

# HR's Role in Building a Sustainable Enterprise: Insights From Some of the World's Best Companies

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Sustainability—balancing social, environmental, and economic factors for short- and long-term performance—is a critical issue for the world and for business. We interviewed key executives at nine of the world's most “sustainable” companies to examine important issues about their sustainability journeys and the role Human Resources is playing. We confirmed that these companies exhibit first-class sustainability results on a variety of dimensions. We identified a pyramid of seven core qualities of sustainable enterprises that appear to be amenable to managerial intervention, and mapped out the specific HR-related actions to help develop these qualities: inculcating sustainability-oriented values, helping to elicit senior management support for making sustainability central to business strategy; supporting the development of metrics and systems alignment around sustainability; and enabling the organization to achieve broad stakeholder engagement and holistic integration.

As we enter the 21st century, “sustainability” has become a critical issue for the world and for business (Anderson, 1998; Hawken, et al., 1999; Prahalad & Hammond, 2002; Scientific American, 2005; UN Global Compact, 2004). Although the term “sustainability” means different things to different people, in essence it is concerned with “meeting the needs of people today without compromising the ability of future generations to meet their own needs” (World Business Council for Sustainable Development, 2005). From a business perspective, sustainability has been defined as a “company’s ability to achieve its business goals and increase long-term shareholder value by integrating *economic, environmental* and *social* opportunities into its business strategies” (Symposium on Sustainability, 2001). Evidence is accumulating rapidly that corporate social-environmental performance may be strongly associated with financial and marketplace success (Cusack, 2005; Dow Jones Sustainability Indexes, 2005; Innovest Strategic Value Advisors, 2006), and that the investment community and corporate executives/directors appear to be focused increasingly on the degree to which firms are managed sustainably (Dixon, 2003; Margolis & Walsh, 2001).

Why are companies increasingly committing themselves to sustainability strategies, what key implementation challenges are they experiencing, and what role is the Human Resource function playing in their firms’ sustainability journeys? To illuminate these issues, we talked in depth with key executives at nine large, public, multinational firms rated among the world’s best for their handling

strong alignment between a comprehensive array of hard and soft organization elements as structure, information systems, performance management systems, culture, and competencies (cognitive, technical, interpersonal).

Because of the complex and evolving nature of the phenomena we sought to learn about, we were mindful to stay open to discovering factors whose relevance was not initially evident to us but that only emerged as we iterated through our data collection, analysis, and sense-making process. For example, the degree to which there was an explicit emphasis on a system of metrics to measure the organization’s performance on a broad array of sustainability attributes emerged over the course of our data gathering as another key factor to take into consideration. Still another was the degree to which core values critical to sustainable development were deeply ingrained in these sample firms, whose success and rich history extended back for an average of more than 100 years. We also discovered the importance of considering the degree to which the disparate functional areas responsible for sustainability elements (e.g., environment, ethics and governance, health and safety, product social impact, community and external relations, labor relations, talent management and worker engagement) were being integrated holistically (Savory, 2006). This in turn sensitized us to the need to account for the degree to which organizations on their sustainability journey were engaging a broad array of stakeholders, such as suppliers, customers, and governmental and nongovernmental organizations (Pleon, 2005).

From a business perspective, sustainability [is] a “company’s ability to achieve its business goals and increase long-term shareholder value by integrating *economic, environmental* and *social* opportunities into its business strategies”



of environment, governance, social responsibility, stakeholder management, and work environment issues: Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips, and Unilever.

Initially, our inquiry was shaped by many well-established theories relating to organization strategy, leadership, and systems alignment (Labovitz & Rosansky, 1997; Nadler & Tushman, 1997; Quinn, 1996; Ulrich, et al., 1999). As a system-wide phenomenon, sustainability also clearly involves change management (Kotter, 1996), employee engagement (Ashkenas, et al., 1995; Katzenbach, 2000; O’Malley, 2000), and organizational learning and inquiry (Argyris & Schon, 1996). Many strategic human resource management scholars offer helpful perspectives on HR’s role (e.g., Jamrog & Overholt, 2004; Ulrich, 1997; Wright & McMahan, 1992), particularly in regard to HR and sustainability (Doppelt, 2003; Bradbury, et al., 2005; Losey, et al., 2005).

From the beginning, it was clear to us from the relevant literature that understanding the sustainability-related successes and challenges of each firm would require examining the degree to which sustainability was central to their corporate strategy, had the strong support of senior management, and was being measured and operationally enacted through the alignment of organizational systems. We expected that achieving the relatively high level of success evidenced by these companies would be associated with a

Because human resources are widely viewed as a key factor in an organization’s ability to build and sustain competitive advantage, HR can play a critical role in business enterprises. The Human Resource Planning Society defines five key knowledge areas for HR practitioners: HR strategy & planning, leadership development, talent management, organizational effectiveness, and building a strategic HR function (Vosburgh, 2006). Researchers and practitioners alike are only beginning to investigate the specific roles that HR might be playing to help firms foster greater sustainability. Losey and colleagues (2005) saw many opportunities in the realm of sustainability for HR to bring important operational competencies and exert strategic leadership. Hitchcock and Willard (2006) took the view that “Sustainability is at its core an issue requiring organizational change and cultural change.” Areas in which they saw HR professionals as potentially making a strong contribution were in organization development, especially for their facilitation and conflict management skills, change management, culture change, and alignment of human resource and other systems and processes. At the same time, however, they pointed out: “Unfortunately, few in HR are well versed in sustainability.” As a result, because of the lack of HR involvement in most sustainability efforts, they argued that many organizations are making many unnecessary implementation mistakes.

They may be right. Strategic imperatives relating to sustainability

are moving up the agenda of business leaders and boards of thousands of companies, but these issues generally seem to remain off the radar screen and at the fringes of awareness for most of the HR field (Pucik, 2005). The authors' anecdotal observations indicate that HR for the most part has been lacking the orientation and competencies, particularly in the global context, in the broad realm of sustainability as it is currently being practiced in leading corporations around the world. As a result, business discussions about critically important sustainability issues may be missing those who have a deep understanding of implicit HR challenges. Thus, a critical goal for the HR field as a whole is to develop the individual competencies, collaborative strategies, and organizational capabilities required to support their organizations' sustainability journeys. But what exactly are the areas of greatest potential contribution and which capabilities are most important for the HR community to develop? The purpose of this study was to examine important factors associated with moving organizations toward greater sustainability and the role that Human Resources is and might be playing in that journey.

## Methods

To investigate these issues, we used an independently developed list of "The Global 100 Most Sustainable Corporations in the World"<sup>1</sup> as the universe of companies to study. The methods used in The Global 100 study included nontraditional drivers of risk and shareholder value including companies' performance on social, environmental, and strategic governance issues. We drew from this list of large, public, multinational companies a convenience sample of nine firms: Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips,

Unilever. As shown in Exhibit 1, the firms represented diverse industry sectors, were founded between 1895 and 1968, and in 2006 averaged over 119,000 employees and \$38 billion in revenues. Five were headquartered in the United States and four in Europe.<sup>2</sup>

For each firm, we interviewed one or two top executives with broad and deep knowledge both of sustainability issues and HR activities in their organizations, including the heads of the sustainability, environmental, health and safety, corporate responsibility, and human resources areas. We carried out 12 semistructured interviews with three anchoring questions:

1. Does your firm explicitly emphasize the social, environmental, governance, and stakeholder aspects of sustainability and, if so, why?
2. How are you aligning your entire organization around sustainability and what are the most significant challenges you are facing?
3. What roles are human resource leaders and the HR function playing in your sustainability journey?

We used an iterative process in which we continuously reviewed interview data as it was being collected to make sense of the dynamics we were hearing and to generate new concepts for further exploration in subsequent interviews (consistent with the key tenets of a grounded theory research process) (Glaser & Strauss, 1967; Suddaby, 2006).

## Qualities of World's Most Sustainable Companies

We identified seven distinguishing qualities that are critical to understanding and evaluating the sustainability journeys of the nine enterprises we studied:

### EXHIBIT 1

#### Companies in the Study

Company	Years Since Founded	Headquarters	Sector	2005 Employees	2005 Revenue (\$US millions)	2005 Year-End Market Cap (\$US billions)
Alcoa	118	Pittsburgh, PA	Metals & Mining	129,000	26,159	24.17
Bank of America	222	Charlotte, NC	Commercial Banks	176,638	85,064	235.48
BASF	141	Ludwigshafen, Germany	Chemicals	80,992	53,113	42.1
The Coca Cola Co.	120	Atlanta, GA	Beverages	55,000	23,104	103.96
Eastman Kodak	118	Rochester, NY	Leisure Equipment	51,500	14,268	6.23
Intel	38	Santa Clara, CA	Semiconductors	99,900	38,826	112.01
Novartis AG	111	Basel, Switzerland	Pharma	90,924	32,526	175.83
Royal Philips	115	Amsterdam, The Netherlands	Household Durables	161,500	30,395	42.72
Unilever	121	Rotterdam, The Netherlands	Food Products	227,000	40,213	13.71
<b>Average</b>	<b>106.6</b>			<b>119,162</b>	<b>38,185</b>	<b>84</b>

1. Deeply ingrained values,
2. Strategic positioning,
3. Top management support,
4. Systems alignment (structures, processes around sustainability),
5. Metrics,
6. Holistic integration (across functions), and
7. Stakeholder engagement.

We found that values related to sustainability clearly were deeply ingrained in the “DNA” of these companies, typically embedded by founders, and they were especially evident among all the European-based companies in the sample. (Verbal descriptions of the firms’ values base are omitted here to preserve their anonymity.)

For the other six factors, each author<sup>3</sup> first independently rated each firm using a scale anchored at 1 = extremely weak to 5 = extremely strong. Although our ratings were heavily influenced by what we heard during our interviews, we cross-checked (“triangulated”) our ratings against a variety of public reports on each firm as well as additional relevant knowledge possessed by each of us. Because the sample was constrained with only highly regarded companies, all received fairly high scores in our ratings. After a series of discussions attempting to reconcile outlier ratings, we simply averaged our individual ratings into a single score for each company on each factor. We then sorted the companies according to their overall average score. Admittedly, such a mean score rather crudely places equal weight on each factor, but we found it aided the process of forming rough clusters of companies. The resulting groups of Very High, High, and Good coincided with visual inspection of the scores and seemed appropriate for this exploratory study.

Exhibit 2 arrays the mean scores for each firm on the six factors we can disclose, along with the essence of what respondents reported regarding the roots or origins of their company’s commitment to sustainability. Because the sample intentionally included companies

highly regarded for their sustainability, it not surprising that the ratings here also tended to be high. Nevertheless, some of the fine distinctions across companies still seemed informative to bring out some of the nuances among them and the variety of approaches by which companies build their accomplishments in sustainability.

The highest mean scores of 4.5 for particular qualities were recorded for top management support and for metrics. We found that top management frequently asserted their personal and positional influence about the importance of sustainability, and they got personally involved in setting the priorities as well as making important strategic decisions that affect the sustainability of the enterprise. This most often came out in evoking a long-term perspective. One chairman, for example, said “sustainable development ensures the success and strength of the company for future generations.” People we interviewed reported that this kind of senior management support engenders a willingness to engage in extensive inquiry and self-examination at the top and on down. By engaging leadership of the organization several levels down in the conversation, the companies were planting “germs of ideas and watch[ing] them sprout all over.” One of our respondents commented that, “When the chairman tells you this is the primary objective for us over the next ten years, a lot of people start to ask questions like, what does this mean to me?”

Most of the companies in the sample reported that metrics are central to their efforts at managing sustainably. One said:

It’s in the business plans where we want to get things like metrics embedded, because it it’s done at the planning stage, it’s not something that’s constantly imposed . . . for me that’s one of the best ways to align into our structures and systems.

Another stressed the power of not only measuring key indicators and managing by them, but also disclosing them publicly:

<b>EXHIBIT 2</b>							
<b>Findings on Sustainable Enterprise Qualities</b>							
<i>Firm</i>	<i>Central to Strategy</i>	<i>Sr. Mgmt Support</i>	<i>Systems Alignment</i>	<i>Metrics: Measurement</i>	<i>Holistic Integration</i>	<i>Stakeholder Engagement</i>	<i>Mean</i>
A	5.00	5.00	5.00	4.75	4.50	4.50	4.79
B	4.50	4.75	4.75	4.50	4.75	4.75	4.67
D	4.83	5.00	4.00	4.38	4.13	4.25	4.43
C	4.50	4.00	4.38	4.75	3.25	5.00	4.31
F	4.50	3.83	4.50	5.00	4.00	3.83	4.28
E	4.00	4.50	4.00	4.75	4.00	4.00	4.21
G	3.88	4.75	4.00	4.88	3.38	4.00	4.15
H	4.38	4.63	3.50	3.33	3.38	4.63	3.97
I	3.25	3.88	3.63	3.75	3.25	4.25	3.67
Mean	4.3	4.5	4.2	4.5	3.8	4.4	

1 = Extremely weak 5 = Extremely strong

4.5 or above
3.51–4.49
3.5 or less

There are self-assessments that are done within the organization . . . and a good portion of the internal data is also shared externally. So the content of our corporate responsibility report reflects a lot that really drives us, kind of holds our feet to the fire, holds us accountable as a company.

A few of the companies achieved a particularly distinguished level of accomplishment in holistic integration around all the elements that can be a part of a sustainable enterprise. One can infer that holistic integration is part of the most comprehensive level of achievement. Several companies were highly developed around particular aspects of sustainability, such as a long-standing concern for environmental stewardship or highly tuned system of metrics. They have not necessarily brought multi-faceted activities under a clearly understood, unified umbrella of sustainability.

Extending the notion of holistic integration even further to include the broader industrial ecosystem in which a firm resides, an executive at our top-rated company said:

I don't think sustainability is necessarily a competitive advantage. How do we get sustainable? [We] can get more and more sustainable in our business practices only by being part of a sustainable ecosystem. I can't be a lone sustainable company, [while] the eco system is going down the tubes. There's no way . . . It's truly

was driven home by a respondent at Company B, who said, "For us sustainability is business. This is business stuff, it's not something that sits outside." Even though the company recently went through severe profit challenges and laid off a significant number of senior people, the person reported, "I never had even the most hard-edged analyst ask me, 'Oh by the way, when are you guys going to stop monkeying around with the sustainability stuff and pay attention to your margins?'" The balance of people, planet, and profit came out as he continued:

Is it possible for a company to have a performance edge and [still] care? . . . in order to play our role, if we don't perform, we can't do anything for anybody, and so performance and sustainability, performance and caring for communities, environment, society and so on, those things are inextricably linked, and so we're going to be as tough as we need to be on this organization [with cutbacks] so that it is sustainable so that we can make a difference in [the broader world].

The respondent at Company A spoke of the impetus provided by top management to drive its environmental emphasis, outreach to communities, and selection of new lines of business. Top management sets in motion initiatives around organization development and talent management:



**“Placing sustainability as central to business strategy” and “top management support” can be viewed as fundamental drivers to an enduring, successful path to sustainable management.**

like the Internet. The more people that get on the network, the more powerful they become. So that's why competition [doesn't] even exist in this discussion; it's more "coopetition." You've got to partner to build the ecosystem. A healthy economic ecosystem creates more value for everyone.

Companies A and B were distinguished by scores in all categories of 4.5 or higher. They might be seen as "firing on all cylinders" in terms of carrying out vigorous sustainable management in all the dimensions we identified.

You can't talk to anyone [in our company] without them speaking about doing things that make a difference for people. So there is this interaction between the vision, the mission, and the culture, that is all wrapped up in a history of paying attention to this kind of stuff.

The first two dimensions, "placing sustainability as central to business strategy" and "top management support," can be viewed as fundamental drivers to an enduring, successful path to sustainable management (e.g., Nadler & Tushman, 1997). It is striking that the five rated highest in the ranking were the only ones in the highest levels for the centrality in business strategy. Similarly, five of the seven highest ranking companies received the highest rating for top management support. The importance of strategic focus

We should be spending more time on building strategic organizational capability for the future than worrying just about today . . . and the future is not just tomorrow, but a year from now, 10, 20 years from now. . . Are we putting leaders in place who will reverberate with these kinds of thoughts and ideas?

At the other end of the spectrum, Companies H and I had the lowest cluster of scores, although still in the range of "Good" or "Strong." Both these firms have progressed less than the others in this set with measurement, systems alignment, and integration, and were the most recent to embark on the sustainability journey. Company H had made sustainability central to its strategy, and efforts were actively under way toward metrics, alignment, and integration, although not yet far enough along to bring these ratings up. In contrast, Company I was relatively lower not only on alignment and integration but also in what we suggest is a critical area: positioning sustainability as central to business strategy. Company I had done considerable work of engaging outside stakeholders, such as communities and NGOs, in affecting how they do business and in raising health and safety standards for employees around the world. It has been challenged, however, to overcome ingrained gender discrimination in parts of the company.

The middle range of these best-in-class companies, C, D, E, F, and G, show a mixture of ratings. Company C was rated

higher than all but one other in the important categories of relating sustainability to business strategy and top management support, but merited middling scores in the other categories. Company D reported a long tradition of environmental awareness and strategy, and uses a strong system of metrics and practices of engaging stakeholders such as communities in environmental dialogue. At the same time, it does not draw on a broad spectrum of what would be considered sustainable management practices, so its score on holistic integration was the lowest in the middle grouping. Companies E, F, and G showed areas of excellent performance but did not warrant the highest marks on a consistent basis.

## HR's Role and Contribution

To examine HR's role in the sample companies, we used similar methods to those described earlier for averaging the individual rater coding of each firm's sustainability qualities. With such accomplished companies, the ratings of HR activities in support of their sustainable development strategies again tended to be at the higher level. Nevertheless, the ratings taken together revealed some interesting texture in performance differences. We first rated the extent to which HR leadership:

1. Appeared to be in a position of *strategic influence* with their company's top leadership, and
2. Were playing a highly *proactive role* in driving initiatives related to sustainability, compared to playing a more consultative or even reactive role.

HR leaders were seen as strongly positioned for strategic influence in five of the nine companies participating on various board- and executive-level committees in which major initiatives were discussed and overseen. In only two companies (D and G) were HR leaders seen as clearly out of the top-executive loop. On the other hand, HR leaders were seen as proactively initiating sustainability-related initiatives in only three of the nine companies. In one of the companies in which HR was seen as proactive, the leader said:

HR had a lot to do with [the strategy development and the roll-out of the strategy] because it has the potential to be transformational for the company, and in its role, it was really critical to people to make it happen.

In contrast, in one of the companies in which HR was considered reactive, the leader commented, "I see little initiative from the HR area. They are reactive; if they're given something, they'll do it, but they're not leaders in the company."

Areas in which HR was or could be making a contribution to support human capital for the sustainability of the companies include:

1. Leadership development,
2. Training and development,
3. Change management,
4. Collaboration and teamwork,
5. Talent management,
6. Diversity and multiculturalism,
7. Ethics and governance,
8. Creating and inculcating values,
9. Health and safety, and
10. Workforce engagement.

We first assessed the degree to which a firm appeared to be engaging in sound human-capital management practices to

support sustainability in each area—*regardless* of whether the HR function was involved or not—assigning an *S* to a company for which we had evidence of reasonably "Strong," robust activities under way, and a *W* if there was evidence of a "Weak" performance, or the need for more or better work in that area. We then took into consideration the degree to which the HR *function* appeared to be making a meaningful contribution in each area, denoting as *S-HR* cases for which we had evidence that HR was an active contributor in an area of robust activity, and as *W-HR* cases for which there was meaningful HR involvement in trying to improve an area of weakness. Conversely, a cell with *S-NoHR* indicates a strong activity without involvement by the formal HR function, whereas *W-NoHR* denotes weak performance of the activity and the absence of the HR function. A blank cell indicates a lack of evidence on which to base a judgment.

As can be seen in Exhibit 3, the HR function appeared to be actively involved and contributing to a wide spectrum of activities across the companies in our sample, although the specifics varied greatly from firm to firm. More specifically, the HR function was making meaningful contributions in 76 percent of the 78 rated cells in the table (52 instances coded S-HR plus 7 coded W-HR). The active involvement of HR was greatest in traditional HR areas such as development, diversity, ethics, talent management, and workforce engagement, and least likely in such areas as change management, collaboration/teamwork, inculcating cultural values, and health and safety. We presume that, for the latter two areas, business managers from other functions were playing a reasonably effective role, considering that human capital practices in these areas tended to be robust (i.e., ratings of S) even in the absence of meaningful engagement by the HR function.

## Areas of HR's Greatest Contribution

As noted, the greatest contributions by the HR function to sustainability effectiveness (i.e., the most S-HR codings) were seen in: leadership development, training and development, diversity/multiculturalism, and ethics and governance. Significant contributions in areas of effectiveness also were seen across many of the companies in talent management and workforce engagement.

1. *Leadership Development.* We noticed a strong emphasis in many of the companies on creating a culture of development. Several companies mentioned they offer almost unlimited leadership development opportunities for their high potential employees. These are oriented around a core of sustainability as an overarching corporate goal.
2. *Training and Development.* In a number of the companies, HR's role was considered essential to educating people about sustainable development. One said:

Give them example after example because it's going to be very hard for an accountant or an admin or floor worker or someone not involved in technology to see [the] relationship between what they do every day and sustainable development

Another company in which HR was seen as contributing was leveraging its learning management system to build employee knowledge around sustainability, as an easy-to-use program for employees to upgrade their competencies constantly. This system was then reflected in the individual performance management process.

## EXHIBIT 3

# Human Capital Activities and Contributions of HR Function

Company	1. Strategic Position	2. Proactivity	3. Leadership Development	4. Change Management	5. Collaboration & Teamwork	6. T & D	7. Talent Management	8. Diversity /Multi-cultural	9. Ethics & Gov	10. Inculcate Values	11. Health & Safety	12. Workforce Engagement
A	4.00	3.50	S-HR	W-NoHR	W-NoHR	S-HR		S-HR	S-HR	S-NoHR	S-HR	S-HR
B	4.50	4.25	S-HR	S-HR	W-HR	S-HR	S-HR			S-HR		S-NoHR
C	3.00	3.00	W-HR		S-NoHR	S-HR	W-HR	S-HR	S-HR	S-NoHR	S-NoHR	W-HR
D	2.00	2.00	S-HR	W-NoHR	S-NoHR	S-HR	S-HR	S-HR	S-HR	W-HR	S-NoHR	S-HR
E	4.50	4.00	S-HR	S-HR	S-HR	S-HR	S-HR	W-NoHR	S-HR	S-HR		S-HR
F	4.25	3.25	S-HR	S-HR	S-HR	S-HR		S-HR	S-HR	S-HR	S-HR	
G	2.25	2.00	S-NoHR	S-NoHR	W-NoHR	S-NoHR	S-HR		S-HR			W-NoHR
H	5.00	5.00	S-HR	S-HR	W-NoHR	S-HR	S-HR	S-HR	S-HR	S-HR	S-HR	S-HR
I	3.50	2.50	W-HR	W-HR	S-HR	W-HR		S-HR	S-HR	S-NoHR	S-NoHR	S-HR
MEAN	3.5	3.1										

Key:

1 = Extremely weak 5 = Extremely strong

<b>S-HR</b>	Strong area, with meaningful role by HR function
<b>W-HR</b>	Weak area, with meaningful role by HR function
<b>S-NoHR</b>	Strong area, with no meaningful role by HR function
<b>W-NoHR</b>	Weak area, with no meaningful role by HR function
[Blank]	No data reported

- Diversity and Multiculturalism.** A particular challenge of diversity and multiculturalism related to the issue of transparency and metrics in their diversity policies and procedures. The second diversity challenge focused more broadly on how to achieve a “winning inclusive culture strategy” as well as how to achieve “cognitive diversity.” Third, they focused on diversity challenges in the global context, including practices in the workplace and social issues affecting compensation, such as providing a living wage in developing countries.
- Ethics and Governance.** HR participation in this area covered high-level HR leadership involvement on the ethics and compliance oversight committees, self-assessments, design and administration of mandatory ethics and compliance training programs (including appropriate ways to be working as well as sustainability and values), and e-learning programs. Several companies were signatories to the UN Global Compact and indicated they have policies and performance standards that in many cases go well beyond local laws and regulations, especially in developing countries.
- Talent Management.** Significant contributions were also made by HR in support of sustainability from the perspectives of talent management. In the context of sustainability, the key to the recruiting and staffing that make up talent management was providing the right people with the right mental models and values, in addition to their functional expertise.

What I’m always looking for is [an engineer] that’s thinking beyond building the structure, but understands that building that structure impacts

the people around the community. So [hiring those people] is one of the greatest sustainability benefits the HR department can bring.

From a pragmatic standpoint, many of the companies saw sustainability as a key competitive advantage in attracting and retaining talent. As one respondent said:

It all feeds back to the branding . . . the better [our firm] is branded as a company that’s sustainable and doing the right thing, the better I’m going to be able to attract talent, because the talent wants to work with the best companies, and the best companies are those that not only get results, but do it in a way that creates a sustainable environment.

- Workforce Engagement.** Employee engagement was seen as strongly related to the sustainability of the company as not only the right thing to do but as an enabler of customer satisfaction and business growth. Moreover, getting employees involved in the journey to sustainability was seen as a major challenge for which HR’s help was sorely needed. In describing this challenge, one leader said:

A big advantage to sustainability is getting employees engaged because they want to make a difference in the world. I work with a lot of committed people whose lives are about making a difference and choose to do it here at [our company]. . . . Everyone agrees that’s what is going to help make us one of the greatest companies in the world.

Workforce engagement may be the domain that best epitomizes the “people” part of the triple bottom line. One person asserted that if they execute genuine sustainable management, then “no one will have to hide what they are passionate about.”

## Areas Needing More HR Contribution

Exhibit 3 identifies several areas in which HR was clearly needed to play a role but was not yet working to fulfill that need (designated by W) and in which HR was already playing a meaningful role but there was still a need or gap in that area (designated by W-HR). Areas in which fewer than half of the companies identified a meaningful contribution by HR in support of the sustainable enterprise were change management, collaboration and teamwork, creating and inculcating values, and health and safety.

1. *Change Management.* For example, one respondent indicated a need for more support in change management and expressed the challenge this way:

That is what change management is all about . . . How can I transport that culture [of sustainability] to seven different continents, 1800 locations, 45 thousand employees. How do you make that change?

Another spoke of HR as being the center of the change:

There's lots of different reactions to change, some people jump right on board, and they're ready to go and ready to change, and there's others that kind of watch and go along more slowly, and there's those who have a very difficult time with change . . . so it's everything from the personal counseling to helping to educate our leaders on how to manage change.

2. *Collaboration and Teamwork.* The ability to lead cross-functional collaborative teams was seen as an important competency for HR to bring to the table. Among the comments we heard were "The teams involved in sustainability require the ability to lead cross-functionally and that is an important competency" and "It's very much an integrated approach that relies on different disciplines of people since often times you'll see legal, supply chain, business marketing people, HR people, etc."

Typically sustainability teams are cross-functionally matrixed structures. Several companies also had teams organized around specific issues, such as water or energy, with internal portals for information transfer and building communities of practice. HR also is needed to support relationships beyond the company, such as with nongovernmental organizations (NGOs) and other community stakeholders.

3. *Creating and Inculcating Values.* Sustainable values were seen as an essential foundation to sustainability in every company. "People [here] don't get promoted if they don't have the values. . . a sustainable mindset. If someone is immune, they don't make it; they don't have followership." In fact, several companies had recently gone through dramatic transformations, even downsizing. The unwavering commitment to their values was seen as the underlying engine to the changes. Many of the companies described how they actively strove to balance both results and values. "Every program is built off the values . . . the values carried us through the transformation of our company."
4. *Health and Safety.* Interestingly, health and safety was considered a strength in every one of the companies we interviewed, but HR played a meaningful role in only three of them. In many cases, health and safety is the responsibility of a department separate from HR. In many of the companies, the respondents proudly told us that their own health and safety standards far

exceeded those in the countries in which they operated.

A crude measure of each firm's effective HR involvement is the number of activities, or cells, rated S-HR. Those firms rated higher in HR's strategic position (A, B, E, F, and H, 4.0 or higher) averaged seven cells with S-HR (ranging from 5 to 9). Those rated lower in strategic positioning (C, D, G, and I) showed a mean number of only 3.75 such cells (range of 2 to 6). Although quantified analysis of a small sample is always perilous, this does suggest some relationship between the HR function's positioning in the firm and the degree of its contribution in areas of sustainability-related HR practices. We cannot be sure that senior management positioning causes more extensive HR involvement, but these numbers do imply a connection.

## Discussion

As sustainability moves up the agenda of thousands of companies, a critical goal for the HR field as a whole is to develop the competencies, collaborative strategies, and organizational capabilities required to support the organization's sustainability journeys. To further clarify the specific strategic HR competencies needed to build sustainable enterprises, we examined the drivers and challenges associated with implementing sustainable development strategies in nine best-in-class companies, and the role that HR was playing.

We identified a "pyramid" of seven core qualities associated with achieving triple-bottom-line corporate sustainability, as shown in Exhibit 4. The "Foundation" contained deeply held corporate values consistent with sustainability, top management's visible support for sustainability, and its placement as central to overall corporate strategy. "Traction" was achieved by developing sustainability metrics ("we manage what we measure") and by aligning formal and informal organization systems around sustainability. Toward the top of the pyramid was "Collaborative Integration" through broad stakeholder engagement and holistic integration, whereby the many facets and functional domains of sustainability were conceptualized and coordinated in an integrative fashion. Even these exemplary firms seemed to be struggling with reaching this cross-boundary, multi-stakeholder, integrative pinnacle. Deeply infusing sustainability-oriented values and creating holistic integration may be the highest level challenges of implementing sustainability strategies.

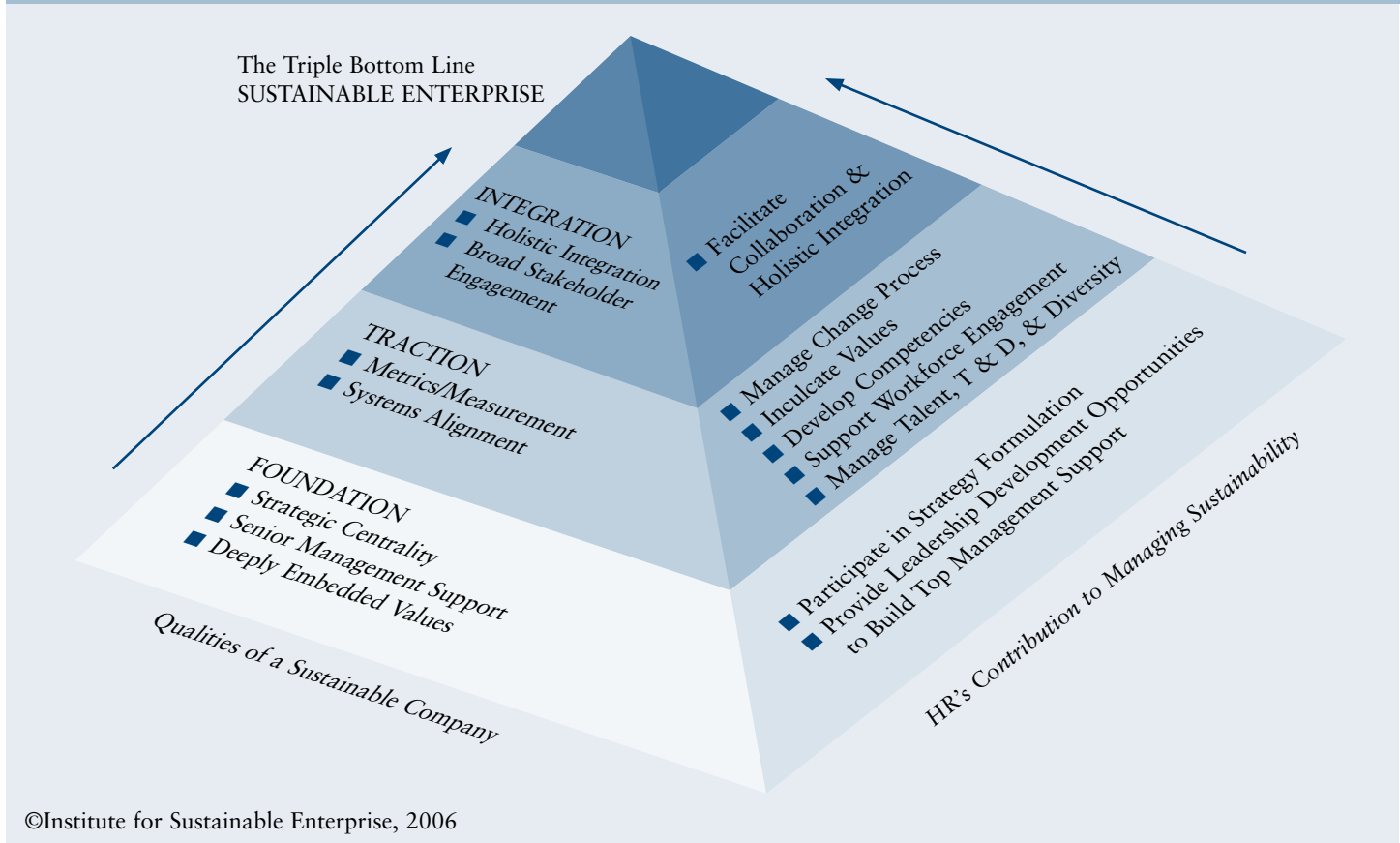
As to HR's role in building the sustainable enterprise, our exemplar firms evidenced robust human capital activities related to sustainability in many areas, with the HR function playing an active role in most. HR involvement around sustainability tended to be greatest in areas such as development (both leadership development and training), talent management, ethics and diversity, and employee engagement. In health and safety, culture and change management, and customer and stakeholder engagement, HR involvement appeared somewhat less vigorous. HR's broad involvement appeared more likely in firms for which HR leaders were strategically positioned and influential in the firm.

One conclusion is that human capital activities are essential to achieving high levels of corporate sustainability but that the HR function may not be involved in every important area. We presume that in such areas business managers from other functions were playing reasonably effective HR roles. On the one hand, this is consistent with a view that human resource management is a key aspect of every manager's job (Wirtenberg et al., 2007, in press) and that all leaders should take on the call of sustainability and encourage all employees to do so as well. On the other hand, this may



## EXHIBIT 4

# The Sustainability Pyramid: Qualities Associated with Highly Successful Sustainability Strategies



represent a missed opportunity for the HR function. The observation that the HR function was more often seen as a strong contributor when its leaders were strategically positioned in the firm also seems meaningful. It suggests that, just as senior management support for sustainability in the firm is critical, so too may be HR leaders' strategic positioning of the HR function in the firm's execution of sustainability management.

Taking this one step further, the right face of the pyramid in Exhibit 4 identifies ways in which HR can play an even more pivotal role in creating the qualities for sustainability management shown on the left face. By working proactively with top management and earning their respect as a trusted business advisor, an HR leader can develop, influence, and help business leaders to build the "Foundation" for sustainable-business strategies that simultaneously take into account all its stakeholders, as well as the short- and the long-term view. To enable "Traction," HR can oversee talent management, training and development, and diversity. In addition, HR is generally well positioned to manage organizational change and help inculcate values, apparently a critical success factor for companies to become more sustainable.

Toward "Integration," HR can contribute in subtle but crucial ways by providing key insights into the congruence of all aspects of management and facilitating collaboration with a broad range of stakeholders. A challenge is for HR to step into the fray and

help support the alignment of efforts beyond the traditional HR functions, helping to play a much needed cross-boundary role in aligning such enterprise processes as supply chain management, marketing and sales, accounting and finance, public relations, environment, and health and safety.

Unfortunately, some of the most challenging issues apparently associated with implementing sustainable development—inculcating cultural values, developing cross-boundary collaboration, fostering holistic integration—currently tend not to be areas of strength or active involvement for the HR function. We note that these roles tend to be either absent or underemphasized in many HR competency models (one notable exception is the Schoonover/Andersen/SHRM model, 1997, 1998).

Limitations of our exploratory study need to be acknowledged, most notably the small number of respondents from only a small sample of highly diverse, very large Global 100 firms. Our assessments should hardly be construed as definitive characterizations of the reality in these firms. Extrapolating should be done with great care. More rigorous studies should be carried out on the factors and relationships that we surfaced.

## Conclusion

As we enter the 21st century, companies need to develop more sustainable business models, and the HR function has a key role

to play. We identified a pyramid of seven core qualities of sustainable enterprises that appear amenable to managerial intervention, and we mapped out some of the specific actions that HR leaders can take to help develop these qualities: inculcating sustainability-oriented values, helping to elicit senior management support for making sustainability central to business strategy, supporting the development of metrics and systems alignment around sustainability, and enabling the organization to achieve broad stakeholder engagement and holistic integration.

The lofty challenge now facing the HR field is to step up to this call and develop the necessary capabilities to help foster greater business and world sustainability.

Just as senior management support for sustainability in the firm is critical, so too may be HR leaders' strategic positioning of the HR function in the firm's execution of sustainability management.



## NOTES

1. The Global 100 Most Sustainable Corporations in the World is a project initiated by Corporate Knights Inc., with Innovest Strategic Value Advisors Inc. Full details on its methodology and results can be found at [www.global100.org](http://www.global100.org).
2. We were unsuccessful in recruiting for our study firms based outside the United States or Europe.
3. The authors represent diverse fields of experience and training, including strategic management, organizational development and change management, HRM, technology management, ethics, environmental science, and finance.

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