

Advances in Strategic Human Resource Management

Prof. Ashish Pandey

Shailesh J. Mehta School of Management

Indian Institute of Technology, Bombay

HRM from the Perspective of Sustainability and Humanistic Management

Lecture - 09 B

Contribution of HRM in Corporate Sustainability and Corporate Social Responsibility

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Sustainable HRM Defines

We propose that sustainable human resource management (sustainable HRM), defined as “the adoption of HRM strategies and practices that enable the achievement of financial, social and ecological goals, with an impact inside and outside of the organisation and over a long-term time horizon

Stahl, G. K., Brewster, C., Collings, D. G., & Hajro, A. (2019). Enhancing the role of human resource management in corporate sustainability and social responsibility: A multidimensional, multi-stakeholder approach to HRM. *Human Resource Management Review*, 30(3).

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Sustainable HRM is defined as the adoption of HRM strategies and practices that enable the achievement of financial, social and ecological goals with an impact inside and outside of the organization and over a long term time horizon. This definition is taken from the paper of Tal Brewster and colleague. In fact, lot of slides and many concepts in this in this lecture are being taken from this research paper.

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Why HRM for CS and CSR

Why HRM is vital for CS and CSR?
First, because CS/CSR has implications for HRM; and,
Second, because most CS/ CSR strategies have an internal as well as an external element.

- **The Internal Element:** The way people within the organization are treated
- **The External Element:** The needs and expectations of external stakeholders are met.

HRM can contribute to both goals, by

- Inter alia fostering employee commitment to, and engagement with, the firm's CS/CSR activities,
- Integrating CS/CSR principles into existing HRM processes, and
- Creating stakeholder alignment (both internal and external).

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Why HRM should be held responsible or why HRM should bother about corporate sustainability and corporate social responsibility which are represented and we will be using this term in the rest of the session with CS and CSR precisely for the two reasons. First, because CS and CSR has implication for HRM. So, they are going to impact the function of HR.

So, that is why HR should also bother about them. And second, because CS and CSR strategies both have internal as well as external element to it and HR also has external and internal element to it. So, HRM need to bother about it HRM need to be conscious of it. What are the internal elements? Internal elements are the for the HR. The internal element is about the way people within organizations are treated an external element for HR is the need and expectation of the external stakeholders.

HRM can contribute to both the goals by fostering the employee commitment towards CS and CSR, by integrating the CS and CSR principles into existing HRM processes and creating stakeholder alignment, ensuring the smooth communication and expectation sharing as well as helping in fulfilling the expectations of the external and internal stakeholders.

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CS/CSR and the Changing Foundational Role of HRM

- **The largest single area of research HRM:** Firm performance link, especially in the work on high-performance work practices.
- **Major Premise of SHRM research:** 'Mutual Gains' perspective the (i.e., the assumption that employees and employers both benefit from high-performance work practices).
- **Changing Reality:** This 'unitarist' framing of HRM as inherently consensual and of benefit to employers and employees alike is increasingly being challenged.
- **Recognition of the multidimensional performance construct:** adoption of a multidimensional performance construct that looks beyond shareholder value maximization and considers a broader array of criteria, including organizational effectiveness, individual well-being, and societal welfare.
- **Emerging Perspective:** "the new, broader, social contract between business and society"

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If we look at the strategic HRM literature and strategic HRM has been the major foundation, the major theoretical foundation of this course as well and CS and CSR helps to understand the limitation of this theoretical foundation is that, that is the largest kind of area of HRM research and this SHRM has been to the preoccupational SHRM has been to examine the form performance link, especially in the form of or in terms of the high performance work practices.

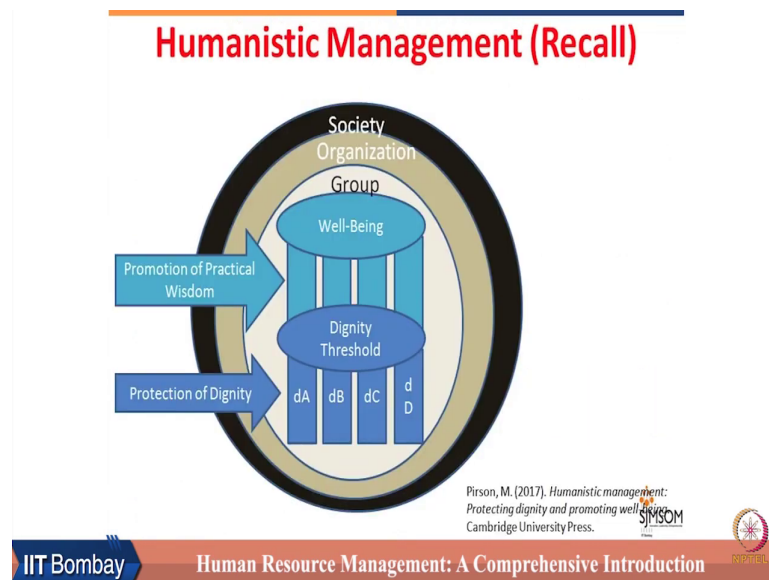
So, major premise of SHRM research is about the mutual gains, mutual gain perspective which is based on the assumption that employees and employer both benefit from the high performance work practices. So, there is a need to develop the high performance work practices in the business organizations because it is mutually beneficial.

However, in last few years it is becoming clear that overall reality is changing. So, this unitarist framing of HRM as inherently consensual and mutually beneficial to employer and employee is a kind of a limiting view. It is limited because in this view concern for the other stakeholders is not sufficiently pronounced.

So, as a result of this limitation a multi-dimensional performance construct is evolving and that is replacing the only employer-employee mutual beneficial relationship perspective. This recognition about the multi-dimensional performance construct is about the adaptation of a perspective of performance which is beyond shareholder value maximization and which considers the broader array of criteria that includes organizational effectiveness, individual well-being and social welfare.

So, the new broader social contract between business and society is emerging in context of that HRM has to gear up, HRM has to modify itself and that is why there is need to focus on the CS and CSR aspect of HRM.

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You might remember we discussed the humanistic management model in the session on positive relationship between employer and employees. In the humanistic management model, we looked at not shareholder value alone, but dignity and well-being as the goal of the of the business corporations.

And for achieving these twin goals corporations or business organizations have to take care of not only the drive for acquisition and drive for the economic gains but they also have to take care of the drive for bonding and drive for seeking the meaning and purpose of the people of their employee in the larger scheme of existence.

So, basically humanistic management also talks about moving away from the maximization perspective to optimization perspective, promotion of the practical wisdom which looks about

the balancing the economic, social and spiritual needs of the entity, the corporate entity of the people.

So, the humanistic management perspective also talks about moving away from the maximization perspective to the balancing of the needs perspective which takes into account not only of the economic needs, but also the spiritual and social needs of the members of the organization and of the society.

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How HRM activities can Drive or Impact CS/CSR

- Values-based recruitment and selection
- Induction training
- Employee development,
- Talent management and
- Performance management
- Incentive systems

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How HRM activities can drive CS and CSR? On the surface we can look at many HR functions which can drive the CS and CSR agenda through HRM. So, on the surface we can quickly see what are some of the HRM practices which can impact the CS and CSR. First is the value based recruitment selection recruitment and selection.

So, HRM can ensure that people who enter the organization have are having the right perspective about the CS and CSR. It can infuse the values and attitude related to CS and CSR in the induction program. They can design the training and development processes which takes into account of the CS and CSR.

They can look at the talent management which is about identifying, classifying and developing the talent in the organization to achieve this strategically important objective. In the talent management process HRM can take into account the CS and CSR goals in the performance management.

So, performance management can and should move from a totally shareholder perspective to stakeholder perspective and that will not happen without having the performance indicators related to the stakeholder perspective incorporated in the performance management system. Incentive systems can be designed by HRM which takes into account of the CS and CSR. In turn if HRM takes care of the CS and CSR.

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How CS/CSR Can contribute to HRM

- Helping to create a strong employer brand to attract and retain talent,
- Informing selection procedures on issues of inclusion and equal opportunity,
- Introducing standards of decent work,
- Defining CS/CSR principles consistent with the strategic business direction
- Direction to incentivize and reward employees,
- Offering company-sponsored volunteerism and service learning programs

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Values it will help HRM as well in many different ways. First of all, it helps in creating the strong employer brand that in turn helps HRM to attract and retain the talent. It informs the selection process.

So, it makes the selection process more principal centric which ensures inclusion and equal opportunity in the selection process. Introducing the standards of decent work. Now, when CS and CSR is the concern of HRM, HRM has got the guideline, HRM has got the principles and indicators on which it can more objectively define the standards of decent work. Defining CS and CSR principle consistent with the strategic business direction is possible only if HRM is integrated and HRM is informed and inspired by the ideals of CS and CSR.

It helps in directing the incentives and rewarding employees. It can help HR in offering the company sponsored volunteerism and service learning programs. So, we can see that HRM

and the CS and CSR agenda are not at the contradiction to each other. In fact, it can be mutually enhancing enriching for the corporations, HRM and the overall development agenda which is aimed at addressing the grand challenge this planet is facing or the human race is facing that is a better way of expression.

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How CS/CSR Can contribute to HRM
Cont..

SHRM (2011) survey for 700 corporate CSR and HRM professionals in the USA viewed CS/CSR help in the followings:

- Achieving HRM goals such as attracting top talent (89%),
- Improving employee retention (85%) and
- developing the organization's leaders (81%).

A number of trends are predicted to foster the connection between CS/CSR and HRM,

- The desire of millennials and postmillennials to work for companies aligned with their values
- The resulting need for companies to achieve employer differentiation and position themselves as an employer of choice for these and other demographic groups
- Pressure from active shareholders to link executive compensation schemes to the company's CS/CSR performance to generate long-term value

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SHRM which is a body of the HR professionals they conducted the survey with 700 corporate CSR and HRM professionals in USA. And what they found was that these things which we discussed in the previous slide are actually recognized by the CSR and HRM professionals. So, 89 percent of the people the respondents think that achieving HRM goals such as attracting top talent is possible it is helped by CS and CSR agenda adopted if HR adopt the CS and CSR agenda.

Adoption of the CS and CSR agenda by HR improves the employee retention by 85 percent that is a very significant and big number. It also helps in developing organizations leadership. So, these are some of the top concerns of the corporations these are the top concerns of the HR function and all these are greatly influenced all these are supported if HR integrate the CS and CSR agenda in its functioning.

There are number of trends which are predicted to foster this connection. So, in the years to come we are going to look at more and more integration of CS and CSR in the HR process and HRM function. You can consider this in new paradigm in the HRM if the first paradigm was more of a personal management administration related activities of the HR function.

If the second paradigm was about the strategic orientation of the HR, the third paradigm is going to be and it is emerging as the sustainability procedure as the sustainability related agenda for the HRM function. That is in line with and that is very natural because the desire of the millennials and post-millennials you might remember the previous session.

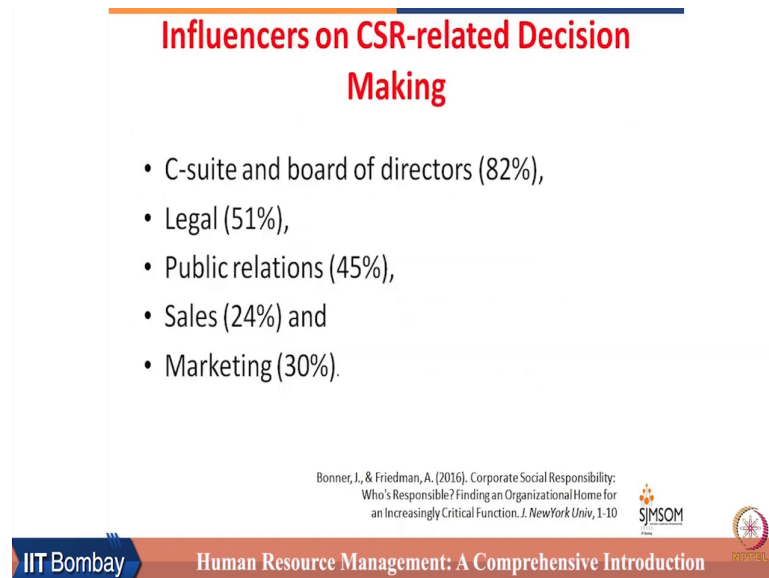
Where we discussed who are these millennials and post-millennials and what are the major characteristics of these generations. These generation or these generations are more concern about these values and they wish these values to be integrated in their working in their professional life.

So, that is why this trend is going to be only strengthened in years to come. The resulting need for companies to achieve employer differentiation and position themselves as employer of choice that also is found to be deeply connected with HRM CSR integration. There is a pressure from the active stakeholders active shareholders to link the executive compensation scheme to the companies CS and CSR performance to generate the long-term value.

Only looking at the shareholder value is also a kind of value, but its a short-term value. Long-term value generation has to be in the form of social gains as well and that can be taken seriously by the leadership only if their compensation is also linked to that.

And that demand is not and that is being demanded that is that need is being pointed out by the very active groups of the shareholders as well. So, because of these three factors, role of HRM or integration of HRM with CS and CSR is going to only enhance in next few years.

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Influencers on CSR-related Decision Making

- C-suite and board of directors (82%),
- Legal (51%),
- Public relations (45%),
- Sales (24%) and
- Marketing (30%).

Bonner, J., & Friedman, A. (2016). Corporate Social Responsibility: Who's Responsible? Finding an Organizational Home for an Increasingly Critical Function. *J. New York Univ.*, 1-10

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But what is the situation? If we look at the CSR agenda, if we look at the decisions predominant decisions being made related to the CS and CSR, what we find is that HRM is not playing significant role in decision making about CS and CSR related matter.

So, who are influencing the decisions related to CS and CSR? Organizational leadership, C suite, whom we call a board of directors, legal department is making the CS and CSR as a prominent concern for the business. Public relation is making the organizations aware of the importance of these issues and as a result organizations are taking into account these factors.

Sales department, they are influencing business organizations to take up the CS and CSR cause.

Marketing department is taking the CS and CSR cause and asking that organizations to take the CS and CSR related agenda more carefully because that is because of the many reasons which we just discussed. It is not HRM which is championing the CS and CSR agenda in the organization. And why it is so? It is.

So, because we discussed in the previous slide that predominant paradigm of HRM has been about this strategic HRM and that strategic HRM is predominantly based on the premise of the mutual benefit of the employer employee.

And on this while operating on the mutual benefit proposition the concern for other stakeholders is not properly taken into account. So, HRM has to really gear up to be influencer in the CS and CSR agenda.

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Substantive Role of HRM on CS/CSR:
Example 1: IBM

- An example of substantive CSR engagement is IBM's Corporate Service Corps (CSC) – a 'peace corps' operated by the company.
- Since its establishment in 2008, CSC has sent 3000 employees in over 275 teams to nearly 40 countries for one-month service assignments where they co-create social innovations together with NGOs, social enterprises, or government agencies.

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How it can be done that is what we are going to look at in the next part of this session. So, before we discuss the CS and CSR and how it can be integrated in the HRM, I would like to mention about two examples. First example is of IBM the famous IBM Company. It is an example of the substantive CSR engagement in the IBM's corporate service corps.

So, this is a piece cop they call it piece cop it operates across the company and it was established in 2008. It has spent 3000 employee in over 275 teams to nearly 40 countries for one month service assignment where they co-create social innovations together with NGO social enterprises and government agencies. So, IBM has not only made the one-day social service compulsory as a tick mark as a basic requirement to fulfill the requirement to look more responsible.

No. Large number of people have spent significant amount of time with the NGO's social enterprises, government agencies to help them to make their systems and processes more robust. And there are research studies which are suggesting that if the well qualified interns well qualified volunteers like these work with the NGO's and the government agencies actually this has positive impact on the functioning of those agencies and those organizations.

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Substantive Role of HRM on CS/CSR:
Example 2: Novo Nordic

The "Novo Way of Management" (NWM):

- a. **Extensive reporting based on Triple Bottom Line principles** (financial, environmental and social),
- b. **Organizational audits,**
- c. **Facilitations and**
- d. **Succession Management.**

On the key themes of **Openness, continuous learning, and dialogue**

HRM goals, principles and practices and 'Novo Nordisk Way'. Few examples:

- Every employee is expected to spend **at least one day a year with someone connected to diabetes** (a patient, caretaker, or healthcare professional) and then to suggest improvements for how the company addresses the needs of these groups.
- **Non-financial performance based on the impacts on the triple bottom line**, such as job creation, the ability to manage environmental impacts and optimize resource efficiency, and social impacts related to the well-being of employees, patients and communities. (RERUP, C. 2004, Strandberg, 2009).

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My second example is of the NOVO Nordic that serve healthcare related company which is majorly into the diabetes management. In the beginning of this 21st century, they came up with this NOVO way of management that was actually the result of a crisis.

But thanks to that crisis they looked at their business they looked at their overall process and systems holistically and this organization came up with the NOVO way of management. The NOVO way of management has four pillars these are extensively reporting on the triple

bottom line which we just discussed continuously doing organizational audit on all these three bottom lines.

Facilitation of the different departments and people to meet the goals on all three bottom lines and having a robust succession management. The key theme of the functioning in the NOVO way of management is openness continuous learning and dialogue.

So, they ensured the openness in the organization so, that this weak signals are being picked up are being pointed out comfortably by the people on the front line or basic assumptions about the business decisions are being comfortably questioned by the different people in the organization as a result of which organization can choose the really the best way which is in the best interest of all the stakeholders.

So, there are two examples we can look at how the NOVO way of management gets implemented on the shop floor at the organizational level. Number 1 example every employee is expected to at spend at least one day in a year with someone connected to diabetes.

So, be the patient, caretaker, healthcare that sensitize them about their needs and after spending even this much time, employees come up with some insight some ideas about how they improve their service, how they can improve their service to these people. Second example is non-financial performance base of the impact on the triple bottom line.

So, the senior managers not only evaluated on the financial parameters like profitability and all other financial parameters, they are also evaluated in terms of the non financial parameters like job creation, ability to manage environmental impact, optimizing the resource efficiency, social impact related to the well being of the employee, well being of the patients or communities these are integrated in the performance management system of the senior managers.

So, this is one example this is the way how substantive HRM the substantive role of HRM towards CS in CSR look like.

