

Managing Human Rights and Human Resources: The Dual Responsibility of Global Corporations

Jennifer Palthe, Associate Professor, Western Michigan University

Abstract:

At the nexus of global expansion and trade liberalization are humans; their needs, development, and aspirations. Whether local inhabitants of developing nations impacted by global trade, or human resources employed by global corporations to conduct business abroad, the central element remains people. In an age of unprecedented change, the development, deployment, and enhancement of this vital resource cannot be underestimated. It is well recognized that global business success is dependent on the ability of organizations to acquire and develop the best employees from around the world.

People are pivotal to both global corporations' survival and the wealth of nations. Nothing can be mobilized and no progress can be achieved in the absence of this essential resource. The purpose of this paper will be to review current worldwide trends and practices of leading corporations (profit and non-profit) in their management of human resources and social responsibility. An examination of the responsibilities of these global corporations will be made, and recommendations for reconciling these dual responsibilities and reshaping global HR practices will be presented.

Introduction

We are living in a vastly altered world where societal expectations of businesses have changed dramatically. At the cornerstone of the discourses dealing with human resources (HR), corporate social responsibility, corporate governance, and sustainability, are humans—their rights, their aspirations, and advancement. Humans are pivotal to both global corporations' survival and the wealth of nations. Nothing can be mobilized and no progress can be achieved in the absence of this essential resource. Never before has the pressure on organizations, to ensure that the basic rights of humans are protected and respected both within them and the communities they operate in, been greater. The purpose of this paper will be to review current worldwide trends and practices of leading corporations (profit and non-profit) in their management of human resources and social responsibility. An examination of the responsibilities of these global corporations will be made, and recommendations for reconciling these dual responsibilities and reshaping global HR practices will be presented.

Review of Current Global Trends

This year also marks the 60th Anniversary of the Universal Declaration of Human Rights (UDHR) —a reminder that protecting human rights is a shared responsibility for governments and their citizens, and corporations and their employees. It is also interestingly the 20th Anniversary of the Oxford Round Table that is coincidentally exploring the consequences of trade liberalization for, none other than, *human rights*.

The early 1990s saw the injection of the issue of human rights and business into the global public consciousness. While the notion of corporate social responsibility has been around since the 1970s, never before have we witnessed such as focus on the integration of these two constructs by multiple stakeholders, scholars, and practitioners alike. Recent human resource (HR) scholarship has called for greater focus on social responsibility (Fenwick and Bierema 2008). Similarly, business scholarship has acknowledged that the topic of human rights in management knowledge and practice is limited. At a recent UN Global Compact US network

meeting in April 2008, Mike Toffel, Harvard Business School Professor argued: “The topic of human rights is new to business scholarship. Although there are peripheral mentions of human rights, there is still plenty of room for management knowledge and practice to work on the implementation of human rights” (see UNGC meeting from April, 2008).

Globalization has afforded multinational and global corporations the opportunity to expand into operations that possess financial power beyond nations. Of the worlds 100 largest economies, 51 are corporations and 49 are nations. Wal-Mart’s economy, for example, is larger than Poland’s, the Ukraine’s, Portugal’s, or Greece’s (Werther and Chandler 2006). The dominant economic theory of business typically relies on the regulatory power of national laws and moral customs. However, “postnational constellation changes,” as scholars like Palazzo and Scherer (2008) have referred to it as, blur the boundaries between public and private sectors. They argue that regulatory systems can no longer be defined with the borders of a containing nation-state but rather by the global interaction of governments, civil society, and corporations themselves (Palazzo and Scherer 2008). This not only highlights the changing role of business in society but represents a paradigm shift that demands new theories and practices on the part of scholars and practitioners in the fields of management, CSR, and HR.

While we have a model for human rights and considerable progress has been made in clarifying a policy framework for businesses, the implementation has been lacking. Professor John Ruggie, Special Representative of the United Nations Secretary General for Business and Human Rights, in his address to the United Nations Human Rights Council (UNHRC) on June 5, 2008 remarked: “The international community is still in the early stages of adapting the international human rights regime to the challenges posed by globalization.” He emphasized that progress has been made in generating consensus between business and human rights and suggested these parties have moved from: “deep divisions and complete stalemate just three years ago to the broad consensus that delegations expressed for the past two days” (unglobalcompact.org accessed June 10, 2008). At that same meeting in June this year, the UNHRC delegates endorsed policy guidelines on the human rights responsibilities of businesses (Williams 2008). This endorsement was monumental in the sense that for the first time, the duty of companies to comply with international human rights obligations in their own operations, was made explicit. While the general principles and framework for human rights had been developed and discussed at previous meetings (see UNHRC report from May 22, 2008 meeting), the new resolution went into operational detail, and offered practical solutions to implementation rather than mere policy guidelines.

Another notable development and trend impacting global corporations is growing skepticism amongst the public regarding the ability of governments to resolve social and environmental problems. Consequently, increasing pressure is being placed on non-governmental organizations (NGOs), the private sector, and institutions like the United Nations (UN) to apply business techniques to issues such as poverty reduction, and environmental protection. While the non-profit sector has traditionally spent decades working with governments to solve problems like poverty, public health crises, poor access to education, and environmental degradation, we are observing a surge of partnerships between corporate executives and leaders in the non-profit sector. This trend is significant and has served to transfer some of the skills and methods of the business sector into the non-profit sector. Historically, the responsibility has tended to rest with state sponsored actors but there is a growing shift towards the development of the role of non-state actors in promoting the

fulfillment of international human rights practices. Moreover, while many businesses have tended to focus on human rights in terms of its impact on investment risks, we are observing a trend toward their focusing more on the risks business investments place on human rights.

It is argued that “The line between the for-profit and non-profit sectors is getting thinner” (Murray 2007). The fact that organizations like the UN Global Compact (UNGC) organize conferences for businesses to discuss corporate citizenship is illustrative of just how far organizations like the UN have come since the widespread suspicion towards multinational corporations (e.g. Geneva, July 5, 2007). Consistent with this trend, more businesses are forming alliances with non-profit organizations and public awareness of the sector has rarely been higher (Murray 2008). The current world food crisis is directing public attention toward the role of organizations such as the UN and its World Food Programme. Disasters such as the Asian tsunami and hurricane Katrina have given renewed impetus to the work of NGOs, relief agencies, and business engaged in international crises.

The public sector is beginning to recognize that employee development, a central component of effective human resource management, is at the heart of its ability to produce lasting solutions. Dan Runde, Head of Partnership Development at the International Finance Corporation of the World Bank, confirmed this in his recent statement: “This is a new landscape and we’re all grappling with what this means,” and “it requires a different set of skills to work across institutional boundaries” (Murray 2008). Additionally, the private sector, and the human resource (HR) management function in particular, is also recognizing these shifts and we are observing growing involvement by businesses in issues that were traditionally viewed as the preserve of charities or aid agencies. A comment by Susan Meisinger, The Society for Human Resource Management’s (SHRM) President and CEO confirms this. She maintains: “This recent shift by organizational leaders from viewing socially responsible business practices as a peripheral issue, to a strategic issue, presents a significant leadership opportunity for HR professionals” (Meisinger 2007, 8).

Dual Responsibilities Of Global Corporations

The responsibility of global corporations to manage their human resources effectively to ensure competitive success is well recognized. Similarly, the field of global human resource (HR) management is gaining prominence as a major strategic tool to strengthen the competitive position of global corporations (Ulrich 1997). There is however, a growing global consensus that in addition to effective management of people within a firm, fundamental standards of corporate social behavior are vital to sustaining a business’s competitive success as well. The notion of corporate social responsibility (CSR) has been having a major impact on corporate missions, marketing, and management in the U.S., U.K. and Europe. Corporations in Africa, Australasia, South America, and South, East, and Southeast Asia have also adopted the language and practice of CSR (Matten and Moon 2008, Chappel and Moon 2005, Visser, Middleton, and McIntosh 2005). The UN Global Compact, incidentally has more European than U.S. Fortune 500 members (Williams, 2005).

The World Business Council for Sustainable Development, a Geneva-based global association of companies, defines CSR as “contributing to sustainable development by working to improve quality of life with employees, their families, the local community and stakeholders

up and down the supply chain.” The three main tenets of sustainability are profits, people and the planet. Companies that invest in all three effectively are recognized on lists such as the Most Admired Companies list and Corporate Citizenship list, and strive to get accepted onto the Dow Jones environmental and social criteria that have outperformed the S&P 500 index by 15 percent, according to Dow Jones Sustainability World Index (Fox 2008).

Seventy-seven percent of executives say that CSR programs enhance profitability, according to a 2007 Grant Thornton survey of U.S. Business Leaders and Fortune 500 companies with a reputation for CSR averaged nearly \$2.5 million more in revenue annually than companies lacking a reputation for CSR, according to a report by the Graziadio School of Business and Management at Pepperdine University (Tonn 2008).

CSR is encompassed by three broad categories: environmental issues, ethics and corporate governance, and employee and product safety. "Ten years ago the term didn't exist," said Jim Burton, office managing partner for Grant Thornton, an accounting, tax and business advisory organization. "During the last five years, it has come into play as a form of management." (Tonn 2008). CSR practitioners in the U.K.—based companies increasingly view CSR as a source of competitive advantage for their companies, according to a recent report by leading business school Ashridge. Respondents confirmed that it is increasingly driving shaping marketing, communications, new product development, and corporate reputation (Turner 2008).

Reconciling Human Resources and Human Rights

Not only are Human Resources (HR) professionals facing growing pressure to demonstrate their area's shareholder worth through improved employee performance, but they are being increasingly pressured by shareholders and the general public alike to ensure their corporations behave in ethically and socially responsible ways. Whereas corporations previously may have simply given money to charitable organizations, they now more closely integrate their giving into their business strategies.

Findings from the latest (2007) Corporate Social Responsibility (CSR) Study administered by the Society for Human Resource Management demonstrate that responsible business practices are moving to the *center* of organizational strategy (Meisinger 2008). Of the 431 U.S. HR professionals who completed the survey 91 percent said their company participated in CSR activities. The most common of these involved some sort of donations and volunteering. However, of the more strategic CSR initiatives, fewer than half said they considered the overall social impact of their business decisions; 34 percent monitor the impact of business on the environment; and only a quarter align product or company marketing with a social cause (Fox 2008). The survey results also showed that U.S. companies with a formal CSR policy spread the word through company newsletters and other publications, in order to keep employees thinking about CSR solutions.

George Kell, Head of the UN Global Compact, suggested: "Companies operating globally in different legal environments and social contexts see the need for a moral compass" (Jack 2007). Some have referred to these trends as the "next generation of corporate

philanthropy” and “HR executives also are using CSR to position their companies competitively in a tight labor market, to engage current employees and to raise productivity” (Fox 2008). Today, being considered a socially responsible company helps to attract customers, recruit top talent, and investors. It’s therefore not surprising then to find a prominent link to CSR activities on any Fortune 500 company’s website. Gap’s (Product) Red campaign for AIDS, and Toyota’s hybrid car, Prius, that helps protect the environment and that took Toyota to the No. 1 spot in the U.S.A, are examples of socially responsible initiatives that produced profitable results. London-based Unilever’s Project Shakti in India is another example. Unilever is training thousands of women in rural India to sell the company’s personal hygiene products to the rural market. While these charitable activities are not new (The Body Shop, for example, pioneered the practice of marketing social responsibility in the 1970s and 1980s), the social responsibility movement has gained increasing momentum in recent years. Starbucks has developed key performance indicators in CSR areas, and measures progress internally as part of its quarterly business review, and reports publicly on progress in its annual CSR report.

Bob Willard, author of *The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line* (Willard 2002) and former senior manager of leadership development at IBM Canada argues: “HR is just starting to awaken to the connections between what its role is in some of the sustainability issues” (Fox 2008). Willard has identified seven business benefits for corporations pursuing a sustainability strategy, three of which fall under the domain of HR; enhanced recruitment, higher retention of top talent, and increased employee productivity. The power of focusing on CSR and the sustainability of human rights for HR is that it incorporates what HR is already doing, but integrates it with the overall business strategy of the corporation. Packaged under CSR, HR can begin to leverage its efforts in related, but more strategic, ways, such as employment branding campaigns, employee engagement and enhanced productivity through environmentally friendly workspaces (Fox 2008).

Table 1 below provides a framework and set of examples and recommendations for reconciling the dual responsibility of managing human rights and human resources in global corporations.

Table 1: The dual responsibility of organizations: human resources and human rights

HUMAN RESOURCE AREA	HR/CSR INITIATIVE	HUMAN RESOURCES OUTCOMES	HUMAN RIGHTS OUTCOMES
Strategic HR	Incorporate human rights directly in the HR vision, mission, and strategies Align corporate strategy with human rights and human resources strategies Public statement of HR commitment to human rights	Improved branding of company Strategic objectives achieved Employees more personally engaged in strategic goals (e.g. turn off lights when not in use or recycle to save)	Savings from strategic initiatives shared with employees and community. Human rights awareness promoted and integral to corporate strategy and human resource strategy.
Recruitment and Staffing	Conduct recruitment survey and offer to pay for training of women and children in developing nation in exchange for responding	Greater pool of possible qualified candidates Attract socially responsible individuals Increase in talent More effective staffing Better person-organization fit	Public more socially aware Company engaged in fulfilling human rights responsibilities Women and children in developing nation receive training Health and living standards improved
Compensation & Benefits	Build CSR into the job description of employees Integrate CSR in the criteria for merit pay increases	Improved employee morale More satisfied employees Improved performance Increased profits Reduced turnover	More satisfied communities Increased Philanthropy Improved quality of life for community
Performance Management	Evaluate and monitor incorporation of human rights in company Include CSR criteria in individual performance reviews Link CSR measures to pay	Greater focus on CSR performance criteria Human rights role clarity Reinforced value of CSR	CSR becomes an integral part of corporate culture and external stakeholders recognize a difference in services and products
Training and Development	Conduct needs assessment of target groups to receive human rights training Design training that promoted human rights awareness Offer CSR Awareness and Sustainability Training Evaluate training to see extent of human rights awareness and knowledge transfer	Improved Knowledge, skills and CSR competencies Improved employee morale Greater corporate reputation for demonstrating value for human rights and human resources	Development of corporate culture that respects human rights Greater human rights awareness, promotion, protection, respect
Change Management	Incorporate CSR in change interventions Human process and human resource interventions include human rights Awards for promoting change and best practice	Overcome resistance to change Evaluate and monitor acceptance of change Reward change that fosters human rights	Advance pro-social change in organization and community it operates in, promote sustainability of change initiatives Enduring human rights awareness
Diversity and Inclusion	Incorporate human rights in HR diversity initiatives Diversity awareness communication forums Support empowerment initiatives	Multi-ethnic sensitivity Reduction of hostile working environment Equity	Human rights respected and protected Reduced discrimination
Global HR	HR takes leadership role in ensuring global contractors operate ethically Train expatriate managers to monitor abuses Cooperate with global human rights organizations	More satisfied and productive workers and expatriates in foreign subsidiaries Reduced labor turnover Reduced absenteeism Eliminate criminal allegations	Elimination of workplace abuse and mistreatment in foreign subsidiaries Payment of fair and above subsistence wages Work placement and training for potentially excluded groups

The first column of Table 1 highlights key HR functional areas. The second column details examples of potential joint HR/CSR initiatives that produce distinct yet complimentary outcomes for human resources and human rights. These potential outcomes are highlighted in columns three and four. This table is not intended to offer an exhaustive list of potential initiatives and outcomes but rather serves as a starting point to inspire HR professionals to integrate their HR and CSR initiatives to achieve outcomes that generate *both* HR and human rights outcomes.

Reshaping Global HR Practices

Companies with talent shortages have found that focusing on socially responsible behavior that respects human rights, serves as an attractive incentive in a crowded labor marketplace and can attract highly skilled and responsible employees. Capgemini in the Netherlands, for example, launched a market research tool to survey IT and management consultants on recruitment and retention factors. In exchange for participating in the survey, the company would fund a week of housing and schooling for poor children in India. The survey played the dual role of information gathering and recruiting as participants were asked if they wanted to “opt in” to learn more about opportunities at the company and to submit their resumes. The result was that the company raised 10,400 weeks of housing and education for children in Kolkata, over 2,000 respondents submitted resumes that fitted the profile for Capgemini, and 800 positions were eventually filled with top-quality candidates. So, in addition to the social needs of women in India being met, the HR recruitment needs of the company were met, with Capgemini receiving media attention and enhanced brand awareness as a socially responsible company. This is prime example of a way HR can directly get involved in promoting socially responsible behavior by integrating CSR directly in its recruiting practices.

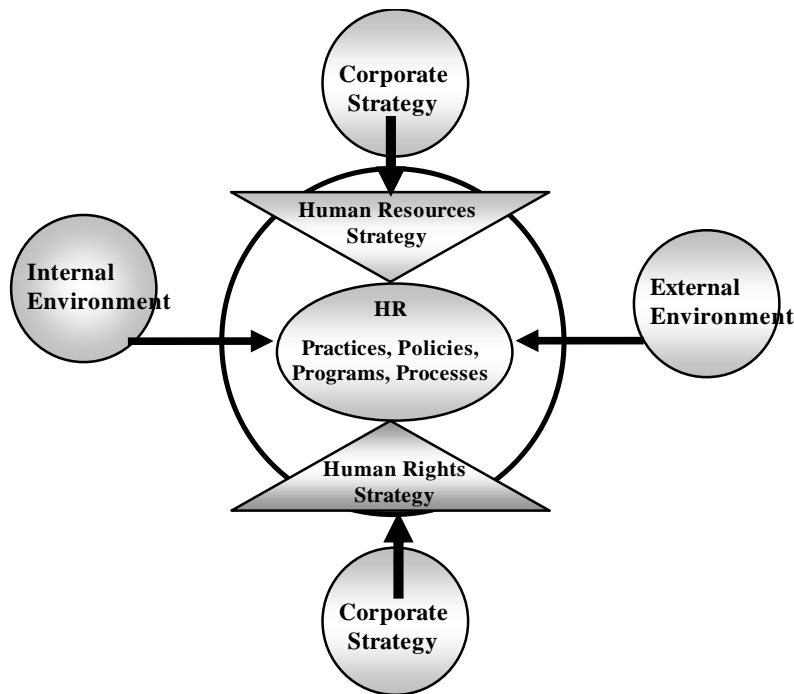
General Electric’s (GE) multibillion-dollar Ecomagination initiative, launched by CEO Jeffrey Immelt in 2005, to create clean technologies, introduce “green” products for its customers, and reduce the company’s own greenhouse gas emissions, is another significant example of integrating CSR in business practice. Bob Corcoran, vice president of corporate citizenship at GE in Fairfield, Connecticut says: “The way we engage people in citizenship is living out three pillars of our citizenship philosophy: Make money; make it ethically; make a difference,” (Fox 2008). From a HR management perspective, GE’s Ecomagination initiative also served as a HR recruiting tool for eco-oriented college graduates. In 2006, GE announced the mtvU GE Ecomagination Challenge, which promised a \$25,000 grant and an Earth Day Concert to the team that submitted the most innovative proposal for “greening” its college campus. The initiative generated more than 100 applications, increased environmental awareness on campuses, and helped enhance the GE brand as a responsible employer. This is an excellent example of an HR initiative to produce positive human rights and human resource outcomes.

A CSR initiative does not have to be a huge billion-dollar project such as GE’s to inspire employees to make a positive impact on the environment while reducing costs and producing revenue. It can be as simple as recycling or re-using materials, or re-training workers that would otherwise be laid off and rewarding employees that demonstrate respect for human rights. HR professionals have a huge role to play in helping to integrate human rights principles and

objectives in total reward systems too. For example, Starbucks Coffee announced they would pay the health care benefits of all those employed more than twenty days per month in their U.S. outlets (Starbucks 2004). Other socially responsible programs can be implemented to ensure equitable and fair wages, safe working conditions, adequate health care benefits, and life insurance. Global corporations can also engage employees in environmental solutions through awareness and sustainability training. Training in business ethics is another avenue to link HR and human rights initiatives. Increased criminal cases against formerly respected CEOs, corporate scandals, and the enactment of the Sarbanes-Oxley Act in 2002 have all enhanced people's awareness of corporate governance responsibility and The Malcolm Baldrige National Quality Award has added "governance and social responsibilities" to its leadership criteria. (Lindborg 2008).

HR could also play a leading role in helping to define the values and associated norms organizations should foster in order to generate a corporate culture that fundamentally respects, promotes and protects the human rights of all its stakeholders. For example, HR departments could proactively build performance management systems that incorporate human rights values and principles in their behavioral expectations. HR can also develop CSR Management Systems that improve working conditions for employees and workforce health. Additionally, HR could integrate CSR with their efforts to eliminate forced labor and workplace discrimination, and reduce excessive overtime requirements. HR has a significant opportunity to educate, train, and develop human capital in foreign subsidiaries, and facilitate partnerships with NGOs, labor unions, and aids organizations in promoting human rights worldwide. Essentially, HR can either watch as other functional areas embrace the opportunity or they can take the lead. As Figure 1 suggests, human rights strategies and HR strategies should be generated from well formulated corporate strategies that take into consideration both the external environment (political, historical, economic, and social) and internal environment (organization culture, leadership, and structure). HR practices, policies, programs, and processes should reflect HR and human rights strategies, and should serve as vehicles to operationalize the objectives and values they espouse. HR practices and programs thereby provide the forum for translating HR and human rights goals and ideas into action. Ultimately, HR has an opportunity to play a key role in promoting the reconciliation of human rights and human resource objectives and practices in corporations worldwide. This conversion of theory to practice and objectives to action is critical to ensuring global corporations play a sustained role in promoting the triple bottom line of profit, planet, and people.

Figure 1: Integrating human resources and human rights



Conclusion:

This paper has explored some of the worldwide trends and practices of leading corporations in their management of human resources and social responsibility. Recommendations for reconciling these dual responsibilities and for reshaping HR practices were presented. It is clear from this research that with the growing focus of corporations on social responsibility and sustainability, HR has a significant opportunity to play a central role in moving the business sector from a risk management and compliance focus to one in which HR and CSR leadership serve as a source of competitive advantage. An appreciation for the role of the private sector in taking on greater human rights responsibilities is increasing worldwide, and many, including business leaders, academics, human rights activists, and organizations like the U.N., are trying to generate practical means to operationize it. Consequently, HR has an opportunity to get corporations to take greater responsibility for human rights and go beyond just economic and legal motives for social reform. By getting involved in the design and development of programs and processes that communicate and implement the values that enable organizations to ‘do good by doing right,’ HR has an additional opportunity to show its strategic worth in the sustained success of global corporations.

We are at the precipice of a monumental time in history, where the boundaries between business and society have blurred more than ever, where global changes are occurring at a speed

and of a scale unprecedented in human history, where dramatically changing workforce demographics, rapid technological innovations, and social change changes are offering opportunities to businesses unlike any previous time in history. The opportunity to integrate and reconcile HR and human rights is ripe. HR as a profession should not simply passively watch the development of these global trends but should play an active role in generating innovative methods for practically incorporating human rights in their organizations, thereby ensuring their corporations do not just make a profit but protect the planet, and respect the rights of people, everywhere.

References:

- Fox, Adrienne. 2008. Corporate social responsibility pays off. Society for Human Resource Management. <http://www.shrm.org/> (accessed July 16, 2008).
- Chappel, W. and Moon, J. 2005. Corporate social responsibility in Asia: A seven country study of CSR website reporting. *Business and Society* 44:415-441.
- Fenwick, Tara and Bierema, Laura. 2008. Corporate social responsibility: issues for human resource development professionals. *International Journal of Training and Development* 12 (1): 24.
- Jack, Andrew. 2007. Partnership is one way donors are seeking greater involvement. *Financial Times*. July 5, Special Report on Corporate Citizenship and Philanthropy. Society for Human Resource Management. <http://www.shrm.org/> (accessed July 16, 2008).
- Lee, Danielle. 2008. Diversifying the Religious Experience: As workplace complaints increase, companies struggle for an inclusive environment. Society for Human Resource Management. <http://www.shrm.org/> (accessed July 16, 2008).
- Lindborg, Hank. 2008. Corporations tout social responsibility. *Quality Progress* 41 (2): 54.
- Matten, Dirk and Moon, Jeremy. 2008. "Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*. 33 (2) 404 - 424.
- Meisinger, Susan. 2007. HR's role in social responsibility and sustainability. *HR Magazine* 52: 8.
- Murray, Sarah. 2008. Riding a wave of goodwill. *Financial Times*. May 1, Special Report on International Public Sector Recruitment.
- Murray, Sarah. 2007. Charities look to businesses. *Financial Times*. July 5, Special Report on Corporate Citizenship and Philanthropy.
- Palazzo, Guido and Scherer, Andreas Georg. 2008. Corporate social responsibility, democracy, and the politicization of the corporation. *Academy of Management Review* 33 (3) 773-775.
- Starbucks. 2004. Focusing on healthcare and wellness. <http://www.starbucks.com/aboutUSA/csr.asp>. August 30.
- Spector, Bert. 2008. Business Responsibilities in a Divided World: The Cold War Roots of the Corporate Social Responsibility Movement. *Enterprise & Society*. Oxford: 9 (2): 314-23.

- Tonn, Rebecca. 2008. Corporate social responsibility -- profitable, conscionable. *The Colorado Springs Business Journal*. June 6, Colorado Springs.
- Turner, Catherine. 2008. Corporate responsibility: Corporate shade of green. *Marketing Week*. March 27:10.
- Ulrich, David. 1997. Human Resource Champions: The Next Agenda for Adding Value and Delivering Results. *Harvard Business School Press*.
- Visser, W., Middleton, C., and McIntosh M. (Eds.). 2005. Corporate citizenship in Africa. *Journal of Corporate Citizenship* 18 (Special issue).
- Werther, Willam and Chandler, David. 2006. Strategic Corporate Social Responsibility. Stakeholders in a Global Economy. Sage Publications. 234.
- Willard, Bob. 2002. The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line. New Society Publishers.
- Williams, Frances. 2008. Human rights duty for business. *Financial Times*. June 6, News Digest.
- Williams, O. F. 2005. The UN Global Compact: The challenge and the promise. *Business Ethics Quarterly* 14: 755-774.

Published by the Forum on Public Policy

Copyright © The Forum on Public Policy. All Rights Reserved. 2008.