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International Business

Corporate sustainability and business strategy: Case Study of company in automotive industry

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Abstract

The thesis describes the concept of corporate sustainability and its incorporation into business strategy, in case of automotive industry. To support and extend the theory, it contains a case study of the French automotive components producer, Faurecia.

Key words: sustainability, CSR, automotive industry, business strategy, corporate sustainability management

Contents

Introduction

The idea of preserving the environment that surrounds us for our future generations is not a new concept and has been around for quite some time. Only now, thanks to the new technology and increasing influence of media, it is becoming more relevant to everyone in the society and people are becoming more conscious. On the one hand, it is thanks to all the information we have gathered over the years and that is available to most of us, on the other hand, the situation is becoming unsustainable and people, as well as corporations, are realizing that it might be the time to really start doing something.

The concept of sustainability from a business point of view can be divided into three main perspectives: economic, environmental, and social. Economic, or financial, perspective is the main concept and motivation for doing business in general and is not the target subject of this thesis, although it will not be ignored or forgotten, since as will be mentioned, even a higher investment or a financial loss due to the effort of protecting the environment and society may bring an added value, and in the consequence, financial gain. The two others, environmental and social perspectives, are the base of the corporate social responsibility concept and will be described and discussed in detail.

What each of us can do for the sustainability and the protection of our environment is not the subject here. What companies, and especially the multinational ones, can do is the main topic of the thesis. As in most cases the progress towards corporate sustainability has been slow, it might be suggested that there is a need for more concrete guidance and strategy framework.

The main aim of this thesis is to describe the implementation of corporate sustainability into the business strategy of the company Faurecia. Special attention will be aimed at the social part of sustainability, namely the HR management.

There were defined the following **research questions that will help to answer the aim of thesis:**

1. What is automotive industry's approach toward sustainability?

2. Which tools, mentioned in the theoretical part, is the company using?

3. What is the company's attitude towards sustainability?

4. How are employees contributing to corporate sustainability?

5. How is the company ensuring the HR sustainability?

Restrictions: Because there has been a lot of research in this field, I will not mention all the theories and approaches. Also, it is not the aim to judge the efficiency of individual solutions, only to describe them.

The thesis is divided into two main parts, theoretical and practical. The first half of the theoretical part is dedicated to the environmental perspective, the development of sustainable business strategy, different tools, and lastly the current standards in the context of sustainable development. The second half belongs to the social perspective and will be focusing on the concept of green HRM, HR selection and current standards in this area.

Chapter three includes the case study of the selected company, Faurecia. After a brief introduction into company's history and current market position, the focus will be on the two perspectives, environmental, and social, respectively as defined above. Then the research will focus on publicly available corporate materials, investors' relations information and semi-structured interviews with employees conducted by the author of the thesis. Previously mentioned information will be critically assessed in comparison with information from media and press.

Chapter four shows comparison of the outcomes of research with the theoretical inputs.

Chapter five brings suggestions for the company.

1. Definition of Corporate Sustainability and Automotive Industry

This chapter will present review of literature related to corporate sustainability, corporate social responsibility, and detailed description of automotive industry and supply chains. Also, it will describe and new trends in the relationship between car producers and components suppliers, which will be demonstrated in figures.

1.1 Corporate Sustainability

First of all, the explanation of corporate sustainability and all related terms is in order. As M. Wilson puts it: "Mix sustainable development, corporate social responsibility, stakeholder theory and accountability, and you have the four pillars of corporate sustainability. It's an evolving concept that managers are adopting as an alternative to the traditional growth and profit-maximization model" (Wilson, 2003).

First, let's focus on sustainable development and its role. Its concept is based on balancing the profit-maximizing part of doing business with environmental and social impact of the whole business. The term was brought to attention in 1987, in a book published by the UN's World Commission on Environment and Development, Our Common Future. The WECD's definition of sustainable development goes as follows:" A development that meets the needs of present generations without compromising the ability of future generations to meet their needs." (Wilson, 2003)

Until 1987 it was mainly a governments' task to balance the negative impact of companies' operations, but it showed to be unachievable. Therefore, the WCED decided, that it had to change and businesses take part in it as well. For one, because companies are directly responsible, and for second, they have the resources. It was easily said than done, and initially, the idea was not received with much enthusiasm. But, after the release of publications by the International Chamber of Commerce, companies got more specific idea of what it should look like in action (Wilson, 2003; Baumgartner *et* al., 2017).

That was in 1992, and since than many leaders and companies showed support to the principles, because they not only do good, but they also make profit, in the long run and may be a source of competitive advantage (Wilson, 2003; Baumgartner *et* al., 2017).

Another very important concept is the CSR. It's been around as long, as doing business itself. To explain it in a simple way, corporate social responsibility deals with managers' obligations and responsibilities towards society. It states, that managers should not only act in the interest of the company, its shareholders and their own. But they are ethically obliged to address the needs of others. Obviously, there is a huge debate to which extend should they do so and the opinions wary. CSR plays an essential role in corporate sustainability. It provides ethical arguments as to why should managers lead the company towards sustainability (Wilson, 2003).

Opposite to CSR stands the so-called stakeholder theory of the firm. Unlike CSR, this concept is quite new, brought to light by Mr. Edward Freeman in his book Strategic management: A Stakeholder Approach, from 1984. And unlike CSR, the concept is not very philosophical, it is related to strategic management. First challenge that any company deals with, is to identify its stakeholders. A stakeholder is generally defined as a "a party that has an interest in a company, and can either affect or be affected by the business." (Wilson, 2003)

There are groups, such as shareholders, investors, employees, suppliers and customers, which are stated to be stakeholders. But then, there are other groups, such as governments, community, or trade associations. They are not explicitly said to be stakeholders and each company has to decide on its own, whether to consider them, or not. Now, that the company has identified its stakeholders, it has to come up with individual strategies for dealing with them (Wilson, 2003).

In reality, each group has different goals and priorities, and a good corporate strategy should make it possible to satisfy all of them. Among common goals we would find economic prosperity, social justice and environmental protection. Here, the contribution of the stakeholder theory is clear. It provides business arguments to the managers. It simply tells them, you should work towards sustainable development, because it is in the interest of most of your stakeholders, it will improve your relationship with them, and so it will bring economic prosperity (Wilson, 2003).

In case the former argument would not be enough to convince the managers, there is another concept, corporate accountability (Wilson, 2003).

Being accountable for something means, that the person has to explain his actions, justify them and report on them. The concept is based on the agency theory, where shareholders are the 'principal' and managers are the 'agent'. In other words, shareholders are in charge, because they provide the capital, and they oversee the actions of management to make sure it operates in their best interest, not in its own. They hold them accountable for what they do, how they do it, and what is the result. This model is not only applicable in shareholders-management relationship, but also in many other cases. Corporate accountability defines the nature of managers-society relationship and provides arguments as to why it is important to report on companies' environmental, social, and economic performance (Wilson, 2003).

According to another information source, "corporate sustainability refers to the way in which companies are able to integrate and deploy the three-bottom line perspectives into their production systems." (Rocha-Lona *et* al., 2015). The three perspectives are environmental, social and economic perspective. This distinction is very important, as it works as a foundation for sustainability management. The social perspective is a bit tricky, because it may be view externally, as well as internally. Internally meaning employees of the company, a firm's human resources. Externally meaning all stakeholders.

As mentioned earlier, measuring and reporting on company's activities is crucial. To report on corporate sustainability, companies use the so-called triple bottom line (TPL) accounting, which combines environmental, social and financial indicators. There are also many business frameworks for measuring sustainability, which can help the company operate in a sustainable manner. For example, Business Excellence Models (BEMs), such as EFQM, Baldrige Model, Global reporting initiative (GRI), ISO standards, and many others (Rocha-Lona *et* al., 2015).

Maturity levels for corporate sustainability refer to a level, an extent, to which a company affectively planes and deploys sustainability initiatives. There are four levels.

A) Not applicable, for companies that ignore or are unaware of such concept.

B) Poor, for companies that only do the minimum required by the law.

C) Elementary, for companies that do focus on sustainability but do not see any benefits in being proactive in the area.

D) Satisfying, for companies that go beyond requirements, are proactive, benefit from and even promote such activities (Rocha-Lona *et al.*, 2015).

1.2 Automotive Industry Characteristics

As the thesis is focused on corporate sustainability management of the automotive company, there is a need for description of the industry.

Automotive industry, the 'industry of industries'. There really is not any other industry, that would have such an impact and presence all around the world. It is mainly caused by its scale and also, by its linkages to other manufacturing branches and services. According to Dicken's Global Shift, "around 8 million people are employed directly in automobile production." Also, "its products are responsible for almost half the world's oil consumption, and their manufacture uses up nearly half the world's output of rubber, 25% of its glass and 15% of its steel." The industry is mainly characterized by assembly lines, huge variety of components, geographically concentrated production and transnationality. At the center of the whole circuit is the complex relationship between suppliers of the components and the assemblers (Dicken, 2011, p.332-336).

Since the Ford's first assembly line a lot has changed. There no longer such things like local assembly, national automobile industries, or a full-scale manufacturing. The production is no longer concentrated in the three major regions, North America, Europe and Asia, but is moving towards Japan, China, India, Russia and Brazil. The patterns of consumption change as well. Today, a car is a must have. Especially in countries with poor public transportation systems. It provides personal freedom to travel places, it may be used to project social status and driving it brings enjoyment. All these attributes make it the most significant aspirational goods. With growing income of the middle-class, cars also became more affordable, and in case a standard car is still too expensive for some people, companies come up with other solutions. Take Indian Tata and its Nano small car, for example. Anyway, Dicken sums up

todays demand for cars into three points. First, it is highly cyclical. Second, there are long-term changes in demand, and third, there are signs of increasing market fragmentation and segmentation (Dicken, 2011, p.337).

In 2008, the automobile industry was severely hit by the financial crisis. Demand for cars in North America and Europe fell overnight. These markets were replaced by those in Asia, Eastern Europe and Latin America. From Asian markets, the major growth in demand is expected in China, which is now already the largest automobile market in the world. It also replaces the Western worlds' demand for SUVs and luxury cars (Dicken, 2011, p.338-339).

Another cause for dropping demand for cars in mature markets, is the fact that people only purchase a new car to replace the old one. The improving quality of new cars only supports the slow growth in demand. There is yet another challenge for car producers. Consumers are becoming more demanding in terms of what type of car they want, for what purposes and other specifications. They also want to have the car here and now. Taken together, automotive companies had to change how and where they manufacture the cars (Dicken, 2011, p.338-339).

1.2.1   From mass production to lean production

Between 1913, when the assembly line was introduced, and 1970s, the production changed very little. Cars were produced in huge volumes, but in a very limited range, to gain economies of scale. The dramatic change occurred in 1970s, when Japanese Toyota entered the market (Dicken, 2011, p.339).

The basis of their flexible/ lean production was a modular component system, which provides an easy switch to new products. Workers were multi-skilled and operated in teams. Mass production was no longer efficient in its relationship with suppliers as well. Holding large 'just-in-case' inventories and having the supplier on a different continent was no longer convenient and cost-reducing. Toyota had a close relationship with its tiered system suppliers and used the 'just-in-time' delivery systems, which required geographical proximity. But most of all, the new production system provided increasingly wide range of different products, with which the old mass production system could not compete (Dicken, 2011, p.101).

This evolution resulted in two main changes in the production process. First, shared platforms between different models of cars, which shared the same components. And second, modularization, meaning that each group of components, which operates together on a specific vehicle function, is manufactured as a coherent unit. For example, exhaust systems, electrical systems, braking systems and so on (Dicken, 2011, p.339).

The just-in-time trend in production and delivery, changed the relationship between assemblers and component manufacturers. Suppliers had to relocate closer to the assemblers and some of the companies even formed a so- called supplier park, where "a small group of the automaker's direct suppliers are physically installed within the walls of the automakers plant and participate in a share of the plant's infrastructure costs." Because of this tremendous pressure on suppliers, there has been a massive decline in their number, which was even accelerated by the 2008 crisis (Dicken, 2011, p.346).

1.2.2 European Automotive Production

Thanks to its former national orientation, European automobile production has a long tradition and its networks are very complex. There are producers, such as Ford or GM, who have been a part of European market for almost 100 years. Over the century, they managed to establish close relationships with governments, suppliers and workers (Dicken, 2011, p. 356-358).

However, in recent years, especially after 2008, they tend to cut their operations in Europe and are moving to areas with lower labor costs. Then, there are producers from Asia, who treated the market as a 'clean sheet', starting their production in UK and France between 1980 and 1990. VW is one of the truly local producers. Its plants in Germany and Spain have a long history and after 1989, the company acquired plants in Eastern Europe as well (Dicken, 2011, p. 356-358).

Let's not forget to mention the other famous European producers. Italian Fiat and French Renault, Peugeot and Citroën. The major focuses of European producers outside Europe are mainly Brazil, Mexico and rapidly growing China (Dicken, 2011, p. 355).

The political change after 1989 affected the automobile production quite a bit. Western producers started acquiring local businesses, building new plants and moving their production to the Eastern countries, such as the Czech Republic, Poland, Hungary, Slovakia, Romania and Slovenia. At first, they only served as providers of unqualified, cheap labor, specializing in standard and labor intensive products. Nowadays, the situation is changing and their specialization is shifting towards high-value-added products (Dicken, 2011, p. 359).

2. Business Strategy and the Perspectives of Corporate Sustainability

As stated in the title, the thesis also focuses on business strategy and its relationship to corporate sustainability and automotive industry. Therefore, in this chapter, there will be presented several definitions and procedure of strategy making.

2.1 Business Strategy

The word 'strategy' has many meanings and many people, even those, who are involved in strategic planning, have issues with understanding its role. Mintzberg, in his book: The Rise and Fall of Strategic Planning, presents five contrasting perspectives. A) Strategy is a plan, a guide to one's objectives. B) Strategy is a pattern of behavior. C) Strategy is a position in the market. D) Strategy is perspective, a business concept. E) Strategy is a ploy, to outsmart competitor (Mintzber, 1994). All these definitions are to show, how wide the term is.

Luckily, there are ways to help managers with the formation of the strategy. One of them is presented by Baumgartner and Rauter in their paper on Corporate sustainability management (2017). They divide the process into three components. Strategy process, strategy content and strategy context (Baumgartner, 2016).

The strategy process is the making-of, the development phase. The strategy content are the conditions accompanying those activities. All the possibilities and limitations, for example regulations and natural resources scarcities (Baumgartner, 2016).

The results of strategic activities, are represented by the strategy context. It covers all from company's goals and how to achieve them, to the impacts of company's activities on stakeholders and the environment. In profit-oriented corporations, the corporate sustainability strategy is usually a subset of some competitive strategy. In reality, there are two general approaches. In the first case, sustainable development is considered a higher goal and the formation of the corporate sustainability (CS) strategy has ethical reasons. In the second case, the CS strategy is a necessity, a requirement and is formed to stress the economic advantages, such as cost reduction and competitiveness. Most importantly, both external development and internal strengths and weaknesses must be considered during the strategy making process (Baumgartner, 2016).

Figge and Hahn show, that strategies are made on a scale from planned to emergent. Planned strategy making is a well-structured process, which consists of two steps, first, the objectives are deduced from the company vision and the strategy is precisely planned. In the second step, it is implemented in the top – bottom manner. The drawback of this approach is that assumptions might be incorrect and without being able to react, any strategy is useless. On the other side of the scale, there is the emergent strategy making. It is an ongoing process, where the strategy is formed from the bottom up by managers, who are directly in contact with technological and market changes. The negative side here would be the lack of control and coherence (Figge et. Al, 2016).

As for the automotive industry, there are specific trends in the corporate strategy making. Due to a high fragmentation of the industry throughout the history, the trend nowadays is concentration and consolidation. Smaller producers either merged, or had been acquired, creating only a few TNCs, there are today. Suppliers of the automobile producers follow this trend as well. To gain a competitive advantage and to become a global player. Some alliances were shorter than others, but anyway, there are only a few huge TNCs, who pass the smaller companies between themselves. Nevertheless, there are some companies, Toyota for example, which have grown entirely organically, by introducing new models and new technologies. All these trends make the automotive industry a wide web of long and short term alliances, joint ventures and strategic partnerships (Dicken, 2011, p. 344 -346).

The most important trend for this Thesis's research, however, is the "changing relationship between automobile assemblers and component manufacturers." (Dicken, 2011, p.346) The need for consolidation comes from the high demands of today's market. The assemblers need the components to be delivered just-in-time, at low cost, continuously and in a high quality. They force the manufacturers to take on the research and development of new components, together with all extra costs and the risk. They also need to be located close to the assemblers' plants. No wonder, not many suppliers were able to survive. The 2008 crisis even supported the decline in the number of component suppliers. In response to these changes, suppliers became functionally segmented, which gave a rise to new supplier categories, the integrators and the standardizers. Their relationship with assemblers changed completely, they are much more powerful than before. Without them, automobile producers are no longer able to design certain modules or produce certain parts, because they do not

own the 'know-how' anymore. For that reason and many others, they developed a much closer relationship and interdependence, visualized by following figure 1.

Figure 1: The Changing structure of the automobile supply chain
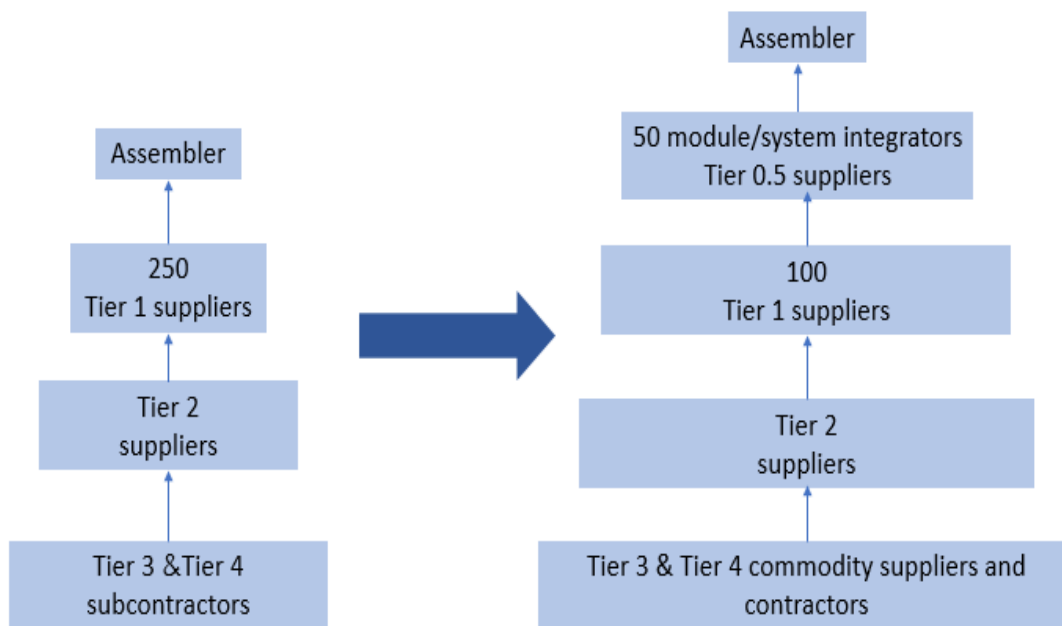
In some cases, they created so-called industrial condominiums, where a group of closest, first-tier suppliers, is physically installed in the assembler's plant. In Europe, they are called 'supplier parks'. The relationship reversed so, that some assemblers depend upon a few mega-suppliers (Dicken, 2011, p. 347-349).

2.2 Environmental Perspective, Frameworks, Methods, and Tools

Now, let's move from the general corporate strategy making, towards incorporating the environmental perspective into the business strategy. Corporate sustainability strategy should be implemented at all business levels and processes. It should not be complex, but

comprehensible, and the changes need to be effective and efficient. The key elements are sustainability policy, goals, activities, communication and measurement. Following, there are some examples of tools, which can help with the process of implementation (Baumgartner, 2015).

2.2.1 EMAS and Sustainability Reporting

Environmental management systems, for example the EMAS – eco management and audit scheme or the ISO 14001, which is going to be described in detail further on. "The EU Eco-Management and Audit Scheme (EMAS) is a premium management instrument developed by the European Commission for companies and other organizations to evaluate, report, and improve their environmental performance." (European Commission, 2017) There are four key principles: PLAN (Environmental policy and programme), DO (Implement the environmental management system), CHECK (Internal environmental audit), and ACT (Continuous environmental performance improvement). The main benefits of the EMAS are: improved credibility, transparency and reputation; reduction of environmental risks and regulatory relief; improved financial performance through resource efficiency and cost saving; improved workplace environment and employee commitment (European Commission, 2017).

The best-known framework for voluntary environmental reporting, the GRI – Global Reporting Initiative (Baumgartner, 2015).

Sustainability report consists of reports about company's economic, environmental and social impacts of its daily activities. It also shows the link between a company's strategy and commitment to global sustainability. It helps companies to measure and understand the performance of each area and increase the effectiveness of sustainability goals-setting and management. Similar to GRI reporting, are for instance triple bottom line reporting or CSR reporting. The major providers of guidance in sustainability reporting are GRI, OECD – Guidelines for Multinational Enterprises, UN Global Compact, and ISO (GRI, 2017).

2.2.2   ISO 14001 – Environmental Management

The ISO 14000 family of standards, by the International Organization for Standardization, provides a universal framework and tools. It may be used by any company, which recognizes the significance of environmental protection, or is required to do so. The very first version dates to 1996, and even then, was very popular. Here are some examples of the most frequently used standards. ISO 14004–General guidelines on principles, systems and support techniques, ISO 14006–Guidelines for incorporating eco-design, ISO 14064-Greenhouse gases (ISO, 2016).

The most recent version of the ISO 14001, from 2015, "helps organizations improve their environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantage and the trust of stakeholders." (ISO, 2015).

The standard can be used with, or without a certification. Although, the certificate shows to the stakeholders, that the company was successful with the implementation. Anyway, it ensures the compliance with any legal requirement, anywhere in the world, and helps with the financial aspect (ISO, 2015).

Apart from international organizations, the main regulators are the states, or in case of Europe, the EU. They set environmental and safety policies, and control the emissions. The most recent directive issued by the EU, commits the manufacturers to cover the cost of recycling. In addition to that, they have to ensure the recyclability of 85% of each vehicle's weight (Dicken, 2011).

2.2.3   Green Product

Apart from the implementation of environmental perspective into company's strategy and operations, there is another way to become an environmentally conscious company. This is to focus on producing a ´green´ products. There has been a lot of research undertaken in this area, especially concerning the automotive industry. Mainly because the biggest environmental challenges are the limited amount of raw materials used for production and operations of cars, and the CO_2 emissions (Baumgartner, 2015).

The search for more efficient and cleaner cars is one of the main challenges that manufacturers face. To meet the environmental regulations on emissions and to reduce the fuel consumption, they are developing new technologies. The major ones are: hybrid cars, plug-in cars and hydrogen fuel cells.

Hybrid cars are a combination of conventional engine and rechargeable battery. Plug-in cars, electric or hybrid, are rechargeable using a plug. Hydrogen fuel cells are used to power the third type of electric car. Although all the major producers invest a lot into all these areas, only the first type hybrid cars showed to have an impact. Another completely different approach is to develop small, low cost and low consumption cars, primarily for developing country markets (Dicken, 2011).

There are methods, which can be used to produce greener products.

LCA, or the lifecycle assessment method, accounts for the environmental impacts of the product from its inception to end-of-life. It starts with the extraction of raw materials, manufacturing, distribution, use, and lastly the end-of-life stage (Mayyasa et al., 2012).

Also, the automotive design and materials can be selected for sustainability purposes. The right materials will make the car more efficient while lowering its emissions. There are qualitative selective methodologies, as well as quantitative (Mayyasa et al., 2012).

For example, Eco-indicator, grade of recyclability, or the environmental cost from the economical point of view. One of the most interesting indicators, used to select the right materials, is called the lifetime environmental cost (LEC). It is a sum of initial energy content and the energy consumed over the lifetime of a vehicle (Mayyasa et al., 2012).

Another framework presented in Mayyasa's Design for Sustainability paper, uses the design-for-X principle to develop a sustainable product. It consists of, design for manufacturing, design for recyclability, design to minimize material use, design for durability and design for energy efficiency (Mayyasa et al., 2012).

2.3 Social Perspective

"Socially responsible strategy has already become an integral part of many competitive and sustainable enterprises' daily activities. CSR concept provides organization stakeholders all interests' satisfaction" (Lapina et al, 2012). Successfully implemented CSR strategy leads to the overall corporate sustainability. In such companies, the HR selection process is different, because the potential and current employees are viewed as stakeholders (Starineca, 2016).

2.3.1   HR Selection in the context of social responsibility

In general, SR organizations try to create a positive employer brand, internally as well as externally. When developing HRM strategy and deciding on the right HR selection approach, it is important to have all stakeholders' interests in mind. In case of potential employees, the interests may be related to ethical, economical, and legal issues. As O. Starineca states in the paper called HR Selection Approaches and Socially Responsible Strategy, "Companies oriented to sustainability with a positive employer brand are the targets for many job seekers nowadays." (Starineca, 2016).

HRM activities and processes need to be coherent with the overall business strategy as its functional level. The role of HR in a company is very significant, because finding the right people for the right job results in one of the biggest competitive advantages. The main HR's functions are recruitment, training, development, compensation and retention of employees. Human resources become a source of long-term competitive advantage, if they are exceptional, add value to the company, and are irreplaceable. The HRM strategy develops the right selection process to satisfy these conditions and to attract the right people (Starineca, 2016).

In the new generation CSR, there is a symbiosis of employer and employees. Employees, future and present, are increasing the value to the company's brand, which in return, is used by the employer to motivate and recruit new highly skilled workers. This kind of cooperation is necessary to achieve the goals, because no party can do it without the other (Starineca, 2016).

Another aspect of socially responsible HR selection, is the non-discriminatory practice. This aspect is mostly covered by legal frameworks, by the European Commission for instance, and standards. The ISO 26000, concerning social responsibility will be described in detail further on.

2.3.2 Green HRM

"Green HRM is the use of HRM policies and practices for supporting the sustainable use of within the organizations that create awareness and commitments on the issues of environmental sustainability." In general, green HR focuses on high technical capabilities of employees, which are necessary to develop innovative environmental initiatives and programs. At the same time, green HR management aims at employees' consciousness and engagement considering environmental issues (Hossain et al, 2016).

Typical green HR activities include for instance, using less paperwork, creating pleasant working environment, environmental training and performance review, to wake employees' engagement. All the activities are meant to support the overall sustainability strategy. By alighting its practices and policies with sustainability goals, the HR department may be a true driver of organizations green culture (Hossain et al, 2016).

Since employees are the ones who create the added value and company's brand image, implementing these practices gains the competitive advantage through environmental consciousness of the workers. The main reasons for adapting green HRM practices are summarized in the figure 2 below (Hossain et al, 2016).

Figure 2: Why firms should adopt green HRM practices

Hossain mentions several HR practices, which can easily become 'greener'. Online application and resume submission are common practice, nowadays. It is efficient, quick, easy and cheap. Also, the paper consumption can be significantly reduced during the selection process and interviews (Hossain at el, 2016).

During the inclusion process of new employees, the company's attitude for green issues should be stressed out. Green performance objectives and green behavior indicators should be one of the key areas of performance evaluation at all levels. Training process should

include relevant content, to increase employees' awareness and develop their skills in environmental management (Hossain at el, 2016).

The health and safety management went through some changes connected to the green HRM implementation too. Many companies have redesigned the post of health and safety managers, widening the job scope and adding some of the aspects of environmental management to it. "The key role of green health and safety management is to ensure a green workplace for all. Green workplace is defined as a workplace that is environmentally sensitive, resource efficient and socially responsible" (Hossain et al, 2016).

Besides benefits, there are, of course, many challenges accompanying the implementation of green HRM practices.

Not all employees are equally motivated and willing to adopt green practices and persuading them is very challenging. Also, developing and maintaining the HRM practices is a long process and requires high initial investments. However, green HRM practices are a very significant segment of corporate sustainability, so willingly or not, companies will need to implement them (Hossain et al, 2016).

2.3.3   ISO 26000 - Social Responsibility

ISO 26000 focuses on company's impact on society and provides a guidance about how to operate in transparent and ethical way. Unlike ISO 14001, companies cannot receive a certificate (ISO, 2014).

Although, the standard does not set requirements, it is a good example of what the legislation might look like in the future (ISO, 2014).

The standard contains seven core subjects, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development (ISO, 2014).

Besides the benefits the implementation brings to companies, such as trustworthy brand image, popularity amongst stakeholders or cost saving, it highly contributes to UN's sustainable development goals. Alike green HRM, it highlights the importance of employee

training and education concerning the efficient use of resources and proper disposal of waste, not only at workplace, but also in their own households (ISO, 2014).

3. Case study: Faurecia Company

The second part of my thesis is going to bring practical evidence and information thanks to the cooperation with a real life automotive company, Faurecia.

3.1 Introduction of the Company

Firstly, I am going to present the history of the company and its most important milestones. Afterwards, I will focus on the current situation and Faurecia's market position and lastly on the company's approach toward sustainability, by analyzing the HSE management and HRM practices.

Figure 3: Being Faurecia: Shared Culture
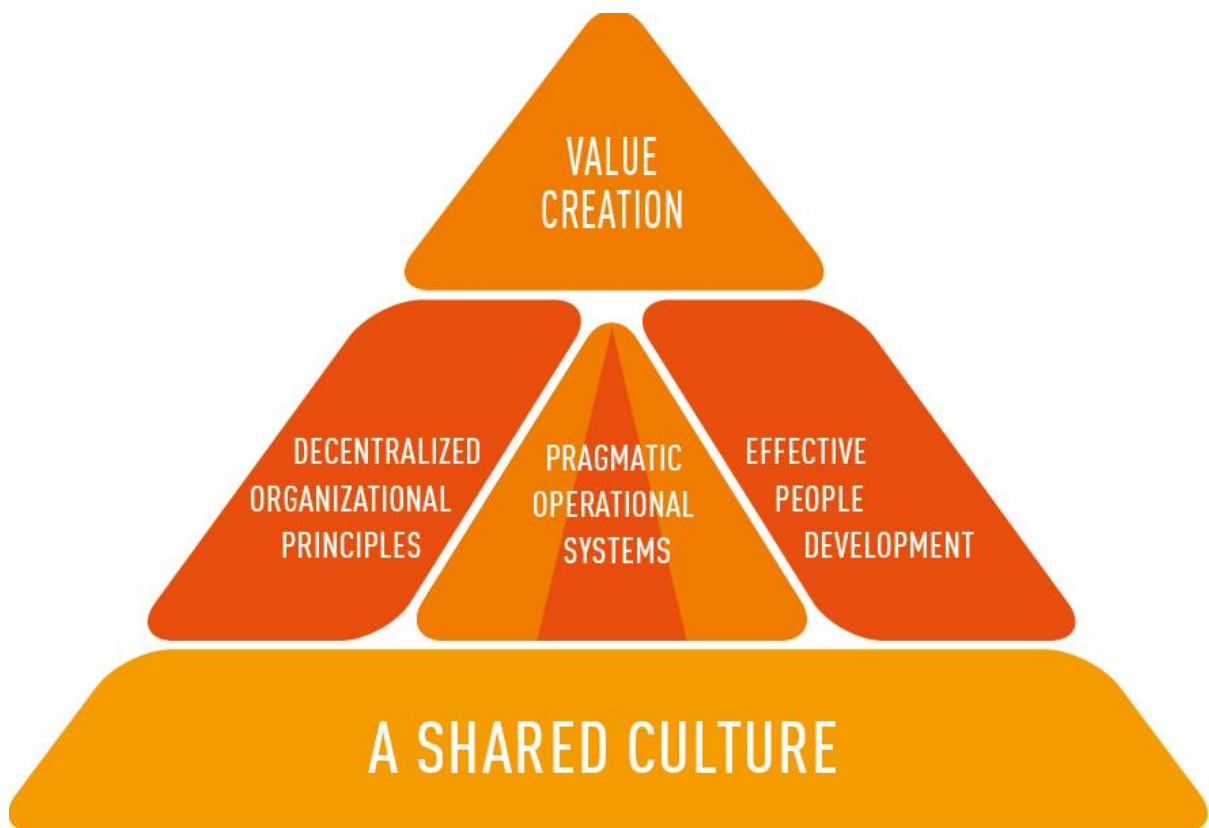
Source: provided by the company

3.1.1 History

The story of the company goes back to the early 20th century when a French businessmen Bertrand Faure opened a workshop to produce seats for the Parisian metro trains and trams. In 1929 he obtained his first patent for the Epeda spring system, which was a big step towards producing new generation automobile seats, which were very comfortable and soon became desired goods, making Faure a French leader in this category (Grant, 2005)

On the other side of the story is a very well-known French company, Peugeot, which began its production a little bit later but was no less successful. The company started its production of automotive components, bicycles and motorcycles in 1945, and in 1987 decided to merge with Aciers et Outillage Peugeot and Peugeot Cycles to became the ECIA (Equipements et Composants pour l'Industrie Automobile) (Grant, 2005).

Another important event took place in 1988, when Peugeot, Michel Thierry and Michelin backed up Faure when he was fighting off a takeover attempt by another French components producer, Valeo. He managed to save his company but the buyout left him in a complex financial situation. Eleven years later, in 1997, Michel Thierry sold his 16,6 % stake to ECIA, which came knocking Faure's door with a full-scale takeover offer. For it seemed like the only solution to the complicated financial situation, Faure agreed to be acquired by ECIA, forming Faurecia (Grant, 2005).

The merger turned out to be very successful as in 1998 it already had 32 000 employees and approximately €4 billion of sales. It also managed to gain a solid position on the US market by acquiring the AP Automotive Systems (Grant, 2005).

From that moment on, Faurecia began narrowing its operations, focusing on such segments, in which it had already established its leadership position. Another step of international expansion was opening new plants in Brazil and Poland (Grant, 2005).

In 2001 Faurecia took over the automotive components division of Sommer Allibert, becoming one of the global leaders in the vehicles interior sector. Again, this decision turned out to be well thought through, as the product ranges of both companies complemented each other perfectly (Grant, 2005)
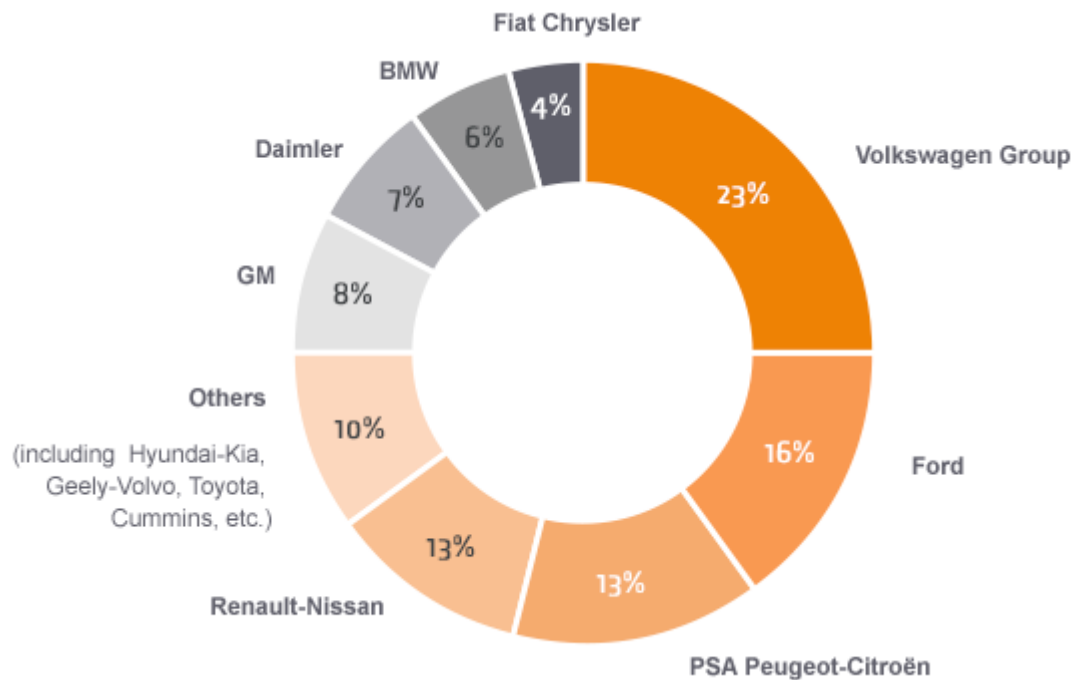
In 2003 Faurecia negotiated a contract for production of cockpit components for the American Chrysler, extending its list of exclusive partners (Grant, 2005)

3.1.2   Current Market Position

Today, Faurecia is one of the leaders in the production of automotive components, which are divided into three business groups. Automotive seating, interior systems, and Faurecia clean mobility. Automotive seating group includes components such as frames, foam pads, trim covers, electronic and pneumatic systems. Interior systems include cockpits, center consoles, door panels and modules, acoustic products and decorative components. Faurecia clean mobility group specializes in weight reduction, pollutant emissions control and energy recovery. Through constant innovation and know-how mobilization, the company is able to meet stricter environmental standards and respond to public's ecological concerns. Production of mufflers, manifolds, catalytic converters, emissions control systems and complete exhaust systems is covered by Faurecia Emission Control Technologies (Faurecia, 2016).

It is the major supplier of components to automotive manufacturers such as Peugeot-Citroen, Volkswagen, Renault Nissan, BMW, General Motors, Ford and Daimler Chrysler, the proportions of sales are captured in the Figure 3 below (Faurecia, 2017).

Figure 3: Faurecia product sales by customers

Faurecia's main competitors are for example Johnson Controls International Inc., Valeo S.A., Delphi Corporation, Bridgestone Corporation, MAN AG, Siemens VDO Automotive Corporation, Valeo S.A., Valeo GmbH, Magna International Inc. and American Standard Companies Inc. (Grant, 2005).

Faurecia's European operations account for **51%** of total Group value-added sales, running 110 plants and 13 R&D centers, employing 55 800 workers. These figures are especially important for the thesis, as it only focuses on Faurecia in Europe, more precisely in the Czech Republic (Faurecia, 2017).

3.1.3   Faurecia Group Sustainability Strategy

<u>Global Innovation Eco System</u>

Faurecia's main sustainability strategy seems to be innovation. By developing new technologies, the company responds to societal trends and protects environment. To

expand its knowledge and expertise the company has invests very much into research and development, and also cooperates with numerous universities and scientific communities, particularly in France and Germany. The main areas of research are materials, plastics, metal engineering and manufacturing technologies. The projects are usually focused on comfort and safety solutions, energy recovery systems, bio material, composites, low-cost carbon fiber development and air quality solutions for cars and commercial vehicles (Faurecia, 2017).

A. Sustainable mobility

Faurecia Sustainable mobility program focuses on technologies, which will make the vehicles cleaner and lighter, to reduce fuel consumption and improve air quality. There are four fields of expertise: lightweight technologies, air quality, energy recovery and bio-materials. To be more specific, I will follow with most recent inventions (Faurecia, 2017).

B. EHPG – Exhaust Heat Power Generation

By converting the heat from exhaust gas into electricity, the system creates cleaner and more efficient vehicles. It was directly inspired by power plants. Around 30% of the fuel energy is lost in the form of heat. This heat is used as an additional power source and transferred to a fluid to produce pressurized steam, which creates mechanical energy to drive the wheels. Obviously, there are many advantages, such as emissions reduction and fuel savings (Faurecia, 2017).

C. ASDS – Ammonia Storage and Delivery System

ASDS is an alternative solution for NOx emission reduction. It uses pure solid ammonia converting NOx into non-polluting nitrogen and water, and is efficient at lower temperatures. Its effectiveness has already been proven in real driving conditions on buses, and in 2016 the solution has been proposed with diesel passenger cars as well. The technology has a huge potential of improving the overall air quality, especially in big cities (Faurecia, 2017).

There are many other interesting examples and technologies, but the full list would account for another thesis. Anyway, these are the perfect example of adding to

environmental protection and overall sustainability by creating environmentally friendly product. In the car industry, this is the most significant part, which has the largest impact.

3.2 Environmental Perspective

I would like to follow with more specific research of one of Faurecia's plants in the Czech Republic, its environmental and HR management. The plant is a part of the Faurecia Emission Control Technologies (FECT) business group and produces exhaust systems for passenger vehicles.

3.2.1 Health &Safety &Environment

Environmental management, together with Health and Safety management, are responsibilities of the HSE (Health &Safety &Environment) department. The three areas are to a high extend interconnected and often use common solutions. Therefore, the one department manages all areas simultaneously.

While managing health, safety and environmental protection, the core activity is the implementation and following of legal norms and other requirements. Based on the comparison of the actual condition at the production site and relevant legal requirements, the activities, which may possibly effect the natural or work environment, are determined. In case the activity is defined as one effecting the environment, it has to be accompanied with specific rules, which have to be obeyed.

3.2.2 HSE Policy

The company binds to:

- follow legal and other requirements, related to HSE activities;
- set HSE goals and measure performance to ensure constant improvement;
- minimize negative impacts on the environment caused by its activities;
- minimize and prevent risks and accidents; and to provide financial resources to fund these activities.

HSE Goals

- Reduction of material and energy consumption using innovative technologies and solutions.

- Gradual reduction of waste and emissions caused by the production.

- Regular assessment of risks and their reduction resulting in safer and healthier work environment.

- Regular training of employees to increase their consciousness.

- Open discussion with stakeholders concerning HSE issues and challenges to gain mutual trust.

3.2.3   Environmental Management System

The EMS (environmental management system), is defined by the top management in such a way, that it complements the overall goals and strategy of the company. The content of the HSE policy is communicated internally, as well as externally on the website or notice-boards. The head supervisor is the HSE manager and other inspections are conducted by external HSE auditors. Every employee goes through the manual during the initial training upon his accession. However, the manual is available at different spots within the plant to all employees.

Planning

The company has established several procedures for identification of environmental aspects and evaluation of environmental changes caused by these aspects. Also, there are procedures for identification health and safety risks. Every activity, product and service produced by the company must undergo the procedure. Based on the significance of each environmental aspect, the company sets goals and procedures, to decrease the negative impacts as much as possible, or at least, as much as is legally required.

During the process of goal-setting, the company needs to consider its technical, technological and financial possibilities, as well as the interests of all stakeholders.

The HSE procedures are set by each department according to its needs. The results and performance evaluation are regularly reported to plant managers and assessed by the top management of the company.

Implementation

The company has established so called liability structure, so that everyone is aware of their responsibilities related to HSE. The top management assigns the HSE representative, who is accountable for:

- Reporting of new developments and overall performance
- Implementation of ISO 14001 into the business strategy and operations
- Supervision during the implementation
- Drafting the HSE policy
- Coordination of all the programs and processes related to HSE
- Approval of HSE documents
- Planning of internal audits
- Provision of means and resources necessary for the realization

He also has the authority to:

- Appoint HSE managers and specialists
- Require data from HSE departments
- Communicate with state authorities

Training

Each employee, whose job has a potential impact on the environment or safety, is acquainted with the risks and trained to minimize the negative impacts. Therefore, the liability of compliance lies on all workers, but especially on managers, to make sure that their subsidiaries are provided all the information and resources they need. The HSE manager sets the training schedule and keeps records of the attendance.

<u>Internal communication</u>

To make sure that everyone gets the right piece of information and follows correct directives, there are several internal tools of communication. Meetings and e-mails, of course, are the primary communication channels. Secondary are intranet, notice-boards, or website.

<u>Supervision and corrective measures</u>

As for the supervision and overall management of HSE, simply said, there is a three-step procedure.

First step is monitoring and measuring of environmental indices, analyzing the outcomes and reporting to the top management. Second step will be comparing outcomes with ISO 14001 and other legislative requirements. In case of any disagreements, there is a third step, in which authorized employees find the cause and adjust internal directives and operations.

3.2.4   Supporting Activities

At this point I will provide some examples of activities and projects supporting and promoting environmental protection within the company.

A. Green firm project

In 2016, Faurecia participated in the Green Firm project, which engages companies in electronic waste recycling. All employees were encouraged to bring any electronic waste they wish to dispose of, instead of throwing it out to regular bins.

Around 200 employees participated and the final amount sent to be ecologically recycled was 230 kilograms of electronic waste.

Figure 4: Green company project

B. Waste sorting

Waste sorting is an ongoing activity, which we all know from our households. However, in an industrial production, we are talking about much higher volumes and significance. In the picture below, there are examples of waste sorting bins from office space (on the left), and from production area (on the right). Green, yellow and blue bins are used as usual and the red bin is intended for dangerous waste disposal.

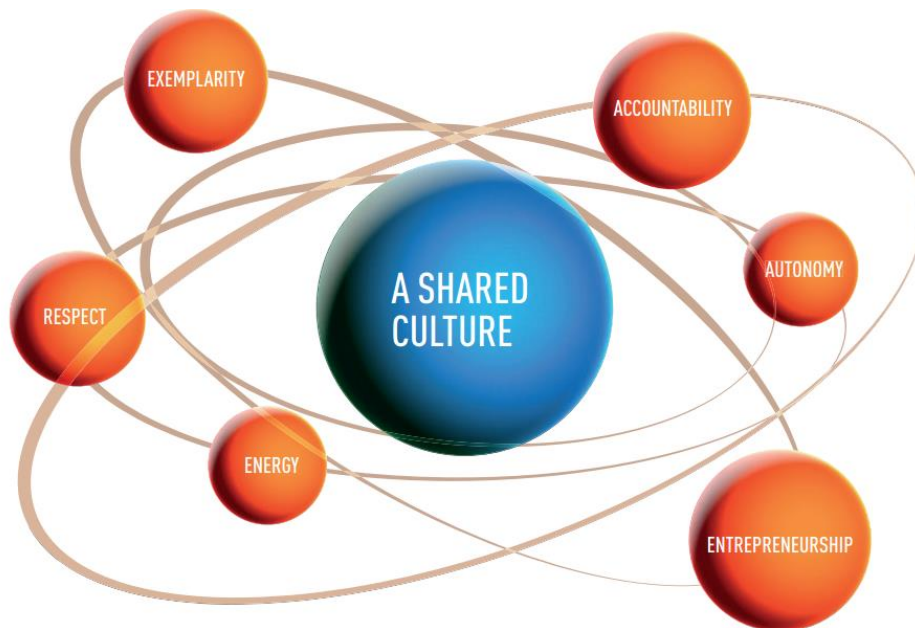*Figure 5: Waste sorting in Faurecia*

3.3 Social Perspective

In following subchapter, I would like to present Faurecia's mission and group values, which are the foundation for HR management system and describe the company culture.

3.3.1 Group Values

Figure 6: Faurecia Group Values

Source: provided by the company

The key values within the shared culture are accountability, autonomy, entrepreneurship, energy, respect and exemplarity. Each one of them is somehow involved in the company's social and environmental responsibility. It is the company's mission to create safe and healthy workplace, to be positively involved in local communities and promote internal, as well as external transparency.

Now, let's look at each value closely.

Entrepreneurship means being entrusted with the management of company's tangible and intangible assets. Using them in such a way, that it does not harm anyone's health, safety or the natural environment.

Employees should do this autonomously, meaning they should be able to manage the scope of responsibilities without much help, and do it with transparency at all times.

Taking full ownership for the scope of responsibilities and committing to business performance, while being accountable for one's actions.

Building relationships based on respect with both, stakeholders and employees. Related to corporate responsibility, reporting on CSR activities and promoting mutual dialogues would be an example of such relationship.

Energy in an important aspect, especially in developing new innovative solutions, which improve the production process and products itself, making them more environmental-friendly.

Last, but not least, the exemplarity, which is a key value for managers, but not only them. It is all about setting high standards and becoming a role model for other employees, rising their interest and awareness in desired field, environmental protection for example.

3.3.2   Key Missions

The table below provides a detailed description of key missions. Each mission requires certain responsibilities, is carried out through certain processes and finally assessed, using certain KPIs. Below the Table 1, I add an explanation of specific terms.

Table 1: Faurecia's key missions

Mission	Responsibilities	Processes	KPIs
Constructive Social Climate	• Facilitate positive working environment • Open communication • Dialogues and negotiations with employee representatives	• Daily communication • Improvement ideas	• Attendance • Strike hours • Supervisors • Turnover
Lean and Optimized Headcount	• Staffing in line with business needs • Organizing human aspects of production • Restructuring when required	• Group recruitment policy • Supervisor leader role • Improvement ideas	• Overtime hours • Flexibility • Turnover • Graduates target schools
Effective people management	• Drive performance management • Career development • Proactive management of human capital	• STAR • Career Interview • IDP • People review	• Internal mobility • Supervisor role development • Training hours
Competent workforce	• Training plan • Focus on individual development	• Training • Task transfer • Mastery work stations	• Training hours
Working Organization	• Improve organization efficiency • Effective change management	• Improvement ideas	• Improvement ideas
Efficient employee administration	• Guarantee payroll • Provide accurate reporting • Full compliance on HR subjects • Prepare, monitor and respect budgets	• PIMS Policy • PIMS Check • Metis • Budget process	• Open positions • Hiring's • Exits • PIMS

Source: provided by the company

STAR – Setting Targets, Achieving Results – It is a system of annual evaluation, which has an impact on annual salary increase.

IDP – Individual development plan.

Mastery work stations – To master one's work station.

PIMS – A special software used for managerial check-ups.

Metis – A software used for budget and forecast reporting.

4. Comparison of Theory and Research Outcomes

4.1 Environmental Perspective

In the theoretical part of environmental perspective of corporate sustainability, I mentioned five key elements CS strategy. Policy, goals, activities, communication and measurement. I managed to gather all the data and presented specific key elements of both, environmental perspective and the HRM, in the theoretical part.

Firstly, I discovered, that the company is not using, neither EMAS framework, nor GRI. However, they had implemented ISO 14001 some years ago. Probably, because the frameworks are interchangeable and it is not necessary to use more than one. Practically, the whole environmental management system is based on ISO 14001 framework, from risk recognition, to distribution of responsibilities to all levels.

Secondly, I found out, where, in the company structure, environmental protection fits in. Then, I provided a detailed description of HSE department, its goals and processes. Surprisingly, there was not much said about the HSE in theory.

The supplement activities described in the third chapter, are a great example of the implementation of CS strategy at all business levels and processes, so that every employee is involved and engaged in the overall strategy.

Faurecia's Global innovation eco system represents the effort in making green product, which is another approach mentioned in the theoretical part. The company promotes big investments in RD and constant innovation, using lifecycle assessment method, special designs and new materials to make the cars lighter and decrease the fuel consumption.

4.2 Human Resources Management

Now, for the HRM and its relation to corporate sustainability. From all the data presented in chapter 3, it is obvious, that the company is making quite a big effort to train its employees and engage them in the problematics and also, to communicate openly with its stakeholders.

We may observe many examples of green HR used in practice, such as innovative environmental initiatives, described in chapter 2, or raising employee's consciousness and engagement in environmental matters through training and performance review.

Also, we can see that social responsibility and sustainable HR are represented in group values, as well as Key Missions.

The company is creating sustainable HR by offering training and exchange programs, effectively organizing human aspects of production, focusing on career development and motivating managers to become role models.

The only issue I see, concerning sustainable HR, is the temporary workforce, meaning workers, who are in fact employed by an external agency, not the company itself. Of course, such employees have very different values and may not be concerned with company's long term goals. It is also harder to engage them in any activity, given the fact, that in many cases, they do not stay there for long. On the other hand, it is a big trend nowadays, and not only in industrial sectors, because stuffing in line with business needs saves labor costs.

Social responsibility is represented by open dialogue with stakeholders, creating safe and positive working environment, investing in employee training and innovative solutions and reporting on CSR activities.

5. Suggestions for the Company

After the comparison, I would like to mention only a few suggestions, really, because as the previous chapter shows, the company is strongly engaged in CSR and environmental protection, as expected.

As for the environmental perspective, I would only suggest increasing the number of supporting activities, to involve and engage employees even more. Some people still tend to take these issues lightly and do not believe, that they could make a difference. By organizing this kind of group activities, the company can show them the possibilities and convince them otherwise. At national level, for example, companies can become members of a platform called Byznys pro Společnost, which allows them to cooperate and share knowledge in this area. Although, there might be many similar platforms and organizations at international level, which may be more suitable for such a huge company.

As I was once Faurecia's employee myself, I am going to share a few ideas, which might make the HRM even more effective concerning sustainability issues.

First, there is the question, how to communicate with temporary workers and how to motivate them to engage in the process. Those are mainly low or medium-skilled foreign workers, who sometimes do not even speak our language, let alone care about company's sustainability strategy and social responsibility. Therefore, the communication must be quite different. The problem is, that many of them leave already after the first week, which is not very sustainability- friendly by the way, and so any time spent with their training is lost. My suggestion would be to consider whether or not, it is necessary to employ these workers, and if so, choose the people and agencies more wisely. All that being said, I understand, it can be tricky, because of the cost saving.

Secondly, I suggest increasing the number of green HR activities, in the office space especially. Cutting the paper work and using modern technology instead. Also, it may be a good idea to implement additional trainings focused on CSR and environmental protection and complete it with practical examples. To again, show the employees that with a minimum effort from each of them, the group can make a big difference.

Conclusion

Finally, I get to the conclusion.

To summarize the main body. In chapter one, my task was to explain the idea of corporate sustainability. Its origins, the philosophy behind it, the three perspectives, sustainability management and its advantages for companies, and sustainability reporting. In the second part, I described, quite extensively, the automotive industry with a special attention to its tradition in Europe. All that with the intention to provide a theoretical basis for the following research, which was specifically focused on the European automotive industry.

In the second chapter, I wrote about business strategy, again, related to corporate sustainability. I explained how strategies are formed and how important it is to include the sustainability aspect, when making one. I believe I managed to provide the answer to what is automotive industry's approach towards sustainability. In addition to that, I mentioned frameworks, tools, and methods, which are being used by companies. I mostly focused on ISO 14001 and the 'green product' philosophy, because I believe, they are highly important and have the biggest impact, in the case of automotive industry.

Third chapter consisted of introduction of the examined company, brief history, description of its attitude towards sustainability, green products, environmental management and HRM. I must say, writing the practical part was very interesting and enlightening. I cooperated with HSE and HR managers of the company and gathered as much information, as I could. Of course, not all the internal information was available. Anyway, I believe, that for the purpose of the thesis, it was sufficient. I covered both, the environmental perspective, by describing the HSE management, and the social perspective, by focusing on human resources management and its contribution to overall corporate sustainability. I was happy to discover, that in most parts, reality coincides with the theory, which I discussed in chapter four.

By comparing the outcomes of my research with the theory, I was able to answer which tools and frameworks is the company using, how employees contribute to corporate sustainability, and how the company ensures the HR sustainability. Although, I came across a few differences and issues, which I addressed in following chapter.

Chapter five was, in a way, conclusion of the practical part and theoretical part. I came up with my own suggestions and ideas, which could help the managers in engaging employees in the processes leading to the achievement of sustainability goals. I also stressed the issue of employing temporary workforce, which goes straight against the nature of sustainability

There have been a few limitations, however. The topic of corporate sustainability is very extent, there is a lot of information and I had a hard time recognizing the relevant pieces. Also, the practical part might have been more contributing, had it been done over a longer period, so that I could describe the progress and possible changes.

Therefore, my suggestions for another study are first, to observe the company and its strategy-making for a longer period of time, and second, to cooperate with more than one companies in the same industry sector and compare them to each other to get meaningful and more valuable outcome. Nevertheless, I believe my thesis can be a good foundation and inspiration for more extend and deeper research.

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