Role of HRM in implementing CSR

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Abstract

A corporation owes society an obligation or debt, for taking something from the former it must give something in return to the latter, which would continue to provide the fertile ground for its (latter's) continuous existence. In this context, Corporate Social Responsibility (CSR) has become a significant part of corporate strategy, worldwide. Several authors have argued that, the social pillar of CSR needs to be emphasized the most, to make an organization socially responsible. Several studies have proved the strategic importance of the human resource management (HRM) in the CSR initiative of an organization. The involvement of employees - the human resource professionals - clearly shows the strategic importance of the human resource management (HRM) in the CSR initiative of an organization. As a key stakeholder of the firm, the employees should not be seen as cost to be managed, but as an asset to be developed and valued. The present paper makes an attempt to discuss the role of HRM in implementing CSR at the organizational level.

Introduction

Corporate Social Responsibility (CSR) has become "a global trend incorporating business corporations, states, international organizations and civil society organizations" (Sahlin-Anderson, (2006:595). Inyang (2004:146-147) opined that, a corporation owes society an obligation or debt - for taking something from the former, it must give something in return to the latter, which would continue to provide the fertile ground for its (latter's) continuous existence". Several authors have argued that, the social pillar of CSR needs to be emphasized the most, to make an organization socially responsible (Grimand & Vandangeon-Derumez, 2010; Fraisse & Guerfel-Henda, 2005; Saulquin, 2004). As a key stakeholder of the firm, the employees should not be seen as cost to be managed, but as an asset to be developed and valued (Zappala, 2004; Deniz-Denix & De Saa-Perez, 2003). The involvement of employees and the human resource professionals, clearly proves the strategic importance of the human resource management (HRM) in the CSR initiative of an organization.

The present paper makes an attempt to discuss the role of HRM in implementing CSR at organizational level.

CSR : The conceptual framework

McGuire (1963:144), defines CSR as "The idea of social responsibilities supposes that the corporation has not only

economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations". The World Business Council for Sustainable Development has acknowledged that corporations are inseparable entities in society. In order to survive and sustain, organizations and societies must engage in a symbiotic relationship with each other through responsible behavior (WBCSD, 2009). The term 'CSR' emerged in the 1960s, though it started become a more familiar term in the 1990s). CSR emphasises companies' accountability to stakeholders – including suppliers, employees, customers and the wider community. CSR, as seen in various literature and discussions, has its advocates and critiques. However, it managed to draw attention as a philosophy different from legal concept due to its macro perspective towards stakeholder approach in doing business (http://www.forbes.com/sites/karenhigginbottom/2014/01/06/why-hr-needs-to-take-a-leadership-role-in-csr/#6469ef7f2e69). Though business organizations have always responded to "shareholder" demands, it was only in mid 1990s, that they started responding to the interest of the various stakeholder groups (consumers, shareholders, non-governmental organizations and government, and so on) [Willard, 2005]. Organizations today, have been put under increasing pressure by increased public awareness, different interest groups, legal and governmental concerns and media coverage to behave in a socially responsible and ethical manner (Carroll and Cannon, 1997; Jamali and Sidani, 2008). Considering the above, Carroll (1979:500) explains the philosophy of CSR as "The social responsibility of

business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". According to this view, organizations must behave as an economically viable, law abiding, ethical and society-friendly body.

The main sustainability frameworks are the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, International Standard ISO26000, SA8000 and the Global Reporting Initiative (GRI) [Cohen et al, 2011].

Human Resource Management

The HRM function involves with all people-related activities at workplace, such as, recruiting, developing, compensating and managing performance. HRM is "the philosophy, policies, procedures, and practices related to the management of an organization's employees" (Sims, 2002:2). Inyang (2001:8) defines HRM as "a set of organization wide and people-oriented functions or activities deliberately designed to influence the effectiveness of employees in the organization". Peretti (2008) emphasises how the evolution of HRM practices lead to new terms and emergence of stakeholders. Therefore, HRM's role should not be restrained with the day to day administrative functions and fire-fighting, alone. Role of HRM needs to be perceived and implemented coherently with the organizational culture, to ensure that it contributes effectively towards achieving individual and organizational performance (Gupta, 2010). Several authors explained that, HRM must respond to companies'

objectives, such as performance, profitability, and competitiveness (for example, Dietrich and Pigeyre, 2005). Today's organizations, therefore, need to make a paradigm shift in terms of conceptualizing HRM functions from a mere maintenance function to a significant contributor towards organizational competitive advantage, as a strategic business partner. In this context, Ulrich (1997; 1998) opined the following:

1. HR should become a partner with senior and line managers in executing, implementing and improving business strategy

2. HR should deliver administrative efficiency with reduced cost and quality products and services.

3. HR should become an employee champion by forwarding employees' views and representing their concerns to the top management

4. HR should become a change agent, by introducing required changes and modifications in the organizational culture and processes.

Summing up the above, Sibaud (2003) has forwarded two dimensions of HRM:

- A management dimension that addresses HR function tasks and organisation issues

- A resources dimension that takes into account human capital acquisition, development and promotion.

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Chrétien et al. (2005) have included opinions of a number of researchers. For example, Delaney and Huselid (1996) and Schuler and Jackson (1998) opined that, organizations needed to realize the significance of the HRM functions, in terms of its contribution in the company's performance and competitive edge. They also emphasized on the strengthening the HR department's roles in terms of their connection with the company strategy. Dietrich and Pigeyre (2005) also felt that HRM must help companies to achieve their objectives, in terms of performance, profitability, and competitiveness, with the help of employees. This is possible with the welfare of people extended by the organizations, as a part of their responsibility as corporate citizens (cited at Chrétien et al. , 2005).

Relationship between Human Resource Management and CSR

Successful CSR programs rely on enlightened people management practices, as it is the people who are the key drivers behind any organizational strategy to make it a successful one. Considering the strategic role of HRM, Cohen (2010) has opined that, CSR strategies may be leveraged by HR department for the greater benefits for the company as such, for employees, for society, and, for the environment. Since HRM has the responsibility to develop and nurture organisational culture through implementing the people strategy, it is advisable that HRM should help in implementing and documenting organizations' CSR strategy, through employee participation and involvement (Lokhandwala, 2009, Strandberg 2009b: 2).

In the light of the above, it may be inferred that, CSR and HRM need to work together to ensure the appropriate impact of each strategy at the organizational level. Several authors, such as, Beaupré et al., 2008; Grimand and Vandangeon-Derumez, 2010; and, Gond et al., 2011, have forwarded the symbiotic relationship between HRM and CSR. For the purpose of such studies, CSR has been perceived as a strategy to focus on social responsibility of the company and getting leverage from such strategy with enhanced company image, improved employee commitment and loyalty, and improved legal compliance.

However, research indicates that, very rarely organizations accept HRM as a true partner in determining sustainability strategy and, HRM also rarely acts as the key implementer of sustainability programs. In a survey with a large number of CSR and HR professionals in the US, only 6% of respondents confirmed that HR was involved in developing CSR strategy and only 25% believed that HR implemented CSR strategy. However, very interestingly, 89% of same respondents agreed that CSR is important for attracting top talent and retaining them. (Cohen et al, 2011).

Tekin (2005) has conducted a survey of the top 50 Turkish companies on the HRM dimensions of their CSR policies and practices. The survey revealed that that 45% of the respondents consider the HRM department as a key player in implementing and coordinating CSR activities of the companies, in various initiatives taken by HR department. The respondents were asked to evaluate the HRM functions of recruitment and training, from the CSR perspective. The

finding shows that CSR leads to improved recruitment, more committed training, more retention, more awareness about CSR, and so on. Greening and Turban (2000) found that CSR activities of a company positively affect the perceptions of employees (existing and aspirants) about the company culture and reputation. Sammer (2009) has also emphasized on the role of HR team for implementing CSR initiatives from the inception of the work-relationship of individual employees at a company (for example, during orientation). Strandberg (2009c) illustrated Swedish MNCs, who have used CSR to attract, motivate and retain human resource talents. Supporting the above findings, PR Leap (2007) has opined that, CSR mission and vision of a company, if integrated carefully in the corporate strategic goals, may act as a mechanism for effective human capital management

Different researchers at different points of time have emphasized the critical importance of HR for the proper implementation of CSR and the role that HR can play in developing the process, where the business objectives are assessed and values re-aligned to match them with staff expectations. They are summarized below.

Cropanzano et al (2001) demonstrates that employee attitudes and behaviors are heavily influenced by fairness and responsible behavior of organizational actions towards the employees, i.e., the organizational members. In a survey, Cherenson group found that the most important factors affecting the reputation of an organization may be assessed by the employees by the way the employees are treated and the quality of its products and services (http://

www.hrmguide.net/usa/commitment/employer_ branding). Zappala and Cronin (2002) also confirmed that cordial employee relationship helps an organization to improve the public image, increase employee morale, and support from the community. Lockwood (2004) emphasized that HR department must take an active role in leading and educating employees about the value of CSR and how best to strategically implement CSR activities.

A survey by Sirota Survey Intelligence (2007) revealed that employees who are satisfied with their organization's commitment to social and environmental responsibilities, are likely to be more positive, more engaged and more productive than those working for less responsible employers. Murray (2008), in a survey, pointed out that, for employees, working for a caring and responsible employer were more important than the salary they earned and attrition may be higher in a company that lacked corporate social responsibility policies.

Several authors, in the light of the above, have forwarded their ideas on how to utilize HRM policies for effective implementation of CSR. Authors, such as, Krishnan & Balachandran (2004), Agarwal (2007) and Malikarjunan (2006) stated that regular performance review, adequate training for the workforce and transparent career advancement may develop enhanced commitment among employees and help the organizations to propagate its positive image among all the stakeholders.

A survey conducted for the Conference Board of Canada in 2000 found that 71% of employees want to work for

companies that have social responsibility as a major corporate objective. Cone Inc., in its Corporate Citizenship study, revealed that, 77% of respondents in US preferred to work for the companies with explicit social commitment. Similarly, while conducting a study, the Aspen Institute found that, the MBA students were more interested in working for companies where more opportunities were there for contribution towards society. (https://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/rs00555.html).

GlobeScan Surveys (2002, 2003) found that 68% students felt that a company's social and environmental reputation was more important a reason for them to join the same company and remain more loyal, than mere salary and benefits ((https://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/rs00555.html).

However, various researchers have argued that, not many companies have been successful in involving the employees in the CSR activities. For example, in the study, Fenwick & Bierema (2008) has found little contribution from HR department in developing and implementing the CSR activities. In another survey, only 13 per cent of the companies were found involving their employees in undertaking the various CSR activities. The perceptions of workers and management also differ about whether an organization is complying with such regulations as related to labor or working conditions (Mehta, 2003). Rupp, et. al (2006) have also confirmed that, the implementation of the CSR policy has traditionally been in the hands of 'management' and 'employees' as the non-management

workforce have been less likely to be involved in developing and implementing a policy on business responsibility towards society.

Integrating CSR in HRM practices: A roadmap

There are several ways through which an HR Department may integrate CSR philosophy and values into the HRM practices of a company. In this regard, a general roadmap has been forwarded below (Strandberg, 2009):

CSR Vision, mission, and, values

As discussed earlier, the philosophy of CSR flows down from the top management's vision about the socially responsible behavior of the corporation. Thus, to begin with, an organization must have a clearly articulated vision, mission and value statement to propel and nurture the organizational culture, conducive towards CSR. HR department of a company may act as the most significant instrument in developing such mission and vision. Additionally, HR department may also utilize various opportunities to create awareness about the 'people perspective' among the Board members and the top management about the requirement of CSR. For example, Novo Nordisk propels its 'Way of Management', which articulates the company's inclination towards value-based governance. Company's guideline towards maintaining a balance between business objectives, customers, compliance and responsible behavior are the areas, which are emphasized in the Company Charter.

Employee codes of conduct

One of the most significant function of the HR department is to develop the Code of Conduct for an organization. HR department, therefore, must consider the social responsibility of the organization and its members, while penning down the code of conduct. The code of conduct, on one hand, should spell out the desired standard of behaviour, and, on the other, it should reinforce such conduct by specifying the details about the non-compliance issues. For example, in 3M, three components, such as, environment, health, and safety, are crucial parts of its Business Conduct Policy.

Human resource planning and recruitment

Workforce planning consists of analyzing the existing manpower, identifying the future demand of manpower, and, planning to bridge the gap or surplus between the existing and the future manpower demands. In this context, while recruiting the new incumbents, HR department needs to consider the skills and competencies, which are relevant to the company's mission and vision towards CSR. For instance, while assessing the candidature of the prospective candidates, among other details, HR department should also assess their inclination towards CSR and sustainability. The Co-operators Group Ltd. is a case in the point, where the candidates are judged based on their eight competencies: accountability and ownership; time and deadline management, practical problem-solving and judgment, communication, coaching and working with

others. This is done in line with the company's commitments towards corporate sustainability and values.

Orientation, training and competency development

HR department needs to ensure that the new employees get a detailed idea about the company's vision, mission and CSR values, CSR policies and commitments, and so on. Information needs to be provided on how the company measures its CSR performance, the annual sustainability or CSR report. Once inducted, employees should be provided CSR training on a regular basis.

Compensation and performance management

CSR philosophy of an organization should also get reflected in the performance standards and goals for its employees. For example, Vancity Credit Union states its CSR principles as a key area of accountability in all executive role descriptions. Many other organizations integrate CSR elements as integral parts of job descriptions, resulting into more focus on CSR in formulating individual performance plans and team goals.

Traditionally, employees get compensated on the basis of financial performance, which generally focus on profit-maximizing behavior, overlooking the need to also consider sustainability factors. In order to integrate the CSR philosophy, a company needs to reframe the reward and recognition program to ensure that, the employees do understand the relationship of CSR activities with the rewards and benefits, including base salary, incentive pay, long-term incentives and other non-monetary recognition.

For example, at The Co-operators Group Ltd., all VPs have performance goals, in accordance to the CSR objectives.

At Novo Nordisk, individual employees are rewarded for performance that meets or exceeds the financial and non-financial targets in the balanced scorecard. Non-financial performance is measured on the company's impact on the triple bottom line.

Change in attitude and organizational culture

In order to incorporate the CSR philosophy into the cultural DNA of a company, it is imperative to make an effort to bring change in attitude of the organizational members, such as, employees. This may be possible through role-modelling, developing consciousness, and reinforcement through various HR functions, such as, incentive programs, and so on. Change in the organizational culture demands a top-down approach towards believing and demonstrating the CSR values of the organization.

Employee involvement and participation

It has been seen that, more the employee involvement, better is the implementation of any initiative at the organizational level. People feel more onus and responsibility towards implementing an initiative, if they have been directly associated with the process of development of the concept of the initiative. This is true for the CSR initiatives as well. Keeping this in mind, HR department needs to create a platform of opportunity where employees can suggest various ways of incorporating CSR initiatives at work.

CSR initiatives

HR department needs to play the key role in proposing policies and initiatives which help in implementing CSR values. Such initiatives may include green workplace initiatives, CSR day, employee diversity day, no-wastage day in canteen, pool-car day etc. Employee Wellness programs can also become a channel to discuss about "personal sustainability" and provide support for employees in the areas of stress management, spirituality at work, health and fitness, healthy lifestyles, etc.

Employee Communications

CSR values need to be reinforced by various communication programs to the employees and other stakeholders. Intranets, websites, blogs, wikis, social networking sites, podcasting, videos, forums, webcasts, voicemails, print and electronic newsletters and other forms of social media may be used to communicate the CSR strategy to the employees.

Conclusion

The relationship between HRM and CSR is at once interesting and complex in nature. The role of HRM as an integrator, as far as the HR functions and their effects on CSR activities are concerned, is extremely crucial, as they develop the basic principles for value-based HR practices within the firm. This in turn, affects the HR policies and the way it impacts people, thereby, demonstrating the sound and employee-friendly practices and the company's concerns for upholding CSR practices towards their

employees, who are one of the primary internal stakeholders.

The quality of leadership and value-based culture practiced within the organization promotes the guideline of ethical employee behavior and the firm's overall CSR philosophy towards its external stakeholders, thereby, signifying the need for creating a win-win situation for all it stakeholders. This partnership of sound value-based practices along with the firm's CSR related practices goes a long way in creating a positive brand image of the company in the eyes of its major stakeholders laying he foundations for greater growth and sustainability for the firm.

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