

THE ROLE OF HUMAN RESOURCE MANAGEMENT IN CORPORATE SOCIAL RESPONSIBILITY

ISSUE BRIEF AND ROADMAP

REPORT FOR



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OBJECTIVE

- To understand the foundational elements that need to be in place to foster a high performance CSR (corporate social responsibility) organization and develop a framework or roadmap for firms wishing to become a high performing CSR organization.

AT A GLANCE

- Human resource professionals have a key role to play to help a company achieve its CSR objectives. Employee involvement is a critical success factor for CSR performance. Human resource managers have the tools and the opportunity to leverage employee commitment to, and engagement in, the firm's CSR strategy.
- High performing CSR organizations foster a culture of CSR and fully integrate CSR throughout their operations, rewarding and incentivizing CSR decisions and initiatives.
- Employees prefer to work for organizations aligned with their values; thus, incorporating CSR into the employee brand can enhance recruitment and retention, particularly in tight labour markets.
- CSR can be applied to the HR toolkit, resulting in a roadmap or pathway for human resource practitioners to follow who wish to contribute to the achievement of their organization's sustainability and business aspirations, thereby improving social and environmental conditions locally and globally.

DEFINITION OF CSR AND HUMAN RESOURCE MANAGEMENT

Corporate social responsibility (CSR) is the balanced integration of social and environmental considerations into business decisions and operations. CSR and sustainability are used interchangeably throughout this paper, with a focus on the CSR terminology as most salient to Canadian organizations.

Human resource management is the organizational function that deals with recruiting, managing, developing and motivating people, including providing functional and specialized support and systems for employee engagement and managing systems to foster regulatory compliance with employment and human rights standards. This paper does not cover the regulatory, payroll, benefits and other transactional aspects of the human resource mandate.

Most, if not all, of the conclusions of this paper can apply equally to private sector, public sector and non-profit organizations, including large and small organizations.

Disclaimer:

This paper does not address typical employee performance indicators adopted by leading CSR firms, such as health and safety, compensation and benefits, anti-discrimination, turnover, labour-management relations, professional development, etc. Rather, the focus of this paper is on the role the human resource practitioner can play to embed a CSR ethic throughout the organization. It is accepted that employee treatment – as monitored through some of these key indicators – is a strong indicator of a firm's CSR commitment. However, this is not the purpose of this paper.

"The argument for HR people taking the CSR agenda seriously can be summarized as follows:

- *Companies are increasingly required to take account of the impact of their activities on society*
- *The credibility of CSR is dependent on delivery, not rhetoric*
- *HR is responsible for many of the key systems and processes (e.g. recruitment, training, communications) on which effective delivery depends*
- *HR people have relevant knowledge and skills in relation to organizational learning and cultural change*
- *Managing trust and risk raises fundamental issues about how people are managed*
- *Employees are a key stakeholder in any CSR program." (CIPD, 2002, p. 15)*

IMPLICATIONS FOR THE UNIONIZED WORKPLACE:

This paper does not directly address the implications of CSR integration within a unionized workplace. Some would argue that a highly integrated CSR workplace which had robust employee engagement and high levels of employee satisfaction as a result of a CSR strategy and values framework would reduce employee interests in unionization. Others might argue that a CSR framework aligns with the ideals of the labour movement. Regardless of one's perspective (and there are many), this paper adopts the CSR premise that genuine employee involvement in CSR is key. Thus this paper and its recommendations transcend issues associated with unionization.

**WHEN CSR IS EMBEDDED IN MAINSTREAM
BUSINESS STRATEGY IT BECOMES A MECHANISM
FOR UNLOCKING HUMAN POTENTIAL.**

CSR – HR = PR

If employees are not engaged, corporate social responsibility becomes an exercise in public relations. The credibility of an organization will become damaged when it becomes evident the company is not “walking the talk”.

— Adine Mees and Jamie Bonham,
Canadian Business for Social Responsibility

SUSTAINABLE HUMAN RESOURCE MANAGEMENT IS THE CONTRIBUTION HRM CAN MAKE TO SUSTAINABLE DEVELOPMENT.

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INTRODUCTION

Human resource managers are well positioned to play an instrumental role in helping their organization achieve its goals of becoming a socially and environmentally responsible firm – one which reduces its negative and enhances its positive impacts on society and the environment. Further, human resource (HR) professionals in organizations that perceive successful corporate social responsibility (CSR) as a key driver of their financial performance, can be influential in realizing on that objective. While there is considerable guidance to firms who wish to be the best place to work and for firms who seek to manage their employee relationships in a socially responsible way, there is a dearth of information for the HR manager who sees the importance of embedding their firm's CSR values throughout the organization, who wish to assist the executive team in integrating CSR into the company's DNA. And as high profile corporate failures such as Enron make all too clear, organizations that pay lip-service to CSR while neglecting to foster a CSR culture run the risk of damaging their corporate reputation if not their demise. Indeed, HR's mandate to communicate and implement ideas, policies, and cultural and behavioural change in organizations makes it central to fulfilling an organization's objectives to "integrate CSR in all that we do." That said, it is important to understand that employee engagement is not simply the mandate of HR. Indeed people leadership rests with all departmental managers. HR can facilitate the development of processes and systems; however, employee engagement is ultimately a shared responsibility. The more the HR practitioner can understand their leverage with respect to CSR, the greater their ability to pass these insights along to their business partners towards the organization's objectives in integrating CSR throughout their operations and business model.

As human resources influences many of the key systems and business processes underpinning effective delivery, it is well positioned to foster a CSR ethic and achieve a high performance CSR culture. Human resource management can play a significant role so that CSR can become "the way we do things around here". HR can be the key organizational partner to ensure that what the organization is saying publicly aligns with how people are treated within the organization. HR is in the enviable position of being able to provide the tools and framework for the executive team and CEO to embed CSR ethic and culture into the brand and the strategic framework of the organization. It is the only function that influences across the entire enterprise for the entire 'lifecycle' of the employees who work there – thus it has considerable influence if handled correctly. HR is poised for this lead role as it is adept at working horizontally and vertically across and within the organization, so important for successful CSR delivery.

Of course, for effective CSR deployment, it needs to become a Board and C-suite imperative first. Should such an organizational gap exist, the senior HR leader can champion, lead and help drive a CSR approach if necessary. In the coming years as CSR increasingly becomes part of the business agenda and the fabric of responsible corporations, it will become a natural agenda for the HR practitioner.

The following is an overview of the key trends and business drivers for fostering this CSR-HR connection, followed by a proposed roadmap or pathway for human resource leaders seeking to make a substantial contribution to sustainability, CSR and their firm's business goals. A companion CSR-HR Checklist is available which summarizes the roadmap at a glance.

TRENDS AND DRIVERS

There is emerging evidence that effectively implemented, CSR can have significant impact in motivating, developing and retaining staff. Novo Nordisk, a high-value CSR pharmaceutical company in Denmark, for example, after launching their Values in Action program, which aligns their business objectives with sustainable development principles, saw a 5% drop in staff turnover, while Sears found a 20% reduction in staff turnover since implementing their CSR program. (Skinner, 2002, p.1). A landmark international CSR study of human resource practitioners conducted by the Society for Human Resource Management (SHRM) in 2006, reveals that CSR practices are seen as important to employee morale (50%), loyalty (41%), retention (29%), recruitment of top employees (25%) and productivity (12%). [Note that percentages reflect Canadian responses] (SHRM, 2007, p. 27).

Globally, HR leaders are developing and implementing incentive and appraisal systems that reflect sustainability as well as hiring personnel that embody these values. For example, research by The Conference Board reveals that 50% of global managers report their companies do, or plan to, include corporate citizenship (aka CSR) as a performance evaluation category. Additionally, 68% of respondents cite the link between corporate citizenship and performance appraisal as “increasingly important.” (Lockwood, 2004).

However, while there are moves to incorporate CSR into human resource mandates, CSR leadership remains limited, piecemeal and anecdotal, as found in the SHRM study noted earlier: while nearly 2/3rds of HR professionals interviewed were directly involved in CSR activities, only 6% were mainly responsible for creating CSR strategy and only 17% were charged with implementing the strategy.” [Canadian response rate.] (SHRM, 2007, pp. 17 – 19).

Research shows that the critical success factors for implementing CSR include having an overarching vision that includes CSR, having senior management and board level commitment, engaged staff and the provision of skills, tools and incentives. Clearly, staff participation and buy-in to delivering on the company’s CSR aspirations is central to success in this area. Documented case studies show that HR practices such as competency development, can help embed CSR in an organization, not to mention benefit the bottom line. (Redington, 2005). Companies with a good CSR reputation are benefiting from the stakeholder view that a company’s behaviour and presumably that of its people is aligned with CSR values, in a consistent way. Companies seeking to build marketplace trust and reputation must embed their CSR values throughout their business. Leading companies are realizing that CSR can be nested in the company’s employee brand and can be part of the value proposition for working at a given firm. Sustainable HR management is central to this objective.

The report, *Developing the Global Leader of Tomorrow*, observed that “a range of human resource levers are important for developing [CSR] organizational capabilities: building these knowledge and skills through leadership development programs, career development planning, succession planning, performance management and incentive systems and competency frameworks, and seeking these knowledge and skills when recruiting new talent into the organization”. (Ashridge, 2008, p. 10).

Another factor that compels an active role for human resource practitioners is the centrality of employees to achieving any organizational objective. Indeed, without exception, every stakeholder mapping exercise names employees as one of the top four priority stakeholders, the others being shareholders, customers, and communities. As a key driver of value in any organization, employees need to be engaged in the task of integrating CSR throughout the firm, helping the firm achieve its CSR goals and adhere to its CSR principles consistent with its strategic business direction. Anything less than this is likely to breed cynicism and lead to reputational issues and a disconnection between rhetoric and practice. The growing awareness that business value is more and more a function of intangibles such as goodwill, reputation, trust, talent and intellectual capital, makes this an increasingly important consideration.

A labour market trend that is predicted to foster the connection between HR and CSR is the upcoming “Facebook” generation, seeking to work for companies aligned with their values and the baby-boomer employees who want to earn a living while giving back, who want their work to have more meaning. Julia Moulden, in her book *“We are the New Radicals: A Manifesto for Reinventing Yourself and Saving the World”*, points to two landmark studies of the boomer generation: 75% of this group want to keep working and of that number 60% want to do make a positive difference. According to her math, in the North American context, 30 million employees want to make a difference in the world. Between the Facebook and baby-boomer cohorts, current and future employees will be increasingly more demanding of their employers on this dimension. Either way, HR leadership will be increasingly focused on the engagement of a new values-based ethic amongst employees, resulting in a focus on the internal brand and relationship values. The current economic recession notwithstanding, people will increasingly have choices in a constrained labour market and will want to devote their time and energy to organizations aligned with their sustainability values.

In this structural “war for talent”, employer differentiation will become more and more important. People increasingly want to work for an organization that has a “conscience”, and values are key to building conscience. Thus, more and more companies will be defining their organizational values in ways that are aligned with their mission and vision. “The way things are around here” will be married up with organizational goals and outcomes. People prefer to work for companies that make a difference; corporate values, infused with CSR, generate conscience. Companies that walk their talk by embedding CSR throughout all they do will be the employer of choice in tomorrow’s labour market.

The same holds for “today’s” labour market, embroiled as it is in the economic downturn. Many prospective employees will be seeking the basics of employment security and belonging over employer conscience in the short term. Thus, companies will need to be yet more sophisticated and intentional about their CSR commitments, integrating their CSR beliefs within the financial business model in order to survive the economic turmoil of 2009/2010. Companies with a conscience will have to prove they are stable and financially viable in order to attract talent – and they will have to step up their efforts to fully integrate their CSR value proposition to ensure they are not left with “Emperor’s New Clothes” post recession. Indeed, companies that fail to fully engage their employees in the fulfillment of a robust business mission are likely to experience declining productivity, which firms can ill-afford in the current economy.

Under any scenario, it is important that employees have their basic employment needs met before they are called upon to help the organization achieve its CSR goals. This paper will not review the fundamentals of good workplace practices, although it is accepted that they are critical to building the employee value proposition and in leveraging employee CSR engagement. To have a high performing team, it is essential that people receive the proper compensation and recognition for their work.

Shareholders are another driver of the HR-CSR connection. Shareholders around the world are pressuring companies to link executive compensation packages to the company's sustainability performance, motivated in part by the prevalence of short-term and stock market-linked metrics in many executive compensation schemes (The Ethical Funds Company, 2006, p. 8) Active shareholders believe that compensation packages based primarily on achievement of short-term financial targets have the potential to deter companies from undertaking those activities that create sustainable longer term value. For example, Ethical Funds wrote letters to all companies on the S&P/TSX Composite Index in 2006 asking after the integration of CSR factors in executive compensation schemes. They found that just 5% of TSX-listed companies incorporate environmental, social and governance factors into executive compensation packages. This is in marked contrast to a 2005 survey of Canadian board directors, conducted by McKinsey & Company and HRI Corporation on behalf of the Canadian Coalition for Good Governance, which found the following factors to be desirable in setting executive compensation: employee satisfaction (71%); leadership development (78%); customer satisfaction (84%) and sustainable development (89%). Increasingly asset managers, particularly institutional investors with long-term investment horizons, are raising these issues in meetings with companies and through the shareholder resolution process.

The global trend towards assessing the social and environmental impact of business decisions will result in more organizations incorporating CSR practices in their business strategies, as noted by Susan Meisinger, President and CEO of the Society for Human Resource Management. "As these practices increase, HR professionals will play a larger role in CSR programs, from strategy to implementation." (CSRwire, 2007.) As noted earlier, CSR practices were seen as important to employee loyalty, morale, retention, recruitment and productivity, important HR responsibilities and important business drivers in the firm.

Indeed, a key driver for HR activation on CSR goals is the CSR business case. The benefits to employees are arguably the most quantifiable and the most frequently-cited benefits of all the business case benefits for adopting a CSR or sustainability approach, as seen below.

THE BUSINESS CASE

One of the top, if not the top, factor driving CSR take-up is the need for businesses to attract and retain high quality staff to meet current and future demands, identified by 65% of respondents in a global study of privately held businesses conducted by Grant Thornton (Grant Thornton, 2008A, p. 4). A strong employer brand aligned with employee values and concerns is becoming recognized as one of the best ways of retaining talent with employees proud to work for a business that is highly regarded. Further, staff attrition is disruptive, putting pressure on the remaining employees and absorbing management time. Staff turnover can result in increased operating costs, loss of business to competitors and reduced customer service standards (Grant

Thornton, 2008B, p. 12) A well-developed performance and talent management strategy with embedded CSR components can reduce the likelihood and impact of losing employees.

Generally, there is a growing desire among employees to derive a sense of greater purpose from their work; happier employees with increased job satisfaction can unleash innovation in a firm. The following list provides an overview of the key business benefits and economic value from employee CSR engagement. (Drawn from “*The Business Case for Sustainability*” at: http://corostrandberg.com/publications_Tools.html#25h)

✓ **Increased retention and reduced recruitment and training costs**

A survey conducted for the Conference Board of Canada in 2000 found that 71% of employees want to work for companies that commit to social and community concerns. In a similar Corporate Citizenship study by Cone Inc. in the U.S., 77% of respondents indicated that “a company’s commitment to social issues is important when I decide where to work”. A Scotiabank 2007 study of employed Canadians concluded that 70% would consider changing jobs if their employers did not operate in a socially responsible manner. With the replacement costs for the average worker about \$50,000 including lost output, recruitment, training and other elements, it pays for companies to manage their CSR as well as their financial performance. (Another study has put the recruitment, interviewing, hiring, training and reduced productivity costs at \$3,500 to replace one \$8.00/hour employee.¹) Further evidence of the importance of social and environmental performance management comes from a World Business Council for Sustainable Development (WBCSD) publication, in which it was reported that “three-fifths of the graduates and potential employees surveyed by Accenture in 2004 rated ethical management as an important factor in their job search. Similarly over two-thirds of the students (68%) in a global survey by GlobeScan in 2003 disagreed that salary is more important than a company’s social and environmental reputation when deciding which company to work for.” (Pierce & Madden (n.d.), p. 5) And in the UK, 75% of professionals take social or ethical considerations into account when changing employment, while over half of graduates will not work for companies they believe to be unethical. (from: <http://www.management-issues.com/2006/5/25/opinion/csr-an-introduction.asp> accessed on February 8, 2009.) Also relevant here are the statistics provided in the introduction regarding the drop in staff turnover reported at Novo Nordisk and Sears (5 and 20% respectively) as a result of improvements in their CSR performance.

✓ **Better able to attract the best and the brightest, especially amongst graduates**

The Aspen Institute’s 2007 study of MBA students found them to be expressing more interest in finding work that offers the potential of making a contribution to society (26% of respondents in 2007 said this is an important factor in their job selection compared with 15% in 2002). Further, in a 2006 study of 14 – 18 year-olds, 78% said money “was less important to them than personal fulfillment”. They went on to work for “companies that promote equality, a green environment, and social responsibility.” (commissioned by

¹ Blake, R. 2006. WebProNews. *Employee Retention: What Employee Turnover Really Costs Your Company*. www.webpronews.com/expertarticles/2006/07/24/employee-retention-what-employee-turnover-really-costs-your-company accessed Feb. 9, 2009.

ad agency Energy BBDO, as reported in “Saving the World at Work”, by Tim Sanders.) Even more remarkable, a 2003 Stanford University study *Corporate Social Responsibility Reputation Effects on MBA Job Choice* found that MBA graduates would sacrifice an average of \$13,700 in salary to work for a socially responsible company. Some predict that the war for talent will not be won through money, but through these intangibles.

✓Cost savings and income produced through improved employee morale and productivity

It has long been known that a more motivated, engaged and inspired workforce generates higher long-term productivity. A 2002 GlobeScan International survey showed that eight in ten people who worked for a large company felt greater motivation and loyalty towards their jobs and companies the more socially responsible their employers became. Another study, reported on in the WBCSD publication revealed that 70% of staff who were committed to the values of the company said that their productivity had increased in the past year while of those staff not committed to the company only 1% had productivity improvements. (Pierce & Madden (n.d.) p. 9) Bob Willard, retired Canadian telecommunications executive and well known CSR author and thought leader, has predicted that companies can expect a 2% increase in employee productivity from improved company-wide teaming around common sustainability issues that transcend departmental boundaries, and a 2% increase in employee productivity from an improved work environment as a result of CSR. These percentages generate tangible economic value to any firm’s balance sheet. Further, it is well understood that boosted employee satisfaction and performance leads to increased customer satisfaction, generating a further win-win for CSR oriented companies. The converse is also true. Brand research reveals that in a study of customer behaviour, “8% of customers switching brands are lured away by competition; in contrast, 68% are turned away by an employee’s indifferent attitude” (Melcrum, 2008, p. 3 citing American Marketing Association). Research shows that every unsatisfied customer tells at least eight people about their experience (Melcrum, 2008, p. 3). Engaged employees are the company’s best defense against this virus. Employees working for organizations aligned with their values are more likely to foster customer satisfaction and loyalty, providing, of course, that their expectations are met. If an organization promotes itself as being environmentally and socially responsible, and recruits employees based on these claims, they need to demonstrate this is, in fact, true. Employees will expect to see CSR in action, otherwise engagement drops immediately; they will feel they were sold a “faulty” experience.

These business case benefits to the HR value proposition for firms with a strong CSR brand are well documented and are driving many firms to intuitively strive for higher CSR performance – to show that CSR is “the way we do things around here”. The following is a roadmap or pathway for HR practitioners who seek to contribute to the firm’s success and simultaneously, improvements to local and global social and environmental quality.

HOW-TO: THE BASICS OF INTEGRATING CSR INTO HR MANAGEMENT

Human resource professionals are highly tuned to considering CSR from both a values-based and a business-case perspective. They work in a business function that readily identifies both the business benefits and the people benefits of fostering CSR alignment and integration. However, there is little guidance available to human resource leaders

who wish to advance CSR within the firm. This section provides a starting point for managers mapping out their strategic approach. It can serve as a checklist for advanced managers who are well on the path, and it can provide a roadmap for the manager who is committed to make a difference in this way and is at the beginning of their journey. Ideally these steps would be followed more or less sequentially; however in practice this is often not possible and indeed, some managers may have already implemented certain components. It is therefore entirely feasible to start from the middle of this list and work in all directions towards the end goal: a CSR integrated company that is reaping the employee and business case benefits, while leveraging community sustainability.

This guide has been developed recognizing the constrained economic environment of our times; the tools and tactics proposed in this roadmap are those which can readily be integrated into the HR practitioner's daily regimen. Indeed, as the foregoing business case analysis partly demonstrates, a CSR program can add significant business value. There are other business case benefits of CSR – for example, operational cost savings from reduced materials use – that can be significant, pointing to a financial rationale for the development of a strong CSR strategy and integration effort.

THE HR MANAGER'S ROLE AS BUSINESS PARTNER TO THE ORGANIZATION: A CAVEAT

The following lays out 10 steps HR practitioners can follow to support the integration of CSR throughout the business strategy and operations. Their efforts will be successful to the degree they are supported by a strong Board and CEO commitment to CSR integration. The HR department cannot act outside of its authority, most of which lies in its ability to influence as opposed to direct organizational activity. As a business partner to the organization, it can and should provide facilitation, coordination and expertise, but it cannot dictate a CSR direction. The Board and CEO set the tone at the top, and need to walk the talk of CSR in order to provide effective leadership and contain cynicism. CSR needs to be built into the organization's business strategy and the CEO's performance goals, along with measurable objectives and regular performance reporting. CSR also needs to be a component across all senior manager performance plans, in order for it to flow to other levels of the organization. All this, with the encouragement, facilitation and expert support offered by the HR department.

Step 1: Vision, mission, values and CSR strategy development

Vision, Mission, Values

Successful CSR requires a clearly articulated vision, mission and values. The HR practitioner could initiate or support the development, or upgrade, of a vision, mission and values foundation if one does not exist or does not explicitly address CSR. The foundation needs to incorporate elements of corporate social responsibility or sustainability in order for it to foster alignment. Where a CSR ethic has not yet taken hold, the HR manager could champion the need and opportunity for a vision, mission

and set of values and show how it can add ROI to the organization, why this could be both a good business strategy and a good people strategy. The manager can bring the opportunities to the attention of the senior executive and the board on what it means, and why it makes good business sense. These are the first steps to building CSR into the company's DNA and into the organization's operating and strategic framework.

Ideally employees and other stakeholders would be involved in the development of the corporate vision, mission and values, more of which will be said later.

VALUES CASE STUDY: NOVO NORDISK

The Novo Nordisk Way of Management forms the values-based governance framework for the company. From vision to policies, it describes how people at Novo Nordisk put values into action and defines the principles for how the company does business. It consists of the vision, which sets out the direction for the company. It expresses what the company is striving for, how the company works and how it is guided by its values in its endeavours to find the right balance between commercial interests and acting as a responsible business. Its Charter describes the company's values, commitments, fundamentals and followup methods. The values underpin the commitments to the triple bottomline and sustainable development. The fundamentals are a set of 11 management principles to ensure focus on business objectives, customers, compliance, collaboration and sharing of better practices, and quality mindset.

CSR Strategy Development

Once the vision, mission and values framework is defined, the firm is ready to undertake the development of its CSR strategy. This paper will not delve into the components of CSR strategy development, as that is a significant topic of its own. The role of the human resource manager at this phase is central to all other steps: it is critical that the human resource function be represented at the table in the development of the CSR business plan and strategic direction. They have an important "people perspective" to contribute and will be involved in implementing key measures. Particularly in those firms where CSR is housed in the human resource department, the HR manager has a key role in CSR strategy development. HR is a strategic partner in the organization and as such, can help drive the formulation of the CSR strategy.

At Vancity Credit Union, a Canadian leader in CSR, HR was functionally responsible for CSR for a number of years, before it moved to Strategic Planning and later to its own department under the heading "Community Leadership". At the 2010 Olympic and Paralympic Winter Games CSR (in the name of sustainability) was assigned to the HR function from the outset. This responsibility secures the mandate for HR leadership in CSR strategy development. At the least, the HR executive should be one of the members of the cross-functional team established to articulate the CSR agenda.

Step 2: Employee codes of conduct

The HR function is typically responsible for drafting and implementing employee codes of conduct. As such, HR managers hold the pen on the principles contained in the employee codes. Since a number of recent high profile corporate frauds, boards of directors have become very concerned about the ethical culture within their organizations, looking for 100% sign-off on and compliance with codes of conduct which articulate their ethical values. This is an ideal home for the expression of an organization's commitment to socially and environmentally-based decision-making as it is one of the rare documents which all employees are bound by and come into contact with. As such it is a key tool for cultural integration of CSR norms. It is important to avoid rhetoric and undefined terms such as "sustainability" and "CSR", but to clearly enunciate the conduct standards expected of employees. 3M's Business Conduct Policy (see Text Box) is a case in point.

3M BUSINESS CONDUCT POLICY INCLUDES ENVIRONMENT, HEALTH AND SAFETY

3M has a number of components in its Business Conduct Policy, one of which relates to environment, health and safety (EHS). Its policy statement mandates employees to comply with 3M EHS policies, including preventing pollution at the source, developing products that have a minimum effect on the environment, work to improve energy efficiency, and incorporating appropriate safety and health considerations in daily job duties and business decisions. It cautions employees to avoid "missed opportunities for preventing pollution and reducing waste; missed opportunities to improve energy efficiency; unsafe activities and workplace conditions; and suppliers, outsource manufacturers and service providers who do not share 3M's environmental, health and safety values".

From: 3m Business Conduct Policies retrieved Feb. 14, 2009 from http://solutions.3m.com/wps/portal/3M/en_US/businessconduct/bcmain/policy/policies/respect/environmental/

Some firms establish an ombuds office to adjudicate employees concerns around corporate alignment with company values, a further means of fostering organizational alignment on CSR. (CBSR, 2003, p. 4).

Step 3: Workforce planning and recruitment

Workforce planning consists of analyzing present workforce competencies; identification of competencies needed in the future; comparison of the present workforce to future needs to identify competency gaps and surpluses; the preparation of plans for building the workforce needed in the future; and an evaluation process to assure that the workforce competency model remains valid and that objectives are being met. For a CSR oriented company, this consists of evaluating the need for skill sets and competencies central to the emergent sustainability economy – an economy of resource and energy scarcity, human and environmental security constraints, changing societal norms and government expectations. Companies need to identify their key CSR competencies and gaps in the context of these structural changes. Referred to by many

as the “green economy”, regardless of its title, the marketplace is undergoing a systemic transformation that will require new competencies and skills. (unpublished paper: Sustainability Labour Market Trends by Strandberg, 2009.) The Co-operators Group Ltd., for example, is upgrading its eight competencies (accountability and ownership; time and deadline management, practical problem solving and judgment, communication, coaching and working with others) to reflect their corporate sustainability commitments and values.

A related exercise, talent management, which refers to the process of developing and integrating new workers, developing and keeping current workers and attracting highly skilled workers to work for the company, needs to consider alignment with the company’s CSR vision and goals to ensure talent is developed with the appropriate focus. Often in the area of talent management and recruitment, leading CSR companies develop an employer brand that incorporates their CSR perspective into the employee value proposition. More and more firms are profiling their CSR ethics in their recruitment branding and marketing programs, promoting the benefits of working within a values-based culture. Employee volunteer programs and community involvement are oft-cited company values expressed by employees, and found within employee value proposition and internal brand development efforts. Campus recruitment programs are ideal environments for CSR oriented recruitment, as is online recruiting where technology savvy employees search for work. In this environment, recruitment interviews include questions on ethics and CSR; the offer letter reinforces the corporate culture; and early employee contact reinforces the CSR brand.

Step 4: Orientation, training and competency development

During the orientation process employees should be given a thorough overview of the clear line of sight between the company’s vision, mission and core CSR values and goals. To ensure maximum alignment and early employee ‘buy-in’ to the strategic CSR direction of the organization, this general orientation should be deemed mandatory for all levels of new employees. New employees need to be provided information about CSR policies and commitments, the key CSR issues the company faces and the key stakeholders with which the firm engages. How the company measures its CSR performance, the annual sustainability or CSR report, and where they can find further company information on CSR are important elements of new employee orientation programs. New hires should receive a copy of the core values.

Once inducted, employees should be provided CSR training on an annual or other regular basis. Employees will either have direct CSR responsibilities (e.g. energy manager) or indirect CSR responsibilities (e.g. payroll clerk). Those with direct responsibilities will receive technical and specialized training in CSR while those with indirect responsibilities should receive training in top priority CSR issues of a more general nature. Either way, it should be job-relevant as with health and safety training for factory workers to strategic sustainability issues for executive management and the Board.

It is important not to overlook the probationary review. This is an ideal moment for consideration of the employee’s alignment with and commitment to the organization’s CSR aspirations.

Through the workforce planning efforts referenced in Step 4 above, the firm will have identified the CSR competencies the firm will require in future; learning plans and programs will need to address anticipated CSR competency gaps. As management plays an important role in understanding and delivering on key CSR objectives, it is vital to make CSR an integral part of management training programs.

Follow simple measures, such as providing company values in all training sites and integrating a dimension of CSR into all training programs.

Human resource managers understand the win-win in employee career pathing and succession planning, particularly for the high performance individual. Employees included in efforts to advance their career within the firm are more motivated, more loyal and therefore more productive employees. Furthermore, succession planning is a form of recruitment, insofar as recruitment costs are reduced and ideal candidates are available to fill vacancies, especially in executive or career-track positions. Career mapping and succession planning programs could incorporate CSR experiences either within or outside the company, for example through secondments to social or environmental organizations or assignments, or leaves to pursue CSR-related executive work experience, to prepare the individual for CSR leadership as well as general management roles.

Step 5: Compensation and performance management

Next to recruitment and competency development, compensation and performance management are central to the HR function. HR is involved in setting performance standards and expectations and monitoring results to performance objectives. At Vancity Credit Union their Statement of Values and Commitments which articulate their CSR principles is incorporated as a key area of accountability in all executive role descriptions rather than as an added attachment at the end of each role description. Going forward they are expanded beyond their three stated values of innovation, integrity and responsibility, translating them to goals in the annual performance plans of all executives to be cascaded down to each of their managers and employees. They believe that by integrating their three corporate values and CSR-oriented Statement of Values and Commitments into their business planning, objectives, and executive role accountabilities, they will continue to sustain and ingrain their differentiator in all that they do. (Personal communication with Susan Karda, Manger, Organization Development & Learning, Vancity, Feb. 25, 2009).

At Vancity and other leading CSR organizations, HR managers are integrating CSR elements into job descriptions, individual performance plans and team goals.

The most critical HR tool of all is the compensation and incentive program. Human resource practitioners understand very well that “you get what you pay for”. Typically companies reward on the basis of financial performance, which will singularly foster profit-maximizing behaviour, overlooking the need to also consider sustainability factors. The total reward and recognition program, including base salary, incentive pay, long term incentives and other non-monetary recognition benefits (such as award programs, employee of the month, promotions, career pathing, etc.), needs to be aligned with the company’s CSR values and strategy. To do less is to guarantee under-achievement of a company’s CSR objectives.

The strategic direction of an organization is set by the CEO and Executive team, however, the HR department can help business units establish CSR targets and develop performance evaluation systems that foster CSR behaviour by providing the right tools and counsel. At The Co-operators Group Ltd., all VPs have a CSR bonusable goal, for example, which generates take-up at other levels throughout the organization. To help with implementation, the VP of Human Resources worked with a task team of VPs to prepare guidance documents for group VPs on potential sustainability goals for incorporation into their performance plans.

In addition to focusing on executives and senior managers, the personal objectives set by each employee could incorporate one CSR objective aligned with the corporate CSR strategy. CSR should be recognized in both the base job responsibilities as well as the annual performance objectives at the individual and team levels. Performance reviews could consider how the employee has advanced their personal and the organization's CSR goals over the period.

COMPENSATION CASE STUDY: NOVO NORDISK

As part of the remuneration package at Novo Nordisk, individuals are rewarded for performance that meets or exceeds the financial and non-financial targets in the balanced score card, which comprise corporate, unit-specific and individual targets. Non financial performance is guided by measures for the company's impacts on the triple bottomline. These include socio-economic impacts such as job creation, the ability to manage environmental impacts and optimize resource efficiency, and social impacts related to employees, patients and communities. (Sourced Feb. 2, 2009 from <http://www.novonordisk.com/sustainability/vision-strategy/vision-strategy.asp>)

If CSR is built into incentive systems – salary packages and targets that determine whether the manager receives a pay raise, promotion, etc. – the firm is likelier to motivate greater CSR alignment. Certainly the opposite is true. Some examples of non-financial measures include: customer satisfaction, reputation, employee engagement, health and safety, greenhouse gas emissions, etc.

Of course, job descriptions are not revised that frequently, so the opportunity of integrating CSR into every job description throughout a company may be limited, unless a new department is being established or a start-up company is launching. However, as roles, departments and job requirements evolve, this often brings with it the task of fine-tuning job descriptions. These are ideal opportunities for incorporating CSR parameters in the job description – again, it is important that CSR generalities are avoided in favour of specific deliverables and responsibilities.

In any organization there will be key positions that have a significant influence over the organization's social and environmental performance on a day to day basis, e.g. facilities managers. At The Co-operators this position was recently upgraded to incorporate the firm's sustainability principles, mandating the Facilities Manager to ensure, for example, that all contracts account for the organization's sustainability policy.

From time to time there may be instances of significant CSR underperformance or obstruction on the part of some employees, often employees in key positions of influence. A finely tuned incentive program could influence most of this. However, there may be a few instances where a senior influential employee who is not aligned with the strategic CSR direction of the organization needs to be “performance managed” out of the firm or given early retirement, or other exit packages.

Before this step is taken, one needs to be assured that the critical steps for fostering change management, identified in Step 6 below, have been followed. Oftentimes employee resistance comes about because deep-seated concerns or values have been overlooked.

The final check can be during the exit interview process where questions related to CSR and ethical matters can be asked in order to assess the degree to which departing employees perceive values alignment conflicts with respect to the firm’s decision-making. Indeed, every exit interview can inquire into whether the firm delivered on its CSR commitments and lived up to the terminating employee’s expectations.

Step 6: Change management and corporate culture

Human resource practitioners are the keepers of the flame when it comes to corporate culture, team building and change management processes. Growing and adapting to the changing marketplace necessitates that firms pursue significant behavioural shifts from time to time. Sometimes organizations require the outside assistance of change management professionals to help them identify an appropriate strategy when they are attempting to create significant behavioural change, but in the end, culture shift can only be achieved and sustained if it is driven and sponsored effectively internally.

Mindsets and behavioural change come about through role modeling, building awareness and generating desire (what is in it for me?) and conviction, developing knowledge and ability and reinforcement through incentive programs. Culture change requires setting the tone at the top – where executives and management demonstrate and model the organization’s values – and then creating alignment throughout the organization with the values you espouse to live. The values need to be reflected in all processes starting with how you attract and recruit employees, to decision-making and rewards and incentive programs, etc.

Keeping true to the CSR values compass is a critical guidepost to change management and team alignment. Additionally, the move to incorporate a CSR ethic throughout the firm necessitates a change management approach.

Change management experts realize that people come in different states of readiness for advances for sustainability, or any change for that matter. People can be grouped by state of readiness and then you can tailor your change approach appropriately to each group. Nancy Lee, Founder and President of Social Marketing Inc., has proposed a model for how this might work in a firm advancing a CSR change management program. (Lee, 2008, slide 12). As people generally fall into one of three readiness groups, Nancy calls them greens, sprouts and browns, labeled A, B, and C below:

- A) Those that have the value and the behaviour
- B) Those that have the value but not the behaviour

- C) Those that do not have the value or the behaviour

To advance CSR you would want to tailor your change strategy appropriately:

- A) Recognize Group A for their behaviour to encourage them to continue it.
- B) Promote, incent and reward Group B for behaviour changes. Ensure that these “tools” are specifically designed so that the benefits are meaningful and the barriers to change are removed for this group.
- C) Leave Group C alone. Do not cut them out, just don’t tailor your promotions, incentives, etc. to their needs. A large percentage of the C’s will change their behaviour once the Group B’s (or the sprouts) have changed their behaviour so that they do not stand out as the minority. The remainder of the C’s will not change and they truly will be the minority (and perhaps a group you no longer find a fit with in your organization).

If you treat each person with the same strategy you risk alienating Group A because their behaviour was not recognized, find less advances with the Group B’s because the promotions, incentives, etc, were not tailored to them, and you can spend a lot of time, effort and money on Group C and never see a return as their motivator is to not stand out.

It is important to advance a CSR ethic and program with these perspectives in mind. The organizational culture, or “how work gets done around here”, is a key dimension of any strong CSR agenda. People need to be rewarded for the way the leaders want work done on the shop floor and in the C-suite. The foregoing steps are building blocks to the development of a strong CSR ethic and corporate culture, the likes of which will attract and retain the best and the brightest employees.

Step 7: Employee involvement and participation

As mentioned earlier, employees are among the key stakeholders for the development of any CSR strategy or program. A critical first step in mission, vision, values and strategy development is to understand the key concerns, priorities and perspectives of all key stakeholders, particularly employees. It is a truism that employees consulted and engaged in the development of new programs and approaches are likelier to follow through with their implementation. Often companies consult and engage their employees in the development and delivery of their community involvement and charitable donations programs; however, what is called for here is more substantive than this.

Employee engagement has been acknowledged as a key driver of shareholder value in a firm and is becoming a key metric for monitoring corporate performance by Board and management. Research by Towers Perrin in 2007 revealed that an organization’s reputation for social responsibility was one of the top 10 engagement drivers, along with senior management’s interest in employee well-being, opportunities to improve skills and capabilities and input into decision-making. (Cited in European Alliance for CSR, 2008, p. 11). Hewitt Associates, a global HR consulting firm, is developing a suite of CSR questions to probe employee CSR perceptions for their 2009 employee engagement survey with the intent to include CSR questions in their engagement surveys going forward. It is expected that as CSR becomes an acknowledged component of employee

engagement and therefore driver of business value, CSR alignment will become a more critical tool for fostering corporate success over time.

Melcrum has conceived of an employee engagement pyramid (see diagram below), from “I’m aware of the message”, in which employees are familiar with the CSR strategy and how it helps the company meet its objectives; to “I understand the message” wherein employees learn the reasons behind the company’s CSR objectives and begin to understand their role in making the company successful. The next stage is “I believe”, where employees feel conviction towards the company’s CSR values and objectives, and finally, “I am committed to act”, at the pinnacle of the pyramid. Those employees who are and feel their basic job needs are being met and who achieve this level, will be inspired to act in ways that help the company reach its goals. (Melcrum, 2006, p. 9)



EMPLOYEE ENGAGEMENT PYRAMID

Adapted from Melcrum, 2006, p. 9.

To achieve basic employee education and awareness, many HR departments become actively engaged in awareness-raising events and initiatives, such as contests, and the like. Best practice CSR firms actively sponsor the establishment of “CSR Champions Teams” in which employees throughout the organization are encouraged to join a group that meets on company time to conceive and launch CSR initiatives that both green the

company's operations and achieve social value in the community. Further, best practice CSR firms have programs and initiatives underway to support employees and their families learn about, and take action on, their social and environmental concerns at work, at home and in their communities. The Co-operators, for example, held a sustainability fair at their head office, inviting members of the community to participate and providing information on environmental footprint reduction, locally available eco-products and other resources.

This is employee CSR engagement at the most engaged level – employees helped to align their total work experience with their community and home values become highly engaged, motivated and loyal employees.

In addition to ensuring employees are included in key decisions, an employee CSR involvement and participation program can help develop the employee value proposition that can foster retention and enhance recruitment. It is important not to miss this step as organizations that fail to engage their employees in key decisions and in their CSR embedment will generate low employee engagement resulting in employees that either quit and leave or quit and stay.

Step 8: CSR Policy and Program Development

HR is also in a position to drive policy development and program implementation in HR areas that directly support CSR values. Wellness, diversity, work-life balance and flex-time policies are CSR programs directly within the HR manager's purview. In organizations committed to reducing their carbon footprint HR practitioners can develop programs enabling employees to use alternative transportation to get to work (e.g. providing showers, secure bike lock-ups, parking spots for van pools and co-op or hybrid cars, bus passes, etc.) and work remotely, including other forms of headquartering and "hoteling", teleworking, etc. Wellness programs can become a platform for engaging employees in discussions about "personal sustainability" and provide support for employees in the areas of stress management, spirituality at work, health and fitness, healthy lifestyles, etc. Employee volunteering programs are also within the HR mandate, and can help build out the employee value proposition and employer brand while concurrently delivering on the firm's CSR goals for community engagement and investment. A related policy could be the development of an unpaid leave program for employees to pursue personal projects aligned with company values. Successful wellness, carbon reduction and employee volunteer programs require management support, role-modeling and ongoing communications – which, if in place become further vehicles to fostering employee awareness of, and engagement in, the firm's CSR approach.

Some HR departments also have responsibility for procurement. Those that do could incorporate their CSR commitments into their purchasing program. By adopting a sustainable purchasing policy, and integrating their social and environmental objectives into supply chain management, HR practitioners can influence the sustainability performance of their suppliers. Benefits providers, recruiters, and other suppliers to the HR department can be asked to demonstrate how their practices align with the buyer's CSR values. Request for Proposals (RFPs) can incorporate questions and requirements for a certain level of sustainability or CSR performance on the part of vendors, thereby cascading CSR into the supply chain as further demonstration of how the organization is

walking its talk. (See www.buysmartbc.com for tools, resources and examples of how to integrate sustainability into your purchasing programs.)

HR practitioners have a number of direct pressure points they can activate to leverage sustainable practices throughout the workforce and the economy more generally.

Step 9: Employee Communications

Every CSR strategy requires the development and implementation of an employee communication program to convey the corporate direction, objectives, innovation and performance on its CSR efforts. Intranets, websites, blogs, wikis, social networking sites, podcasting, videos, forums, townhall meetings, regular team briefings, webcasts, voicemails, print and electronic newsletters and other forms of social media need to be deployed to bring the CSR message to the workforce – in ways that are attuned to the communication channels of the employee, which are changing rapidly in this age of web 2.0. Even role-modeling by executive and the HR department can be a useful tool for communicating CSR values. The ultimate goal of CSR communications should be to engage employees in the CSR mission of the firm, to help build out the firm's CSR DNA. It is important to note that employee engagement is dependent on communication of board, CEO and senior management commitment, in the absence of which employees will become cynical and unmotivated. Lack of CSR commitment at senior levels could lead to disgruntled and frustrated employees finding unmonitored, anonymous social networking sites to express their dissatisfaction. It is important to close this potential gap with clear communication and walking the walk on the part of senior executives. The Co-operators, for example, launched their 2008 – 2010 Sustainability Strategy with a CEO speech and CEO video to all staff.

One means to raise awareness of CSR on a regular basis, and to track perceptions and opportunities throughout the year is the “quick poll”. The Co-operators regularly polls its staff in this way, including these examples from 2008:

- Is your household eco-friendly?
- In the 2 minutes it takes for you to brush your teeth, how much water goes down the drain?
- October 19 – 25 is Waste Reduction Week. What is the top way your family reduces household waste?
- Which method of washing your dirty car wastes the least amount of water?
- It's EarthDay. What's the biggest sacrifice you're willing to make for the environment?
- A locovore is a new term for someone who...?
- Do you expect to see the Arctic ice cap completely melted in your lifetime?
- Do you make a conscious decision to buy Fairtrade products?

Staff responses can help the organization identify miscommunications and the need for course corrections along the way. Such ad hoc, awareness raising surveys can be important proactive tools to foster and embed the CSR message.

Through employee communications, HR can find and profile success stories of CSR leadership within departments. HR managers are well positioned to share and bring to life the organizational stories that can become guideposts for CSR values in action within the company.

Whatever your approach, it is important to keep your CSR commitments alive in your corporate communications on a regular basis.

Step 10: Measurement, Reporting – and celebrating successes along the way!

As what gets measured gets managed, it is vital that both CSR performance and employee CSR engagement be actively measured and reported to executive, the board of directors and publicly. Typically this is done in the form of an annual CSR report. Increasingly, many of these reports are disclosing employee engagement scores, including employee response to such questions as:

“I am aware of and understand our CSR Strategy.”

“I believe the firm acts in alignment with its CSR values and policy.”

“I believe the firm is making progress towards implementing its CSR Strategy.”

“Our CSR Strategy makes me feel proud to be working at the firm.”

“I feel the firm encourages and supports me to contribute to CSR in the office/at the workplace/in our meetings.”

“I feel comfortable raising CSR issues in the workplace.”

“I believe our organization is a champion of sustainability amongst the public.”

Other human capital metrics, such as turnover, health and safety, employee development and diversity, for example, can be additional metrics which reveal the firm’s CSR commitment and the degree to which it walks its talk.

In designing your CSR report again it is important to consult employees on what to report and it is important that the report be received and approved by the board of directors for public release. It is only under these conditions can the HR professional be assured that these metrics and the firm’s CSR performance are taken seriously.

Some corporate boards go so far as to create a CSR committee of the board. This is a topic of its own (see, for example, “*The Role of the Board of Directors in Corporate Social Responsibility*” produced for the Conference Board by Strandberg Consulting), however, if the Board buys into CSR as a business differentiator and sees CSR as contributing to shareholder value, it warrants oversight by the full board of directors and if possible, by a CSR committee of the Board of Directors. The Vancouver Organizing Committee for the Olympic and Paralympic Winter Games (VANOC) for example, has a board committee on Human Resources and Sustainability which meets regularly to review the organization’s human resource and CSR performance against its objectives. If the Board of Directors is in receipt of these performance reports, it is likelier that the CEO will be held accountable for the elements that bring the CSR strategy to fruition.

And finally, but no less importantly, don’t forget to celebrate the successes large and small along the way. From pats on the back to profile articles on the company intranet, to celebratory events, ensure people are congratulated and achievements celebrated on an informal and formal basis. To fully realize your CSR objectives, including the

integration of CSR into “the way business is done around here”, it is important to honour the small wins and major milestones achieved on the journey.

CONCLUSION

Organizations are coming to realize the bottom-line benefits of incorporating sustainability into their DNA. It's beneficial for attraction and retention and it's the right thing to do. HR is a key organizational leader and can take the lead or partner with other executives to work cross-functionally to integrate CSR objectives into how business gets conducted. HR practitioners can act as translators of the organization's CSR commitment vertically and horizontally across departments. Most will find upon reading this report that they have many good practices underway. Many will find they have a new structure for their thinking they can apply practically in the workplace. Some will believe the current economic downturn will put these ideas on the backburner until the economy rebounds, while others think that organizations which abandon their CSR integration in the downturn will lose ground and breed cynicism in brighter times. Regardless of the point of view, all agree that effective HR leadership on CSR integration requires Board, CEO and executive commitment to be successful. Indeed, the roadmap is predicated on the assumption of this top level commitment. However, more and more organizations are committing to sustainability and to embedding CSR into “all that we do”, so it is hoped the 10 steps provide some guidance as to how to go about doing this.

The firm of the future is expected to have undergone significant transformation such that CSR no longer becomes managed as a separate deliverable, but is part of the experience of being an employee in an organization that lives its values. For human resource professionals embarking on CSR or deepening their CSR experience, this roadmap can help them understand their role in sustainability and CSR and how they can foster an environment that embeds a CSR ethic in “the way we do business around here”.

PULLING IT ALL TOGETHER: AN OLYMPIC AND PARALYMPIC CASE STUDY

The Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC), is the organization charged with the planning and delivery of the Winter Games in Vancouver and Whistler. Common to all organizing committees is the commitment to the three pillars of the Olympic Movement – Sport, Culture and Environment. Given the location of the Games in Vancouver, BC, the decision was made to expand the commitments to the third pillar to a broader “Sustainability” approach.

The commitment to Sustainability at VANOC started with the design of the Organization’s strategy. Sustainability is mentioned in all four levels of the strategy – in the Mission, Vision, Values and Objectives. As the mission and vision, it is embedded in such a way that guides the way business is done; as a strategic objective, it is measured and monitored; and, as a value, it guides the behaviour of the workforce. Not only is sustainability a cornerstone of the strategic plan, the process of designing the mission, vision, values and objectives of the organization was done in a way that is congruent with the values of CSR and included input from all levels in the organization. The Executive responsible for HR guided this process, and secured sponsorship from the CEO, other Executive and the Board of Directors.

With the strategy in place, VANOC developed its people-programs based on its values, and integrated education about the organization’s sustainability commitments into employee and volunteer orientation, the performance appraisal system, recognition program, and employee communications programs.

In addition, the organizational environment is set up to provide daily subtle reminders about the organizing committee’s sustainability commitments – from hand-towel recycling in every bathroom, to a compost in every kitchen; from a LEED Gold certified building, to an energy awareness campaign.

Right from the beginning, employees who are recruited for a role at VANOC go through an initial values screen to ensure alignment with the organization’s strategy. Hiring employees who hold their own value of sustainability facilitates the execution of the CSR strategy.

VANOC also recognizes that commitment to CSR strategy and practices requires developed leaders, and so on-going leadership development occurs through one-on-one coaching, team effectiveness sessions, 360 degree feedback, and management training.

HR at VANOC works closely with the Sustainability function to continue to find creative ways to weave a culture of sustainability into the organizational fabric.

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