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**The Crucial — and Underappreciated —  
Role of HR in Sustainability**

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## **The Crucial — and Underappreciated — Role of HR in Sustainability**

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**Edward E. Lawler III**, distinguished professor of business and director of the Center for Effective Organizations in the Marshall School of Business at the University of Southern California, has authored over 400 articles and 48 books and has been honored as a top contributor to the fields of organizational development, organizational behavior, corporate governance, and human resource management.

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Success in sustainability depends on hiring and rewarding employees who commit to it. So why isn't HR more involved?

HR departments are usually overlooked in developing sustainability programs — yet their input is crucial for success.

Recent research by the Center for Effective Organizations shows that most companies aren't relying on HR departments as part of their sustainability focus — yet most think there's a role for HR to play. Guest bloggers Edward E. Lawler III and Susan A. Mohrman explore what that role might be involve and why it's crucial for companies to start involving HR in promoting their sustainability efforts.

**Big Idea:** Sustainability

**Key Terms:** *Employee Engagement, Human Resources, Corporate Social Responsibility, Organizational Structure*

Companies that perform well with respect to sustainability can be distinguished from those that don't by an array of organizational design features. High performers have a clear strategy guiding their sustainability activities, and the relationship between sustainability and their business strategy is clearly articulated. In addition, the sustainability activities and objectives are coordinated and integrated into their organizational design and management processes. Sustainability is not an add-on; it is a part of how these companies operate.

The human resources function is responsible for designing and managing the key talent management processes of organizations. Given its role in a major management process, what role should the HR function have in the sustainability programs of organizations?

The answer is obvious: HR's role should build sustainability into its own activities and processes so that it can play a major role in the structuring of a company's sustainability processes, practices and strategies.

The role of HR in corporate sustainability programs has been the focus of relatively little research, but [recent research](#) by the [Center for Effective Organizations](#) has gathered data from HR executives in major corporations. It provides some interesting insights into the current position of HR functions in organizations with respect to sustainability and points to what HR's role should be in order for organizations to be effective in regard to sustainability.

Overall, senior HR executives are very positive about the importance of sustainability to them personally. They believe that sustainability activities have a positive impact on shareholder value, employee loyalty, recruitment, and employee engagement, and over 82% believe it can positively affect corporate profits. On the other hand, only 51% say it is an important focus of HR in their company.

## **HR's Role in Sustainability Programs: What It Is, What It Should Be**

When asked about the role of HR in their company's sustainability program and activities, 3% of HR executives say HR has the primary responsibility and only 1% say it *should* have the primary responsibility. A large number (13%) do feel it should be a leader, but only 5% think it currently is. (See Illustration 1) This finding is in agreement with data gathered from board members and senior executives. They all feel that sustainability should be the responsibility of senior management, and that HR should (and does) have a secondary role in the sustainability activities in most organizations — but most also feel that HR's role should be greater than it is. This being the case, the question arises: what should that role look like?

A good starting point is for HR to take a major role in building sustainability into all that it does as a function and all the processes it controls. This does not just mean that all HR activities should be paperless in order to avoid a negative environmental impact, or that a few HR processes such as training should deal with it. It means building sustainability practices and processes into the major HR processes. For example, hiring should be done with a clear sustainability employer brand. Talent management activities such as candidate selection, performance appraisals or employee development and training can and should have a strong sustainability orientation. The ability of a prospective hire to commit and contribute to sustainability activities should be part of the selection process. Moreover, appraising current employees based on their sustainability results and creating tools that reward and reinforce contributions to sustainability goals and results should be part of the company's compensation systems.

This is not currently the practice at most companies. According to the HR executives surveyed, sustainability is not built into most of the HR activities in their corporations, nor does it influence how they operate to a great extent. Overall, most organizations simply fail to integrate sustainability performance into their human capital management systems. (See Illustration 2)

### **Quadruple Bottom Line**

A key feature of the sustainability programs in many organizations is the measurement and reporting of [triple bottom line](#) performance — that is, the “people, planet, and profit” focus. Many organizations (68% in our survey) are collecting and publicly reporting data on triple bottom line performance, but many of these reports do not include data on how employees are treated. The “people” element of the triple bottom line is focused much more on the community impact of the organization, instead of on the well-being of employees and how they are treated. One way to increase the role of HR and talent management in sustainability is to change this perspective.

It is time for HR to argue for a “quadruple bottom line” approach to defining and measuring sustainable effectiveness. Instead of having a category called “people,” they should separate the impact the organization has on its employees from its impact on the communities in which it operates and the customers it serves. There are numerous reasons for this, including the fact that very different measures are needed for these two types of “people impacts” — and the significance and utility of the results for these two groups are different as well. The impact of an organization on its employees and members is something that has much closer ties to the

financial results of the organization, and is easily measured by traditional attitude surveys and metrics.

With the growth of big data, this type of measurement is particularly appropriate. The results can and should be included in the public reports of the organization, so potential employees and investors can see clearly that the organization is committed to a sustainability model that includes the impact of the organization on its workforce.

### **Corporate Strategy**

Focusing on the impact of sustainability programs on the workforce is one way for HR to open the door to becoming more involved in the overall sustainability strategy of an organization, but it's not the only way. Creating and maintaining an effective sustainability strategy and process in an organization are major organizational design and change-management challenges. In this area, key leadership and direction need to come from the corporate board and non-HR senior executives. However, a sustainability-focused HR department can make an important contribution by offering knowledgeable input and guidance. The role for HR here is providing advice and direction with respect to organizational designs, processes, and strategies for creating an effective, sustainability-oriented organization. It can also help to communicate and develop commitment to the sustainability strategy of an organization, with the end goal of creating an organization that has sustainability built into its fabric.

### **An Opportunity Is Being Overlooked**

Overall, our research suggests that very few HR functions are making major contributions to the sustainability programs and effectiveness of their organizations. HR is

clearly more of a “want to be” and “should be” than it is a major player when it comes to corporate social and environmental sustainability activities. This needs to change.

The effectiveness of corporate sustainability efforts clearly depends on their design, effective change management, the creation of organization structures that allow employees to perform well socially, environmentally, and in how they treat their employees. The opportunity for HR to play a major role is there with respect to helping organizations change the way they operate so that sustainable performance is what they are about. This is where HR can and should help organizations. It can be an important player in changing the cultures of organizations and the processes of organizations so that sustainability is an integral part of how they do business, not just a program or add-on activity.

There is good reason to believe that corporate sustainability performance can be improved if HR has a more active role in it, and that the HR function will be more effective if it takes on such a role. Our research shows that the effectiveness of the HR function is related to the effectiveness of an organization’s sustainability program. It does not clearly establish what the causal direction is. Our best guess is that they build on each other. This means supporting sustainability is a win/win for HR because it improves corporate and HR effectiveness.

Illustration 1:

## HR DOES NOT HAVE MAJOR ROLE IN SUSTAINABILITY

Few HR executives report that HR has a major or leading role in corporate sustainability activities. However, almost half believe they should have one.

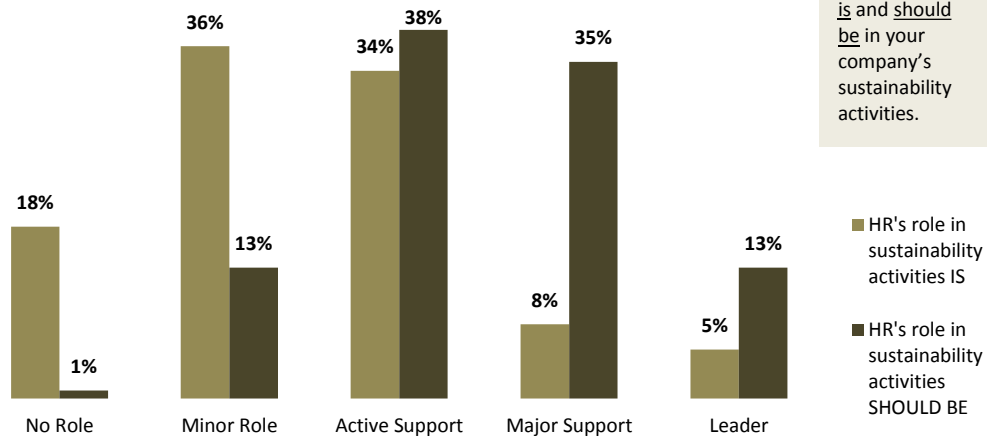




Illustration 2:

### SUSTAINABILITY IS NOT WELL INTEGRATED INTO HR PROCESSES

Sustainability is integrated into reward system and organization design decisions in only about half of the companies studied.

