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CSR PRESSURED HRM CHANGES? – THE INTERFERENCE OF CSR AND HRM

The aim of the paper is to look on Human Resource Management (HRM) through the framework of Corporate Social Responsibility (CSR). How CSR trends and expectations forced specific HRM changes, developments, and how HRM influences the corporate social responsibility, sustainability performance of a company through internal corporate stakeholders (employees) and through governance and management tools.

The paper addresses the following problems: (1) What kind of relationship has HRM and CSR? What does the often referred formula CSR-HR=PR mean? (2) What influence could have one on the other and vice versa? (3) How to measure labour stakeholders' impact on CSR / Sustainable Development related to a specific company or company activities? (4) How to measure a company's CSR performance by HRM indicators?

The model used for this analysis called 'CSR and HR interference model' is based on an own developed CSR pyramid of HRM, indicates several evaluation dimensions and criteria at the same time. While analysing the interference of CSR we will go through the main functions of HRM and their role in supporting CSR at a company.

1 Evaluating Sustainable Development

Measuring Sustainable Development needs a complex methodology and among evaluation dimensions there will be trade offs and inconsistency. Based on different philosophical, managerial approach the tools for measuring will differ, especially according various stakeholders' perspectives and expectations. Most known measurement methodologies are focusing on special thematic of sustainable development or special stakeholder group: ecological footprint, social footprint, Dow Jones sustainability index, rankings of companies, social labels of products or companies, Global Reporting Initiative indicators, etc.

I want only refer to one sustainable value measuring model, which is illustrated by the following figure. It shows to dimension: shareholders' and stakeholders' evaluation of a company or value. Shareholders expectations rose above stakeholders' expectations and this lead to a controversy in business functions.

My opinion correlates with the next figure, and it tells me: that the goal is to bring balance into this two dimension for example by transforming the 'force for growing' into the 'force for developing'. To transfer quantitative measures into qualitative once, static indicators into dynamic indicators.

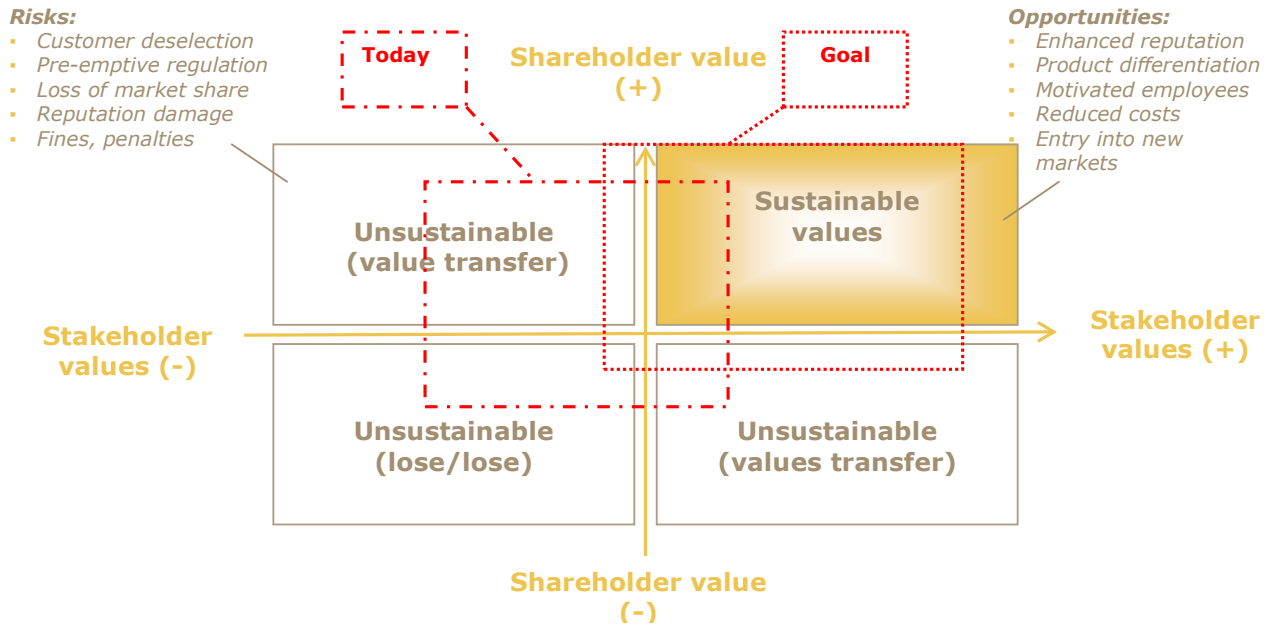


Figure 1: The sustainable value framework¹

We can use HRM at different levels to evaluate Sustainable Development:

1. the success of Sustainable Development can be illustrated, by looking on the changes resulted by SD in HRM trends, processes and tools (global and macro level);
2. the benefits of CSR, the corporate behaviour leading to Sustainable Development at the workplace (short term drivers for companies to become sustainable).
3. HRM processes and tools are important in encouraging and inspiring CSR and SD, this shows the chances and future pathways for SD (corporate level, mostly government issue);

A main group of processes, tools and methodologies are related to workplace issues, but beyond that HRM has an indirect effect on the sustainable and responsible development of corporate strategy. Now, taking into account the extent of this paper, I will briefly refer to these three dimension and try to introduce an integrated framework for evaluating CSR according HRM.

2 Workplace issues raised by SD and CSR

Since we recognized the shortages of our present systems and way of operating and living, a lot of workplace issues were raised to decrease the drawbacks on employees of our current economical systems and profit maximizing models. Everybody who is in touch with SD or CSR knows about the supply chain issues related to human rights by Nike, or the subsidiary and environmental issues related to health and safety by Shell, etc.

Regulation on global and national levels (as assure basic human and employee right, antidiscrimination) were always present in some way of our governing practices, but the incredible growing pressure of companies resulted neglecting them. Companies (and also their stakeholders and regulators, governments, shareholders, CEO's, consumers, NGOs) missed up the priorities and place 'survival' and 'growth' over basic values, rights and duties.

¹ Own addition to Laszlo, 2008

Now putting into the spotlight disadvantages and drawback of profit centred economies and decision making, models basic workplace and human right issues re-emerge suddenly. And based on this, international and national NGOs, governments and stakeholder interest groups put out their flags on these special issues.

Through different channels there raises the pressure to be accountable and transparent in special human resource management issues and through the discussion and measurement of them some workplace problems were resolved or reduced.

Lets look on most known international guidelines: what kind of HRM issues do they point out and what results did they reach with them?

2.1 International guidelines – Responsible HRM

Mostly international guidelines refer to the Universal Declaration of Human Rights (30 Articles, 1948)². I do not want to give a full overview of existing government tools and guidelines but to gather the most important ones known and referred in Europe:

The International Labour Organization's Declaration on Fundamental Principles and Rights at Work	
1998	<p><u>Four principles:</u></p> <p>Freedom of association and the effective recognition of the right to collective bargaining</p> <p>Elimination of all forms of forced or compulsory labour</p> <p>Effective abolition of child labour</p> <p>Elimination of discrimination in respect of employment and occupation</p>
Global Compact³	
2000	<p><u>Human Rights:</u></p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p> <p><u>Labour Standards:</u></p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>
Global Reporting Initiative⁴	
1997-1998	<p>Management approach: (based on five internationally recognized standards)</p> <p><u>Labour Practices and Decent Work:</u></p> <p>Employment</p> <p>Labour Management Relations</p> <p>Occupational Health and Safety</p> <p>Training and Education</p> <p>Diversity and Equal Opportunity</p> <p><u>Human Rights:</u></p> <p>Investment and Procurement Practices;</p>

² www.ilo.org, downloaded on the 10th of July

³ www.globalcompact.org, downloaded on the 10th of July

⁴ www.globalreporting.org, downloaded on the 10th of July 2009

	Non-discrimination; Freedom of Association and Collective Bargaining; Abolition of Child Labor; Prevention of Forced and Compulsory Labor; Complaints and Grievance Practices; Security Practices; and Indigenous Rights.
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Table 2: Global CSR issues related to HRM

Reinventing fundamental rights, reformulating them and putting them into the spotlight of discussion and regulation companies and stakeholder are forced to deal with these issues in some way. Mostly international and national NGOs are formulating tool kits and conducting researches, and governments make regulations to enhance the current situation of employees.

Most of these guidelines try to get companies and stakeholders to operate legal, and this uncovers the first paradox in this issues: while CSR and SD should be going beyond legal requirements, at the same time we see the efforts to meet fundamental right and regulation. But at least it bring accountability and transparency on these topics and more and more discussions focus on solving these human rights and labour rights problems caused by the unfair and profit maximizing business. One important task in this case would be to improve the monitoring in these cases and that neglecting them should have real consequences and reputation damages. For this we would need stronger regulation and monitoring and more and stronger watch dog NGOs in all regions.

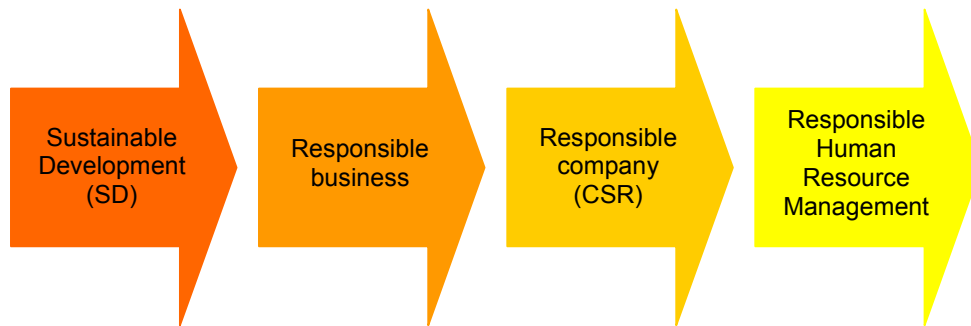


Figure 2: From Sustainable Development to Responsible HRM (own figure)

There is no doubt that business needs to become more responsible, and these international guidelines and methodologies want to emphasise the side of Responsible HRM.

2.2 Drivers for CSR in HRM

HRM comes along argumentation whether doing CSR or not when we are reasoning about the benefits of responsible and sustainable behaviour. Mostly mentioned drivers and advantages also cover HRM based ones as. Interesting is the three type of argumentation used according to CSR:

1. Compulsory by regulation: based on international and national regulations
2. Rational by business reasons: based on calculations and business benefits of actions
3. Voluntary by commitment of leaders, managers and employees: based on the 'good feeling' and 'believes', 'moral', 'virtue' and 'conscience'.

According these three levels, drivers can be regulations on the one hand and commitment on the other hand, but interesting are the business reasons, those benefits appearing in HRM resulted by responsibility and sustainability of a company. Mostly mentioned advantages are:

- Risk management by preparing the company for potential regulation and stakeholder expectations (e.g. preparing and promoting more women into leader positions before regulation forces, and time and resources will be missing for good preparation).
- Attract talented employees by building on their values and new expectations, which are shown by several researches in different countries and sectors (e.g. some talented graduates are against multinational companies who demonstrate the unfairness of our current world in their eyes).
- Cost saving by using governmental supports, tax reductions for positive actions (e.g. employing disabled people means savings in some countries).
- Increase in loyalty and satisfaction of employees by meeting their expectations to have a 'good corporation' and 'wellbeing' in the company, which results in lower hiring costs and increases rate of returns in training and development.
- Reputation and image reasons by becoming a recognized company in the community or among special stakeholder groups which leads to good public relations and can be transferred into consumer loyalty for example (e.g. introducing part time jobs instead of firing employees in the crisis).
- Prestige by copying or joining movements and best practices of competitors and not to become the black sheep in a sector or region among others.
- Competitive advantage by being first mover and gaining advantage by this (e.g. developing the Diversity Charta with an NGO and creating a movement based on it).
- Innovation and creativity can be improved and evolved by diversity and 'healthy company culture', which leads to long term success and business opportunities (e.g. a diverse employee structure can better meet a diverse pool of consumers).

Interesting in this argumentation is the instrumental logic of becoming sustainable and responsible versus the normative argumentation. Is it a goal or a tool treating our employees fair? If we look back on the theories of human resource management we can also see this developments and contradictory directions whether human being means a corporate resource or should be the main goal of the whole operation.

Alternative economist emphasise the latter one and 'alternative capitalists', 'social entrepreneurs' are called to show a new paradigm for the meaning of 'business'. They are meant to be successful in qualitative measures like 'wellbeing', 'survival', 'recognition', etc. Those who frame their thinking by current economic model and business operation use these economic drivers to become better and more successful, both measured by quantitative indicators as 'growth', 'profit' or 'turnover'.

Even though companies who want to measure the effects of responsible and sustainable behaviour or actions can develop different indicators related also to the drivers mentioned above and quantify the benefits of CSR and SD. By measuring employee satisfaction, conducting stakeholder researches and engagement, HR controlling related to fluctuation, recruiting cost, training and development costs, etc.

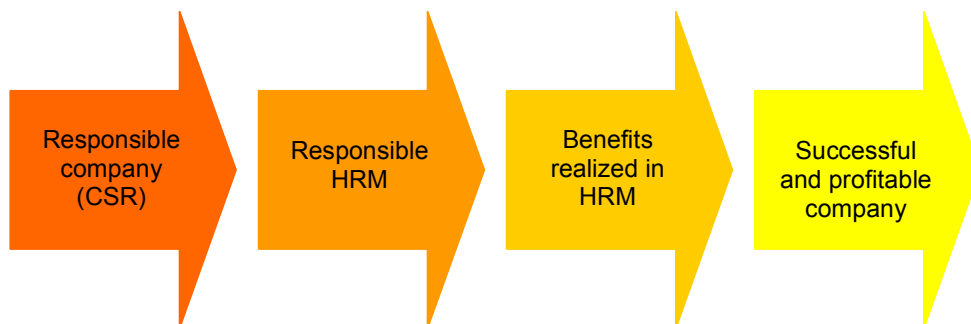


Figure 3: CSR benefits in HRM leading to business success (own figure)

After we touched briefly the first two dimensions of HRM in connection with CSR and SD let's turn to a more complex dimension but at the same time pointing out the key role of HRM in getting responsible and sustainable companies.

3 The role of HRM in Sustainable Development

The following chapter will give in an overview of the potential role of Human Resource Management in influencing the strategy and operation of companies and leading to responsibility and sustainability through this.

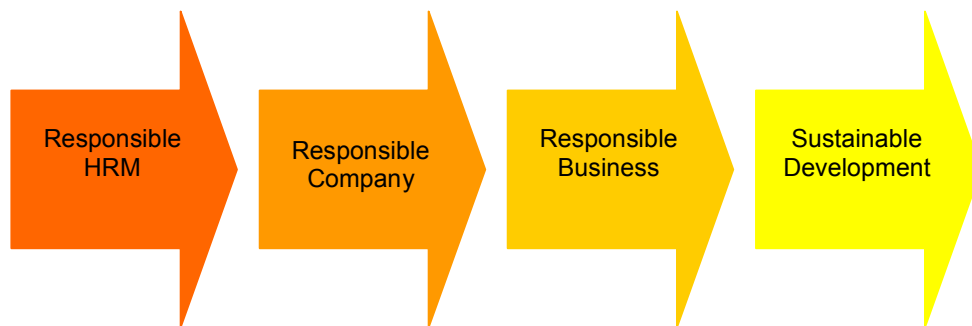


Figure 4: Responsible HRM leads to Sustainable Development (own figure)

The figure above is based on the hypothesis that HRM has a key role beyond the roles introduced in the previous chapters. In the following sections I will argue why I think so and show the dimensions and indicators potentially forming a measurement model for evaluating CSR in the framework of HRM.

3.1 The theory of CSR pyramid of HRM

If we try to understand the roles of HRM we have to look on two dimension at the same level:

- Whether the action, policy or process covers a part of HRM, the whole HRM or also support other fields and functions at the company (coverage);
- Whether it is compulsory, reasonable or voluntary for the HR department or the company (driver).

According to these dimension I have developed the CSR pyramid of HRM which shows one model of playing a role in Sustainable Development for this professional field. Based on credibility we start at looking on the field themselves and then enlarge the coverage of the influence of HRM within the company (and outside).

1st level: includes what kind implementations can be found in the HRM field of companies, what work place related issues are worked out and integrated into everyday operation, who HRM participates in non HR-related CSR policies and guidelines.

- Are environmental, anticorruption and other non HR-related policies translated and adapted in the HR department? (e.g. green procurement, green office, etc.)
- What kind of corporate policy or value based HR-related workplace issue is covered by HRM? (e.g. diversity, health and safety, training and development, equality, antidiscrimination etc.)

At this level, mostly regulation and corporate policy and strategy forces HRM to become responsible and adapt processes, methods and actions according them. This integration process should result in systems, systematic processes and methodologies and not only ad hoc actions.

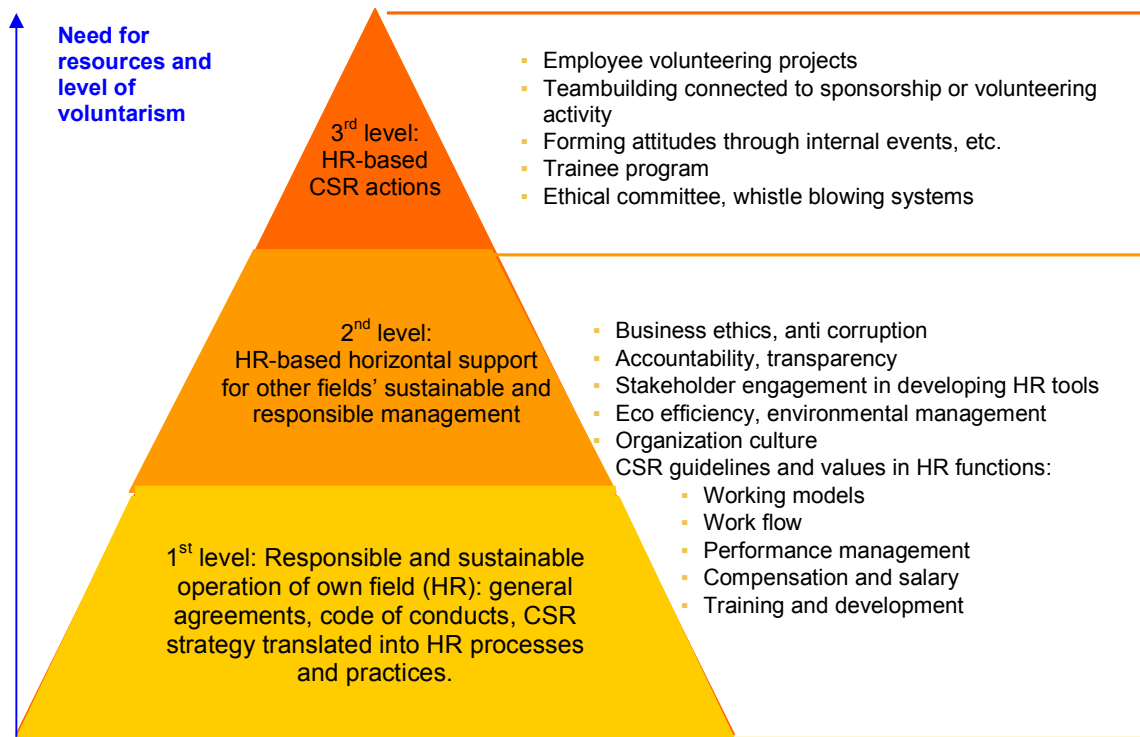


Figure 5: The CSR pyramid of HRM⁵

2nd level: includes the supporting and strategic management role of HRM in the life of a company, the horizontal effects of HRM policies, processes and functions on other company fields.

- How does HRM participate by its own methods and tools to ensure and encourage ethical, responsible and sustainable operation, management and strategy at a company? (e.g. whether performance management includes environmental, social and broader economic targets, whether organizational culture encourages ethical behaviour, etc.)
- Does HRM actively participate in the engagement of employees in CSR projects and operation? (e.g. does the company have a whistle blowing system, etc.)

At this level, still systems, processes and systematic, regularly used methodologies should be born in the frame of CSR, SD. This is also connected with corporate guidelines, but not as strong compulsory as the 1st level, here steps already need some voluntary behaviour. Also important to point out is the strategic role of HRM which determine also the potential role in CSR in some way. The following figure illustrates the interference of corporate strategy and CSR and HRM functions and fields.

⁵ Fertetics, 2009 in: Garadnay-Koltai, 2009

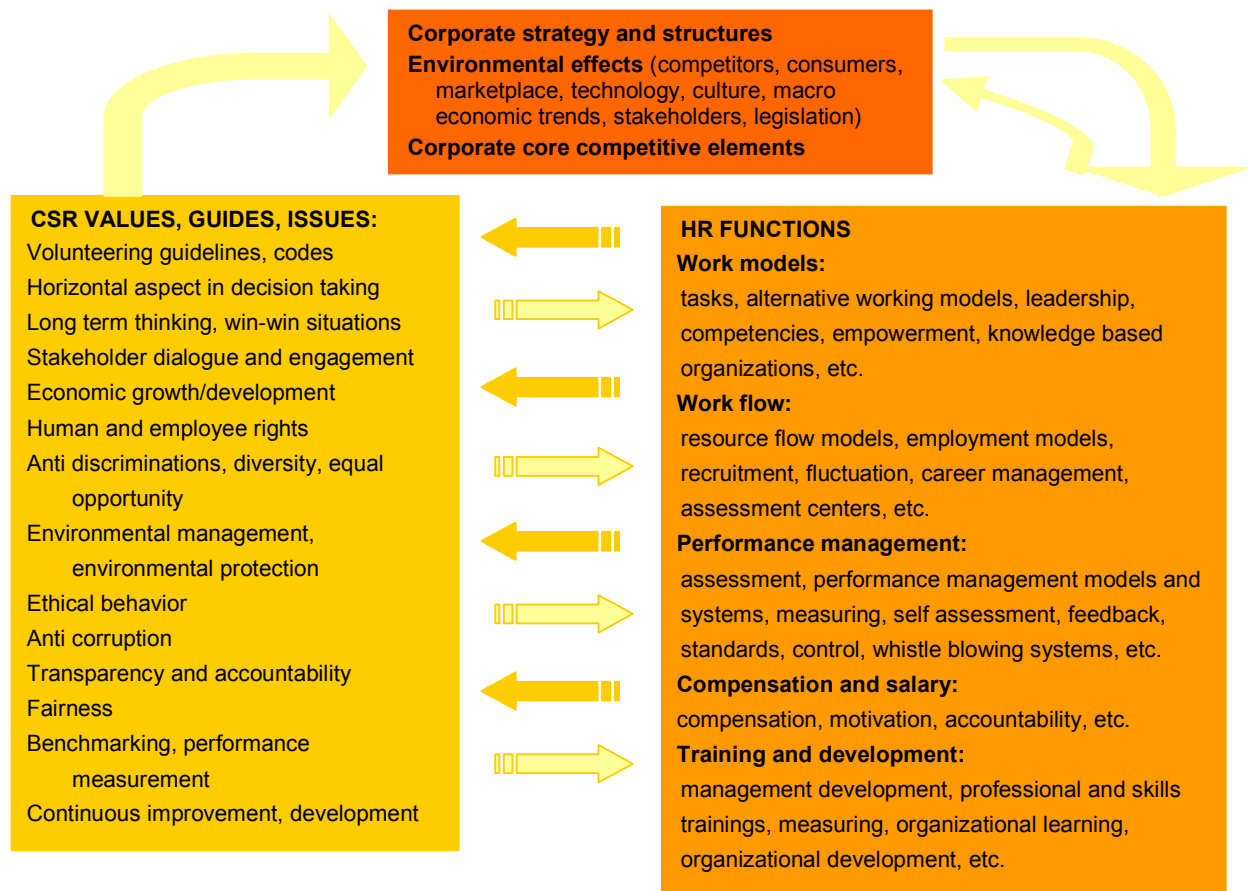


Figure 6: The interference of HRM and CSR on a corporate level⁶

3rd level: includes non compulsory, mostly not driven by business reasons but internal commitment ad hoc projects, based on a main role of HRM in a company. It does not mean, that these actions do not result indirectly in business benefits (also quantifiable ones) but the motivation for conducting them was mostly voluntarism and commitment and philanthropy.

- What kind of actions organized by HRM Department on a voluntary basis lead to responsibility or sustainability within the company? (e.g. does it have voluntary projects, trainee projects)

An interesting question is still whether the company integrates the direct and indirect effects and benefits of these action although they were not conducted because of them (but resulted in them).

3.2 Measuring the CSR pyramid

Measuring or evaluating whether a company is responsible or sustainable is a complex and mostly impossible tasks. Actions and processes can be evaluated mostly and conformity with standards and guidelines can be measured, but if we try to evaluate a whole company (also taken into account indirect effects) we will have to deal with conflicts, trade offs and contradictions. I tried already to develop a model for evaluating the process of becoming a sustainable company and based on this model I will try now to give a framework for HRM management and governance:

⁶ Fertetics, 2009 in: Garadnay-Koltai, 2009

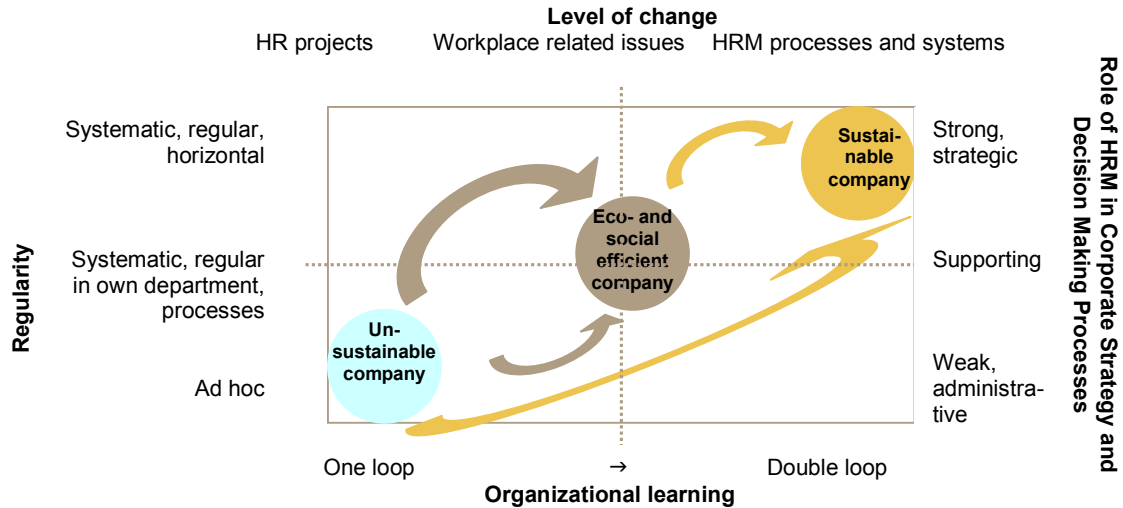


Figure 7: The Sustainability Evaluation Framework for CSR (own figure)

Unfortunately the extent of this paper does not allow me to go in very details of the different dimensions, so I can give only a short summary of each dimension and outline some important measuring methods and indicators related to them.

3.2.1 Level of change

As I have already discussed above the different HRM functions and their relationship to CSR integration, I don't need to emphasize the importance of integrating CSR based values, measurement tools and target in all HRM functions and support and influence the whole company by them.

Actions are mostly related to the 3rd level of the CSR Pyramid of HRM or they are CSR actions conducted at other parts of the company without the HRM Department. They are measured mostly on project base (if at all) and are mostly used for communications reasons exaggerating the effects of the action.

Workplace related issues are mostly the best known headwords used related CSR and HRM:

- Equality
- Diversity
- Disabled people
- Child labour
- Human rights
- Health and safety
- Wellbeing, work-life balance
- Minorities
- Elderly
- Etc.

Whether these issues are covered at a company or not mainly depends on the HRM Department of Manager who is working them out and integrating them whether by positive actions or in HR functions and processes. In these areas we have a lot of potential measurement and evaluation ideas from different sources, mostly recognized is GRI for accountable and transparent public disclosure:

Labor Practices & Decent Work

Performance Indicators

Aspect: Employment

CORE	LA1	Total workforce by employment type, employment contract, and region.
CORE	LA2	Total number and rate of employee turnover by age group, gender, and region.
ADD	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.

Aspect: Labor/ Management Relations

CORE	LA4	Percentage of employees covered by collective bargaining agreements.
CORE	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.

Aspect: Occupational Health and Safety

ADD	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.
CORE	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.
CORE	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.
ADD	LA9	Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions.

Aspect: Training and Education

CORE	LA10	Average hours of training per year per employee by employee category.
ADD	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
ADD	LA12	Percentage of employees receiving regular performance and career development reviews.

Aspect: Diversity and Equal Opportunity

CORE	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.
CORE	LA14	Ratio of basic salary of men to women by employee category.

Figure 8: The Labour and Decent Work indicators of GRI⁷

The GRI G3 Guidelines and Indicator Protocols also suggest indicators for human rights and others. And every company, institution can also develop further indicators and evaluations methods how they want to measure the workplace issues within the company. Also stakeholders' evaluation might be useful to integrate in some cases.

The goal according this dimension is that HRM processes and systems in all function include not only workplace related issues but also others like environmental, ethical, broader economic, anticorruption issues. Some important examples:

- If recruitment does not integrate and taking into account if the potential employee is ethical or not, than ethical behaviour within the company will be difficult to realize.
- If performance evaluation of executives is only based on short term targets and financial goals, than long term goals and non financial targets won't be integrated into decision making.
- If training and development does not cover specific CSR and sustainability issues, and policies and guidelines are not translated into every day operation by ensuring necessary knowledge and skill development, employees won't be able to integrate them into their work.
- If the company does not have any whistle blowing system than employees are not able to articulate their concerns in specific issues.

⁷ http://www.globalreporting.org/NR/rdonlyres/D2BC0DF8-FF2C-4BAB-B2B4-27DA868C2A5F/2806/G3_IP_LA_ENG_corr_and_cov.pdf

As more system and process based with horizontal effect on the company HRM integrates CSR as more chances there will be to become a responsible and sustainable company.

3.2.2 Regularity

I have also mentioned the importance of regularity if we are talking about actions, processes, systems. If something is ad hoc, and some project only happen accidentally we can be sure, that the company really integrates it strategically. Of course ad hoc projects are needed as well, because they ensure spontaneity and the skill for fast reaction on changes. But CSR related issues should be integrated into all level and function in a company, so it need to be systematic and regular, completed with follow up and monitoring.

3.2.3 Role of HRM in Corporate Strategy

Long literature of HRM is dealing with the question of the role of HR in a company. Of course different life stages of companies, size, sector and technology is influencing the role of HR. But at the end, if we turn back to our axiom 'that people are the goal and not the tool', HR has to play a main role in corporate governance and behaviour.

If HR has only an administrative role (like pay roll accounting) than of course it can not be a key driver in organizational change and learning. Than HR can only participate in non HR related actions or conduct voluntary projects on ad hoc basis. These options are not allowed to be under estimated, because they can be the trigger event for real changes later on (for example by sensibilization according specific issues).

If HRM ha a supporting role and realizes the importance of their actions, processes within the companies governance and management, then every day 'fight' and 'trials' and 'tactics' are needed, because HRM is only partly recognized as an influential function within the company and some managers will look on their ideas and actions as they should be only executing orders and not making initiatives. HRM should be aware of company policies and guides related to CSR and transfer them into all HRM functions and at the same time try to influence corporate decisions by initiatives, ideas, new pilot project.

If HRM has a strategic role in a company, then the responsibility of this professional field is larger than in other companies. Also the scope for action is bigger, because the HR Manager and Department is mostly recognized and their ideas are accepted. The problem in Hungary is, that a lot of HR Managers being in this recognized position think mainstream in business and do not support deep sustainability/responsibility only eco-efficient and social-efficient actions.

3.2.4 Organizational learning

The main dimension according my consultancy works is the ability and willingness for organizational learning. Even personal learning is very difficult and sometimes painful, as we have to change our routines, behaviour, attitudes or even our way of thinking.

Simple loop learning means that we change our behaviour, even routines according to get better results, but do not change our attitudes, way of thinking, beliefs. But double loop learning means that before changing our behaviour we revise our beliefs, attitudes, values. And by doing this we might find more alternatives for our behaviour then before.⁸

⁸ Argyris, 1992 in Bakacsi, 2002

	No cognitive change	Cognitive change
No behaviour change	No organizational learning [e.g. defenders: mainstream, reactive, risky companies]	New recognition, changes in way of interpretation, change in attitudes without behaviour change → opportunity for behaviour changes [e.g. awaking companies, managers thinking about their responsibility and participating in discussions]
Behaviour change	Acting under compulsion, changing behaviour because of force [e.g. reactive on legislation or stakeholder pressure] OR Learning by copying others' best practices, tools and methods used developed by others [e.g. following others best practices] OR behaviour change resulted by single-loop learning [e.g. adapting 'low hanging fruits', 'quick wins' only]	New recognition, changes in way of interpretation, change in attitudes which result in new organizational decision-makings, and lasting organizational behaviour changes (behaviour change resulted by double-loop learning) [e.g. leaders, reborn companies, innovations, sustainable value creators]

Figure 9: The cognitive and behaviour side of organizational learning⁹

Without cognitive change we won't reach sustainability, only eco- and social-efficiency, and without behaviour change we can not transfer policies and guides and new values into actions. Measuring organizational learning is difficult, but the level of organizational change can be measured, of course not static but dynamic indicators are needed for that.

4 Upside down CSR pyramid in Hungary

If we look on HRM at companies in Hungary we can an upside down CSR pyramid unfortunately. Mostly ad hoc actions and some regular projects or written, formal workplace related policies and guidelines can be found, and also voluntary based projects conducted by the HR Department, but the horizontal support, the systematic influence of company behaviour through HR tools and processes is almost missing at all.

The problem with this is, that CSR and SD can not be translated into every day operation without the total support of HRM otherwise it will only be a 'beauty spot of the companies reputation'.

An important question is how to turn this pyramid and become HRM stronger and more influential within the companies to have effect also outside the company.

Key drivers in this process are according my consultancy experience and my previous research works the followings:

- Monitoring of regulation and legal conformity
- Stakeholder dialogue, engagement and related high level of conflict management (problem solving and consensus versus competition, avoidance and accomodation)
- Leadership (where executive training and development would play a key role)

⁹ Own addition to Branyiczky, 1993

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