HUMAN RESOURCES, CAPABILITIES

AND SUSTAINABILITY

Proposal Identification Number: 105

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Abstract

This paper will outline a number of issues for organisations to consider when pursuing sustainable human resource outcomes in the workplace. Those outcomes which reinforce corporate profitability and corporate survival, and those that satisfy employee aspirations and needs in the workplace. The paper suggests that developments in human resource management (HRM) in recent years have shifted the emphasis away from human management to a new focus on resource management. It argues that the needs, potential and aspirations of individuals must take centre stage in the workplace. If employers do not bridge the current gap between their rhetoric and workplace reality, then the likely outcome will be an exodus of bright and enthusiastic people to organisations that do. For true corporate sustainability, an organisation must recognise, value and promote the capability of its people. The paper also examines and provides evidence of the link between workplace effectiveness and humanistic work structures in organisations and shows how reinforcing this link increases productivity and profits. Importantly, the paper suggests that for human resource sustainability to be achieved, the HR policies and practices need to be integrated for sustained business performance and positive employee outcomes of equity, development and well-being.

Key Words: HR Sustainability; Corporate Sustainability; Productivity; Profits; HR policies; Equity; Humanistic Work Structures; Workplace Effectiveness; Employee Participation; Human Resource Management.

Introduction

> *Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world.*
> (Matsushita’s Basic Management Objective, formulated in 1929 by the company’s founder, Konosuke Matsushita)

An article in a prominent UK management magazine *Management Today* highlighted the problem confronting many companies. It argued "years of corporate lip service to the importance of people are finally catching up. Payment is now due in full, and in kind: for once you have rationalised and reorganised everything else, people really are the only asset" (*Management Today*, November 1995). Failure to comprehend the truth of this statement has been reflected in recent years in significant job losses and increases in long-term unemployment.

However, with a growing emphasis on customised-quality consciousness in world business and increased use of new technologies, a new form of worker has emerged from the cost-cutting and down-sizing regime of the 1980s and 1990s. These new workers are often labelled as ‘knowledge workers’ and they possess certain key characteristics: they are highly skilled, qualified, trained and experienced in new and growing areas of business. In essence, they can be defined as workers who deal with a high degree of complexity and uncertainty which requires a high degree of judgment (De Lacy, 1999). In the new knowledge-based society of the 1990s the notion of commitment has also been redefined: the maintenance of intellectual capital or the ‘corporate memory’ is now seen as dependent on employee commitment and satisfaction. The intellectual capital of organisations is the knowledge, experience and ideas of employees which management attempts to codify and formalise to produce greater organisational value. Kennedy (2000) has argued that corporations are ‘at the crossroads’ and the future lies in corporations having sustainable strategies towards human resources.

However, the cost-cutting regime associated with many organisational change strategies of the 80’s and 90’s has resulted in the breakdown of the old employment relationships. In a world where loyalty and commitment are no longer seen to be rewarded, those individuals who have increased their marketability and employability, are taking control of their own future. As a result many managers have to come to terms with a new employment relationship based on a contingent or temporary contractual culture which they helped to create by advocating short-term financial objectives. This has reinforced the importance and value of building corporate human capability and ensuring long-term sustainability in the new employment relationship.

This paper will outline a number of issues for organisations to consider when pursuing sustainable human resource outcomes in the workplace. Those outcomes which reinforce corporate profitability and corporate survival, and those that satisfy employee aspirations and needs in the workplace. The paper suggests that developments in human resource management (HRM) in recent years have shifted the emphasis away from human management to a new focus on resource management. It argues that the needs, potential and aspirations of individuals must take centre stage in the workplace. If employers do not bridge the current gap between their rhetoric and workplace reality, then the likely outcome will be an exodus of bright and enthusiastic people to organisations that do. For true corporate sustainability, an organisation must recognise, value and promote the capability of its people, emphasising long-term aims rather then short-term financial rewards. The paper also examines and provides evidence of the link between workplace effectiveness and humanistic work structures in organisations and shows how reinforcing this link increases future productivity and profits.

The paper we address the following key questions: How do organisations currently utilise and apply human resources? How do organisations deteriorate or renew these resources and what are the implications of such approaches for employers and their employees? How can we redefine the ways organisations use their human resources in order to ensure human sustainability? To what extent do corporations need to exercise social responsibility as well as economic responsibility? How can employers balance the interests of different stakeholders in organisations while maintaining a sustainable work environment for employees?

The state of play

Careers as we have traditionally known them no longer exist. They were predicated on progression through an organisational hierarchy, by seniority and/or merit and on security of employment. Instead careers are now becoming self-managed. Individuals assess their own worth and think strategically about placing themselves in the best possible employment position, acting as their own agent in an competitive, market-driven environment. This being so, companies are suddenly finding themselves in a position where much of the management skeleton that held the edifice together and the cultural ‘oil’ of loyalty that enabled this machine to function smoothly have largely disappeared. The market liberalism often espoused by many management gurus has entered the internal domain of organisations and individuals, where market-driven premiums are paid to motivate formerly committed and loyal employees. As Studs Terkel has suggested ‘the worker has become a robot and is as dispensable as Kleenex’ (Christy,1998:8), consequently the employment relationship is reduced to a financial contract.

At the same time, new management philosophies stress that workers should be seen as empowered members of firms rather than antagonists in a confrontation between capital and labour. This view of the world also stresses that firms are social organisations embedded in a complex skein of rights and obligations, and if employees are reduced to commodities to be bought and sold on the stock market, that undermines the trust and reciprocity of obligation on which a long-term positive relationship between management and worker thrive (Guardian Weekly, January 28, 1996).

Some employees, and indeed what remains of middle management, may counter such schizoid demands with indifference or cynicism. Nevertheless the effect of such demands is likely to be the entrenchment of 'low-trust' employment relations where employees feel they are only a cog in a machine - simply a necessary component in the return on investment equation. With their expectations lowered, a more unforgiving mentality begins to emerge.

To reinforce the point, the 1997 Towers Perrin Workplace Index surveyed 2,500 people employed in large private sector US organisations with more than 500 employees. The evidence from the survey suggests that employees accept personal responsibility for maintaining skills and applying those skills in the areas most critical to profitable growth. However they are only willing to do this in return for training, participation, career development and continuing employment. However, they are increasingly sceptical that organisations are living up to these obligations. The study suggests that this is beginning to erode employees’ faith in management. The study states, ‘when employees doubt there is reciprocity and fairness, their work ethic and motivation appear to suffer. Thus, over time, negative feelings about the company will erode positive feelings about work itself. And that, in turn, can adversely affect productivity and performance’ (Towers Perrin,1997:7). For example, employees who feel they can have a full career with their company are far more motivated to contribute, with 91 per cent stating that they are motivated to help their company succeed, compared to just 48 per cent who do not see a future with the company (Towers Perrin,1997:19).

The danger for organisations is that power and knowledge is now invested in more people outside the traditional confines of the management hierarchy. Corporate knowledge and experience, the strategic competitive advantage in most organisations, is now located at the lower levels of the organisation in a great many more people. In successful organisations today, such as Microsoft and Netscape, almost all of their assets are people. For example, of Microsoft's market valuation of $85 billion (US) at the end of 1996, less than $1 billion was made up of physical assets. The rest of the assets walk out of the front door each evening. Charles Handy has added to the debate by suggesting that on average the intellectual assets of most organisations are usually worth three or four times tangible book value (Stewart,1994:35). It is vital for organisations need to understand that employees have the knowledge that is essential for the organisation's success, and so have the potential to shift the balance of power away from management and back to themselves. To understand these developments the next section identifies the influences on human resource sustainability, suggesting that a number of factors are important for organisations in implementing a more sustainable approach.

Human resource sustainability

The debate of human resource sustainability has been advocated by a number of commentators (Dunphy and Griffiths, 1998; Pears, 1998; Sennett, 1998). They argue that there is a crisis facing the management of human resources with staff turnover increasing, loyalty declining, stress levels rising and productivity growth diminishing. As Pears (1998) states, 'Managers confront the challenge of aligning the interests and needs of their business with those of their most valuable resource, their staff, so that business success can be achieved and maintained'. They see this challenge as human sustainability.

In particular, they see human sustainability as a shift in focus from short-term corporate survival to long-term business success. This requires a shift in criteria from short term financial profit to more broadly defined long term returns. This involves changes in structures, operation, priorities and values which firms promote with a clear focus on the context within which a business operates recognising a fundamental requirement for long term business success (Pears, 1998).

Dunphy and Griffiths (1998) have developed this thesis further by suggesting that this involves continuous ongoing investment in acquiring knowledge and skills. This they say requires a fundamentally different approach in leading and managing firms. In particular, organisational competencies are needed for sustained corporate success that can be systematically developed. These include: strategically building a corporate knowledge and skills base; fostering productive diversity and building human potential; and creating communities knowledge in organisations and developing competencies for continuous corporate renewal (Dunphy and Griffiths, 1998). They argue this focus on investing in people rather than divesting them and actively promoting strategies of knowledge creation is the most viable path to sustaining societies corporate and economic life (Dunphy and Griffiths, 1998:168-170).

Figure 1 below represents the major factors, influences and outcomes of human resource sustainability in organisations. While not intending to be exhaustive, it identifies five major factors in the debate about human resource sustainability. Essentially, the model defines human resources sustainability in terms of capacity of organisations to create value in their organisations thereby having the ability and capacity to regenerate value and renew wealth through the application human resource policies and practices. This will entail investment in human knowledge through continuous learning, and the application and development of such knowledge through employee participation and involvement. In addition, model identifies four main drivers for organisations trying to achieve corporate human resource sustainability and examines their impact on employee satisfaction and commitment and on the traditional organisational objectives of increased productivity and profits. Importantly, the model suggests that for human resource sustainability to be achieved, the HR policies and practices need to be integrated for sustained business performance and positive employee outcomes of equity, development and well-being.

Figure 1

Factors and influences in human resource sustainability – A integrated approach

INSERT FIGURE 1 ABOUT HERE

Building Corporate Capabilities - Career development and organisational learning

In recent years many organisations have focused almost exclusively on cost-cutting measures. In the process they have diminished their most vital resource the key skills of their employees which are so critical in a competitive environment. One of the greatest difficulties faced by human resource and personnel managers is to demonstrate to an organisation's decision-makers, especially in times of cost-cutting and downsizing, the economic benefits and the real added value of training employees and building corporate human resource capabilities.

In this regard, recent US and European studies have shown a strong link between a company's investment in its employees and stockmarket performance and profits. Evidence from a American Management Association (AMA) (1996) survey of more than 1,000 large and medium-sized US companies paints a different picture of companies that increase their training budgets at the same time as trimming their workforce. It is suggested that these companies are creating new environments to respond to new business conditions. The AMA survey highlighted a remarkably strong correlation between increased training budgets and larger profits and productivity flowing from workforce reductions.

Over the long term, firms that increased their training budgets after workforce reductions were 75 per cent more likely to show increased profits and nearly twice as likely to improve worker productivity than firms that had cut their training expenses. However, only 32 per cent of companies cutting jobs since 1990 reported a long-term increase in training budgets. A recent OECD (1999) report also argues that higher training rates have being associated with higher levels of education, productivity and wages.

However, most compelling is the evidence from 100 German companies which reveals a strong link between investment in employees and stockmarket performance (Bilmes, Wetzker and Xhonneux,1997). The Boston Consulting Group research team undertaking the study found that companies which build employee capacity at the core of their strategies produced higher long-term returns to shareholders than their industry peers. Significantly, the study found that the shares of companies that focus resources on the development of their workforce, outperform competitors who give human resources a low priority. The research examined ten industrial sectors over a seven-year period from 1987 to 1994 (Bilmes, Wetzker and Xhonneux,1997).

In every industry examined by the researchers, those companies produced a greater total shareholder return (TSR) than their competitors also scored most highly on such measures as: expenditure per employee; contribution of employees as reflected in mission statements; recruitment; performance evaluation and feedback; promotion opportunities; flexible work hours; prevalence of teams; opportunities to learn skills; and finally the extent to which employees share in company performance through profit-sharing; performance pay and bonus. The TSR is the sum of share price increases and dividends over a given period. The researchers also reviewed a shorter four-year period. This also confirmed that the degree to which a company invests in people is a good predictor of stockmarket success. Interestingly, the study found that these companies also created the most jobs, with three-quarters of the companies with above average TSR producing a net increase in jobs (Bilmes, Wetzker and Xhonneux,1997). It seems that these policies are not only good for the company, they are also good for society as a whole.

Getting the balance right

Another consideration for organisations trying to achieve corporate sustainability is getting the balance right between work and life outside work. Today many workers who have jobs are working long hours, with an increasing number of employees working more than 48 hours a week. However, as the trend to work longer and harder continues among the generation that has discovered the meaning of downsizing, it should not be surprising that a new generation is developing different attitudes to work.

There is evidence of the emergence of a new "get-a-life" generation in a 1996 survey. This survey covered more than 1,200 business students from 30 of the world's leading universities in 10 countries, including Australia and was carried out for accountants Coopers & Lybrand in 1996 by Universum International (1996), a Swedish-based research organisation. The overwhelming conclusion from the study was that this new generation of future managers is demanding a more balanced lifestyle and a rewarding life outside of work.

When asked about their future career goals, the students considered a balanced lifestyle, financial rewards, and a challenging international career as their most important priorities. In fact, 45 per cent of the students surveyed named a balanced lifestyle and a rewarding life outside of work as one of the top three priorities (Universum International, 1996).

When choosing their first employer, the number-one priority was the ability to achieve a balanced lifestyle. Long-term employment security was low on the list of aspects important to these students. Again, when asked about future life priorities, the theme was reinforced, with personal development and growth, a career, spending time with close friends and relatives, and building a family being most important. In yet another key finding, over 70 per cent of students strongly disagreed with the notion that a person's career is more important than personal and family relationships (Universum International, 1996).

Another survey of 1,000 young professionals in 73 countries found that 40 per cent planned to leave their existing employer within two years. The survey uncovered widespread disappointment at the dearth of company investment in their personal development with many considering starting their own business (Donkin,1999:19). This finding was further reinforced when the survey revealed that 41 per cent of respondents would value more choice over working hours with many wanting to spend more time with friends and family and slow down enough to keep healthy and balanced (Donkin,1999:19). Moreover, a study conducted by Gemini Consulting of 10,300 employees in 10 countries found that only 27 per cent of those surveyed felt their organisations were preparing them for successful futures. As a consequence 44 per cent of respondents said they would leave their jobs tomorrow for a job that would provide them more opportunity for advancement (Gemini Consulting,1998:13).

One company that has recognised this situation and is developing policies to handle it is the UK bank Lloyds TSB. As part of its drive to instil leadership and trust in the organisation, it introduced a number of initiatives to make employees' lives more manageable and to help change the culture of long hours (Maitland,1999). It has nearly 17,000 employees working flexible or reduced hours. In fact employees no longer have to explain to their managers why they want to change their working hours. A decision is made purely on whether it makes business sense. The company has set a target of 25 per cent of its workforce, senior managers as well as junior employees, to be working flexible hours compared to some 22 per cent currently. Significantly, the new procedures allow employees to choose from a range of options, including; job-sharing, reduced hours, a compressed working week (four days instead of five), variable starting and finishing times, and working from home one to three days a week. The only prerequisite is that those seeking these conditions must explain how they will fulfil their duties and how colleagues and customers will be affected. The drivers for the initiatives were increasing competition and the requirement for 24-hour banking in many operations. As such the bank needed to attract and retain employees, 66 per cent of whom are female. They noted also that before the changes were introduced, some 15 per cent of staff taking maternity leave do not return to the bank. The estimated cost of recruiting and training a junior employee can be £10,000. As the head of the Equal Opportunity function suggested, 'Everybody has a life outside work, whatever it might be' (Maitland,1999).

To reinforce the importance of achieving a work and life balance, a study on the quality of working life (Worrell and Cooper, 1998) of over 1,300 managers found nearly 60 per cent indicated that long hours were having a negative impact on their health. Just over 70 per cent said it affected their relationship with their partner and encroached on the time spent with their children, and some 55 per cent of managers suggested that it made them less productive at work. In addition, over half of the respondents felt a sense of ‘powerlessness’ and lack of control in their work environment, with less than one in five respondents agreeing that they had enough time to fulfil the requirements of their job. When respondents to the survey were asked what one piece of advice they would give to top management of their organisation, 40 per cent of comments referred to the poverty of organisational communication and consultation strategies. The second most important piece of advice identified was for the organisation to value and appreciate employees as the organisation’s most important assets (Worrell and Cooper, 1998).

A study by the International Centre for Health and Society at University College London has suggested that the lack of control at work and job insecurity has contributed to ill-health, disease and mortality. The study highlighted that the lack of control at work was the single largest contributing factor to disease incidence, more important than smoking, diet or obesity. In addition, the study indicated that labour market deregulation and other social policies needed to be reassessed in light of evidence that workplace change had a negative psychological impact, especially when work practices gave them little or no input into the content of work and flexibility (Long, 1999).

Julie Macken (1999) from the *Australian Financial Review* has highlighted the dilemma facing many organisations caused by the transition from the manufacturing age to knowledge and information, where the brain cannot function at an optimal level for eight to ten hours a day. Macken cites the example of Hewlett-Packard which had in 1997 an attrition rate of 20 per cent. More than half of the employees surveyed said that they experienced excessive work pressure. As a consequence Hewlett-Packard introduced policies to reduce and redesign workloads, encouraged employees to set goals for leisure, discouraged working on weekends and holidays, and introduced a 40-hour week. It was suggested that this has improved retention rates and attracted high potential recruits (Macken,1999).

These findings also highlight the need for businesses to take account of other, non-financial factors when attracting and retaining people in their organisations. Only by acknowledging the importance of work and family, and of the need for personal and social networks outside work, will organisations be able to attract and retain competent and committed employees.

The institutions for a sustainable future

The real question arising from this evidence is whether there can be any real progress towards corporate sustainability without a fundamental overhaul of the structures that underpin existing institutions and systems of employment. A recent report by Valerie Bayliss (1996) of the Royal Society for the Arts may hold some clues. The RSA’s report challenges traditional assumptions and calls for the dismantling of employment structures and education systems which have supported the traditional working model of a ‘40/40 job’. This model assumes that people (mostly men) work 40 hours a week for 40 years. The report suggests that this outdated model was based on the growth of public administration in the 1930s and mass production in factories, supported by the concept of the job for life in the same organisation. The problem, as identified in RSA report, is that if people work less than 40 hours (or in some cases 35 hours) they are described as ‘part-timers’, peripheral and in fundamentally insecure employment relative to the main ‘core’ full-time workforce.

As the RSA report states, there are unlikely to be enough paid permanent full-time jobs to go around (Bayliss, 1996). The paradigms have changed, from where a majority of people will be employed in 40/40 jobs to where a majority of people will be working flexible hours in the temporary labour market. People themselves will be responsible for their working patterns, their education and training and redefining their own work.

The report addresses five important issues for HR sustainability. Can the economy generate a consistently high supply of employment opportunities, however they are structured? Can the intermediate labour market develop and maintain opportunities for all those who need it? Do the nation's education and training systems meet the needs for a sophisticated and competent society? Does the country's infrastructure support people in and out of work, and match the needs of the new world rather than the old? Do individuals recognise their responsibility to develop their own employability, and is the right support available to assist and encourage them? (Bayliss, 1996).

An Australian report by Gollan, Pickersgill and Sullivan (1996) highlights the increasing acute socio-economic polarisation between the highly skilled and the poorly skilled. Those that are highly skilled will be increasingly overworked and working long and anti-social hours, while the poorly skilled will be either unemployable or have their wages driven down to a point that renders them the 'working poor' or a 'ghettoised' worker. There will be an industrial relations system that offers few substantive protections for those that are in work, and a social security system that does not adjust to the change in working time arrangements and so creates inequitable outcomes for citizens, thus eroding the social fabric and well being of society as a whole (Table 1) (also see ACIRRT, 1999). This will produce a society where the social dislocation and hostility we are now seeing will intensify, with the prospect of 'two nations' emerging within society. The danger has been highlighted in a recent editorial in the *Harvard Business Review* (1999:8) where it is even feared that knowledge workers will walk away from deep involvement with society as whole. After all many of these workers already live in privately policed communities and send their children to private schools.

Table 1 – Characteristics of the polarised workforce

Workforce	The 'ghettoised' working poor	The knowledge 'gold collar' worker
Social	• Social security benefits • Working poor • Income assistance • Declining real incomes • Government social housing • Low quality education	• High labour market opportunities • Affluent family structure • Private home ownership • High quality private education
Organisation	• Tayorist job design • Cost driven agenda • Limited training and career development • No control over work • Strict workplace supervision • Casual, temporary or part-time employment • Service and retail sectors	• Internal labour market • Global career horizons and advancement • IT, education, publishing, banking and finance industries • Teamwork and multi-skilling • Empowered
Individual	• Limited workplace mobility • Limited education • Non-English speaking • Low paid • Job insecurity • Regular unemployment	• Highly mobile • Highly educated and skilled • Highly paid elite • Employability and secure employment

A OECD (1999) report also highlighted the challenge of reconciling job security for workers with the need of organisational flexibility. The report suggests that, while countries have concentrated in the 1990s on easing restrictions for temporary forms of employment to increase the degree of flexibility and thus the creation of employment, this link is not particularly strong. In fact the report suggests that the risk of becoming unemployed is lower in countries with stricter regulation through employment protection legislation. However once unemployed there is a greater risk of remaining unemployed for an extended period of time. In other words, the report argues that employment regulation produces more stable jobs, less labour turnover and fewer unemployed. Conversely the lack of employment regulation and training may intensify existing inequalities in the labor market.

Some organisations have acknowledged these concerns and have introduced volunteer programs in which employees help the less fortunate in society. Such initiatives reflect a shift in corporate attitudes towards the community. For example, Royal Mail and Whitbread brewing have introduced community action programs. Royal Mail suggests that it is good for business because volunteering helps personnel development, especially in morale, motivation and working with other people, and in the introduction and deployment of new skills (Slavin,1999:16). Such actions, however, may ameliorate the social distress caused by current trends in employment but will not eliminate it.

Other organisations have introduced ‘social reporting’ where companies solicit the opinions and views of employees, suppliers, customers and the communities in which they operate (Slavin,1999:16). A survey of the UKs FTSE 100 companies found that 79 reported on social and community issues. As an example, PricewaterhouseCoopers and KPMG undertake independent audits of their social performance. As Terry Slavin has suggested, for companies, ‘one of the biggest motivations for the new trend is in enhancing their reputations at a time when it has never been more difficult to recruit – and retain – good graduates’ (Slavin,1999:16). In addition, Slavin suggests that social reporting opens up new channels of communication with employees with the objective of enhancing two-way communication and thus high levels of trust building loyalty and commitment (Slavin,1999:16).

Human resource sustainability and the bottom line

> To build a company that is profitable and will live long, managers take care to create a community. Processes are in place to define membership, establish common values, recruit people, develop employees, assess individual potential, live up to a human contract, and establish policies for graceful exits from the company.
> (Arie de Geus,1997:58)

We often hear from people at the top echelons of business that "people are our greatest asset". In reality, however, despite this rhetoric many organisations seek to cut costs through downsizing and job enlargement. However, evidence now demonstrates that companies that do invest in people, rather than just talk about it, show positive financial outcomes.

For example a comprehensive study, Impact of People Management Practices on Business Performance (Patterson, West, Lawthom and Nickell,1997) in the UK has reconfirmed the importance and linkage of good people management practices to productivity and profits. The report showed that the management of people had a greater effect on a business's performance than the combined effect of its strategy, product or service quality, manufacturing technology and expenditure on R&D. The researchers also indicated that satisfaction and organisational commitment explain up to 5 per cent of the difference between the profitability of companies. These results demonstrate the importance of the relationship between employee attitudes and company performance and as such indicate the more satisfied workers are with their jobs, the better the company is likely to perform in terms of profitability and particularly productivity.

However the study's most important finding was the linkage between 'good' human resource management practices and profitability and productivity. The report suggested that overall, HRM practices (ie.

appraisals, training and development, employee involvement and team working etc.) explain 19 per cent of the variations in profitability and 18 per cent of differences in productivity between companies and within organisations. As the researchers state, this is the most convincing demonstration in the research literature of the 'link between the management of people and the performance of companies' (Patterson, West, Lawthom and Nickell,1997).

A follow up study of 5,000 employees in 42 UK manufacturing companies conducted by Patterson and West (1998:2) also suggest a strong link between employee satisfaction and productivity and profitability. In fact they indicate that aggregated job satisfaction within a company predicted up to 25 per cent of the variation between companies in performance and 12 per cent of profitability one year later. They argue that no other factor (such as competitive strategy, technology, market share, Total Quality Management or R&D strategy) could so effectively predict company performance (Patterson and West,1998:3).

Similar results have been found by the Institute for Employment Studies in the UK (Barber, Hayday and Bevan, 1999; Bevan and Barber, 1999). Their survey of 65,000 employees and 25,000 customers in almost 100 retail stores shaved a strong link between employee commitment and customer satisfaction and increased sales. The survey data indicated that a one point increase in employee commitment led to a monthly increase of £200,000 per store.

Perhaps the most comprehensive reports of positive statistical relationships between the adoption of developed HR practices and business performance has been developed by Pfeffer (1994; 1998); Huselid (1995); and Huselid and Becker (1996). These studies all suggests that the way in which organisations treat their employees is at the heart of their success (Pfeffer, 1998). Pfeffer (1998) cities evidence that HR practices can raise shareholder value (ie stock market value) by between $20,000 and $40,000 per employee. In addition, a study by Huselid and Becker (1995) emphasises the link between market value and sophistication of HR practices. In particular they suggest that business can achieve above average returns when a wider range of practices are adopted for more employees and when these practices are integrated within the business strategy (Huselid and becker, 1996).

Huselid (1995) also suggests that the utilization of a number of HR practices was associated with a level of sales revenue that was on average $27,000 per year per employee, and the corresponding increase in shareholder value was $18,500, and profits increased by nearly $4,000 per year per employee (Huselid, 1995). As Pfeffer (1994, 1998) claims there is powerful evidence to suggest that deploying certain high performance management practices makes bottom line sense (Richard and Thompson, 1999).

Importantly, these studies suggests that personnel or HR function should move away from being seen as a peripheral administrative activity and put at the centre of the organisations activities (Richardson and Thompson, 1999).

Human resources, capabilities and sustainability – A way forward

The future capabilities in the organisation and as a consequence the improvement in performance is premised on the belief that it is necessary to develop a new workplace culture, which emphasises the role of employees as assets rather than merely as a costly factor of production. Importantly, human sustainability is based on organisations pursuing an integrated strategy in which employee relations policies are integrated into all aspects of the organisation's planning and implementation process (Gollan and Davis, 1997). It is important that an organisation ‘continuously develops the organisational capabilities to identify and integrate within its vision and strategy the conceptual shifts needed to respond to dynamic markets and the operational capability to deliver’ and enhance performance (Ford,1999:3). Increasingly the financial investors for superannuation and pension funds will realise that it is better to invest in companies where employers add value to their organisation by adding value to employees.

Figure 2 presents a model of an organisations pursuing a human resource sustainable approach. It emphasises the influence of organisational culture and the impact of the external environment on sustaining outcomes. The model shows that improved performance and productivity are predicated on the need for managers to use situational by attuned approaches to ensure that the potential of the organisation is contributing to desired organisational aims. Thus, there is no one best way for all organisations, only organic processes based on situational characteristics which satisfy the aims and objectives for the organisation and its employees in a sustainable way. As Roger Cowe (1999:26) stated, ‘The crucial issue is the value which underpins how companies go about their business, not whether they get everything ‘right’’.

Figure 2

Human resources, capabilities and sustainability – A way forward

INSERT FIGURE 2 ABOUT HERE

The lessons for human resource sustainability

If employers in advanced economies do not try to bridge the gap between rhetoric of good people management and reality, then the only likely outcome will be an organisation facing an exodus of bright and enthusiastic people. The lessons for organisations are that for true corporate sustainability a recognition and value must be placed on the internal human capability of the organisation. In addition, the paper suggests that for human resource sustainability to be achieved, the HR policies and practices need to be integrated for sustained business performance and positive employee outcomes of equity, development and well-being.

In this process, the role of the human resource function is pivotal to the success of corporate sustainability policies. Dave Ulrich (1998) has suggested four ways which HR can deliver organisational excellence. First, by the HR function becoming a partner with senior and line managers in strategy implementation by forming the link between boardroom decisions and the marketplace. Second, by providing relevant expertise in the way work is organised and executed thus ensuring administrative efficiency. Third, representing employees’ concerns to management while simultaneously giving employees the capacity to increase their contribution to organisational decision-making. Fourthly, the HR function should be an agent of change, shaping processes and culture that together improve and enhance an organisation’s capacity for change (Ulrich, 1998:124-125).

Importantly, this requires organisations to take a more holistic and integrated approach to people management. In particular managers need to reassess the role and level of the HR function, specifically its role in persuading organisations to adopt practices that support a sustainable approach (Hunt,1999). This requires devolved decision-making emphasising medium to long-term sustainability rather than the short-term horizons characteristic of more traditional, centralised corporate HR or personnel management approaches. The advocates of corporate level human sustainability issues and practices need to be political movers and leaders putting forward a HR agenda to support sustainability. At lower levels HR advocates need to be coordinators, mentors and integrators, linking and integrating human capabilities into organisational structures, technologies and practices of organisations (Hunt, 1999:21). Dave Ulrich has argued that ‘HR can be the architect of new cultures, but to do so, its purpose must to redefined. Virtually every imperative of the new mandate for HR requires such a redefinition. And for it to happen, senior managers must lead the way’ (Ulrich, 1998:133).

The central challenge for the HR function will be to move organisations to adopt sustainable practices and structures towards different organisational strategies and create a climate whereby employees’ potential can be released. As John Hunt has recently suggested:

The key to the success of the function lies in the struggle to acquire more influence, something that is being carried out in a climate of downsizing and outsourcing. Even the change of name from personnel to HR is indicative that the way people view and perform this role is changing – with the new name communicating a desire to break with the past and to throw off an image that was limp and limiting... The future of the HR function may be far from certain ...[however]... In situations of uncertainty, it is the confident who win through... I know of no organisation whose senior managers believe their company will operate, in the future, without any human beings. Whether ensuring the supply of those human beings resides in a function called HR or not is rather irrelevant
(Hunt, 1999:21).

Overall, the evidence presented in this chapter is that corporate sustainability is predicated on organisations recognising the needs of employees and implementing sustainable policies and practices to reinforced its values and principles. Only by acknowledging the importance of employee satisfaction and commitment through the development of integrated employee consultation, organisational change, work and life policies, workplace institutions and comprehensive career development programmes, will the organisation achieve greater productivity and increased profits. The lessons are clear. It is up to organisations to ensure they are pursuing a comprehensive human resource sustainable approach for society's and their own survival.

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Figure 1: Factors and influences in human resource sustainability - an integrated approach

Figure 2: Human resources, capabilities and sustainability - A way forward

(Adapted from Gollan and Davis, 1999)