

Sustainable HRM

FROM
THEORY
TO
PRACTICE

| OWL PRESS |

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PREFACE

Human Resource Management works. More than twenty years of research shows evidence that organisations that focus on Human Resource Management (HRM) achieve positive results in the domain of their employees and organisation, and these results finally contribute to successful organisational performances. The effective use of HRM is an important factor, especially in labour-intensive and professional service organisations. The success of the organisation largely depends on the production of efficient and effective products or services. The effect of people on production or delivering of services is always an element of success in the organisation, and as such, a key factor in building sustainable impact in the long term.

This was true in the past, and inevitably, will probably be true in the future. Times are changing, and we need to adapt HRM to new ways of thinking and acting in order to adapt to new developments in technology, economy, and society. We are facing rapid changes in technology, new ways of working, rapid economic growth, combined with crises, such as growing inequality in society, globalisation, climate change and lastly, a worldwide health crisis of Covid-19.

Thinking about HRM has evolved over the years. A new way of thinking about HRM, Strategic HRM (SHRM), emerged during the 1980s. SHRM linked the development of HRM practices to business strategy. This was an important development, moving HRM from an administrative role to a strategic partner in the decision making process of organisations.

Today, many organisations recognise the need to demonstrate corporate social responsibility (CSR) and to undertake their activities in a way which contributes to the sustainability of the organisation, people and the environment. Sustainable HRM can be an important contributor to these broad outcomes. Systematic literature review revealed a remarkable increase in scientific Sustainable HRM publications during the last five years. Sustainable HRM provides a means of furthering sustainability outcomes in the management of employees and organisation, and a way to create a more responsible and sustainable world.

This is the reason why we wrote a book about Sustainable HRM, and more concretely, a book with some practical relevance for academics and HRM practitioners. This combination of academic research and more practical insight and tools is the unique position of this book.

We start by exploring the why of Sustainable HRM by looking to the pressures that are stimulating the interest in and the use of Sustainable HRM. After exploring the why, we focus on what Sustainable HRM is, and lastly on the how, or the way to start practicing Sustainable HRM.

This exploration leads to some fundamental challenges facing the incorporation of sustainability in the daily practice of HRM. To deal with these challenges we have developed a practical tool (named the Sustainable HRM Cockpit) that leads organisations to the development of a coherent and Sustainable HRM strategy. This practical tool incorporates all the theoretical insights that we developed in the previous chapters. This is more or less a guarantee that theoretical insights are well developed in building concrete Sustainable HRM strategies. Since the publications of initial books and articles (Ehnert, 2009; Kramar, 2014; De Prins et al. 2014; Mariappanadar 2009), the theoretical foundations were laid to develop more concrete applications and business cases to prove the applicability of Sustainable HRM.

In considering the Sustainable HRM Cockpit, we have built an instrument based on substantiated methods and figures. In addition to gathering concrete methods and figures, the cockpit emphasises the mapping of a strategic and Sustainable HRM policy in the organisation. The Sustainable HRM Cockpit has the ambition to propose an approach that both leads to Sustainable HRM outcomes in addition to serving as a strategic instrument. In recent years, attention has shifted to a more sustainable approach to HRM in the organisation. The Sustainable HRM Cockpit wants to respond to this latest trend within HRM to pay attention to broader social objectives such as respect for people and their environment.

The Sustainable HRM Cockpit has been consciously developed for the social profit and public sector. We have chosen this sector because of our expertise in the sector and the economic importance of managing this sector in an

efficient and effective manner. In some service organisations, personnel costs often amount to 80 to 90% of the total operating costs. Given this high cost, organisations could benefit from having a more concrete view of the value creation of HRM, and having the ability to check whether the costs are in balance with the revenues, especially in organisations with complex production or service delivery processes. Due to the specificity of the sector (public/social interest and social commitment), the focus is less on profit and more on achieving social and political added value than in the profit sector. In the development of the Sustainable HRM Cockpit, therefore, close co-operation was sought with practitioners from the social profit and public sectors so that the instrument is tailored to the specific needs of this sector. In a later phase, we practiced the use of the Sustainable HRM Cockpit in profit organisations. There was no reason to doubt the applicability of the tool in companies and industries. After all, it was inspiring to see a promising movement in HRM from the non-profit to the profit sector, rather than as previously, the monopoly of the private sector in the development of HRM.

This book is primarily written for HRM professionals who want to implement Sustainable HRM in their organisation or follow up and evaluate their Sustainable HRM. Academics and postgraduate students may also benefit from these insights since we will present some business cases at the end of the book. When talking about HRM professionals or HR Managers, we mean the person responsible for HRM within the organisation. This can be the HRM department, the HR Manager, the director of the organisation, or the person who takes responsibility for human resources. In addition, the book is also intended for people who are interested in HRM measurements and how they can be used for the implementation of Sustainable HRM.

The book consists of three major parts. In the first part the different concepts such as Human Resource Management (HRM), SHRM, the reasons for the development of and the characteristics of Sustainable HRM, and the principles of sustainable measurements are explained. In the second part the operation of the Sustainable HRM Cockpit is explained. Finally, the last part presents some concrete business cases to show the applicability of the Sustainable HRM Cockpit tool.

In order to use the Sustainable HRM Cockpit correctly, co-operation between managers, employees and the person responsible for HRM is necessary. These parties must in fact provide input independently of each other in order to obtain correct data. An open dialogue between these parties is very important to use the instrument in a correct way, without the suspicion of one of the other parties. For this reason, every part of the Sustainable HRM Cockpit is explained in detail in this book. Employees and other stakeholders who are not familiar with HRM, sustainability and/or measurements can, as a result, form an opinion about Sustainable HRM or at least be informed about Sustainable HRM and the importance of measurements. In this way all employees in the organisation can contribute to the development and implementation of a Sustainable HRM policy.

CHAPTER 1

A short history of Human Resource Management

1.1 Introduction: basic features of Strategic HRM

Human Resource Management (HRM) became an essential management domain within an organisation in the last three decades. It is an important support department in addition to financial management, ICT and general administrative services of an organisation. During the last thirty years, HRM has undergone a major transition from merely an operational activity to a strategic role. This development is described in detail in the recent SHRM literature, where a number of basic elements are put forward that are more or less agreed upon. HR Managers found their way to the board committee or the senior management team and as such, they could have an important impact on general decision-making and strategies in private and public organisations.

Evidence from HRM studies

The proportion of organisations where the head of HRM is on the Board of Directors or equivalent is somewhere between 60 and 80% in most countries, with, for example, high numbers in Sweden (89%) and Spain (85%). The last decades, the impact of (strategic) Human Resource Management on organisational decision-making within organisations has been constantly increasing, according to the Cranet studies. It should be stressed that the participation of HRM in the development of business strategy has increased during the reported period (2014-2015).

Cranet (2017)

But, what are the main features of SHRM? In a nutshell, SHRM agrees on five important features that reflect the essence of SHRM.

First, the description of HRM emphasises more and more the strategic nature of HRM. In contrast to a traditional personnel policy that focuses more on administrative and operational matters, SHRM focuses on the long-term future of the organisation in achieving the organisational strategy. This includes

issues such as the expected socio-economic challenges of the organisation, the demand for the right and future-oriented competencies of employees, a strategic personnel planning that takes into account quantitative and qualitative elements, a focused career planning and other strategic aspects of personnel management. This list shows that HRM is taking on more strategic practices that are not covered by a traditional and operational personnel policy.

A second important perspective of SHRM is the shared responsibility between HRM professionals, managers and employees. The follow-up and evaluation of employees is a matter for the manager, who can, if requested, receive support from HRM. Managers and those who assume the duties of HRM are jointly responsible for achieving effective results in the field of HRM.

A third element is the emphasis on objectives and results, which is achieved through the targeted and strategic deployment of employees, teams and departments within the organisation. By means of planning, follow-up and evaluation, for example, employees are now deployed more purposefully and with a focus on results which contribute to organisational success. This result-oriented approach strongly typifies the current HRM approach in organisations.

A fourth element is a more focused approach on organisational development and change as an important factor of getting the organisational structure and culture in line with environmental changes. Rapid technological, economic and social change need a more agile and dynamic organisation that can respond actively to changes in economy and society.

Finally, there is a strong emphasis on the impact that personnel decisions and HRM applications have on the results of the organisation, and the demand to demonstrate and monitor this impact. By impact we mean the fact that HRM concentrates on the domain of performance, well-being, involvement and other desired HRM effects, which ultimately lead to the success of the organisation. This is reflected in the presence of numerous measurement systems and even strategic tools to constantly look after the added value and the cost/benefits of HRM, for example, in the construction of HRM scorecards or HRM key performance indicators.

1.2 Emergence of Strategic HRM

SHRM emerged during a period of turbulent change including economic upheavals, the application of new technologies, increasing competitive pressures, changing legislation and regulations and the promotion of ideas about strategic management and management prerogative. The central concern of SHRM has always been the design of HRM policies which contribute to the achievement of an organisation's strategic objectives within its organisational and external context.

For more than twenty-five years, academics and practitioners were particularly concerned to demonstrate how HRM contributed to the financial and/or non-financial success of the organisation. A variety of measurement systems were developed over a number of decades to demonstrate the contribution of HRM to the achievement of organisational objectives. These measurement systems developed overtime and sought to identify particular HRM practices which contributed to shareholder value, revenue growth and profit margins (Kramar and Holland 2015).

The primary stakeholders involved in the development and execution of SHRM initiatives are managers, including HRM professionals, line and senior managers and executives (Bartram et al. 2007; Stanton et al. 2010). Over the years HRM professionals have been urged to demonstrate what results they deliver to the organisation (Ulrich 1997; Huselid 1995) and to think in terms of the outcomes desired at each stage of the HRM value chain process (Guest 1997; Nishii and Wright 2007). Employee perceptions, attitudes and competencies have been recognised as an essential part of this value chain (Youngblood et al. 1984; Bowen and Ostroff 2004). The process of strategic mapping provides a means of identifying those factors which are essential for the achievement of results of each stage of the value chain (Kaplan and Norton 2004; Becker et al. 2001).

1.3 The result: a four-dimensional model for HRM

Based on this development from a traditional personnel policy to SHRM, the HRM policy becomes more extensive and complex. It is no longer sufficient to manage efficient personnel administration. On the contrary, the development of expertise in various domains such as personnel development, career planning and performance management and the necessary HRM instruments have become increasingly important. That is why we state that HRM is a multi-dimensional concept, in which the various approaches mentioned above are discussed. We summarise these approaches in a four-dimensional model.

The four dimensions of HRM represent what HRM is confronted with on a daily basis. They ensure that the administrative, human, strategic and organisational aspects of HRM are taken into account. We believe that these four dimensions can encompass the totality of HRM and provide a useful overview of the issues that the HR Manager or director encounters every day in his or her organisation.

The four dimensions of HRM represent an overview, based on insights from different models in HRM. We used the models of Guest, Storey, Ulrich and others to formulate a coherent model that more or less grasps the reality of HRM.

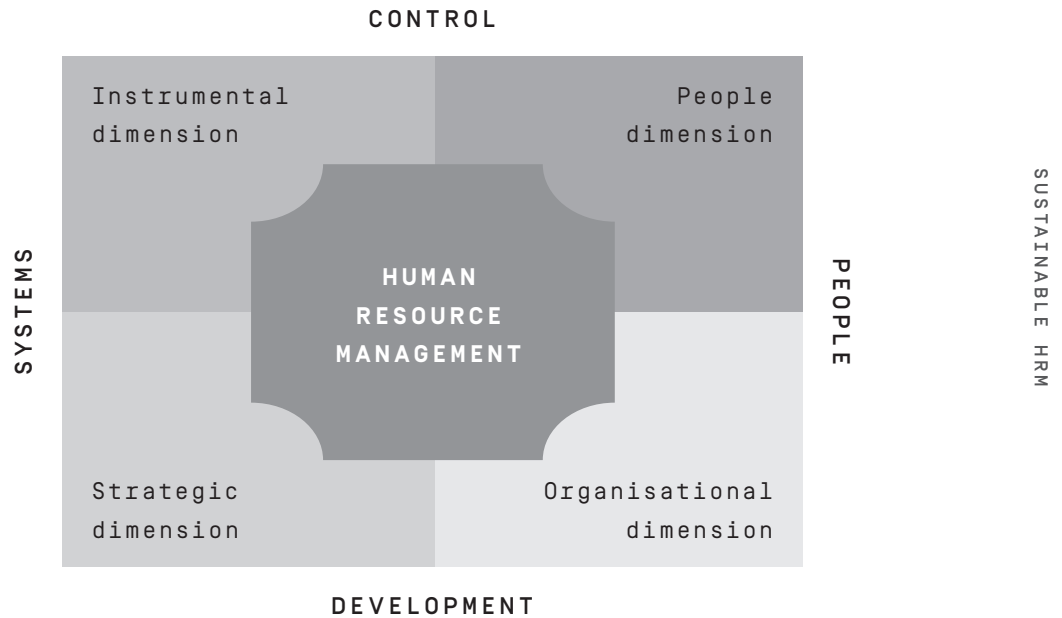


Figure 1.1: The four-dimensional model of HRM

The instrumental dimension includes the most traditional approach to personnel management in an organisation. From this approach, HRM tries to regulate and control the deployment of employees by means of rules, procedures, employment contracts and work systems, among other things. Through these regulations, the instrumental dimension creates an environment of predictability and security, which enhances co-operation between employees within an organisation. The instrumental dimension has three major core tasks, namely 1) administrative services such as the timely payment of wages or arranging employment contracts, 2) organisational services including the design of tasks, the organisation of work, the holiday arrangements and shift systems, and 3) legal services, such as ensuring legal certainty for employees, informing employees and solving legal-administrative problems in accordance with trade unions and social laws.

The pursuit of efficient HRM services is central to this dimension. Employees and other stakeholders will mainly assess the HRM department in terms of delivering valuable HRM services, legal expertise and smooth and clear work processes and regulations.

In contrast to the instrumental dimension that wants to bring systematic, formal and clear work processes in the organisation, the people-oriented dimension of HRM focuses on the motivation and well-being of employees. This dimension emphasises the development, motivation, capacities and potential of individual employees. In addition, this dimension focuses on social relationships, working conditions, working atmosphere and industrial relations within the organisation. Taking care of internal communication and creating a safe, pleasant and challenging work environment are among the core tasks of HRM within this people-oriented dimension. There is also a need to pay attention to good relationships with trade unions to foster work conditions in accordance with union demand and social laws. Examples of activities that are undertaken, are the organisation of education and training, the organisation of a staff satisfaction survey or initiatives to motivate employees. Organising regular negotiations with representatives of personnel and employer is a part of the industrial relations game. The challenges in this dimension lie in supporting the people management of the organisation and the manager, creating social added value within the organisation. Social added value translates into better internal communication, a pleasant working atmosphere, work-life balance but also in simple interventions such as efficient meetings, conducting effective performance reviews or installing safe and healthy work conditions.

In addition to the instrumental and people-oriented aspects of HRM, the organisational context demands the necessary attention. Employees do not function in an organisational vacuum, but on the contrary, experience the consequences of a certain organisational structure and culture on a daily basis. From the organisational dimension, HRM attempts to provide and develop the necessary organisational structures to support employees in their collaboration. For example, a learning organisation assumes the presence of a learning platform, the ability to learn from each other, and a flat organisational structure. Structures can fundamentally influence the ins and outs of an organisation,

and whether or not they maintain existing power relationships. For example, hierarchical organisations often hold their ground because they are highly structured and stubborn for change. On the other hand, they are also not flexible nor innovative. That is why within organisational development attention must be paid to the question within which structure the changes can and may take place. In addition to attention to structure, the role of an organisational culture cannot be underestimated. Culture is how we do things, the invisible hand or organisational software in an organisation that determines the working atmosphere. It is also the underlying values in the organisation, the way in which employees interact with each other, or how customers are treated by the organisation. Within the organisational dimension it is mainly about the development of the organisation, and the attention to a supporting and motivating organisational structure and culture, so that employees can function optimally.

Next to the instrumental, people-oriented and organisational dimension, there is finally the strategic dimension. The strategic dimension states that the organisation is not isolated from the external environment. It is about socio-economic, cultural, political and other external factors that influence both the organisation and the HRM policy within the organisation. HRM plays a proactive role in this dimension and takes into account the influence of the external environment and coordination with the organisational strategy. The HR Manager is a business partner that ensures a vertical alignment of the HR strategy with the organisational strategy.

Besides the vertical alignment, there is a need to formulate a coherent HRM policy and strategy. This is horizontal alignment as HRM systems do not exist separately but form a consistent whole that gives employees the feeling that they are consistently managed by the organisation. Horizontal alignment means that HRM systems and practices are in line with what other departments require. For example, it is advisable to see the HRM strategy translated into the budget. HRM wishes, for example, to pay more attention to the development of employees, which can immediately be translated into an increased training budget within the annual budget.

Because HRM takes into account within the strategic dimension 1) the external environment, 2) the organisational strategy, 3) the different departments within the organisation, and 4) the sub-aspects of HRM, it is ensured that HRM can actively provide direction and a strong HRM policy can develop.

In a nutshell, SHRM has developed as a means of furthering organisational outcomes. It acknowledges the need to provide the administrative and operational procedures, the importance of people in the organisation, organisational structures and the external environment. This approach to HRM has spread throughout organisations during the last three and a half decades, leading to a more impactful managerial system in organisations. SHRM paved the way to Sustainable HRM which can be considered as the latest step in the evolution and history of HRM.