Corporate Social Responsibility and Business Sustainability: 
HR’s Leadership Role

Springfield SRM Chapter Meeting – Lee Webster – 21 May 2012
Today’s Agenda

- Evolution of CSR/Business Sustainability
- CSR and Profitability: “Triple Bottom Line”
- HR’s Logical Leadership Role in CSR
- HR as Leading Advocate of a CSR-friendly Culture
CSR and Business Sustainability: Defining the Terms

CSR
- Used since the 1970s to denote ethical and socially responsible business behavior

Sustainability/Business Sustainability
- Dates from 1987 World Commission on Environment and Development -- Combines traditional CSR concept with longer-term renewable approach to business practices

CSR-Business Sustainability
- Today, the two terms are used interchangeably and are defined by the World Council for Sustainable Business as:

  “Contributing to sustainable development by working to improve the quality of life for employees, their families, the local community and stakeholders up and down the supply chain”
Sustainability is defined as the commitment by organizations to balance financial performance with contributions to the quality of life of their employees, the society at large and environmentally sensitive initiatives.
CSR/Sustainability Evolution: Early Pioneers

Founded in 1978 with a social purpose

Shares rewards with its employees and the community

Sources ingredients from socially conscious suppliers.

In 1992, first U.S. public company to sign on to the CERES Principles
UK cosmetics company founded in 1976 with a commitment to sell products not tested on animals.

Company went on to support environmental causes, HIV/AIDS awareness, human and animal rights, and anti-violence campaigns.

In the early 1990s, sponsored employee trips to work in orphanages in Romania, raising international awareness of the poor conditions.
Goal: Be supplied 100% by renewable energy, create zero waste, and sell products that sustain natural resources and the environment

In 2010, announced plan to cut 20 million metric tons of greenhouse gas emissions from its global supply chain by 2015

Increased the fuel efficiency of its vehicle fleet by 25% 2009 and aims for a 50% increase by 2020

Major push since 2009 to develop and implement a Sustainability Index for all products it carries
Launched Eco Options labeling initiative to identify 2,500 products that are environmentally friendly.

Began replacing the incandescent bulbs in its lighting department displays with more eco-friendly CFL bulbs.

Partnered with The Conservation Fund to offset all carbon emissions created by the company's Atlanta headquarters.

Is funding the planting of thousands of trees in Atlanta.
Bought Ben & Jerry’s in 2000 for $326 million

Since then, has been influenced by B&J’s CSR philosophy

In November, 2010, it announced the Unilever Sustainability Living Plan

Under the Plan, all agricultural materials used by the company will be produced in a sustainable way by 2020

All Lipton Tea – a major Unilever brand -- is now sourced using sustainable methods and its Yellow Label tea bags carry Rain Forest Alliance certification
“Unilever has been around for 100+ years. We want to be around for several hundred more years. So if you buy into this long-term value-creation model – which is equitable, shared, and sustainable – then come and invest with us. If you don’t buy into this, I respect you as a human being, but don’t put your money in our company.”

-- Paul Polman, Unilever CEO in November, 2010
1960s-1970s:
- Early CSR pioneers gain media attention and prestige
- Civil rights activism grows
- Ralph Nader leads a consumer awakening
- Eco devastation and Earth Day build environmental awareness
- Anti-Vietnam War movement empowers youth

1980s-1990s:
- Heavyweights begin jumping on CSR bandwagon
- Companies adopt environmental causes, volunteerism
- Companies seek safer products after 1982 Tylenol poisonings
- Bruntland Commission introduces “sustainable development”
2000-Present:
- CSR/Business Sustainability goes mainstream
- September 11 attacks on World Trade Center raise questions about our legacy
- Scandals at Enron and others lead to Sarbanes-Oxley Act
- Global warming threatens the planet and governments try to reach agreement on cutting greenhouse gas emissions
- BP Gulf of Mexico oil spill highlights environmental problems from dirty fossil fuels and the need for clean energy sources
Triple Bottom Line

People, Planet, Profit:

- Term coined by John Elkington to include social, environmental, and economic factors as criteria for corporate success

People:

- Fair and beneficial business practices towards labor and the community in which a corporation conducts its business

Planet:

- Sustainable environmental practices

Profit:

- Lasting economic impact by an organization on its economic environment, not just internal profit made by the company
Stakeholder Interest

**Triple Bottom Line**

- Company responsibility should be to stakeholders, rather than to shareholders

**Stakeholder**

- Anyone who is influenced, either directly or indirectly, by the actions of the firm

**Objective**

- Business entity should promote stakeholder interests, instead of just maximizing shareholder or owner profit
Triple Bottom Line Balancing Act

Sustainability

People

Profits

Planet
Andy Savitz book, *Triple Bottom Line*, compares corporate focus in 1950s and 1970s to today’s *Age of Corporate Accountability*

1950’s corporate focus was on making money and providing philanthropy.

1970’s focus added protecting the environment and company products.

Today’s focus includes a much broader range of issues, including: *promoting diversity, protecting workers, preventing child labor, fostering public health, and ensuring human rights*
• 79% of global CEOs in 2006 said sustainability was vital to profitability—up from 69% in 2005.
  - *Sustaining Value through People, 2006, PricewaterhouseCoopers*

• Companies active in CSR in 2008 had annual profit and share price growth of 16% and 45% -- vs. 7% and 12% for weak CSR firms
  - *Economist Intelligence Unit survey of 1,200 global C-suite executives, 2008*
Only 7% of companies reported being in the transformation phase—the final phase within the curve, where sustainability becomes a key part of reason for existing.
## SHRM 2007 CSR Pilot Study

### Top 3 Drivers of Corporate Social Responsibility

<table>
<thead>
<tr>
<th>Country</th>
<th>First</th>
<th>Second</th>
<th>Third</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States (n = 429)</td>
<td>Contribution to Society 70%</td>
<td>Public Relations Strategy 53%</td>
<td>Employee Activism 33%</td>
</tr>
<tr>
<td>Australia (n = 284)</td>
<td>Contribution to Society 70%</td>
<td>Public Relations Strategy 50%</td>
<td>Environmental Considerations 36%</td>
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<tr>
<td>India (n = 163)</td>
<td>Contribution to Society 77%</td>
<td>Public Relations Strategy 43%</td>
<td>Environmental Considerations 40%</td>
</tr>
<tr>
<td>China (n = 114)</td>
<td>Contribution to Society 71%</td>
<td>Public Relations Strategy 52%</td>
<td>Competitive Advantage 36%</td>
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<tr>
<td>Canada (n = 1,138)</td>
<td>Contribution to Society 71%</td>
<td>Public Relations Strategy 51%</td>
<td>Environmental Considerations 40%</td>
</tr>
<tr>
<td>Mexico (n = 112)</td>
<td>Contribution to Society 75%</td>
<td>Environmental Considerations 46%</td>
<td>Public Relations Strategy 41%</td>
</tr>
<tr>
<td>Brazil (n = 148)</td>
<td>Contribution to Society 89%</td>
<td>Environmental Considerations 49%</td>
<td>Health and Safety Considerations 41%</td>
</tr>
</tbody>
</table>
Note the difference from 2007 data. This suggests that organizations are searching for rationales for CSR that are more analytical or measurable rather than qualitative.

Employee Activism and Public Relations dropped to 4%

N = 411

Source: Advancing Sustainability, HR’s Role (SHRM 2011)
‘Green is Green’—Jeff Immelt, GE CEO
The US Postal Service employees participate in more than 80 cross-functional teams across the United States to drive energy reduction and resource conservation. These teams helped the Postal Service reduce energy, water, solid waste to landfills and petroleum fuel use as well as recycle more than 222,000 tons of material. In total, this generated tangible savings of more than $27 million for the US Postal Service in one year alone.
<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Corporate Social Responsibility Index (CSRI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Publix Super Markets Inc.</td>
<td>80.59</td>
</tr>
<tr>
<td>2</td>
<td>Google</td>
<td>77.10</td>
</tr>
<tr>
<td>3</td>
<td>UPS</td>
<td>76.16</td>
</tr>
<tr>
<td>4</td>
<td>Kellogg's</td>
<td>76.16</td>
</tr>
<tr>
<td>5</td>
<td>Amazon.com</td>
<td>75.93</td>
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<tr>
<td>6</td>
<td>Berkshire Hathaway</td>
<td>75.78</td>
</tr>
<tr>
<td>7</td>
<td>FedEx</td>
<td>75.73</td>
</tr>
<tr>
<td>8</td>
<td>Campbell Soup Company</td>
<td>75.40</td>
</tr>
<tr>
<td>9</td>
<td>Baxter International</td>
<td>75.18</td>
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<tr>
<td>10</td>
<td>3M</td>
<td>75.03</td>
</tr>
<tr>
<td>11</td>
<td>Johnson &amp; Johnson</td>
<td>74.49</td>
</tr>
<tr>
<td>12</td>
<td>The Walt Disney Company</td>
<td>74.35</td>
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<tr>
<td>13</td>
<td>Coca-Cola Bottlers</td>
<td>74.14</td>
</tr>
<tr>
<td>14</td>
<td>Hershey Company</td>
<td>74.06</td>
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<tr>
<td>15</td>
<td>Texas Instruments</td>
<td>74.05</td>
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<tr>
<td>16</td>
<td>Green Mountain Coffee Roasters</td>
<td>73.89</td>
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<td>17</td>
<td>Clorox</td>
<td>73.88</td>
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<tr>
<td>18</td>
<td>Microsoft</td>
<td>73.87</td>
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<tr>
<td>19</td>
<td>Caterpillar</td>
<td>73.70</td>
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<tr>
<td>20</td>
<td>Harris Bank</td>
<td>71.61</td>
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<tr>
<td>21</td>
<td>Lowe's Home Improvement</td>
<td>73.53</td>
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<tr>
<td>22</td>
<td>Procter &amp; Gamble</td>
<td>73.46</td>
</tr>
<tr>
<td>23</td>
<td>Kraft Foods Inc.</td>
<td>73.31</td>
</tr>
<tr>
<td>24</td>
<td>PepsiCo</td>
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<tr>
<td>25</td>
<td>Toys ‘R’ Us</td>
<td>73.30</td>
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<tr>
<td>26</td>
<td>Home Depot</td>
<td>73.24</td>
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<td>27</td>
<td>Quaker Oats</td>
<td>72.94</td>
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<td>28</td>
<td>Oracle</td>
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<td>29</td>
<td>Target</td>
<td>72.78</td>
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<tr>
<td>30</td>
<td>Avon Products</td>
<td>72.73</td>
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<tr>
<td>31</td>
<td>Timberland Company</td>
<td>72.50</td>
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<tr>
<td>32</td>
<td>General Mills</td>
<td>72.31</td>
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<td>33</td>
<td>Kohl’s</td>
<td>72.19</td>
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<td>34</td>
<td>Whirlpool</td>
<td>72.17</td>
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<td>35</td>
<td>CVS Caremark</td>
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<td>36</td>
<td>McKesson Corporation</td>
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<td>37</td>
<td>Macy’s, Inc.</td>
<td>72.00</td>
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<tr>
<td>38</td>
<td>Eastman Kodak</td>
<td>71.99</td>
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<tr>
<td>39</td>
<td>Sara Lee</td>
<td>71.77</td>
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<tr>
<td>40</td>
<td>SC Johnson</td>
<td>71.73</td>
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<tr>
<td>41</td>
<td>Honeywell International</td>
<td>71.68</td>
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<tr>
<td>42</td>
<td>Intel</td>
<td>71.58</td>
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<tr>
<td>43</td>
<td>Costco Wholesale</td>
<td>71.53</td>
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<td>44</td>
<td>BMW</td>
<td>71.44</td>
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<tr>
<td>45</td>
<td>Dannon</td>
<td>71.31</td>
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<tr>
<td>46</td>
<td>State Farm Insurance</td>
<td>71.31</td>
</tr>
<tr>
<td>47</td>
<td>Staples</td>
<td>71.31</td>
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<tr>
<td>48</td>
<td>Dean Foods</td>
<td>71.18</td>
</tr>
<tr>
<td>49</td>
<td>Samsung Electronics</td>
<td>71.16</td>
</tr>
<tr>
<td>50</td>
<td>Zions Bank</td>
<td>71.10</td>
</tr>
</tbody>
</table>
Who should lead on CSR?

Although some big companies have created CSR departments, there is no consensus at most organizations on which department should lead.

HR and Operations have taken the lead at many organizations:

- **Buck Consulting 2010 survey**: HR in charge at 47% of organizations and Operations at 50% of orgs.

- **2007 BusinessWeek survey**: 64% of US executives said HR should lead on CSR social programs, 50% indicated Operations for environmental programs, and 57% indicated Finance for economic sustainability.
Savitz: Sustainability is the “sweet spot” where business and society interests overlap

Intersection of HR with this sustainability “sweet spot” can drive bottom line results

HR should be an organization’s natural CSR/sustainability “sweet spot”

This requires activism and commitment by HR professionals within the organization
SHRM 2007 CSR Pilot Study

7 Countries’ HR Participation in Strategy

- Creating the CSR Strategy
- Implementing the CSR Strategy

United States (n = 405)
Australia (n = 273)
India (n = 160)
China (n = 98)
Canada (n = 1084)
Mexico (n = 109)
Brazil (n = 152)

- 13% United States
- 22% Australia
- 28% India
- 31% China
- 46% Mexico
- 18% Brazil
- 35% Canada
HR's Logical Leadership Role

Global Reporting Initiative indicators

HR owns or shares 24 of 79 GRI indicators including:

- Diversity
- Benefits
- Job security/loss
- Labor issues
- Health and wellness
- Work-life balance
- Pay equity
- Workplace conditions
- Human rights
Four Areas of CSR Leadership

HR is stronger in Workplace and Community Strategies

- Workplace
- Environment
- Community
- Marketplace
Methods Organizations use to Demonstrate Commitment

n = 290  Source: Advancing Sustainability, HR’s Role (SHRM 2011)

Sustainability Demonstrations

- Sustainability is part of the organizational goals: 57%
- Information about sustainability efforts is included on the organization’s intranet: 52%
- Information about sustainability efforts is included on the organization’s website: 51%
- Sustainability commitment is included in the organization’s mission: 35%
- Sustainability efforts are covered in the organization’s annual report: 31%
- Sustainability is linked to individual performance goals: 16%
- The organization issues a report dedicated exclusively to sustainability: 15%
- Sustainability seminars / training is mandatory: 9%
- Information about sustainability efforts is included on the organization’s website: 7%
- Information about sustainability efforts is included on the organization’s intranet: 7%
- Sustainability is part of the organizational goals: 57%
- Sustainability is linked to individual performance goals: 16%
- The organization issues a report dedicated exclusively to sustainability: 15%
- Sustainability seminars / training is mandatory: 9%
- Other: 3%
By ignoring sustainability, companies are missing an opportunity to broaden their scope of influence and may be damaging their brand.

n = 369

Source: Advancing Sustainability, HR’s Role (SHRM 2011)
Ethics

HR must lead in developing strong ethical standards in conjunction with all organizational stakeholders.

The commitment to high ethical behavior must be widely and often communicated to all stakeholders.

Employment Practices

HR must promote personal and professional development with diversity, respect, and inclusion.

Employees must be treated as valued partners, with the right to fair labor practices, competitive benefits and a family-friendly work environment.
Community Involvement

Most companies today are helping their communities find solutions for their issues.

The CSR goal is to help make the community a better place to live and conduct business.

Volunteerism

Volunteer programs engage the community and create a win-win situation.

They build employee loyalty, which builds customer loyalty, which builds brand loyalty.
Key Survey Results

76% of workers who volunteered felt better about their employer because of its involvement in volunteer activities.

81% of those who volunteered through their employer said it strengthened their relationships with colleagues.

88% of the workers who volunteered feel the experience provided networking and career development opportunities.
1) Set up an employee volunteering web site
2) Customize messages for middle managers on volunteerism
3) HR needs to actively advocate for volunteerism
4) Consider an all-employee single-day volunteer event
5) Establish a process for employees to screen volunteer opps
6) Offer skills-based volunteering
7) Run a campaign to build a spirit of volunteerism
In the business community, sustainability lacks leadership.

Sustainability is very much an “HR” issue, but it is not necessary for “HR” to own sustainability.

Many HR professionals are not yet ready to lead on sustainability.
• There is potential for HR to influence sustainability and thereby corporate strategy
• Before it can influence sustainability, it must be equipped to lead
• HR can help define what sustainability means in an organization
• HR can demonstrate that sustainability is more than compliance
• By emphasizing the people side, HR can show that sustainability goes beyond the environment
• Before looking at how sustainability affect HR, first look at its impact on the business
• To become a business priority, there must be a business case for sustainability
• For sustainability to take hold in the organization, it must be “woven in to the fabric”
• This “weaving” makes sustainability an HR issue
• Sustainability will affect the HR profession in multiple ways:
  > Changing employee contract
  > Recruiting
  > Brand
  > Engagement
  > How people work
  > Accountability and measurement
  > Training and leadership development
HR as Leading Advocate of a CSR-Friendly Culture

Six Steps HR Departments can take to become leaders

1) Educate all members of the HR team on the value of CSR to their company’s success

2) Instill in them a mission to be listed on the Boston College CSR Index of companies with top reputations

3) Analyze CSR awareness and commitment among employees, management, and other stakeholders

4) Propose a plan to improve areas where the corporate culture is weak in CSR awareness and commitment

5) Work with top management to implement this plan and help ensure that CSR factors are considered in all business goals

6) Set measurable milestones and keep management and employees informed of progress
<table>
<thead>
<tr>
<th>Top environmentally friendly practices according to employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donating/ discounting used office furniture for employees or local charity</td>
<td>53%</td>
</tr>
<tr>
<td>Promoting walking, biking, or taking public transportation</td>
<td>49%</td>
</tr>
<tr>
<td>Using energy efficient lighting systems and equipment</td>
<td>43%</td>
</tr>
<tr>
<td>Offering a recycling program for used office products</td>
<td>39%</td>
</tr>
<tr>
<td>Encourage employees to work more environmentally friendly</td>
<td>36%</td>
</tr>
<tr>
<td>Encouraging/promoting/providing carpooling for employees</td>
<td>36%</td>
</tr>
<tr>
<td>Using recycled materials in the construction or remodeling of the building</td>
<td>25%</td>
</tr>
<tr>
<td>Offering a recycling program for personal products (i.e. cell phones)</td>
<td>22%</td>
</tr>
<tr>
<td>Minimizing water consumption by using water conserving plumbing fixtures</td>
<td>21%</td>
</tr>
<tr>
<td>Installing automatic shut off equipment</td>
<td>20%</td>
</tr>
</tbody>
</table>

n = 483  Source: Advancing Sustainability, HR’s Role (SHRM 2011)
Employee Perspectives

Source: 2007 SHRM Green Workplace Survey Brief

**Importance to Employees**

- Very Unimportant: 10%
- Somewhat Unimportant: 25%
- Somewhat Important: 30%
- Very Important: 40%

**Will Stay if CSR Responsible**

- Unlikely: 20%
- Somewhat Likely: 25%
- Likely: 35%
- Very Likely: 40%
HR Attributes for CSR Leadership

1) Respect
2) Ability to collaborate
3) Persuasiveness
4) Ability to think outside the box
5) Ability to measure
6) Passion
Companies like Pfizer and Hitachi are committed to aligning their CSR and sustainability strategies to deliver better recruitment and retention outcomes.

(n = 375 – 381)

Source: Advancing Sustainability, HR’s Role (SHRM 2011)
SHRM 2007 CSR Pilot Study

Return on Investment by Country

Figure 3 - Return on Investment (by Country)
“Regular reporting and metrics are very important because employees need a sense of ‘how we’re doing.’”

Nancy C. Nelson, SPHR, SHRM CSR and Sustainability Special Expertise Panel Member

Figure 11 | Organizations that Calculate an ROI for Their Sustainability Efforts

- 39%
- 61%

(n = 238)
Note: Excludes organizations that answered “not sure” and those not engaging in sustainable workplace or business practices.
Source: Advancing Sustainability: HR’s Role (SHRM, 2011)
INTERNATIONAL
STANDARD
ISO
26000

Guidance on social responsibility
Lignes directrices relatives à la responsabilité sociale

Reference number
ISO 26000:2010(E)
RESOURCES: ISO 26000

Figure 1 — Schematic overview of ISO 26000

©SHRM 2012
RESOURCES: ISO 26000

Figure 3 — The seven core subjects
SHRM 2007 CSR Pilot Study

7 Countries’ Participation in CSR Activities

- United States (n = 405): 91% Yes, 9% No
- Australia (n = 273): 89% Yes, 11% No
- India (n = 160): 85% Yes, 15% No
- China (n = 98): 81% Yes, 19% No
- Canada (n = 1084): 91% Yes, 9% No
- Mexico (n = 109): 89% Yes, 11% No
- Brazil (n = 152): 95% Yes, 5% No
Figure 13 | Positive Outcomes of Sustainability Initiatives

- Improved employee morale: 55%
- More efficient business processes: 43%
- Stronger public image: 43%
- Increased employee loyalty: 38%
- Increased brand recognition: 34%
- Increased consumer/customer confidence: 34%
- Increased employee retention: 33%

(n = 343)

Note: Percentages do not total 100% due to multiple response options. Excludes organizations not engaging in sustainable workplace or business practices.

Source: Advancing Sustainability: HR’s Role (SHRM, 2011)
Growth of Sustainability Practices is Slow

Figure 15 | Plans to Launch Sustainable Workplace or Business Practices Within the Next 12 Months

- Yes: 52%
- No: 43%
- Not sure: 5%

(n = 300)

Note: Excludes organizations engaging in sustainable workplace or business practices.

Source: Advancing Sustainability: HR’s Role (SHRM, 2011)
In the past 12 months, which of the following have taken place at your organization to meet the demands for more environmentally responsible production/work processes or the development of “greener” ways of working?

- New green duties have been added to existing positions at my organization: 81%
- Created completely new green positions OR added green duties within newly created jobs: 23%
- Increased staff levels (added more staff) of existing jobs that already had green duties as part of the overall position: 19%
Suggested Sustainable Organization Roadmap Showing the HR Contribution

Corporate Sustainable Leadership and Strategy

Executive Management Team-Led Sustainability Implementation

Identify and engage with stakeholders affected by HR policies, processes and performance

Implement, measure and report HR effects

Develop an action plan, scorecard and measurement system for HR’s contribution to organizational sustainability

Select and prioritize HR issues relevant to supporting a sustainable organization

Review and revise all HR policies, processes and structures in line with sustainability principles
Summary -- Takeaways

1) CSR has evolved from a fringe movement 50 years ago to a mainstream concept that includes business sustainability today

2) CEOs now realize that CSR and business sustainability are vital for their bottom lines and long-term success

3) HR has a logical role to play as a principal CSR leader, based on the responsibilities it primarily manages within organizations

4) In addition, HR needs to take the lead as the strongest advocate for a CSR-friendly corporate culture

5) HR professionals have a new opportunity to contribute as CSR takes on a higher profile under the Obama administration

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Society for Human Resource Management

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