

## [155-105] Sustainability, the environment and the links with HR strategies

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“If you are really trying to get an organization to become a high performance organization, working well as a team and being profitable, the sustainability theme is an enormously powerful theme. It taps into the source of deep energy in most people that is usually untouched. When people really want to make a difference, there is a strong sense of motivation.” (Bob Willard, author of *The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line*)

Sustainability, the environment, and social responsibility are all issues which are gaining traction with executives who require their organisations to satisfy the needs of current stakeholders, customers and their community without compromising the ability and needs of future generations to meet their own requirements. The challenge for executives and human resources (HR) practitioners is that “sustainability” and “sustainable development” mean different things to different people.

In 1987 the World Commission on the Environment published a report titled *Our Common Future* (The Brundtland Report) which brought the concept of sustainability onto the international agenda. This report identified strategic imperatives for sustainable development. In 2002, this was followed by work undertaken by Business in the Community<sup>1</sup> (BITC) in the UK which identified the need for “reliable, standardised information that would enable a company’s performance in the areas of corporate responsibility and sustainability to be compared with its peers”. So, BITC developed the broader Corporate Responsibility Index (CR Index) to assess the impact on the community, marketplace and workplace through the organisation’s operations, products and services, and interaction with key stakeholders.

In Australia, the St James Ethics Centre<sup>2</sup> (who has had a long standing relationship with BITC) is the trustee of the CR Index and oversees the quality and integrity of the project. The CR Index has been implemented as a partnership between the St James Ethics Centre, media partners — *The Sydney Morning Herald* and *The Age*, and Ernst & Young (which validates company submissions to the CR Index). Now in its sixth year, a total of 63 Australian companies have used the CR Index as a management tool within Australia and New Zealand.

Organisations such as ANZ Bank, BHP Billiton, Westpac Bank, Rio Tinto and Unilever have been participating in the CR Index for some time and have achieved Gold status. Some organisations have participated in the CR Index Leaders Network.

In his report on the 2007 round, Dr Simon Longstaff, the Executive Director of St James Ethics Centre, commented: “This year’s Index is evidence of a corporate sector that is beginning to lose its fear of candid and transparent reporting. This suggests a deeper commitment to learning than has been evident in the past.” He also stated that “it is a sign of growing maturity that a significant number of local organisations have chosen to report their performances even when to do so will draw attention to areas requiring further improvement”.

### **An organisation’s experience**

In reviewing the list of participants it was noticeable that only two law firms participate in the CR Index. One such firm is Henry Davis York (HDY) — one of the country’s oldest law firms which is based in Sydney and comprises 350 staff and 47 partners. Kelvin O’Connor, Chief Information Officer and Head of HDY’s Corporate Social Responsibility Program indicated that they were motivated to invest in their corporate sustainability strategy for three key reasons:

1. There is a considerable body of evidence that demonstrates the potential for a favourable impact on the firm's bottom line and an increase in service delivery which in the longer term has a positive influence on the sustainability of the firm.
2. Attracting and retaining staff is a key issue and focusing on the interests and needs of staff is critical in ensuring current and future employees are motivated, engaged and retained.
3. Clients and other stakeholders are increasingly concerned about sustainability issues and want to know more about the firm's financial and operational activities.

The experience of HDY has shown that much of their progress can be attributed to that to the fact that a senior executive is responsible for the strategy and that they have taken the time to consider the risks and opportunities for the firm in terms of their overall strategy. Initially they focused on areas that are linked to the drivers of the business and the overall values of the firm.

Kelvin O'Connor indicated that they used the CR Index as a guide and that, in a number of areas, they were encouraged to find that there were sustainability practices already in place. In particular, they found that the work that had been undertaken in HR, especially in the areas of recruitment, retention, flexible working, work/life balance, and workplace behaviours, were well established and provided a strong foundation on which to move forward. Deborah Stonley, HR Director, said: "the Firm has responded to staff needs and those of the business, and has implemented a broad range of policies and programs to ensure we were and are able to attract the best possible talent to join HDY ... this approach, particularly in the area of workplace flexibility, has led to significant reductions in staff turnover."

In addition, HDY has built and implemented a learning and development strategy which enables staff to further develop professional and personal skills to help them progress within their chosen careers. A Leadership and Management Development program has been in place since 2001.

The CR Index process requires organisations to measure and monitor their efforts and to provide this data as part of their submissions. While measuring the effects of some initiatives can be a challenge, there are standard reports such as the Equal Opportunity for Women in the Workplace Agency (EOWA) report, Health and Safety Audits, submissions to national awards such as the HR and Diversity Awards as well as the National Flexible Employer Accreditation program which provide the framework for measuring the success of many HR initiatives. Recognition in a number of these areas has helped the firm to demonstrate that it is serious about responding to the needs of current and future employees.

While HR initiatives have a very prominent role in HDY's sustainability strategy, the firm has also addressed environmental issues. For example:

- HDY have switched to 100% recyclable paper. While, initially, duplex printing was encouraged, it will soon be firm-wide standard practice.
- Document management systems have been upgraded and an email file management system introduced. This allows electronic filing (rather than printing) of email.
- Paper usage over the 2006/07 period was reduced by 17%. This will be further reduced by 14% in 2007/08.
- There have been some wins in the reduction of power usage with people being encouraged to turn off lights and computers. In 2006/07, HDY reduced its power consumption by 9.3%. Devices that reduce the voltage of fluorescent lights are being trialled on one floor. In addition to reducing power consumption, where possible (and practical) HDY purchases 35% of its remaining tenant power from renewable resources. Both O'Connor and Stonley indicated that there have been some very positive lessons learnt from their initial CR Index submission and that in the future they will be giving increased attention to the following:
  - Establishing the baseline data for each initiative and ensuring that they monitor and measure what they are doing. Being able to demonstrate what they have achieved is important not only for the business but also for all stakeholders.

- Increasing the communication and involvement of all staff, and internal and external stakeholders and encouraging suppliers, clients, shareholders and all others involved in the business to become involved in the sustainability strategy.
- Integrating the philosophy and practices of sustainability further into the functions and operational activities of the firm.

### **The role of HR in implementing sustainability strategies**

In the past, HR managers have struggled to find ways to introduce sustainability strategies into their organisation. Yet, in reality, the competition for talent, the need to attract and retain the best possible people means that the HR function plays a critical role in the overall sustainability strategy. In practice, the recruitment of new employees helps to demonstrate the organisation's aspirations, and highlights the skills, behaviours and expertise to which it gives a high priority. What is also evident is that an increasing number of applicants pre-assess the social and environmental performance and activities of their prospective employers. A Globescan 2003 Study<sup>3</sup> found that 68% of students participating in a global study did not believe that salary was more important than a company's social and environmental reputation when deciding which company to work for.

### **Figure 1: Diagram from the “Driving Success” briefing**

Diagram from the Driving Success briefing

Bob Willard<sup>4</sup> a prominent author on sustainability management within HR emphasises that HR cannot “go it alone” when implementing a sustainability strategy, and that there is a need for top-down support and the establishment of a sustainable development profit centre. This then reinforces the fact that it is a business strategy rather than a compliance or philanthropic issue. Willard also indicates that the senior leadership needs to include the sustainable development initiative in the vision, mission, and strategies of the business and executives, including HR, should not be shy about publicly supporting that approach. He also emphasises that leaders must be careful that they are not using more rhetoric than reality.

So, in summary, what does sustainability mean for HR managers? Several lessons emerge from the experience of both HDY and other Australian and overseas employers and researchers.<sup>5</sup>

1. The HR strategy must respond to and reflect the wider environment in which the organisation is operating in.
2. The HR strategy should be congruent with the goals and values and culture of the overall business.
3. There needs to be a focus on delivering sustainable returns to investors.
4. Client and customer needs should be integrated into the overall action plan.
5. Emerging societal trends should be identified and responded to appropriately.
6. Activities within the broader community should also be considered, such as volunteering.
7. Respond to government and other regulatory expectations that influence the public policy agenda.

The following diagram summarises these issues and questions that relate to the core responsibilities of HR managers.

### **Figure 2: The HR environment**

The HR environment

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Footnotes
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- 1 Business in the Community — [www.bitc.org.uk/what\\_we\\_do/cr\\_index/index.html](http://www.bitc.org.uk/what_we_do/cr_index/index.html)
- 2 [www.corporate-responsibility.com.au/about/corporate\\_social\\_responsibility/what\\_is\\_csr.asp](http://www.corporate-responsibility.com.au/about/corporate_social_responsibility/what_is_csr.asp)
- 3 [www.globescan.com/rf\\_overview\\_02.htm](http://www.globescan.com/rf_overview_02.htm)
- 4 Bob Willard author of The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line
- 5 Adapted from Human Resources and Sustainable Development — A Briefing Paper produced by World Business Council for Sustainable Development, HRH Prince of Wales — Business and the Environment Program, University of Cambridge — [www.cpi.cam.ac.uk/pdf/FHR\\_briefing.pdf](http://www.cpi.cam.ac.uk/pdf/FHR_briefing.pdf)