

# The Green HRM Concept and its Impact on the Finance Function

Disha Mehra

*Sushant School of Business, Ansal University, Gurugram  
mehradisha41@gmail.com*

## **Abstract**

*In the earlier decades, corporate success was defined by economic performance of the organization. However, nowadays this doesn't hold to be true. Now corporate success is defined not only through economic or financial performance, but also through how much of positive impact the company has been able to make on the environment as well as the society. The Green Human Resource Management will play an important role in the organization and integrates environment protection into the management philosophy thereby, working upon the grassroot level. The paper mainly deals with the concept Green Human Resource Management and how can it impact the various functions of the HR process. The paper also throws a light upon how the GHRM can affect the Finance function which is another important aspect of any organization. The paper has been made using secondary data that has been collected from various journal publications and articles.*

**Keywords:** *Green Human Resource Management, HR Processes, Sustainability, Finance*

## **1) Introduction**

Nowadays organizations have been focusing not only on the earning profits but also constantly trying to maximize their profit considering the various social as well as environmental factors for their long-term sustenance. Sustainability can be defined as practices adopted to meet the present requirement without sacrificing the ability of the future generations of meeting their own requirements. Human Resource Department plays a central role in creation of skills in the employees as well motivating and earning their trust whilst enhancing the organizational culture. HRM ensures all round development of the company's internal as well as external stakeholders. In the 21<sup>st</sup> century this is not possible until and unless an organization aligns its goals keeping in purview the environment. Organization and its employees need to take understand how their operations impacts the environment. Thus, there is a growing necessity of practicing environment friendly techniques. Hence, the integration of the concepts of sustainability and HRM arises, thereby introduction of the concept of Green HRM.

### **1.1. Green Human Resource Management**

Green HRM can be defined as a process by which employees promote environment friendly practices and also raising awareness among the employees about the environmental issues. It is an environment friendly HR framework with the help of which the organizations can raise

the operational efficiencies as well as lower down their costs and enhancing employee engagement and also retention [1]. Some of such framework includes carpooling, conducting virtual interviews, ditching business travels for web-conferencing, conducting online training for the employees etc.

Today green HRM revolve around the employees of an organization as well has understanding how environmental sustainability revolves around them. Nowadays, organizations have made themselves aligned with the society and also have been constantly trying to engage themselves with society as a whole [1]. Today from various communities, customers to the contractors all have become equivalent when compared to the employees and shareholders of the companies. Companies are revolutionizing to co-exist with the environment and adopting to the green practices. Table 1 indicates the list of the companies that have topped the list of environmental performance conducted by Newsweek in partnership with Corporate Knights.

**Table 1: Green Rankings: Global Rankings, Top 10, 2017-18**

Rank	Company	Industry	Country	Green Score
1	L'Oreal SA	Personal Products	France	89.90%
2	Centrica PLC	Multi-Utilities	United Kingdom	88.70%
3	Enbridge Inc	Oil, Gas and Fuels	Canada	86.00%
4	Siemens AG	Industrial Conglomerate	Germany	85.30%
5	Cisco Systems Inc	Communication Equipment	USA	83.70%
6	Henkel AG & Co KgaA	Household Products	Germany	82.60%
7	Accenture PLC	IT Services	Ireland	82.50%
8	BT Group PLC	Diversified Telecommunication Services	United Kingdom	82.50%
9	Adidas AG	Textiles, Apparel & Luxury Goods	Germany	79.60%
10	Koninklijke Philips NV	Health Care Equipment & Supplies	Netherlands	77.90%

Source: Green Rankings, 2017-18, Newsweek (www.newsweek.com)

## 1.2. Sustainability

Sustainability in business context can be defined as a scenario in which businesses operate infinitely whilst providing long lasting solutions to its end consumers. In this process, businesses try to raise the socio-economic levels in the society while generating job opportunities and economic wealth that extends into the future. An organization can be called sustainable when it as a whole promotes economic, social and environmental benefits- which is very popularly known as the concept of “Triple Bottom Line” [1]. Sustainability enhances the value of the shareholders since; investors want to put in their money and the employees want to put in their hard work only in those organizations which prove to have the focus of

longevity [2]. Green business practices are defined as those practices and activities adopted by the company which promote social responsibility towards the environment.

### 1.3. HR and Sustainability

HR is the only function which has the sole responsibility of assisting in both framing and implementing the sustainability strategies. The Human resource department of organizations has the ability to play an important role in the design of their organization's sustainability culture (Harmon, Fairfield and Wirtenberg 2010). HR takes into consideration variety of tasks in hand from health, safe workplace and wellness of the employees. Integrating the environment sustainable techniques to HR practices doesn't mean the old techniques will be completely wiped out. It only adds dimensions to the organization's perspective [2]. HR department is designed in a manner that can modify the behavior and management culture of the employees [3]. GHRM employs techniques which are environment friendly and lead to better employee engagement whilst lowering down the costs. Organizations are nowadays keen to connect with the society through their products and services, but also through their contributions to the environment as well as their sustainable practices.

## 2) Scope for the Further Research

1. Primary research-based study can be conducted to study the opinion of HR professionals on Green HRM.
2. Study can be conducted to analyze the employee behavior on adopting sustainable techniques.
3. Cross sectional analysis can be conducted to study the impact of Green HRM practices on different management's functional areas and their employees.

## 3) Objectives of the Study

Green HRM is a totally new concept and has been adding new dimensions to the functioning of the organization. It includes both the concepts adopting of environment friendly techniques while being sustainable. Nowadays, companies have been increasingly been these practices. Mentioned below are the objectives based on which the study has been conducted:

1. To study the implication of Green HRM on the traditional HR functions.
2. To establish interconnection between Green HRM and Finance.
3. To study how Indian companies have adopted green practices.

### 3.1. Green HRM Practices

Some of the instances of Green HR activities are for recruitment using the job portals and conducting of online, telephonic and the video interviews. Although there might be many of the employees who don't consider environment as their responsibility, today's millennials have been pro-actively promoting the need of environmental protection [3]. Nowadays, millennials have been looking up to commit to those companies which provide them a path of self-actualization. Green HRM thus provides a path of commitment by working upon the green

values and practices. Further, companies can adopt such practices in the continuous on-going processes of recruitment, appraising the performances and training and development of the employees [4].

### **3.1.1. Recruitment and Selection**

Through the advent of technology, companies today rely on less paper in the training and the recruitment processes. Nowadays, websites are being used by the prospective candidates so as to search for jobs and thereby online submission of the resumes [4]. This reduces substantially a great chunk of waste that has been created from the printing and posting the resumes through the means of letters. Organizations have been opting in for such online portals for sharing documents such as offer letters, credentials etc. Job Descriptions and company information have also been publicized on the online means.

### **3.1.2. Induction**

Employee Induction programs must be formulated in a manner that integrates the fresh employees into practicing green consciousness [5]. Such programs should also attempt to highlight the company's efforts for promoting green policies for the employees for instance, focusing on their health and safe green working conditions.

### **3.1.3. Managing Performance and Appraisals**

Performance indicators such as KPA's should have green elements included in it. Such elements for instance Green behaviour indicators, green targets, and goals and responsibilities towards the environments could serve as parameters that should be included in the performance appraisal [5]. Few instances wherein employees could contribute are they could create awareness among their subordinates about the key green issues, and encourage them to get involved in activities which felicitate environment management in the organization.

### **3.1.4. Training and Development**

Interactive online tools, modules and media training methods should be encouraged. Concepts such as energy conservation and efficiency, managing wastes and recycling must be the focus areas of the green training [6]. Managers must be trained using online course materials, rather than the printed handouts. Learning plans for the budding managers must be focussed on aspects like the environment management and green skills and green attitudes.

### **3.1.5. Rewards and Compensation**

Employees who have been pro-actively involved in the green management initiatives should be rewarded. These rewards can be both monetary and non-monetary. Monetary rewards could include bonus, cash incentives and pay hike whereas non-monetary rewards could include perks like special occasion leaves, gifts for family etc [7]. Such kinds of compensation would motivate the employees as well as highlight their green contributions and can also lead to publicity of the company.

### 3.1.6. Employee Relations

Concepts of Eco-intrapreneurs must be promoted in the organization. Such concepts adds/enhances the value of company's products- services. Employees at all levels must be motivated to participate in the ecological initiatives [8]. Suggestion and schemes must be developed through active employee participation. Eco-friendly techniques such as flexi-hours, Discounted passes for transportation must be launched by the company. Initiatives such as green printing and usage of the 3R must be adopted by the company.

### 3.1.7. Exit

Those who adopt unfriendly environment activities must be taken up as breach of contract and strict actions must be taken against those.

## 3.2. Green HRM and Finance

Employees are driving force of any organization. Healthy employees tend to create a competitive edge for the company. Happy employees indicate a lower turnover, which is ultimately beneficial for finance as it means now the business has more money to grow. On the other end the HR professionals need to have a fair understanding about key financial aspects of the business as well as understanding the financial statements.

Green HRM can prove to hold a high importance in the finance function of the organization. GHRM ensures employees are environmental pro-active and makes sure the resources are fully yet efficiently and effectively utilized. This ultimately saves up the resources, which is in turn beneficial for the finances of the company. Green HRM ensures that reduction in usage of paper materials, travelling expenses as the organization will be practicing concepts like video-conferencing and tele-conferencing, various travel allowances etc. These methods adopted by the company would lead to better availability of funds as well as enable the finance department to adopt better budgeting techniques and strategies.

Providing health insurance and various other kinds of insurances and benefits to the employees is the latest trend that is on-going the organization nowadays for retaining the employees. GHRM ensures that healthy and safe working environment is itself provided to the employees. This makes sure a further reduction in costs since healthy employees means more productive capacity which indicates a further reduction in costs that is incurred for hiring the new employees.

GHRM also leads to a reduction in the carbon footprint of the organization. As per the survey conducted by CDP, it was found that by addition of carbon emissions by the firms, the value of firm decreases. Organizations which are not able to decrease their carbon footprint suffer from a downfall in their reputation and their goods and services demand falls. This highlights the importance of GHRM in any organization.

Green HRM has bought on the table the concepts of Tangible and Intangible Cost or in other words, Accountable and Non-Accountable Costs. Finance departments are now taking care of the Non-Accountable or the Intangible Costs that are incurred by an organization. These costs are in the disguise of the environmental degradation. Though these costs' calculations are very difficult but these are very substantial cost incurred by any company.

Green HRM uses technology and analytics which enables them to measure the effects of green management initiatives adopted by them. Indicating their value through Green ROI, employee satisfaction scores, budgeting, compensation, rewards etc. can justify the GHRM to justify their fund requirements. The finance department can also analyze the impact of green strategic decisions on the overall functioning of the organization. Thus, finance also plays an important role in GHRM.

Finance and GHRM functioning go hand-in-hand as well as are inter-dependent on each other. Both of these functions cannot work in isolation and totally inter-dependent on each other. One could fairly understand that without the presence of an efficient GHRM system, finance system cannot operate and vice-versa.

### 3.3. Green HRM in India

Green HRM has been slowly and steadily been gaining momentum in India. Following is the list of few Indian companies that have adopted GHRM:

a) WIPRO

Wipro was the first company in the Information Technology field to launch the eco-friendly desktops and laptops. Wipro launched The Eco Eye initiative to reduce its carbon emission, use natural resources effectively, and promote waste management and reducing the usage of hazardous substances in their processes [9]. It had a main aim of inculcate green management culture in the organization. Not only this, they also introduced changes in their overall infrastructure. Wipro substituted the existing CRT monitors with the LCD ones which conserves more energy. They company also built a green testing lab and was practicing the Carbon Disclosure project in order to keep in check their carbon emissions.

b) SUZLON

Suzlon partnered with the India's largest Public Sector Bank, State Bank of India, to launch with the "Green Banking Initiative". SBI become the first Indian Bank for taking up the leading in harnessing the energy from wind [10]. Suzlon has established the One Earth Campus in Pune, India, and is the best energy efficient building that has been built in India. It is insulated with green roof, and has top-notch energy efficient lighting system as well uses renewable energy for its day to day operations.

c) HCL Technologies

HCL has launched a program called "go Green" which promotes individuals to take action against the various environmental issues. It has a comprehensive designed environmental framework which promotes environmental sustainability in the manufacturing industries, as these are the industries which are majorly taken up as the root cause of environmental pollution. It has launched an Antimony and Beryllium free laptop which makes HCL the first company to do so [10]. It has also integrated their customer in the environment protection activities. For disposing off the electronic equipment, HCL has launched a tack back service and has been continually working up to recycle the electronic waste [10].

d) ITC

ITC has become the only company in the world to be positive in the carbon, solid and waste recycling. It has almost 40% energy consumption from the renewable sources of energy and has played an instrumental role in creating over 5 million sustainable livelihoods [10]. It has

also portrayed an exemplary performance in adopting the Triple Bottom Line approach. ITC has become the first ever company in India to launch Ozone-treated elemental chlorine free bleaching technology [1]. ITC has also been working hard to prove ranges of products that are environmentally friendly.

#### e) IDEA CELLULAR

Idea launched a campaign name "Use Mobile, Save Paper". It also launched Green Pledged campaign and motivated the society to come forward and save the paper and trees [11]. It is also working upon to build bus shelters which have plants on them to convey a green message to the society.

### 4) Benefits of Green HRM

GHRM have certain inherent benefits. These advantages are as follows:

1. It enhances morale of the employee.
2. Helpful in retaining the employees.
3. Enhances the brand image of the company.
4. Improves the quality of both internal and external stakeholders.
5. Reduction the costs incurred by the company.
6. Providing a competitive edge to the company.
7. Stimulating growth, quality improvement and enhances the procedures and methodology adopted.
8. Effectively and efficiently utilizing the resources.
9. Encourages the concept of green learning in the organization.
10. Generating employment opportunities.
11. Fulfilling the self-actualization needs of the employee.

### 5) Challenges of Green Human Resource Management

Some of the challenges of adopting GHRM are as follows:

1. Difficulty in altering the behavior of the employees.
2. There might be a possibility that someone employees might lack motivation in adopting the green practices.
3. Cumbersome process of formulating and adopting GHRM process.
4. Sourcing and recruiting of green employees are a major barrier.
5. High investment requirements during the nascent stages of framework development.
6. High degree of promotional activities to be done.
7. Difficulty in measuring efficiency and effectiveness of these green techniques.
8. Educating all the HR employees about the green processes, green techniques and tools, green initiatives that can be adopted is a little time-consuming process.
9. Building up a green culture in the company.

### 6) Conclusion

Nowadays, societies have been promoting the environment well being and thus, business have focusing on different green techniques and integrating these in their everyday work activities. GHRM efforts have been focusing mainly upon enhancing competency among the various

internal and external processes as well as promoting environmental culture among the organization [12]. This leads to a greater efficiency with a substantial reduction in the costs. GHRM promotes: carpooling, following the three R's, video conferencing, sharing of the jobs etc.

Increasing the depth of green HRM practices, can lead to organizations improving the environmental performance as well as function more in a sustainable manner. Green HRM is one of the most powerful tools that can make the both the organizations and their operations green. Human resource competencies can be reshaped by aligning focus on the concepts such as green attitude, green behavior etc. Thereby, organizations should try and prioritize in making each function of the organization go green.

## 7) References

### Journal Articles

- [1] Deshwal, P. (2015). *Green HRM: An organizational strategy of greening people. International Journal of Applied Research*, 1(13), 176-181.
- [2] Jain, A. (2016). *Green Human Resource Management Concept in Indian Industries – Present Scenario. International Journal of Multidisciplinary Allied Research Review and Practices*, 3(7).
- [3] Crowe, D., & Brennan, L. (2007). *Brennan Environmental considerations within manufacturing strategy: an international study. Business Strategy and the Environment*, 16(4), 266-289.
- [4] Kapil, P. (2015). *Green HRM- Engaging Human Resource in reducing carbon footprint and enhancing environment sustainability: A case study based approach. International Journal of Engineering Technology Science and Research*, 2, 5-14.
- [5] Cherian, J. P., & Jacob, J. (2012). *A study of green HR practices and its effective implementation in the organization: A review. International Journal of Business and Management*, 7(21), 25.
- [6] Bauer, T. N., & Aiman-Smith, L. (1996). *Career choices: the influences of ecological stance on recruiting. Journal of Business and Psychology*, 10(3), 445-458.
- [7] Hart, S. (1997). *Beyond greening. Strategies for a sustainable world Harvard Business Review*, 75(1), pp. 66-76.
- [8] Yang, C., Lin, S., Chan, Y., & Sheu, C. (2010). *Mediated effect of environmental management on manufacturing competitiveness. An empirical study International Journal of Production Economics*, 123, 210-220.

[9] Unnikrishnan, D., & Hedge, S. (2007). *Environmental training and cleaner production in Indian industry—a microlevel study*. *Resources Conservation and Recycling*, 50(4), 427-441.

[10] Mishra, R.K., Sarkar, S. and Kiranmai, J. (2014) 'Green HRM: innovative approach in Indian public enterprises', *World Review of Science, Technology and Sustainable Development*, Vol. 11, No. 1, pp.26–42.

[11] Sroufe, R. (2003). *Effects of environmental management systems on environmental management. Practices and operations Production and Operations Management*, 12(3), 416-430.

[12] Ditz. D. Ranganathan, J. and Banks, R.D. (1995), *Green Ledgers: Case Studies in Corporate Environmental Accounting*, World Resources Institute, Washington.