

HUMAN RESOURCE SUSTAINABILITY: DELIVERABLES OF SUSTAINABLE BUSINESS MANAGEMENT

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ABSTRACT

Increasing complexity, high level of competition, unstable market conditions, environmental and social issues are the elements that often characterize a business. In order to manage these challenges that a business confronts, a general framework can be designed through the concept of sustainable development. Though it is a macroeconomic concept and is rarely discussed on the grounds of companies and business processes. The concept of sustainability can be understood as a company's ability to achieve its business objectives and to increase long-term stakeholder value by integrating economic, environmental and social opportunities into its business strategies. It seems vital for companies operating worldwide. Additionally, human resources are known to be the most valuable assets for any company. This study focuses on reviewing the important factors associated with the organizations' drift towards greater sustainability as well as the part human resources might be playing in the process. Initially it will discuss how the notion of sustainability has emerged pertaining to key elements vital for sustainable business management. Then the role of Human Resource Management in the firm's sustainability function is presented.

The ensign of sustainability is all about long term thinking and maximizing the benefits of business operation for all stakeholders and precisely starting with its internal people resource. There is a growing unanimity that effective human capital holds crucial significance for an organization's success and that the human resource functions must be strategically sustainable. This study will try to revolve around the "HR to do list" and will explore an effective mechanism to address the factors like employee engagement, performance, competence and retention as a powerful propeller towards sustainability of the domain.

KEYWORDS: Sustainable Development, Business Management, Human Resource Sustainability.

'Long-term', 'durable', 'sound', and 'systematic', is what sustainability or sustainable development is known for, making it a critical issue for businesses in particular and the world at large. The term sustainability is broad, forward looking and stakeholder oriented. Companies have found themselves in need to develop more sustainable business models, in which the HR function has a key role to play.

Business strategists associated the term 'sustainability' with 'sustainable competitive advantages'. The Brundtland Commission added a social dimension to the ecological and economic ones, defining sustainable development as a development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Since then, the focus on the social dimension of sustainability has become increasingly important. The broad concept of sustainability takes in long term financial, environmental and social outcomes that require managers, policy makers and employees to examine and review their organizational performance and evaluation of the way these long-term outcomes are to be achieved. Human resource management practices are important for developing creativity, risk-taking and innovative capabilities and organizational culture and the outcomes of these practices

operate as a mediator between sustainability objectives and organizational performance.

The purpose of this study is to examine important factors associated with moving organizations toward greater sustainability and the role Human Resources is and might be playing in that process. It will draw the attention towards leading HR indicators that leads to sustainability in business management. Also it will highlight the areas needing more contribution from human capital towards greater sustainability.

OBJECTIVE OF THE STUDY

- To understand the concept of sustainability in business management;
- To study the role of human capital in achieving business sustainability;
- To study the relation between human resource sustainability and business management.

LITERATURE REVIEW

According to Zaugg et al.(2001) , "Sustainable HRM can be defined as long term socially and economically efficient recruitment, development, retaining and misemployment of employees"

Thom & Zaugg(2004) defined sustainable HRM as “those long term oriented conceptual approaches and activities aimed at socially responsible and economically appropriate recruitment and selection, development, deployment, and downsizing of employees.”

Barney ,1991; Schuler & Jackson, 2005 identified Human Capital as a very important resource category for building a sustained competitive advantage.

Docherty and colleagues (2002) proposed a stakeholder perspective that says “Sustainability encompasses three levels: the individual, the organizational and the societal. Sustainability at one level cannot be built on the exploitation of the others. These levels are intimately related to the organization's key stakeholders: personnel, customers, owners and society. A prerequisite for sustainability at the system level (individual, organizational or societal) is to achieve a balance between stakeholders' needs and goals at different levels simultaneously”.

CONCEPTUAL REVIEW

Sustainable Business Management: The Concept

Historically, sustainability practices were not a core component of business strategy. However, increasing customer and societal demands for economic, environmental and social responsibility have brought sustainability issues to the surface. In the present day scenario, an increasing number of organizations identify sustainability as a key differentiator for competitive advantage. They acknowledge its role in building brand value and reputation, ensuring public and stakeholder trust, attracting capital, increasing competitiveness, driving innovation, attracting and retaining talent as well as achieving long-term profitability.

Sustainability is not restricted to an environmental dimension. It involves the convergence of economic development, social equity and environmental protection to ensure long-term improvement of the society and organizations. The most popular definition of sustainable development was put forward to the United Nations (UN) by the Brundtland Commission in its report *Our Common Future* in 1987, which defines it as “Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

In order to serve sustainable development within an individual company, Sustainable Business Management

is a practicable tool. It combines the challenges and requirements of market conditions and of shareholders and stakeholders, with the principles of Sustainable Development in order to meet operative and strategic objectives in a way that contributes to the goal of sustainability. It coordinates controls and moves the organization; it sets standards, defines objectives and tasks, and creates the organizational strategy in order to meet sustainability requirements within the frame-set fixed by the market situation.

Economist suggests three interpretations of Sustainable Development which forms the basis of sustainable business management. Firstly, innovation is recognized as an essential element for corporate sustainability. Economic, ecologic and social effects of innovations have to be assessed. Secondly, stakeholder requirements and demands have to be detected and actively managed. And thirdly, the rational approach focuses on the effectiveness of business activities.

Thus, sustainable business management becomes an inclusive approach that caters to the needs and expectations of all stakeholders including shareholders, customers, suppliers, employees and society at large.

HUMAN RESOURCE SUSTAINABILITY

Often organizations fail to implement sustainable business practices due to inadequate integration with business strategy, lack of support from leadership, limited understanding and involvement of employees at all levels as well as absence of systems/processes that institutionalize sustainability. Human resource can help organization succeed in implementing sustainable business practices. It can help in delivering key outcomes to derive organizational sustainability agenda by – enabling sustainable business practices throughout organization, - creating sustainable business processes and systems.

The critical success factors for implementing sustainable business are:

- Creating sustainable business vision and mission
- Aligned leadership pipeline
- Enabling organization structure and work culture
- Enabling capabilities
- Engaged and motivated workforce
- Effective change management and organization learning.

All these success factors can be achieved with the aid of the most valuable asset i.e. human resource and most importantly their sustainability.

ACHIEVING HUMAN RESOURCE SUSTAINABILITY

For long term survival of organizations, it is essential to address ways to sustain its human capital. A general relation found includes human resource effectiveness that leads to better organizational performance leading to sustainability of overall organization. This HR effectiveness provides a glimpse to what is known as sustaining human capital. This HR effectiveness can be achieved through employee engagement, employee retention, employee commitment and employee performance which leads to improved organizational performance leading to sustainability in business.

Employee Engagement

It connotes involvement, commitment passion, enthusiasm, focused effort and energy so it has both attitudinal and behavioral component. It is widely accepted by both academic researchers and practitioners that employee engagement brings a significant positive impact on both the organization and the individual as it is related to dedication (work involvement and experiencing a sense of pride and enthusiasm about one’s work) and absorption (fully concentrated and engrossed in one’s work) in one’s job profile.

Employee Commitment

In present times no organization can attain sustainability unless each employee is committed to fulfill the organizational objectives.

Employee Retention

Hiring knowledgeable people for the job is vital for an employer, but retaining them is even more essential than hiring. The key purpose of retention is to prevent the loss of competent employees from the organization as this could have adverse effect on productivity and sustainability.

It is the prerogative of HR department to formulate strategies for increasing employee retention such as: design an interesting employee value proposition; developing a total reward system that contains more than compensation; giving constructive point of view on

employee performance on regular basis; implementing flexibility programs in terms of work life balance; building a culture of engagement, developing and refining management skills to be effective, as it engages employees while driving improved performance at the same time

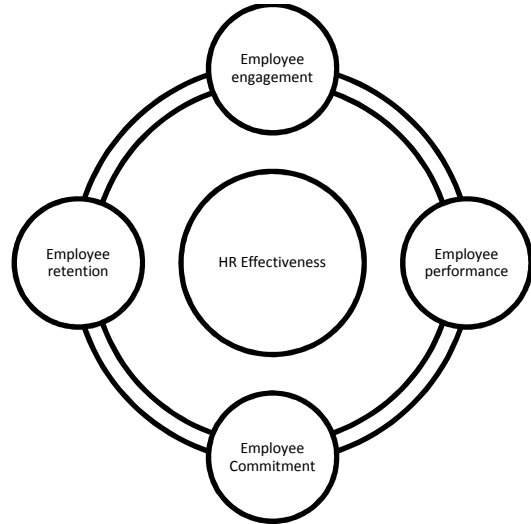


Figure 1: Human resource effectiveness

Once an organization has a fully charged and effective human resource, it can further utilize this human capital as a means to achieve the critical success factors for achieving business sustainability. As already discussed organizational performance depends on resources of the company and sustainability is the outcome of organization’s performance in the long run.

ROLE OF HR IN SUSTAINABLE BUSINESS MANAGEMENT

Organizational capabilities such as innovation and knowledge management, contribute to organizational performance. As mentioned previously, it has been shown that a variety of human resource management practices contribute to the development of these capabilities and to the organizational change and development resulting from these capabilities i.e. leading to sustainability. It focused on performance in terms of financial and tangible outcomes. These are essential for the long term survival of an organization and its sustainability, however, there are indications that social/human and environmental outcomes are also important for organizational sustainability. It has been shown an organization’s financial performance can be improved in a number of ways. These include addressing human/social outcomes by providing internal benefits such as developing capabilities, providing career

opportunities, work-life balance programs and an ethical culture. In addition, addressing environmental outcomes of the business have been shown to positively influence corporate reputation and image

These practices contribute to organizational performance through improved employee perception of the organization, improved morale and job satisfaction, an ability to attract and retain employees, a greater sense of organizational justice and employee commitment

Because human resources are widely viewed as a key factor in an organization's ability to build and sustain competitive advantage, HR can play a critical role in business enterprises. The Human Resource Planning Society defines five key knowledge areas for HR practitioners: HR strategy & planning, leadership development, talent management, organizational effectiveness, and building a strategic HR function. Researchers and practitioners alike are only beginning to investigate the specific roles that HR might be playing to help firm's foster greater sustainability. Losey and colleagues (2005) saw many opportunities in the realm of sustainability for HR to bring important operational competencies and exert strategic leadership. Hitchcock and Willard (2006) took the view that "Sustainability is at its core an issue requiring organizational change and cultural change." Areas in which they saw HR professionals as potentially making a strong contribution were in organization development, especially for their facilitation and conflict management skills, change management, culture change, and alignment of human resource and other systems and processes. "

Sustainable HRM is also about the role and sustainability of the HR function in the business. As business strategy becomes more driven by sustainability considerations, the HR function must revise its own mandate and transform the way it performs core HR responsibilities. It must ensure HR managers become enablers of an organization aligned with sustainability, which means taking on new roles and perspectives that have not traditionally been part of the HR brief.

Based on previous research studies, few expected roles of HR against critical success factors for implementing sustainable business practices are:

- Integrate the sustainability theme with the vision of the organization by bringing in employee perspective

- Communicate vision and mission across all levels in organization
- Building of an aligned leadership pipeline.
- Creation of appropriate organization structure and governance mechanisms to drive the sustainability agenda
- Development of key HR capabilities to drive sustainability and create sustainable HR systems and processes
- Develop ability to drive organizational change
- Ability to attract, engage and retain the right set of people and align them to the sustainability agenda
- Manage employee expectations on: Creating and communicating the employer's brand, Developing employees to enhance their skills for the future, Creating work that engages and motivates employees, Managing individual career aspirations, Creating equitable rewards and recognition, Creating a work environment to improve performance, Facilitating work-life balance
- Creation of an agile organization, which is able to learn and adapt to changes triggered by internal and external environment
- Engagement with external and internal stakeholders employees, future employees, supply chain, customers, community at large, NGOs and pressure groups, regulators and suppliers of equity and debt capital; constitutes key to inclusive growth of the organization

Areas in which HR was or could be making a contribution to support human capital for the sustainability of the companies include: 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, Workforce engagement.

COMPANIES CONSIDERING SUSTAINABILITY IN THEIR BUSINESS PRACTICES

PepsiCo: Stakeholder engagement

The food and beverage company presents its sustainability strategy and goals during its annual shareholder meeting and identifies and discloses climate change, water scarcity and public health issues as core sustainability challenges in its annual financial filings.

General Electric: Employee engagement

GE is using its human resource department to integrate sustainability into the company's culture, ranging from hiring practices and training to employee wellbeing programs.

Ford Motor Company: Supply chain management

The car company has established requirements for first-tier suppliers to drive its environmental and social expectations further down the supply chain and works with suppliers to establish GHG emission reduction and energy efficiency targets.

Nike: Innovation

The sports-gear multinational integrates sustainable design across its product portfolio and created the Making app in 2013, allowing the data in its materials sustainability index to be public. This lets designers from across the industry and beyond make more sustainable design decisions, and ultimately, lower-impact products.

Xylem: Management accountability

The global water technology provider has both a sustainability steering committee and an enterprise risk committee. It identifies senior executives who are held accountable for sustainability performance.

Exelon: Executive compensation

The energy producer has introduced an innovative long-term performance share scheme that rewards executives for meeting non-financial performance goals, including safety targets, GHG emissions reduction targets and goals engaging stakeholders to help shape the company's public policy positions.

Starbuck's: Investor dialogue

At the coffee company's 2013 shareholder meeting, CEO Howard Schultz described the company's efforts to engage with suppliers and local communities where they operate, accelerate investments in sustainable farming and reach Starbucks' goal of ethically sourcing 100% of its coffee beans by 2015.

Adobe: Greenhouse gas emission reductions

The software company aims to achieve a 75% reduction, from 2000 levels, in company emissions. It is using renewable energy technologies, including hydrogen fuel cells and solar arrays, and is also focused on reducing energy needs by improving the cooling efficiency of its

data centers and "virtualized" many of its systems, platforms and devices.

Coca-Cola: Water stewardship

The drinks company has improved the efficiency of its water use by 20% and identified the need for a rigorous third-party evaluation of its water management approach.

Dell: Design

The computer company's integrates alternative, recycled and recyclable materials in its product and packaging design, improvements in energy efficiency, and design for end-of-life and recyclability. One of the company's commitments is to reduce the energy intensity of its product portfolio by 80% by 2020.

Procter and Gamble: Investment in sustainable products and services

The consumer goods multinational reports that it sold \$52bn in "sustainable innovation products" between 2007 and 2012, accounting for approximately 11% of the company's total cumulative sales over that period. These are products that provide a greater than 10% reduction from previous or alternative versions in one or more of the following: energy use, water use, transportation, material used in packaging, and use of renewable energy.

All the efforts put forward by above mentioned companies was possible with the role and contribution their human capital had in achieving sustainability by creating organizational capabilities through innovation, aligning leadership ,aligning vision & mission with sustainability theme, managing relations with the stakeholder , change management, talent management etc.

CONCLUSION

Sustainability is all about new thoughts and ideas about business success. It requires a reevaluation of the conception of business success, organizational performance and illuminating the meaning of sustainability for the business and for the broader society. HRM could have a significant role in furthering broader organizational outcomes and, in particular sustainability outcomes. This paper has attempted to derive a clear relation between organizational performance, human resource and sustainability in regards to sustainable business management.

Human resource sustainability or sustainable practices and procedures adopted by them have a vital importance in achieving sustainability. However, sustainable HRM is an 'emerging field'. Future developments in practice and application of the ideas in research will decide upon its establishment as a vital concept. Moreover, Sustainability is not just about good ethics; rather it is potentially good long-term economics that is imperative for a business to function in long run and survive in the market. And HR has an important role to play.

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