizational branding. Care must be taken, however, not to ignore the needs of individual workers in the process. For example, employee training and development should not only include the skills required for attainment of near-term sustainability objectives for the organization but should also strength workers' long-term employability. The concept of "socially responsible employment" should also be a focal point of HR efforts and employees must feel safe and secure about the organization's motives in pursuing sustainability. HR specialists should engage with employees on creating an appropriate and sustainable workplace environment and should reach out to external groups working to develop and disseminate best practices that can be referred to in setting ethical standards within the organization for the employment relationship. Information collected from these activities should be shared with all organizational leaders and department heads through training and development programs so that they are better position to work with individual employees and set the appropriate tone throughout the organization as to how the sustainability initiative will impact the workforce.

## **§5 HRM and corporate environmental initiatives**

Bäbler surveyed the relevant literature and conducted case studies of three Swiss companies using qualitative research methods in an effort to gain a better understanding of the relationship between corporate environmental initiatives ("CEI") and human resource management ("HRM"), with a particular focus on the roles of human resource ("HR") professionals in developing and executing a CEI.<sup>32</sup> Bäbler observed that organizations take up CEIs for a variety of reasons: some see environmental issues as a risk that need to be managed and mitigated through organizational control strategies; others take an entrepreneurial approach and focus on the opportunities that environmental matters provide for creating new business models and strive to transform their processes and core value to "green" business activities; and a third group incorporates elements of the first two approaches at the same time when creating their CEIs.

Bäbler identified the following five HRM practices as being the most relevant to CEI<sup>33</sup>:

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<sup>32</sup> S. Bäbler, *Human Resource Management and Environmental Sustainability* (Zurich: Institut für Strategie- und Unternehmensökonomik at University of Zurich, 2010).

<sup>33</sup> Id. at 30-31.

- **Training and Development:** Training and development focuses on general training plans and guidelines useful for the entire organization as opposed to training programs specifically tailored to individual employees. Training is an important tool in bringing about the changes in skills, knowledge and behavior of employees that is necessary for the success of any CEI.
- **Policies:** The HR department plays an important role in developing policies and rules that guide employees on how they are expected to act with respect to critical aspects of the employment relationship. With regard to any CEI, the HR department will be involved in creating codes of conduct and behavioral guidelines for environmental matters and relevant societal or legal issues.
- **Recruiting:** Recruiting involves the key question of “who will be hired” and the HR department will be tasked with identifying the qualities, competencies and abilities that employees will need in order for the CEI to be successful and recruiting candidates for employment that will strengthen the CEI-related human capital skills of the organization.
- **Compensation and Performance Appraisals:** Compensation practices and performance appraisals impact motivation and skill development among the individual employees of the organization and can and should be tied to the overall goals and objectives of the CEI. In particular, compensation decisions can be tied to achievement of personal performance targets that align with the tasks and other activities required for the success of the CEI.
- **Talent Management:** In general, talent management focuses on identifying and nurturing high performing employees who appear to have the potential for promotion to higher positions within the organization. In the context of a CEI, the role of the HR department is to define the specific skills and personal attributes that organizational leaders are expected to have and incorporate those skills and attributes into talent searches and talent development programs.

Bäbler noted that three of the practices described above—training and development, policies and recruiting—could be considered as “macro-level” activities of the HR function that are primarily concerned with the organization as a whole, and the remaining two practices—compensation and performance appraisals—while requiring general know-how and experience from the HR department, are most often practiced at the “micro-level” where the focus is on the performance and development of individuals within the organization.

Bäbler then went on to describe four key roles and responsibilities for HR professionals that might be applicable to any CEI, each of which is described below in ascending order of the level of involvement of HR in the CEI<sup>34</sup>:

- **Change Facilitator:** The roles of the HR professional as a change facilitator is to anticipate the need for organizational changes in connection with any CEI, prepare the organization for change through clear and thoughtful communication of the necessary changes, oversee execution of the necessary changes, and energize others

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<sup>34</sup> Id. at 33-34.

to accept and embrace the changes. Execution of the change initiative, rather than development and influence of the initiative, is the key role here and typically includes organizing training and education programs to disseminate information on the initiative developed by other organizational departments.

- **Collaborator:** As a collaborator the HR professional works across internal and external organizational boundaries to share information rather than compete with others in the organization and uses his or her skills and preexisting HR “know-how” to create “win-win” situations needed in order for the CEI to be successful. For example, HR professionals can use their experience with designing and implementing compensation and performance appraisal programs to assist other departments modifying their practices in those areas to achieve closer alignment with the CEI objectives.
- **Innovator:** As an innovator the HR professional would proactively develop new approaches to managing people and help the organization create an environment that supports continuous learning and creativity. In order to serve as an innovator the HR professional must be able to bring external knowledge and approaches into the development and executive of the CEI and use his or her communication and persuasion skills to convince organizational leaders that the ideas will add value to the CEI.
- **Strategic Partner:** In this role the HR professional would be involved with understanding and attempting to align the concerns of multiple stakeholders, including employees, customers, shareholders and the society at large, and educating managers about the value of human resources and the consequences of managing people effectively (or ineffectively). A strategic partner is an integrator, coordinator and executor of the CEI and this type of role is generally only feasible for an HR professional if he or she has been accepted into the senior executive team of the organization and recognized as a partner in overall strategy development and implementation.

Finally, Bähler applied the models of practices and roles to the observed activities of the HR function in the three Swiss companies that were analyzed to illustrate the contributions that HR professionals actually made to CEIs.<sup>35</sup> In general, Bähler found the most common role of the HR department to be that of “collaborator”, meaning that HR added value to the CEI by sharing necessary and appropriate know-how with others in the organization to facilitate the integration of the CEI. For example, HR departments in the three companies assisted with the development of policies, such as an environmental code of conduct; provided support to other departments in their efforts to develop training programs in the areas of compensation and talent management in order for the CEI to be successful; and acted as the execution partner for the CEI with respect to recruiting and training new employees. In one instance, the HR department participated as a “strategic partner” as it acted as the coordinator, integrator and facilitator for all of the CEI-related training activities of the organization including training that was primarily focused on providing employees with the new skills necessary for them to perform their roles as opposed to training on traditional HR-related topics.

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<sup>35</sup> Id. at 82.

Information from the case studies allowed Bähler to provide insights on organizational structure of the HR functions involved in the CEIs, particularly the allocation of decisions and competencies between the headquarters office (“Group HR”) and local offices (“Local HR”).<sup>36</sup> In general, decisions regarding overall policies and strategies were centralized with Group HR, which made sense given the need to coordinate with other functional departments. Required competencies for the Group HR team included coordinating and aligning HR processes with the CEI, integrating environmental policies into the HR framework, encouraging empowerment for “bottom up” initiatives and ensuring top management support for the CEI. In contrast, decentralization to Local HR teams was the preferred course of action for training and recruiting activities and the relevant competencies included knowing the environmental skills of employees, conducting environmental training and information sessions, knowing the local labor market for environmental skills and acting as a competent execution partner for the CEI.

## §6 ROC-model of sustainable HRM

De Prins et al. noted that the implementation of corporate social responsibility (“CSR”) initiatives continued to be a learning process for most companies.<sup>37</sup> They explained that CSR was a “process of continuous improvement, in which companies voluntarily and systematically integrate economic (“Profit”), environmental (“Planet”) and social considerations (“People”) into their overall business operations” and that this process required transparency and consultation with a wide range of company stakeholders including shareholders, employees, managers, employee representatives, suppliers, buyers, customers, consumers, the local community in which one does business, the government, environmental associations, NGOs and others. They pointed to surveys that showed that while some companies were proceeding from a fully integrated vision that addressed all three dimensions, most companies tended to implement only some aspects of CSR. In particular, while a significant amount of attention had been paid to CSR efforts related to ecology or the environment (Planet), the community or other external stakeholders (People external) and the economic reality of the company (Profit), much less attention had been paid by companies and researchers to CSR initiatives related to employees and other internal stakeholders (People internal).<sup>38</sup> De Prins et al. argued that “strengthening the sustainability perspective within the context of HRM could contribute significantly to the positioning (or repositioning) of the internal People dimension, thereby improving its balance with the external People, Profit and Planet dimensions of

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<sup>36</sup> Id. at 83.

<sup>37</sup> P. De Prins, L. Van Beirendonck, A. De Vos and Jesse Segers, “Sustainable HRM: Bridging theory and practice through the ‘Respect Openness Continuity (ROC)’-model”, *Management Revue*, 25(4) (2014), 263.

<sup>38</sup> See also J. Pfeffer, “Building sustainable organizations: The human factor”, *Academy of Management Perspectives*, 24 (2010), 34, 35 (searches in Google Scholar found 20,800 entries for “ecological sustainability” and 53,000 entries for “environmental sustainability” but just 12,900 and 569 entries for “social sustainability” and “human sustainability”, respectively).

CSR” and that a good way to do that would be to expand the scope of strategic HRM to incorporate sustainability issues.<sup>39</sup>

While acknowledging that research on “sustainable HRM” was still at an early stage of development<sup>40</sup>, De Prins et al. noted that several useful definitions of the term had already been presented. For example, according to Ehnert: “Sustainable HRM is the pattern of planned or emerging human resource strategies and practices intended to enable an organizational goal achievement while simultaneously reproducing the human resource base over a long-lasting calendar time and controlling for self-induced side and feedback effect on the HR systems on the HR base and thus on the company itself.”<sup>41</sup> Kramar subsequently built on this definition by adding the idea of minimizing the negative impact on the natural environment and on people and communities. Kramer also suggested that there are several common characteristics in attempts to define sustainable HRM and distinguish it from “mainstream” strategic HRM that had dominated discourse on HRM since the early 1980s: development of human capital has become recognized as an essential outcome of HRM processes; sustainable HRM challenges the traditional premise that the primary purpose HRM is to achieve business outcomes; and the acknowledgement of the importance of the longer-term survival of the organization and the role that HRM processes and outcomes can play in contributing to this survival.<sup>42</sup>

In order to understand what is new about sustainable HRM it is necessary to recall the essential elements of strategic HRM. De Prins et al. observed that many of the HRM articles published from the 1980s through 2010 focused on “strategy” from the organizational level and how organizations could “search for added value through people”.<sup>43</sup> They noted that during the 1990s, the following issues were emphasized by proponents and practitioners of strategic HRM: “the link between HRM and financial performance; the fit between HRM and strategy; and HRM and sustainable competitive advantage (the resource-based view)”.<sup>44</sup> Legge referred to this view as a “hard version” of HRM defined as “a process emphasizing the close integration of human resource

<sup>39</sup> See also R. Kramar, “Beyond strategic Human Resource Management: Is sustainable Human Resource Management the next approach?”, *The International Journal of Human Resource Management*, 25 (2014), 1069.

<sup>40</sup> See also I. Ehnert and W. Harry, “Recent developments and future prospects on sustainable Human Resource Management: Introduction to the special issue”, *Management Revue*, 23 (2012), 221, 225 (“the history of research on sustainable HRM is still at the pioneering if not emerging phase. It is only in the past decade that we observe an increase in publications on sustainability and HRM and many HR colleagues seem to remain critical of the concept”).

<sup>41</sup> I. Ehnert, “Sustainable Human Resource Management: A conceptual and explanatory analysis from a paradox perspective”, in *Contributions to Management Science* (Heidelberg: Springer-Verlag, 2009), 74.

<sup>42</sup> R. Kramar, “Beyond strategic Human Resource Management: Is sustainable Human Resource Management the next approach?”, *The International Journal of Human Resource Management*, 25 (2014), 1069.

<sup>43</sup> P. De Prins, L. Van Beirendonck, A. De Vos and Jesse Segers, “Sustainable HRM: Bridging theory and practice through the ‘Respect Openness Continuity (ROC)’-model”, *Management Revue*, 25(4) (2014), 263, 266.

<sup>44</sup> Id.

policies with business strategy which regards employees as a resource to be managed in the same rational way as any other resource being exploited for maximum return”.<sup>45</sup>

Not surprisingly, “what employers want” was a dominant theme during the heyday of strategic HRM.<sup>46</sup> However, as sustainable HRM began to emerge there was a growing recognition that “what employers want” is not necessarily the same as what employees and society/external stakeholders of the organization want or need. Proponents of sustainable HRM pushed for pursuing and striking a better balance and recognizing what Legge “developmental humanism” in the employment relationship that emphasized the “human” aspect and focused on “treating employees as valued assets and as a source of competitive advantage through their commitment, adaptability and high-quality skill and performance”.<sup>47</sup> De Prins et al. explained that in this new “soft HRM” employees became proactive rather than passive inputs into productive processes and were acknowledged as being capable of development and worthy of trust and collaboration achieved through their participation in decision making and individual development.<sup>48</sup>

De Prins et al. suggested that the evolution to the next complementary stage of HRM thinking beyond the strategic HRM tradition could best be seen and understood through the prism of the “Respect, Openness and Continuity” (“ROC”) conception of sustainable HRM developed by De Lange and Koppens, who maintained that sustainable HRM differed from mainstream HRM because of the following characteristics:

- A renewed focus on respect for the internal stakeholders in the organization, the employees (“Respect”);
- Environmental awareness and outside-in perspective on HRM (“Openness”); and
- A long-term approach, both in terms of economic and societal sustainability terms and with regard to individual employability (“Continuity”).<sup>49</sup>

De Prins et al. optimistically predicted that the ROC-model, based on the three building blocks listed above, could support the implementation and mainstreaming of sustainable HRM practices in the same way that the “triple-P” framework has pushed organizations toward implementing CSR. They also noted that the ROC-model was grounded in aspects of stakeholders, institutional, ethical and critical theories that had begun to change as interest in CSR accelerated. For example, the framework of stakeholder analysis suggests that rather than focusing on antagonism between employees and their employers (“labor relations”) it makes better sense to recognize the employees are true

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<sup>45</sup> K. Legge, *Human Resource Management: Rhetorics and realities* (Basingstoke: Macmillan Press, 1995), 43

<sup>46</sup> P. Boselie, *Strategic Human Resource Management. A balanced approach* (London: McGraw-Hill, 2010).

<sup>47</sup> K. Legge, *Human Resource Management: Rhetorics and realities* (Basingstoke: Macmillan Press, 1995), 43

<sup>48</sup> P. De Prins, L. Van Beirendonck, A. De Vos and Jesse Segers, “Sustainable HRM: Bridging theory and practice through the ‘Respect Openness Continuity (ROC)’-model”, *Management Revue*, 25(4) (2014), 263, 271.

<sup>49</sup> Id. at 266 (citing W. De Lange and J. Koppens, *De duurzame arbeidsorganisatie*. Amsterdam: WEKA uitgeverij (2007)).

stakeholders in the relationship and the long-term survival of the organization. Institutional pressures have already impacted HRM-related issues such as achieving and managing diversity. Ethicists have already been asking organizations to consider whether something is “right or wrong” or “how they should behave” in the context of CSR and it is a fair and modest leap to suggest those inquiries should be made when thinking about HRM practices.<sup>50</sup>

The first building block in the ROC-model, “Respect”, “calls for a smarter and more respectful attitude towards resources, and especially towards human resources”. De Prins et al. explained that Respect is based on the “ethical and critical roots of sustainable HRM” and noted that Guest and Woodrow had called upon HRM professionals to act as “ethical stewards” by “aiming for a strong HRM system, forming alliances for the formulation and implementation of policy, seeking opportunities for promoting worker wellbeing and, more generally, seeking to make ethical choices whenever the opportunity arises”.<sup>51</sup> As for critical theorists, their arguments had long been that strategic HRM placed too much emphasis on the organization and not enough on employee welfare.<sup>52</sup> Their solution was “bringing humanity back into HRM” through “self-development, sense making, democratic dialogue, employee participation, autonomy, engagement and talent”.<sup>53</sup> As for HRM systems and practices, more attention needed to be paid to outcomes apart from the organization itself for a range of stakeholders, including employees and their families, and recognizing the outcomes can be both positive (e.g., engagement, wellbeing, work-life balance etc.) and negative (e.g., psychological harm, such as burnout; social harm, such as family breakups caused by stresses experienced on the job; and health harm, such as stress related depression, illnesses and injuries).<sup>54</sup>

De Prins et al. pointed to an evolution from competency management towards talent management and then eventually to sustainable people management as an illustration of how the Respect dimension was being implemented in HRM practices.<sup>55</sup> Competency management has been central to strategic HRM and puts the perspective of the organization first in terms of identifying training and development needs for employees.

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<sup>50</sup> Id. at 266, 269-270. See also M. Ferrary, “A stakeholder's perspective on Human Resource Management”, *Journal of Business Ethics*, 87 (2009), 31; M. Greenwood, “Ethical analyses of HRM: A review and research agenda”, *Journal of Business Ethics*, 114 (2013), 355; and P. Lee, “Configuration of external influence: The combined effect of institutions and stakeholders and corporate social responsibility strategies”, *Journal of Business Ethics*, 102 (2011), 281.

<sup>51</sup> P. De Prins, L. Van Beirendonck, A. De Vos and Jesse Segers, “Sustainable HRM: Bridging theory and practice through the ‘Respect Openness Continuity (ROC)’-model”, *Management Revue*, 25(4) (2014), 263, 271 (citing D. Guest and C. Woodrow, “Exploring the boundaries of human resources managers’ responsibilities”, *Journal of Business Ethics*, 111 (2012), 109).

<sup>52</sup> Id. at 272 (citing H. Van Buren, M. Greenwood and C. Sheehan, “Strategic Human Resource Management and the decline of employee focus”, *Human Resource Management Review*, 21 (2011), 209).

<sup>53</sup> Id.

<sup>54</sup> Id. (citing S. Mariappanadar, “Harm of efficiency oriented HRM practices on stakeholders: An ethical issue for sustainability”, *Society and Business Review*, 7 (2012), 168; S. Mariappanadar, “A conceptual framework for cost measures of harm of HRM practices”, *Asia-Pacific Journal of Business Administration*, 5(2) (2013), 15; and S. Mariappanadar, “Stakeholder harm index: A framework to review work intensification from the critical HRM perspective”, *Human Resource Management Review* (2014)).

<sup>55</sup> Id. at 272-273.

Competency management begins with creating a profile of the desired competencies and then analyzes how the organization's human resources stack up against the profile. The weakest competencies among the workforce are seen as the areas of most opportunity for the organization (i.e., highest potential return on investment) and most of the investment in improvement of work competencies goes toward addressing those weaknesses in order to make workers more productive and efficient, both organizational goals. In contrast, talent management has a greater focus on the employee perspective and identifies and builds on the strengths of individuals—their “talents”—and attempts to draw connections between their interests and competencies and the roles that they play on behalf of the organization. The sustainable people management approach combines the competency and talent approaches through dialogue and mutual respect in order to discuss and implement job assignments and designs which simultaneously fit the organization's mission and allows employees to practice and improve upon their passions.

### The Other Side of Paradise

Arguably the most valuable resource for any business is the minds and commitment of its employees. This is especially true in the technology sector. Larger companies such as Google, Facebook and Amazon are battling for “talent” to maintain their edge and are continuing to invest in research in continuously expanding areas, most of which are uncharted and in which success will depend in large part on the creativity and innovativeness of engineers, developers and designers. In many cases, these giants have purchased entire companies primarily to gain access to their technology and people who helped developed it, even though the acquired companies were far from achieving profitability independently. An article in *The Economist* noted that smaller startups are also scrambling to attract talent, and that established manufacturers in other sectors seeking to compete on the basis of technology are setting up research outposts in Silicon Valley (e.g., leading automobile manufacturers from all over the world including GM, Ford, Nissan and Toyota) that need to be staffed, thus creating more intense competition for human resources.

The result, according to *The Economist* and others, has been a “pay-and-perks arms race” as companies invested lavish sums to make their firms into a “paradise for talent”. At larger companies, workers enjoy generous compensation packages and a dizzying array of perks such as free food cooked by Cordon Bleu chefs, nap pods, workouts in on-site gyms, in-house yoga classes, dry cleaning services on the premises and buses to take them to and from work (a perk that has caused dismay among others in the communities where the buses operate for the additional congestion they create on the roadways). While the founders and other senior executives of these companies site these strategies as signs of their commitment to the value of their staffers, critics and skeptics argue that they are nothing more than “golden handcuffs” used to keep people at their desks and that everyone is expected to work so hard that they wouldn't have time to go outside the building and have a meal, exercise, run routine errands or just talk to somebody other than a work colleague.

Startups lack the resources to replicate what employees find at Google and Facebook, but they still work hard to provide a friendly work environment to keep employees engaged and in the building all day long. In fact, it's possible to put together what is almost a standard menu for “startup perks”: free snacks, coffee, beer (and even hard liquor in some cases); happy hours; company swag including a wide array of branded goodies such as shirts and hats that employees can wear to get the company name out when they're allowed to leave the office; discounted gym membership or health and wellness stipend; employee discounts; casual dress code; fantasy football and March Madness tournaments; dog-friendly offices; and ping pong table, pool table, foosball table or basketball hoop.

*The Economist* observed that the tech economy has long been, and continues to be, a “ruthless meritocracy” in which the best and brightest are extremely well compensated in relation to their peers and the others, those who are merely good but not great, are expendable and can expect to labor in obscurity while the

stars get the credit. It appears that tech workers can benefit from mobility in the sector, jumping from one company to another if they perceive a better opportunity; however, Silicon Valley companies aggressively track former employees to ensure that they don't use the same knowledge they employed in their previous posts, even if the employee developed that knowledge on his or her own. This sort of activity creates particular difficulties for startups that lack of the resources to get involved in a legal war with a new developer's former employer threatening a trade secrets misappropriation lawsuit. Moreover, what seems to be a great opportunity often turns out to be a dead end like Sidecar, a ride-sharing service forced out of business in the face of competition from still-expanding rivals such as Uber or Lyft.

And the mouthwatering stock grants offered by Silicon Valley firms to attract talent? They make people dream of being millionaires before age 40 as long as they give over their lives to helping their companies go public or get sold at a huge valuation, but the reality is that companies often use multiple classes of shares that preserve the biggest gains for insiders, leaving the employees with common stock that can easily lose value. The traditional method of raising money and providing liquidity for employees, an initial public offering, has given way to additional rounds of private financings at historically high, but often mysterious, valuations. But, instead of providing more value for employees, these rounds often come with guarantees to the investors from the founders and other senior executives that the investors will make their money back at a liquidity event, a promise that can only be kept by issuing more common shares to the investors that dilute the holdings of employees.

*The Economist* conceded that the tech industry offers fabulous rewards for a fortunate few, but cautioned that a career as a software developer or engineer came with no guarantee of job satisfaction. In fact, *The Economist* cited the results of a 2015 survey of 5,000 workers at both tech and non-tech firms regarding employee satisfaction that found that many tech employees felt alienated, trapped, underappreciated and otherwise discombobulated". Specifically, only 19% of tech employees said they were happy in their jobs and only 17% said they felt valued in their work. In addition, tech employees were significantly more discontented than their colleagues in marketing and finance in several important areas including a clear understanding of their career path, an understanding of their companies' vision and good relations with their work colleagues.

While people will always be willing to sacrifice to pursue what they perceive to be paradise, it seems that many otherwise intelligent folks are being misled, sometimes unintentionally, by the founders and other senior managers of the companies they work for. New hires cannot possibly know all they should know about the company's organizational culture and expectations that will impact their work-life balance. They also don't have access to information about deals that have been made with investors that will impact their compensation and return on their investment of time and effort. Will the arms race slow down? That's not likely. But recognition of, and respect for, the growing dissatisfaction outlined above will hopefully prod founders to practice more transparency with their workers and find different ways for workers to contribute and derive satisfaction from their participation in the pursuit of the company's business model. The list of startup perks above is shockingly devoid of options for workers to make time for their personal lives, work remotely so that they can help their mates and relatives with family matters and pursue personal growth opportunities that will not only benefit their current companies but prepare them for the inevitable day when it is time to move on to the next startup or project. Fixing this problem requires making placing commitment to the wellbeing of employees on the same footing as business growth and profitability.

**Sources:** Schumpeter: The other side of paradise, *The Economist* (January 16, 2016), 74; and L. Drell, Are These the Best Startup Perks You've Ever Seen? (May 28, 2012), <http://mashable.com/2012/05/28/startup-perks-culture/#8s7SsaLhc5qU>

The second building block in the ROC model, "Openness", has its roots in stakeholder and institutional theories and imagines the emergence of "outside-in HR" that "extends

beyond strategy to align its work with business contexts and stakeholders”.<sup>56</sup> De Prins et al. explained that “[stakeholder] theory suggests that the organization’s purpose, principles and relationship to society should be a shared process, in which employees are at the center, in addition to social partners, customers and social movements (e.g., the green movement)”.<sup>57</sup> Institutional theory stresses that organizational success through HRM requires alignment with forces in the organization’s environment, which can include formal and informal pressures on organizations exerted by other organizations upon which they are dependent and by cultural expectations in the societies in which they function (e.g., the influence of social partners (e.g. trade unions and works councils), labor legislation, and governments and the influence of prevailing social norms and values (e.g., labor market participation of mothers, immigrants and older workers)); structures and organizational design decisions and practices of similar organizations, which organizational leaders feel pressure to imitate in order to manage perceived risk and reduce uncertainty; and formal education and professional networks that develop and disseminate skills and knowledge that is needed and used by the entire workforce in a particular sector.<sup>58</sup>

According to De Prins et al., emerging HRM practices referred as “green HRM”, accompanied by terms such as “green employees”, “green careers” and “green jobs”, illustrate the Openness dimension in practice.<sup>59</sup> Commentators and researchers have argued that effective environmental management outcomes must go beyond changes to production processes, products or raw materials to include changes in corporate culture to create and institutionalize deeply embedded values that support long-term sustainability. Renwick et al. compiled a package of green HRM practices that focus on developing green abilities (e.g., focusing on recruiting “green aware” employees and attracting employees through green employer branding; developing and overseeing employee training in environmental management; and providing training to organizational leaders on green leadership styles), motivating green employees (e.g., green KPI in performance management systems and appraisals; green benefits; rewarding staff suggestion relating to environmental management and managerial bonuses for good environmental management) and providing green opportunities (e.g., employee involvement and engagement through suggestion programs and problem-solving groups and joint management/union initiatives in environmental management).<sup>60</sup>

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<sup>56</sup> Id. at 273. See also D. Ulrich, J. Younger, W. Brockbank and M. Ulrich, *HR from the outside in. Six competences for the future of human resources* (London: McGraw-Hill Education, 2012).

<sup>57</sup> Id. at 274.

<sup>58</sup> Id. (discussing ideas presented in J. Paauwe and P. Boselie, “Challenging ‘strategic HRM’ and the relevance of the institutional setting”, *Human Resource Management Journal*, 13 (2003), 56; and J. Paauwe and P. Boselie, “HRM and societal embeddedness”, in P. Boxall, J. Purcell and P. M. Wright (Eds.), *The Oxford handbook of Human Resource Management* (Oxford: Oxford University Press, 2007), 166.) See also W. Powell, “Institutional effects on organizational structure and performance”, in G. Z. Lynne (Ed.), *Institutional patterns and organizations: Culture and environment* (Cambridge, MA: Ballinger, 1988), 115 (organizational practices are often direct reflections of organizational responses to rules and structures stemming from the organization’s environment).

<sup>59</sup> Id. at 275-276.

<sup>60</sup> Id. (citing D. Renwick, T. Redman and S. Maguire, “Green HRM: A review and research agenda”, *International Journal of Management reviews*, 15 (2012), 1).

The third building block in the ROC-model, “Continuity”, focuses on the potential relationship between long-term survival of the organization and the sustainability of employees in the employment market over the lifetime of their individual careers. De Prins et al. argued that the increased attention on continuity flowed from the intense discussions and debates regarding HRM and performance. Research has generally supported the notion that HRM can lead to better performance, at least when performance is measured at the organizational level by reference to metrics such as productivity and profits. However, advocates of a more sustainable approach to HRM point out that these organizational measures of performance (e.g., quality, efficiency, flexibility, innovation, profits), while important to the competitiveness and survival of the firm, are one-sided and ignore two other important levels of performance: society (e.g. stakeholder satisfaction, employment growth, social inclusion) and the individual (e.g. good work–life balance, engagement, employability). For them, performing well on just one of the three levels, regardless of which one, will not be sufficient to assure the long-term survival (i.e., continuity) of the organization and it is thus necessary and preferable to take a “balanced approach” that manages all three levels simultaneously and strives for “outcomes”, rather than “performance”, that takes into account the impact of organizational activities on employees and various other stakeholders in society.<sup>61</sup>

With regard to the employment relationship, Continuity means something more than the traditional exchange relationship between the employee, who provided labor, and the employer that provided wages in exchange for the employee’s labor.<sup>62</sup> This relationship was workable as long as the conditions for the exchange remained in balance; however, the balance could be upset at any time, neither party was able to take a long-term perspective on the relationship and employees toiled under constant fears of job security. Sustainable HRM argues for going beyond the traditional exchange relationship to implementation of HRM policies that include investments by the employer in training or other forms of competence or career development initiatives. In return, employees, given the opportunity to develop skills that can be carried into their individual futures regardless of who employs them, are likely to be more loyal and committed to contributing to the continuity of the business of the organization during the time they remain employed by the organization. De Prins et al. were careful to point out that “sustainability in the employment relationship is not equal to lifetime employment, but rather to lifetime employability” and that it involves helping employees develop the skill set and qualifications (both formal and informal) to become employed and to sustain that employment or find new employment across the life course.<sup>63</sup>

De Prins et al. suggested that the talent management literature, with its emphasis on succession planning and retention initiatives, would be a good guide to the appropriate HRM practices given that the talent management is based on detecting, developing and

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<sup>61</sup> Id. at 276-277 (citing J. Paauwe, C. Boon, P. Boselie and D. den Hartog, “Reconceptualizing fit in strategic Human Resource Management: ‘Lost in translation?’”, in J. Paauwe, D. E. Guest and P. M. Wright (Eds.), *HRM and performance: Achievements and challenges*.(Chichester, UK: John Wiley and Sons, 2013), 61).

<sup>62</sup> Id. at 278.

<sup>63</sup> Id. at 279.

deploying employees' talent in order to obtain superior performance at the individual, group and organizational level. However, in order for this approach to work for both sides it is necessary to establish an ongoing dialogue between employees and their supervisors, as representatives of the organization, to discuss reciprocal expectations and obligations and create and implement development plans for the employee that lead to customized careers and sustainable value for both parties. This is not an easy task and hopefully dialogue and communications will provide a foundation for high quality relationships that promote the requisite level of trust that will be needed in order for the parties to take advantage of the opportunities associated with effective self and organizational career management.<sup>64</sup>

## **§7 ISO 26000 guidance on labor practices and social responsibility**

International Standard 26000 (“ISO 26000”) was first released by the International Organization for Standardization (“ISO”) in November 2010. ISO is a worldwide federation of national standards bodies that normally carries out its work through ISO technical committees responsible for preparing international standards. ISO 26000 was prepared by ISO/TMB Working Group on Social Responsibility to provide guidance on the underlying principles of social responsibility, recognizing social responsibility and engaging stakeholders, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behavior into the organization.

Article 6.4 of ISO 26000 addresses “labor practices” of organizations, which are defined as including “all policies and practices relating to work performed within, by or on behalf of the organization, including subcontracted work”. The precise words of the definition are important because the scope is explicitly intended to extend beyond the relationship of an organization with its direct employees or the responsibilities that an organization has at a workplace that it owns or directly controls. Among the labor practices covered by ISO 26000 are recruitment and promotion of workers; disciplinary and grievance procedures; the transfer and relocation of workers; termination of employment; training and skills development; health, safety and industrial hygiene; recognition of worker organizations and representation and participation of both worker and employer organizations in collective bargaining, social dialogue and tripartite consultation to address social issues related to employment; and any policy or practice affecting conditions of work, in particular working time and remuneration.

The prescriptions in ISO 26000 regarding labor practices are based on the fundamental principles that labor is not a commodity and should not be treated as a factor of production and subjected to the same market forces that apply to commodities and that everyone has a right to earn a living by freely chosen work and the right to just and

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<sup>64</sup> Id. at 279 (citing A. De Vos and N. Dries, “Applying a talent management lens to career management: The role of human capital composition and continuity”, *The International Journal of Human Resource Management*, 24 (2013), 1816; and A. Tekleab and M. Taylor, “Aren't there two parties in an employment relationship?: Antecedents and consequences of organization–employee agreement on contract obligations and violations”, *Journal of Organizational Behavior*, 24 (2003), 585)..

favorable conditions of work. Article 6.4.1.2 of ISO 26000 describes the important relationship between an organization's labor practices and social responsibility:

“The creation of jobs, as well as wages and other compensation paid for work performed, are among an organization's most important economic and social contributions. Meaningful and productive work is an essential element in human development; standards of living are improved through full and secure employment. Its absence is a primary cause of social problems. Labor practices have a major impact on respect for the rule of law and on the sense of fairness present in society: socially responsible labor practices are essential to social justice, stability and peace.”

Article 6.4.3 of ISO 26000 describes and lays out related actions and expectations for five core labor practices issues: employment and employment relationships; conditions of work and social protection; social dialogue; health and safety at work; and human development and training in the workplace. While primary responsibility for ensuring fair and equitable treatment of workers lies with governments, the content and enforcement of laws vary from country to country and ISO 26000 is based on the premise that organizations should always adhere to the standards contained in recognized international agreements relating to human rights and labor standards.

## **§8 --Employment and employment relationships**

Article 6.4.3.1 of ISO 26000 notes that the power of the contracting parties in the employment relationship is not equal and employees therefore require additional protection, a situation that forms the basis for labor law. The employment relationship confers rights and imposes obligations on both employers and employees in the interest of both the organization and society, regardless of whether the work is performed under an employment contract or a commercial contract. The goal of Article 6.4.3.2 of ISO 26000 is to set certain standards for the appropriate organizational actions in the employment relationship. Specifically, Article 6.4.3.2 states that organizations should:

- Be confident that all work is performed by women and men who are legally recognized as employees or who are legally recognized as being self-employed and not seek to avoid the obligation that the law places on the employer by disguising relationships that would otherwise be recognized as an employment relationship under the law;
- Recognize the importance of secure employment to both the individual worker and to society: use active workforce planning to avoid the use of work performed on a casual basis or the excessive use of work performed on a temporary basis, except where the nature of the work is genuinely short term or seasonal;
- Provide reasonable notice, timely information and, jointly with worker representatives where they exist, consider how to mitigate adverse impacts to the greatest possible extent when considering changes in its operations, such as closures that affect employment;

- Ensure equal opportunities for all workers and not discriminate either directly or indirectly in any labor practice, including eliminating any arbitrary or discriminatory dismissal practices;
- Protect personal data and privacy of workers;
- Take steps to ensure that work is contracted or sub-contracted only to organizations that are legally recognized or are otherwise able and willing to assume the responsibilities of an employer and to provide decent working conditions (e.g., an organization should use only those labor intermediaries who are legally recognized and where other arrangements for the performance of work confer legal rights on those performing the work);
- Not benefit from unfair, exploitative or abusive labor practices of its partners, suppliers or subcontractors, including home workers<sup>65</sup>; and
- Where operating internationally, endeavor to increase the employment, occupational development, promotion and advancement of nationals of the host country including, where practicable, sourcing and distributing through local enterprises.

### **§9 --Conditions of work and social protection**

Article 6.4.4 of ISO 26000 addresses conditions of work, which include wages and other forms of compensation, working time, rest periods, holidays, disciplinary and dismissal practices, maternity protection and welfare matters such as safe drinking water, sanitation, canteens and access to medical services. Social protection of workers is also addressed including to all legal guarantees and organizational policies and practices to mitigate the reduction or loss of income in case of employment injury, illness, maternity, parenthood, old age, unemployment, disability or financial hardship and to provide medical care and family benefit. Conditions of work, many of which are determined by employers, greatly affect the quality of life of workers and their families and also economic and social development. The primary responsibility for social protection lies with the state and social protection plays an important role in preserving human dignity and establishing a sense of fairness and social justice.

Article 6.4.4.2 of ISO 26000 calls on organizations to:

- Ensure that the conditions of work comply with national laws and regulations and are consistent with applicable international labor standards;
- Respect higher levels of provision established through other applicable legally binding instruments such as collective agreements;

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<sup>65</sup> Organizations are expected to engage in supply chain management activities by making reasonable efforts to encourage organizations in its sphere of influence to follow responsible labor practices. Depending upon the situation and influence, reasonable efforts could include: establishing contractual obligations on suppliers and subcontractors; making unannounced visits and inspections; exercising due diligence in supervising contractors and intermediaries; and requiring suppliers and subcontractors to comply with a code of labor practice that is consistent with the Universal Declaration of Human Rights and the principles underlying applicable International Labor Organization labor standards.

- Observe at least those minimum provisions defined in international labor standards as established by the ILO, especially where national legislation has not yet been adopted;
- Provide decent conditions of work with regard to wages, hours of work, weekly rest, holidays, health and safety, maternity protection and ability to combine work with family responsibilities;
- Wherever possible, allow observance of national or religious traditions and customs;
- Provide conditions of work for all workers that permit, to the greatest extent possible, work-life balance and are comparable with those offered by similar employers in the locality concerned;
- Provide wages and other forms of remuneration in accordance with national laws, regulations or collective agreements, and at a level that is at least adequate for the needs of workers and their families taking into account the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups;
- Provide equal pay for work of equal value;
- Pay wages directly to the workers concerned, subject only to any restriction or deduction permitted by laws, regulations or collective agreements;
- Comply with any obligation concerning the provision of social protection for workers in the country of operation;
- Respect the right of workers to adhere to normal or agreed working hours established in laws, regulations or collective agreements and provide workers with weekly rest and paid annual leave;
- Respect the family responsibilities of workers by providing reasonable working hours, parental leave and, when possible, childcare and other facilities that can help workers achieve a proper work-life balance; and
- Compensate workers for overtime in accordance with laws, regulations or collective agreements<sup>66</sup>.

## §10 --Social dialogue

Article 6.4.5 of ISO 26000 addresses “social dialogue”, which includes all types of negotiation, consultation or exchange of information between or among representatives of governments, employers and workers, on matters of common interest relating to economic and social concerns. It could take place between employer and worker representatives, on matters affecting their interests, and could also include governments where broader factors, such as legislation and social policy, are at stake. Based on the fundamental premise that independent parties are required for social dialogue, meaning that worker representatives should be freely elected by either the members of their trade union or by the workers concerned, Article 6.4.5.2 of ISO 26000 provides that organizations should:

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<sup>66</sup> In addition to paying adequate overtime compensation, organizations are expected to take into account the interests, safety and well-being of the workers concerned and any hazard inherent in the work before making a request for overtime, comply with laws and regulations prohibiting mandatory and non-compensated overtime, and respect the basic human rights of workers concerning forced labor.

- Recognize the importance for organizations of social dialogue institutions, including at the international level, and applicable collective bargaining structures;
- Respect at all times the right of workers to form or join their own organizations to advance their interests or to bargain collectively;
- Not obstruct workers who seek to form or join their own organizations and to bargain collectively, for instance by dismissing or discriminating against them, through reprisals or by making any direct or indirect threat so as to create an atmosphere of intimidation or fear;
- Where changes in operations would have major employment impacts, provide reasonable notice to the appropriate government authorities and representatives of the workers so that the implications may be examined jointly to mitigate any adverse impact to the greatest possible extent;
- As far as possible, and to an extent that is reasonable and non-disruptive, provide duly designated worker representatives with access to authorized decision makers, to workplaces, to the workers they represent, to facilities necessary to perform their role and to information that will allow them to have a true and fair picture of the organization's finances and activities; and
- Refrain from encouraging governments to restrict the exercise of the internationally recognized rights of freedom of association and collective bargaining.

## **§11 --Health and safety at work**

Article 6.4.6.1 of ISO 26000 explains that health and safety at work concerns the promotion and maintenance of the highest degree of physical, mental and social well-being of workers and prevention of harm to health caused by working conditions, and also relates to the protection of workers from risks to health and the adaptation of the occupational environment to the physiological and psychological needs of workers. Article 6.4.6.2 of ISO 26000 calls for organizations to

- Develop, implement and maintain an occupational health and safety policy based on the principle that strong safety and health standards and organizational performance are mutually supportive and reinforcing;
- Understand and apply principles of health and safety management, including the hierarchy of controls: elimination, substitution, engineering controls, administrative controls, work procedures and personal protective equipment;
- Analyze and control the health and safety risks involved in its activities;
- Communicate the requirement that workers should follow all safe practices at all times and ensure that workers follow the proper procedures;
- Provide the safety equipment needed, including personal protective equipment, for the prevention of occupational injuries, diseases and accidents, as well as for dealing with emergencies;
- Record and investigate all health and safety incidents and problems in order to minimize or eliminate them;
- Address the specific ways in which occupational safety and health (OSH) risks differently affect women (such as those who are pregnant, have recently given birth

or are breastfeeding) and men, or workers in particular circumstances such as people with disabilities, inexperienced or younger workers;

- Provide equal health and safety protection for part-time and temporary workers, as well as subcontracted workers;
- Strive to eliminate psychosocial hazards in the workplace, which contribute or lead to stress and illness;
- Provide adequate training to all personnel on all relevant matters; and
- Respect the principle that workplace health and safety measures should not involve monetary expenditures by workers.

In addition, organizations should base health, safety and environment systems on the participation of the workers concerned and recognize and respect the rights of workers to:

- Obtain timely, full and accurate information concerning health and safety risks and the best practices used to address these risks;
- Freely inquire into and be consulted on all aspects of their health and safety related to their work;
- Refuse work that is reasonably considered to pose an imminent or serious danger to their life or health or to the lives and health of others;
- Seek outside advice from workers' and employers' organizations and others who have expertise;
- Report health and safety matters to the appropriate authorities;
- Participate in health and safety decisions and activities, including investigation of incidents and accidents; and
- Be free of the threat of reprisals for doing any of these things

ISO 26000 recommended the formation of joint labor-management health and safety committees in order to ensure that workers are involved in the development of occupational health and safety programs. Among other things, such committees can gather information; develop and disseminate safety manuals and training programs; report, record and investigate accidents; and inspect and respond to problems raised by workers or management. Worker representatives on these committees should be elected by the workers themselves rather than being appointment by management and membership in these committees should be equally divided among management and worker representatives and should include both men and women, whenever possible. Committees should be large enough to allow all shifts, sections and locations of the organization to be represented.

## **§12 --Human development and training in the workplace**

Article 6.4.7.1 of ISO 26000 provides that human development includes the process of enlarging people's choices by expanding human capabilities and functioning, thus enabling women and men to lead long and healthy lives, to be knowledgeable and to have a decent standard of living. In addition, human development includes access to political, economic and social opportunities for being creative and productive and for enjoying self-respect and a sense of belonging to a community and contributing to society. ISO

26000 argues that organizations can use workplace policy and initiatives to further human development by addressing important social concerns, such as fighting discrimination, balancing family responsibilities, promoting health and wellbeing and improving the diversity of their workforces. Organizations should also use workplace policy and initiatives to increase the capacity and employability of individuals by providing its workers with experiences, competencies and qualifications that increase their capacity to secure and retain decent work. According to Article 6.4.7.2 of ISO 26000, specific actions that should be taken by organizations with respect to this issue include:

- Providing all workers at all stages of their work experience with access to skills development, training and apprenticeships, and opportunities for career advancement, on an equal and non-discriminatory basis;
- Ensuring that, when necessary, workers being made redundant are helped to access assistance for new employment, training and counselling; and
- Establishing joint labor-management programs that promote health and well-being.

### **§13 Sustainable HRM practices for small businesses**

Hohnen and Potts made the following suggestions to small businesses with respect to practical strategies they could implement to improve the level of sustainability in their HRM practices<sup>67</sup>:

- Establish policies to ensure the health and safety of all employees and make the policies known to employees;
- Involve employees in business decisions that affect them and improve the work environment;
- Consult employees on how to hand a downturn in business (e.g., offer the option of all staff taking pay cuts or reduced hours instead of layoffs);
- When layoffs or closures are unavoidable, offer outplacement services, retraining and severance benefits;
- Provide training opportunities and mentoring to maximize promotion from within the organization;
- Extend training to life management, retirement planning and care of dependents;
- Be open to job splitting, flex-time and other work-life balance policies;
- Share training and human resources programs with other local small businesses;
- Consider supporting daycare for children or elderly dependents;
- Encourage a healthy workplace (e.g., implement a smoking ban or drug and alcohol abuse support program); and
- Provide exercise facilities or offer subsidized membership at a local gym.

In addition, Hohnen and Potts stressed the need to promote diversity and human rights in the workplace by taking the following steps:

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<sup>67</sup> P. Hohnen (Author) and J. Potts (Editor), *Corporate Social Responsibility: An Implementation Guide for Business* (Winnipeg, Manitoba, Canada: International Institute for Sustainable Development, 2007), 30-31.

- Making sure that all staff know that there are explicit policies against discrimination in hiring, salary, promotion, training or termination of any employee on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion;
- Having a zero tolerance policy with regard to jokes or behavior in the workplace that insult employees on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion;
- Thinking creatively about where to advertise new jobs and whether there are any local employment programs (e.g., programs run by a local council or employer) to help find work for people who are homeless or disabled; and
- Paying comparable wages for comparable work.

The practice of sustainable HRM extends beyond the immediate workplace to include HRM practices of business partners and Hohnen and Potts urged small businesses to actively support organizations that promote fair trade and human rights compliance and check where products are manufactured and look into any associated human rights concerns.

### Sustainable Businesses Embrace Family Leave Solutions for Employees

The face of the American workforce has undergone a dramatic transformation since the early 1950s, when about one-third of American women were worked as opposed to almost 90% of the men. By 2016 57% of women were working while the percentage of men in the workplace had slipped significantly to a little under 70%. This shift has transformed the American workplace and allowed women to come forward to launch new companies, invent new products and services and become more economically self-sufficient. Life in American homes has also changed radically with the roles of both women and men changed forever. However, many problems remain unresolved: women are still under-represented among senior executives and entrepreneurs; the median female wage is just 80% of that of men, a percentage that is lower than the average among OECD countries; and, in general, American companies are still not required to provide paid family leave to parents when a child is born, a shortcoming that stands in stark contrast to the OECD average of 54 paid weeks off—in fact, the United States is the only OECD country that does not guarantee some form of paid maternity leave.

Interestingly, considering how little they agreed on most things, both of the major candidates for President in 2016 expressed support for some type of paid leave for parents following the birth of a child: Hillary Clinton proposed 12 weeks of paid leave and universal preschool and Donald Trump, the eventual winner, became the first Republican nominee to propose paid family leave (six weeks) and help for child care. While these initiatives are not extensive as some would like, and would probably face fierce opposition from a Republican-controlled Congress, they did represent an important step in addressing labor market troubles that have persisted due to a continuing failure to deal with changes in family structures.

It should be noted that the federal government, and many states, have required employers to allow some employees, both women and men, to take up to 12 weeks' unpaid leave for the birth or adoption of children, or to care for a sick family member, with assurance that they would not lose their job; however, for many families it is impractical to go that long without some form of payment, even if it's only a portion of the wages they would have otherwise received. California took one of the biggest steps to address these concerns when it adopted a family leave law that provides workers with 55% of their wages for up to six weeks and, as of January 1, 2017 workers in San Francisco are the beneficiaries of the most comprehensive parental leave law offered anywhere in the country, a law that required employers to pay the balance (i.e., 45% of the worker's salary). Employees may take their six weeks of full paid leave all at once or spread it out over the first 12 months following the arrival of the child.

While economists have certainly been involved in convincing lawmakers about the merits of paid family leave, they are turning more and more to talking directly to businesses about why it makes sense for them to implement leave policies voluntarily and collaborate with both employees and local governments to come up with share solutions that make sense for all involved stakeholders and not unreasonably compromise the economic performance of the organization. Researchers have found evidence that family-friendly policies boost labor supply through higher participation of women in the labor force, increase wage rates, improve the lives of struggling families, boost workers' productivity, reduce absenteeism, and reduce the costs that companies would otherwise have to incur to replace workers—estimated to be between 15% to 20% of annual pay—who must leave the company altogether if no leave policy is in place. Family leave contributes to the development of sustainable human capital for companies by facilitating reentry of valued and experienced workers back into the organization, thus reducing the loss of institutional knowledge that is difficult to replicate. While workers generally return to their jobs at their old salaries, some studies have found that wages often increased quite quickly for mothers who have returned to their jobs after taking a leave. Other research suggests that more flexible work rules reduce absenteeism and increase productivity. In fact, when Google increased its paid maternity leave from 12 to 18 weeks in 2007, the rate at which new mothers left the company fell by half.

The minimum obligation of companies to their employees is to abide by applicable legal standards in key areas and activities including, when they have been implemented, laws and regulations pertaining to family and medical leaves. However, sustainable entrepreneurship and socially responsible human resource management is based on the proposition that employers have an obligation to exceed legal standards when forging relationships with their employees and take steps to ensure that employees are treated with dignity and value and that their contributions and hard work brings both financial and non-financial rewards. Socially responsible employers assist employees who need to balance work with their obligations to take care of their children and elderly parents (e.g., by providing on-site day care, referral services for elder care and adopting flexible policies regarding working remotely and required arrival and departure times).

The issues surrounding “family leave” need to be addressed in a manner that acknowledges that the traditional principles of company performance, which focused primarily on what is best from an economic perspective for the owners of the company, are inadequate and unfair. Simply put, human capital is not a commodity and relationships between companies and their employees and families should not be governed by the same market forces that apply to commodities.

One of the core subjects of ISO 26000, the guidance on social responsibility for businesses issued by the International Organization for Standards, is “labor practices” and within that topic ISO 26000 calls on employers to respect human development in a number of ways including respecting the familial responsibilities of workers and providing policies and programs, such as parental leave, that can help workers achieve work-life balance. Also instructive is the obligation on employers to engage in social dialogue with respect to their labor practices including negotiations, consultations and information sharing between employers and employees (and their representatives).

Google's paid leave policy mentioned above was not implemented because any government told it to do so, and large companies such as Google and Deloitte, which announced a 16 week paid leave for employees with newborns in September 2016, are certainly better positioned to absorb the costs of a leave program. Similar economic logic applies for large law firms that have struggled with attrition of talented women attorneys who have found it just too difficult to balance their work and parenting. For example, one firm allows primary caregivers, usually mothers, to work part time for six months after returning from an initial paid leave period and yet get paid for full-time work. However, smaller businesses, including startups, do need to think twice about the short-term financial impact of a leave policy and implement their policies intelligently. How can it be done? Here are some thoughts for sustainable entrepreneurs looking to develop family leave solutions for their employees and their businesses:

- Analyze the demographics of the current team and projected hires, taking care not to make too many assumptions about age, gender or other factors that might expose the company to discrimination claims, to estimate the impact of a family leave policy over a reasonable planning period.
- When setting the leave period, take into consideration any applicable legal requirements and “industry

standards” set by larger companies engaged in similar businesses.

- Consider establishing an “insurance program” that will help fund the anticipated costs of the leave program before the time comes for payouts to employees on leave.
- Engage early and often with investors to make sure they understand how the policy will work, the justifications for the policy and the projected impact of the policy on all relevant measures of performance (not just economic performance).
- Establish continuous dialogue with employees regarding the leave policies and establish mutual expectations include commitments from employees to remain engaged with the company during their leaves and continue to develop their skills while away.
- When hiring and promoting, consider the skills that will be needed in order to fill in for employees who are on leave.
- Establish a program for “re-boarding” employees who are returning from leaves and making sure that they are able to make an easy transition back to full-time employment, including assistance with child care etc.
- Engage with employee representative and local government to implement social insurance policies that can ease the burden of leave programs on companies (e.g., small businesses pay into a fund that employees can draw from when they take their leaves).
- Involve employees in decisions above the structure of the leave program, particularly when problems arise in implementing the program.
- Make leave programs part of a broader discussion regarding other work-life balance policies such as job splitting, flex-time and support for daycare for children or elderly dependents.
- Senior executives needs to set the proper “tone at the top” regarding their enthusiasm for, and encourage of, employees taking advantage of leave opportunities so that employees do not feel they will be penalized for taking a leave.
- Monitor the impact of the leave policies, including reduced costs of replacing employees, and report the results regularly to relevant stakeholders.
- Celebrate successful leave experiences to help transform organizational culture and position the company as a “family-friendly” employer in the eyes of prospective employees.

One thing that employers of all types need to bear in mind is that family leave and related work-family balance issues are not just for women in “traditional” relationships. The San Francisco law mentioned above applies to mothers and fathers who have a baby together by birth, adopt or become foster parents, and also extends to same-sex couples. In order to benefit from that law, a person must be an “employee”, not an independent contractor. The law will not be applicable to organizations with less than 20 employees; however, smaller firms should nonetheless consider the issues for the reasons outlined above.

**Sources:** All in the family: America does little to help people’s work-life balance. Enter Heather Boushey, *The Economist* (September 10, 2016), <http://www.economist.com/news/finance-and-economics/21706504-america-does-little-help-peoples-work-life-balance-enter-heather-boushey-all>; Trump Unveils Plan to Expand Aid to Parents, *The New York Times* (September 14, 2016), A1; R. Perez-Pena, Comparing Trump’s and Clinton’s Child Care Plan, and Those in Other Countries, *The New York Times* (September 15, 2016), A16; K. Doerer, “How much does it cost to leave the workforce to care for a child? A lot more than you think” (June 11, 2016), <http://www.pbs.org/newshour/making-sense/how-much-does-it-cost-to-leave-the-workforce-to-care-for-a-child-a-lot-more-than-you-think/>; S. Pathe, How Paid Parental Leave Helps You, Your Newborn and the Job Market (January 3, 2014), <http://www.pbs.org/newshour/making-sense/how-paid-parental-leave-helps/>; P. Hohnen (Author) and J. Potts (Editor), *Corporate Social Responsibility: An Implementation Guide for Business* (Winnipeg CAN: International Institute for Sustainable Development, 2007), 30-31; Handbook for Implementation of ISO 26000, 29-30; E. Green, S.F. Parental Leave Law Kicks In, *San Francisco Chronicle* (January 3, 2017), C1; A. Persky, “Plentiful Family Benefits”, *ABA Journal*, 103(1) (January 2017), 11.

## §14 Sustainability and HRM in Europe

Zaugg et al. surveyed a little over one thousand European companies at the very beginning of the 21<sup>st</sup> century to get an overview of the state of the art of human resources management (“HRM”) in Europe, determine the conception and stage of implementation of sustainable HRM in European companies and compare practices across borders.<sup>68</sup> Sectors covered in the survey included industry, service providers, trade, transport, public sector, information technology, health care, banking, construction and insurance. Forty percent of the surveyed companies had more than 500 employees, forty-seven percent had between 50 and 500 employees and thirteen percent of the companies had less than 50 employees. The surveyed companies were located in Austria, England, France, Germany, Italy, the Netherlands, Spain and Switzerland,

Zaugg et al. argued that sustainable HRM concerned both the individual and his or her employee as equal partners, meaning that sustainable HRM was not limited to better satisfying the needs of individual workers but also extended to improving overall organizational competitiveness and supporting the achievement of the organization’s economic objectives. Their model of sustainable HRM included an organizational culture (i.e., attitudes and values), strategies and objectives and instruments, methods, processes and structures that supported and advanced three key pillars of sustainability for individual workers:

- Achieving work-life balance (i.e., balancing both professional career and private and family life)
- Improving individual responsibility for employees through increased autonomy and self-determination in questions of professional development
- Improving employability by focusing on continuous development and professional agility rather than a specific activity

The researchers found that the central objectives of HRM among the surveyed companies included contributing to the achievement of economic objectives; promoting individual responsibility; ensuring adequate pay and promoting employee health; and enhancing employability. One of the surprising results from their perspective was the overwhelming support for promoting individual responsibility among the surveyed companies—90% of the companies identified this as an important objective of the HRM strategies. Variation among countries was also notable: for example, while 68% of the surveyed companies from the Netherlands supported enhancement of employability only 22% of the companies in France had a similar view.

As for the conception of sustainability among the surveyed companies, the participants identified the following keywords as associating HRM responsibilities with HRM sustainability: HR development including training, continuous education and career planning; employee characteristics such as motivation, flexibility and responsibility; leadership including consistency, social skills and management-by-objectives (“MBO”); and staff retention and incentives. The major instruments of sustainable HRM among the surveyed companies included:

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<sup>68</sup> R. Zaugg, A. Blum and N. Thom, Evaluation Report: Sustainability in Human Resource Management (University of Berne, 2001).

- Recruitment: Identifying job requirements and creating job profiles; HR marketing; and labor market research
- Deployment: Health management including systematic collection of data on absences and health of employees and assigning at least person or unit with responsibility for employee health issues; staff composition including initiatives to take better advantage of the potential of older employees; and advanced working-time management including flexible working hour models, job sharing, sabbaticals, telework and long-term working time schemes
- Development: Encouraging continuous education; career planning; and promoting individual responsibility through participation and/or autonomy in decision making
- HR Marketing; Image analysis and improvement
- Retention: Development of sophisticated incentive systems including attractive non-material incentives
- Disemployment: Greater attention to the needs of employees who are laid off or leave on their own initiative in order to avoid harm to the company's image with prospective employees and customers including exit interviews and providing outplacement services and other professional advice to employees during the leaving process
- Management and Leadership: Use of participative management styles to support development of individual responsibility among employees; management-by-objectives ("MBO"); and assessment of superiors

Zaugg et al. concluded that sustainability in HRM was an issue in companies throughout Europe, although there were significant local differences. They noted that while there were a considerable variety of specific instruments supportive of sustainable HRM in use, these instruments had been implemented only restrainedly and unsystematically and much more work needed to be done. In particular, they recommended that companies move quickly to reconsider staff composition, especially efforts to increase involvement of female and elderly employees; make greater use of non-material incentives to increase motivation; include superior assessment in their programs and processes for evaluating their workforce; and expand on the use of flexibility in their working time schedules. In addition, companies need to do more to close the gap between aspirations and practice. For example, while 90% of the surveyed companies embraced encouragement of individual responsibility direct participation in decision making was reported in only half of the respondents.

### Sustainable Human Resources Management: References and Resources

The following books and article are recommended reading for understanding the issues and practice of sustainable human resources management:

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J. Wirttemberg, J. Harmon, W. Russell and K. Fairfield, "HR's role in building a sustainable enterprise: insights from some of the world's best companies", *Human Resource Planning*, 30(1) (2007), 10.

## References and Resources

The Sustainable Entrepreneurship Project's Library of Resources for Sustainable Entrepreneurs relating to Human Resources is available at <https://seproject.org/human-resources/> and includes materials relating to the subject matters of this Guide including various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts. Changes to the Library are made on a continuous basis and notifications of changes, as well as new versions of this Guide, will be provided to readers that enter their names on the Project mailing list by following the procedures on the Project's website.

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