HR Leadership and Sustainability Strategy: Missed Opportunity?

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Purpose and Objectives

Purpose:
A. Learn HR execs’ current role in contributing to sustainability management
B. Understand what is needed to play a more major role in managing sustainability

Objectives:
A. Link research streams on sustainability, business strategy, and HR strategic roles
B. Understand latest of 3 studies on how HR leaders may operate as strategic business partners
What Is Sustainability?

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

Our Common Future, UN Brundtland Report, 1987

“A company’s ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental and social opportunities into its business strategies.”

“Symposium on Sustainability – Profiles in Leadership,”
New York, October 2001
What Is Sustainability?

Key aspect:

Triple Bottom Line

- Social
- Environmental
- Economic
“Business cannot succeed in a society that fails”

Pillars of a healthy market place
• Sustainability increasingly seen as “material” to business performance and key element of business strategy

• Sustainability investments often help and almost never hurt financial performance

• Executives and the investment community paying closer attention to sustainability as a business issue
Business Logic: Benefits from Managing Sustainably

- Greater employee engagement
  - Better recruitment & retention of talent
  - Increased employee productivity
- Eco-efficiency; Reduced operating expenses
  - Savings in energy, water, materials, waste handling
- Reduced risk
- Easier financing, lower cost of capital
- Increased revenue/market share
  - Product innovation, market development
- Increased social/reputational capital

*Blackburn, 2007; Esty & Winston, 2006; Savitz & Weber, 2006; Willard, 2002
People care about the environment & the social responsibility of brands and companies

- **76%** say they are concerned about environmental changes
- **85%** believe changes in environment impact their health
- **58%** say a product’s environmental impact influences their purchase decision

Including employees (in national survey):

- **93%** believe companies have responsibility to help the environment
- **72%** believe employers should support social issues (vs 52% in 2004)
- **96%** would like to work at a “successful company that also aspires to be good.”
- **92%** “more inclined to trust a good employer” and “would feel better about themselves” by working for a socially responsible corporation.
Employee Risks/Opportunities

40% of MBA grads rated CSR as a an “extremely” or “very” important company reputation measure when job hunting (Hill & Knowlton Jan 08)

92% of students and entry-level hires seek an environmentally friendly company (MonsterTRAK.com survey, Nov 07)

83% of employees in G7 countries say company’s positive CSR reputation increases their loyalty (GlobeScan 2006)

83% of employees in G7 countries say company’s positive CSR reputation increases their motivation (GlobeScan 2006)

Bob Willard, 2009
Customizing Sustainability Strategy

- Not one-size-fits-all formulaic approach

- Each organization should adopt particular sustainable development strategies that fit its unique context of challenges, opportunities, and stakeholders (Porter & Kramer, HBR 2006)

- The Sustainability Strategy “Sweet Spot” - Finding the unique set of value-chain investments in sustainability practices that simultaneously strengthen business effectiveness and benefit society
Diverse Sustainability Strategies

- Walmart
- Alcoa
- General Electric
- Whole Foods Market
- ShopRite
How can HR leaders help sustainability to become more strategically central and beneficial?
HR’s Role in Building a Sustainable Enterprise: Insights from 9 of the World’s Most Sustainable Companies

Distilled from In-Depth Executive Interviews

Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips, and Unilever

**Keys to Executing a Sustainability Strategy**

- Make sustainability central to business strategy
- Look for opportunities all along the business’ value chain to implement sustainability initiatives
- Business leader(s) strongly support sustainability
Qualities to Execute Sustainability Strategies

Sustainable Enterprise

COLLABORATIVE INTEGRATION
- Holistic Integration
- Broad Stakeholder Engagement

TRACTION
- Alignment of Hard & Soft Organization Systems
- Metrics – Measurement & Reporting

FOUNDATION
- Strategic Centrality
- Senior Management Support
- Deeply Embedded Values

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The SUSTAINABILITY PYRAMID™: HR
Activities important at all levels of the pyramid

The Triple Bottom Line

Sustainable Enterprise

- Holistic Integration
- Broad Stakeholder Engagement

Facilitate Collaboration & Holistic Integration

- Create & Manage Transformational Change Process Values
- Create & Inculcate Values
- Support Workforce Engagement

Metrics/Measurement

- Systems Alignment

Strategic Centrality

- Senior Management Support
- Deeply Embedded Values

Creating Qualities of a Sustainable Company

HR’s Contribution: Managing & Supporting the Transformative Journey to Sustainability

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Areas For Which HR Function Contributing Most to Sustainability in These Companies

1. Providing **Leadership Development** Opportunities
2. Creating Development **Culture & Training**
3. Linking to **Talent Management** Systems and Processes
4. Ensuring **Diversity and Inclusivity** in a Global/Multicultural context
5. Promoting **Ethics & Transparency**
6. **Engaging Employees** in the Journey
Areas For Which We Found HR Function Contributing Least to Sustainability in These Companies

1. Managing the **Transformational Change** Process
2. Fostering **Collaboration and Teamwork**
3. Creating and Inculcating **Values**
4. Supporting **Health & Safety** Initiatives
Conclusions from studying these companies

1. HR providing crucial support to highly successful sustainability management, especially in traditional areas
2. HR challenged in more non-traditional functions, e.g., cross-functional operations & teamwork
3. HR’s influence related to strategic positioning in the firm
ISE AMA Global Survey

- Seeking quantitative validation of Pyramid model
- From **characteristics** of sustainable companies to insights on the **process** of executing strategies for sustainability – What drives, enables, inhibits?

- American Management Association members, European Mgt. Association, HRI Affiliates

- $N = 1,514$
  - 75% managerial-level or above
  - 61% US, 39% non-US (44 countries)

- “Performance Improvement” reported: Last 5 years: revenue growth, profitability, market share, & customer satisfaction.
ISE/AMA Survey Conclusion

- Study validates importance of Pyramid’s enabling qualities & their relative hierarchy
- Companies are “muddling along” modestly on the sustainability journey
  - Greatest progress on sustainable workplace and ethics practices
  - Biggest inhibitors lack of external demand and lack of internal awareness, ideas, metrics, and business case
- Higher-performing orgs implementing sig. more sustainability practices
- Confirmed lag by U.S. firms in most sustainability issues compared to much of the world
- Raised useful issues for further research
Starting Point for New Survey

- Lawler & Boudreau (2009) and Ulrich et al. (2009) – revisiting study of HR strategic role
- HR leaders
  - Still not possessing high level strategic competencies
  - Still not operating as “strategic architects”
HR as “Strategic Architect”?

Recommended by Lawler & Boudreau, 2009; Ulrich et al, 2009

- Understanding & communicating of trends
- Leadership & managerial competency development
- Advocacy for strategic talent management issues
- Facilitative & integrating roles
- Crafting of stories
Sustainability Management Should be in HR’s “Sweet Spot”

- Tailor-made as door-opening opportunity for HR to become essential part of strategic development process
- Requires strategic skills HR can bring
  - Talent management
  - Leadership development
  - Culture change
  - Organizational structure & Change management
  - Coordination across boundaries
  - Long-term visioning
HR Self-Ratings on Understanding Sustainability – Modest

- Understanding impact of sustainability on brand & ability to attract/retain talent = 3.8 (out of 5)
- Understanding trends in sustainability & impact on co.’s opportunities & risks = 3.5
HR Self-Ratings on Reaching Out Role on Sustainability — VERY Modest

- Advocating for sustainability as central to business strategy = 3.3
- Helping non-HR see connection of sustainability to talent management = 3.2
- Helping non-HR see how HR investments drive sustainability strategy = 3.0
- Advocating for consideration of external stakeholder needs = 3.1
HR Execs Seeing Their Role – Significantly Higher than . . .

- Non-HR ExeCs
- HR Managers
- Non-HR Managers
Perceived Competence of HR Leaders Re: Sustainability

- Delivering T & D = 2.8
- Helping structure = 2.8
- Crafting stories to share = 2.7
- Facilitating org. change = 2.7
- Translating into strategic HR actions = 2.7
Perceived Competence of HR Leaders re: Sustainability (cont.)

- Coaching leaders on behaviors = 2.7
- Implementing measures & rewards = 2.7
- Designing criteria for recruitment/promotion = 2.6

- Non-HR Execs and Managers –
  - All lower assessment than HR Execs
What Leads a Change Agent to Really Act for Change?

Detert & Pollock, 2008
What Leads a Change Agent to Really Act for Change?

Values Aligned

Personal Interests

Detert & Pollock, 2008
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What Leads a Change Agent to Really Act for Change?

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Resources & Abilities

Detert & Pollock, 2008
Extent of HR Effort on Sustainability

- “A great deal of my effort is devoted to the long-term sustainability of my organization”
- Mean = 3.06 out of 5
A. Values Alignment

“How important are these issues to you?”

Very high responses

- Clean water = 4.7
- Safe & reliable food sources = 4.6
- Corruption = 4.6
- Affordable clean energy = 4.5
- Human rights abuses = 4.3
- Poverty & homelessness = 4.2
B. Actions in One’s Own Interests

- Run the risk of looking bad or being embarrassed (reverse scored) = 3.6
- I see incentives for me and my colleagues = 2.9
- Putting more time just adds to my workload = 3.0
- Overall, no real penalty for work on sustainability, but no “points” either
C. Available Resources & Personal Abilities

- I am effective at building alliances to advance sustainability activities = 3.3
- My seniors and peers tend to listen to me when I advance an agenda for sustainability activities = 3.2
- I have access to financial and human capital needed to advance sustainability activities = 3.0
- Very moderate resources & abilities
Why the Moderate Effort on Sustainability?

Detert & Pollock, 2008
Implications for Practice

- HR leaders are not yet leveraging sustainability to get more influence over strategy development & implementation
How to Expand HR Influence?

- Understand and communicate sustainability trends and their potential impact on talent management

- Help non-HR leaders see how HR investments can drive a sustainability strategy
  - Design and deliver sustainability criteria for recruitment and promotion

- Expand leadership and managerial competency development in sustainability
  - Turn sustainability leadership expectation into clear executive competencies and performance standards
Cultivate greater ability to enlist others in the cause
Support organization structure and design for sustainability strategy
Design and lead change management programs
Facilitate coordination of functional business areas around sustainability
Work across external boundaries to foster cooperative relationships with external stakeholders
Conclusion:
HR leaders’ capabilities and influence over sustainability strategy no better than that for strategy in general.

*Can it happen?...*

*By Leveraging Sustainability as a vehicle?...*

*or is this a Missed Opportunity?*
So what can you do to seize the opportunity . . . ?