

# Corporate Sustainable Development – Motives, Steps, Challenges and the Role of HR

**Raghavendra Sode\* and Kalaa Chenji**

Department of Human Resources, ICFAI Business School (IBS), Hyderabad, The ICFAI Foundation for Higher Education (IFHE) (Deemed to be university u/s 3 of the UGC Act 1956), Hyderabad, India  
✉ soderaghavendra@gmail.com

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**Abstract:** The aim of this study is to develop a framework to transform conventional businesses into sustainable businesses by understanding the motives, challenges for sustainability, and the role of HR in incorporating sustainability in the organisation. The steps of the framework include formulating the sustainability strategy, altering the systems to support sustainability, implementing the sustainability strategy, measuring sustainability, and reporting sustainable development. The framework will help organisations to transform their business models into sustainable business models.

**Key words:** Formulating the sustainability strategy, altering the systems to support sustainability, implementing the sustainability strategy, measuring sustainability, and reporting of sustainable development.

## Introduction

There is a paradigm shift of business entities from existing orthodox business models to sustainable business models. Sustainable development is the way forward for organisations to achieve competitive advantage (McKinsey, 2011). Many big companies like Walmart, Dell, Nestle, BP, Novartis, Sony, etc. have realised the importance of sustainability, embraced it by drafting sustainability policies, and practices and also implemented procedures and achieved several milestones that are reflected in their sustainability reports. On the other hand, we have some organisations that have tarnished sustainability.

World Commission on Environment Development (WCED, 1987) defines sustainable development as the “development that meets the needs of the present generation without compromising the ability of future generation to meet their own needs”. Companies should not underestimate their ability to gain competitive

advantage from sustainability as said by Patrick Cescau (Unilever, Chief executive) “we have come to a point now where this agenda of sustainability and corporate responsibility is not only central to business strategy but will increasingly become a critical driver of business growth”. The paradigm shift of the corporate world towards sustainability is very much evident as there is a surge in the number of firms reporting sustainable development (giz, 2015). Corporate sustainable development “includes issues of corporate social responsibility and citizenship along with improved management of corporate social and environmental performance along with stakeholder’s engagement (Epstein, 2008)”. Corporate sustainable development is defined “as the balancing act of organisation between profits, people and planet (3Ps)” and it is also referred to by Elkington as Triple Bottom Line (TBL).

Companies that are aggressively adapting and adopting sustainability methods have managed to reduce the negative social and environmental impact

\*Corresponding Author

and gain economic benefits. For example, “General Electric’s (GE) aims to achieve sustainable development by focussed improvement in the bottom line as stated by Chief Executive Officer, Jeffrey Immelt “this company must focus on innovation and environment in order to increase revenues and stay competitive”. GE’s social and environmental strategy through the Ecomagination programme has invested \$1.5 billion in environmental technologies resulting in increased sales of environmental technologies to \$20 billion; reduction of greenhouse gas by 1%, and increased energy efficiency by 30%.

India is no exception, as the challenges to becoming a sustainable economy are being mitigated by concrete efforts from all the stakeholders including government, corporate, and society at large to realize its dream of being a sustainable economy. Sustainable development research in India has attracted the focus of central and state governments, and public and private sectors to take initiatives aimed at social, economic and environmental development i.e. the three dimensions of sustainability (Pandey, 2019). The changes in corporate laws to ingrain sustainability into a corporate strategy started with the institutionalisation of National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) making it a mandate for listed companies to report Business Responsibility Reports (BRRs) with an aim to enforce sustainability into business practices and make a formal disclosure. Business responsibility reporting gives organizations an opportunity to redefine the organizational strategy by infusing sustainability as a core value creating a value proposition to build wealth for shareholders, protect the environment and develop society. One such example is the Indian Tobacco Company (ITC). The vision of ITC “Putting India First” articulates that country ahead of the corporation and the institution before the individual. The transformed business model is centered on creating economic wealth with emphasis on ecological and social capital through a unified strategy. With various practices (e.g., e-choupal ecosystem, afforestation programme, watershed development, sustainable agriculture, livestock development, women empowerment, primary education, vocational skill development, health and sanitation, and solid waste management) focussing on three dimensions of sustainability ITC is able to provide sustainable livelihood to over 60 lakhs people, reducing its carbon footprints by generating 43% of its energy requirement from renewable sources and constructing green buildings certified by LEED. Such

kind of transformation of businesses will help India to transform into a sustainable economy and this could only happen if the organisations embrace sustainable development.

Apart from such policies and practices, it is important to understand the motives of organisation in embracing sustainability, foresee the challenges associated with it and follow a sequence of steps to implement desired change and reap the benefits of sustainability. Human resource management plays a vital role in implementing sustainability by integrating functional areas with sustainability strategy to achieve sustainable development (Pandey, 2019). Therefore, we came up with a framework to transform conventional businesses into a sustainable business model by understanding the motives, challenges for sustainability, and the role of HR in incorporating sustainability in the organisation.

### Sustainability Motives

The literature on corporate sustainability by Epstein (2008) indicates internal and external drives as major factors associated with sustainable development. Internal drives include the commitment of management towards sustainability, recognising sustainability as a core value and belief that it will lead to financial performance. External drives include pressure from the government, NGOs, market demand, and the actions of a competitor. GreeBiz (2013) survey identified a reduction in cost, meeting stakeholders’ expectations, steps for risk management, generating revenues, and compliance with government regulations as major sustainability motives. McKinsey’s (2011) survey on business sustainability found value creation, new growth opportunities, creating a reputation, gaining competitive advantage, and return on capital as motives for sustainability. A study by Baxi and Ray (2012) illustrated the trends in corporate sustainability reporting in India which are gaining importance among big companies and family-run businesses due to regulatory pressure and value system. As reported by Pandey (2019) sustainable business model creates social value, and economic value changes the mindset of the stakeholders, and the organisations get incentives from state and central government for using sustainability practices in their day-to-day operations. Sode and Chenji (2017) broadly classified the sustainable motives into three categories, namely, profitability motives, moral motives and legitimate motives. Profitability motives are “the motives that drive the organizations to engage

in sustainability initiatives to improve the revenues or protect the existing profit levels”, moral motives are “intrinsic beliefs of the managers or leader and employees that drive them to follow the sustainability practices”, and legitimate motives are “the motives that drive the organisations to adopt sustainability due to regulatory pressure”.

A large number of companies are adopting sustainability as a core value and are redesigning the whole business processes to reduce their social and environmental impact by improving or sustaining the financial gains. During this transformation, organisations face many challenges. Some of the challenges are explained below.

### **Challenges**

The challenges include risk of failure, cost factor, and standardisation.

**Risk of failure:** Implementing a sustainable development strategy is a risk-taking process due to the uncertainty about the final outcomes. Any mistake, small or big will hamper the reputation of the organization.

**Cost factor:** The cost attached to the implementation of sustainability strategy varies from organization to organization, industry to industry and from time to time and the results could be reaped in long run. For example, introducing pollution control technology in a company is much easier and cheap now than before but the tradeoff to reap its benefits can only be enjoyed after some years (Epstein, 2008).

**Standardization:** There is no specific standard procedure to achieve sustainability due to its dynamic nature. As its sub-dimensions vary from sector to sector, the strategy good for one sector might not suffice the need of another sector.

After a review of various articles and books on sustainability (Baxi & Ray, 2012; Epstein, 2008), we developed a framework on corporate sustainability that will help organizations in the smooth adoption of sustainability as a core value of the organization and reap the benefits of sustainability. The steps are illustrated below.

### **Steps to Implement Sustainable Strategy**

#### **Formulating Sustainability Strategy**

The first and foremost thing is to develop a sustainable strategy for the whole organisation. The strategy should

take care into account the social, and environmental problems that the organisation is willing to address and ensure that the strategy is aligned with the values, goals, and commitment of the organisation. The strategy should meet the expectations of different stakeholders and also comply with regulatory rules and procedures. The other way could be aligning corporate strategy with sustainable values to leverage social, economic and environmental development. For example, ITC embraced sustainability two decades ago and now it is one of the top sustainable organizations in India.

#### **Altering Existing Systems to Support Sustainability**

As the existing business systems need to be modified to support a sustainability strategy. Organization design and structure should be altered to embed sustainability across all the levels of the organization. For example, appointing a chief sustainability officer and other positions should be created to support the organisation to implementing a sustainability strategy and managing its progress. Many public (Coal India Limited ) and private (Infosys) sector organizations in India appointed sustainability officers and created separate CSR and Sustainability units to look into organisational development towards sustainability and reporting responsible practices.

#### **Implementation of Sustainability Strategy**

The actual problem arises during the implementation of the strategy as it requires everyone to engage and participate to realize the sustainable development goal of the organization. This can be done by creating awareness about sustainability strategy policies, practices, and programmes. Sustainability indicators measuring employees' sustainability endeavours should be established and communicated. Such integration will help smooth the implementation of sustainability strategy and create a sustainability culture. Infosys disseminates its responsible practices and sustainable development achievements across the intranet and through emails and engages its employees by linking it with rewards and performance.

#### **Measuring Sustainability**

Tracking sustainability is another risk-taking process and it is difficult to quantify and measure the performance of sustainable dimensions like social and environmental development. Organizations should establish management control systems and establish sustainable indicators to measure sustainable

performance. For example, social development could be measured by indicators like the cost of community improvement, local jobs created, etc. (Epstein, 2008). Another example regarding the practice of monitoring the usage of electricity by sensors helped Infosys to reduce electricity wastage to a large extent.

### **Reporting of Sustainable Development**

The last step is reporting organisational sustainability. The report should contain social, environmental and economic development indicators that an organisation achieved in pursuit of sustainability. There are various reporting standards at the national and international level. Global Reporting Initiative (GRI) is the most widely used framework across the globe to report sustainability. It covers a wide range of social, environmental and economic aspects and requires a third-party assessment to validate the sustainable development of the organisation. These steps may help organizations to implement sustainability in a smooth way but the organizations face many challenges as discussed below. Many Indian firms report sustainability by following GRI or Business Responsibility Report framework and it has been observed that the GRI reporting framework is growing at an exponential rate in India (giz, 2015).

### **Role of HR in Incorporating Sustainability**

Human resources will inevitably play a crucial part in achieving sustainability goals as a business commitment toward sustainability growth (Pandey, 2019) but C-suit leaders and board must align the organization's mission, vision, and goals with sustainability strategy and with the assistance of HR, sustainability will be achieved. The vision and mission should highlight the sustainability aspiration of the organization. The integration of various HR functions like recruitment and selection, training and development, performance management and compensation will help organisations to achieve social and environmental goals. Further, sustainability will lead to achieving financial performance. Sustainability is being considered an option for people management (Ehnert, 2014). The key characteristics of sustainable HRM as defined by researchers as care for employees, care for the environment, long-term orientation, profitability, employee participation, employee development, fairness and equity, etc, are based to attain corporate sustainable development (Ehnert, 2014; Epstein, 2008; Zaugg, 2009). Integrating HR practices

with sustainability strategy will help organizations to leverage employees' commitment to achieving sustainability objectives and goals thereby creating a sustainability culture in the organization.

### **Recruitment and Selection**

Sustainability is becoming the key factor to attract the new generation of prospective employees and some organizations assess the sustainability values of prospective employees during the selection process to ensure that the personal sustainability values of the candidate are aligned with organizational sustainability values.

### **Training and Development**

Organizational sustainability strategy, policies, practices, programmes, code of conduct and sustainability indicators aimed towards sustainable development should be imparted as a part of induction, orientation, training and development module so that every employee at all levels are well versed with it. Such integration will help organizations to implement sustainability strategies with ease and it fosters a sustainability culture in employees making them engaged in sustainability practices and programmes.

### **Performance Management and Compensation**

HR professionals should develop sustainability indicators to measure employees' sustainability performance. The sustainability indicators should be integrated with job performance. The best performers in terms of social, and environmental performance should be incentivized with appropriate rewards or benefits or a component of compensation dedicated to attaining sustainable performance should be added to motivate employees to pursue sustainability in the workplace.

### **Conclusion**

Corporate sustainability is the need of the hour and pursuing sustainability becomes easier if the organizations understand the underlying motives behind adapting sustainability and follow a sequence of steps starting from formulating a sustainable strategy, altering the existing systems, implementing the sustainability strategy, measuring and reporting sustainable development. Sustainable HRM is the key for the organization to attain sustainable development and creating such sustainable businesses will help countries like India to transform into sustainable economies. Integrating sustainable practices into HRM

practices of recruitment, training and development, and performance appraisal will motivate and engage employees to embrace sustainability in day-to-day operations thereby making an organisation realise its sustainable goals.

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