INDITEX, a model company in the implementation of sustainable human resource management

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Abstract: The aim of this paper is to illustrate the sustainable human resource management (SHRM) approach through the application of a theoretical model to INDITEX as an exemplary case study. According to this approach, it is necessary to integrate the human resource policies for sustained business performance and positive employee outcomes of equity, development and well-being. We have applied a qualitative content analysis technique for developing this application of published annual reports of the company. The evolution that this company shows through its public reports (2002–2012) in the corporate social responsibility framework highlights some lessons to understand the importance of focusing on people. This approach is important as a mean to achieve employee satisfaction and commitment, productivity and profits, and human resource sustainability in organisations.

Keywords: corporate social responsibility; human resource management; sustainability; case study.

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1 Introduction

Last century, the corporate social responsibility (CSR) concept was introduced and developed, from the CSR construct in the 1950s (Bowen, 1953) to the development of the first formal model by Carroll (1979). Later, the stakeholder theory (Carroll, 1991) facilitates the implementation of this initiative to practitioners, especially in the development of policies focused on employees.

In the late 1980s, the sustainability concept became a focus for a new value debate about the future of our planet. During the 1990s, the link between CSR and sustainability is explicit and the recent literature shows a broad treatment of both philosophies as synonymous terms. One of the connecting links has been the research on supply chain management (SCM). While SCM literature was focusing on improving integration and efficiency, pressures exerted by different groups, such as government, customers and other stakeholders, were on the increase in term of socially and environmentally responsible SCM practices, fostering the sustainable supply chain management (SSCM) research. One of the key factors in the convergence of CSR and sustainability in improving SCM is the ‘triple bottom line’ rule (Elkington, 1997, 2004), in other words, the integration of the economic, environmental and social dimensions for the development of a true sustainability. An example of this perspective is the contribution of Carter and Jennings (2002) that incorporated topics such as the environment, human rights, diversity, philanthropy and safety as important components of CSR and sustainability applicable to the SCM through the logistics social responsibility issue.
However, some authors have traced a fine line between what is meant by implementing CSR and sustainability in SCM. Thus, according to Van Marrewijk (2003), CSR relates to phenomena such as stakeholder dialogue and sustainability reporting, whereas sustainability focuses on value creation and environmental management; and Schwartz and Carroll (2008) consider that CSR places more emphasis on accountability (being responsible to an audience with reward or sanction power) and sustainability is primarily concerned with achieving value and balance (generating benefits to society and responding to conflicting stakeholders interests).

Despite this distinction between both concepts, there is a consensus about the fact that the literature has mostly analysed the environmental dimension in contrast to the limited research on exploring social issues within the context of SCM. Indeed, recent systematic literature reviews converge in demanding the integration of its three dimensions (Carter and Easton, 2011; Ashby et al., 2012; Winter and Knemeyer, 2013).

With respect to the social dimension, beyond the classic concern for human rights and safety and working conditions, it is necessary to pay more attention to the management of human resources (HR). According to Wilkinson et al. (2001), the achievement of sustainable changes is impossible without appropriate HR policies to develop the necessary technical and managerial skills within the organisation.

However, only very recently, the literature is applying sustainability as a concept for HR issues. Similarly, in literature on CSR, the connections between HRM and social initiatives under the CSR umbrella are not always clear. According to Hallin and Gustavsson (2009), there are two significant differences between the two fields; while HRM focuses on company internal matters such as the employees and their work arrangements, CSR has an external focus; whereas CSR initiatives, such as ethical codes of conduct and policies on social support, seem to be handled at a more strategic level in companies, HRM issues are handled on the operative level.

The aim of this paper is to contribute to fill this gap, illustrating how it is possible to successfully integrate HRM into the context of the social dimension of sustainability through an exemplary case study. For this purpose, we have selected the company INDITEX, one of the largest fashion retail groups in the world, with a recognised commitment to sustainability, which forms the basis of all its business decisions. By applying the ‘human resource sustainability’ model defined by Gollan (2000), this analysis is oriented to explain and provide practical guidelines of some interesting new research opportunities:

- What aspects should be focused on in sustainable HR policies and practices.
- How to lead these HR policies and practices towards improving the sustainability performance.
- How to integrate the HR management function into the strategy of sustainability/CSR of a company.

The synthesis of the state of the art about HRM and sustainability and the reason for choosing the Gollan model for the purposes of our research are developed in the next section.
2 Human resource management and sustainability

In spite of the interest of how to make organisations sustainable and how to balance the interests of different stakeholders (including employees) in organisations, research on sustainability/CSR and HRM is at the emerging phase. It is only during the past decade that we observe an increase in publications linking issues related to the HR field with sustainability (Wilkinson et al., 2001; Muller-Camen et al., 2008). These initial investigations provided a definition of sustainable HRM as long-term socially and economically efficient recruitment, development and employee retention and retirement.

Ehnert and Harry (2012) synthesised this first phase of sustainable HRM research according to the influence of different perspectives, EM (environmental management), CS (corporate sustainability), HRM (human resource management) and CSR (corporate social responsibility). From the EM perspective, the focus is on ecological sustainability, while from the CS perspective, the focus is on integrating economic, social and ecological sustainability (but human resource sustainability is often neglected); from the HRM perspective, the focus is on human sustainability and, from the CSR perspective, the focus is on social responsibility.

More recently, Kramar (2014) explores whether the sustainable HRM approach to managing people in work organisations represents a new approach to managing people. Kramar acknowledges that the link between sustainability and HRM is viewed in a variety of ways. From her point of view, a number of terms have been used to define this link and details a list of them: sustainable work systems (Docherty et al. 2002); HR sustainability (Gollan, 2000; Wirtenberg et al., 2007); sustainable management of HR (Ehnert, 2011); sustainable leadership (Avery and Bergsteiner, 2010) and sustainable HRM (Mariappanadar, 2012). In any case, because all of these terms recognise the impact that HR outcomes have on the survival and the success of organisations, the author integrates all of the above terms under the broad concept of sustainable HRM.

Finally, the conclusion of this paper assumes that sustainable HRM represents an alternative approach to people management and this body of knowledge is still developing. The challenge of this approach is to put it into management practice.

In this regard, one of the lines of thought framed within the sustainable HRM approach is the concept of ‘human resource (HR) sustainability’. It is defined by Gollan (2000) as the capacity of organisations to create value, thereby having the ability and capacity to regenerate value and renew wealth through the application of RH policies and practices. This approach is supported by other authors, Wilkinson et al. (2001) and Jabbour and Santos (2008). According to this approach, the HR policies need to be integrated for sustained business performance and positive employee outcomes of equity, development and well-being. This approach has been selected in this paper because it offers a very practical perspective to managing people, focusing on people as a means to achieve employee satisfaction and commitment, productivity and profits, and human resource sustainability in organisations.

Gollan (2000) proposed a model that identifies the five major factors influencing HR sustainability: employee consultation and involvement, career development and organisational learning, workplace institutions and systems, work and life balance and organisational change. In addition, the model defines four drivers, culture, leadership, management style and HR policies, and examines their impact on employee satisfaction and commitment and on the traditional organisational objectives of increased productivity and profits. This model is represented in Figure 1.
Final consideration concerns HR as an organisational function. According to the author, in this process, the role of the HR function is pivotal to the success of corporate sustainability policies. This model supports our research and INDITEX is the exemplary case study selected to illustrate the applicability of the model in order to highlight some lessons for the research opportunities proposed.

3 Research methodology

Taking into account the reference model, the aim is to illustrate its performance by applying it to the company INDITEX as a case study. For this purpose, the approach has been to check through the public reports of the company regarding how the five major factors involved in HR sustainability have evolved in the period 2002–2012. The focus of analysis has been the implementation of HR policies and related practices stated in these reports.

There is an increasing interest in annual reports for qualitative and quantitative research in the sustainable field (Ciliberti et al., 2008; Morali and Searcy, 2013). The main advantages are the accessibility and the amount of information available, reflecting what top management in companies believes are the important corporate issues for stakeholders (Montabon et al., 2007). The first annual report of INDITEX was published in 1998. Between the years 1998 and 2000, the group mainly shows the financial highlights and the business performance. Nevertheless, it is in 2001 when the group starts to build the model of corporate responsibility, which implies: approval of the internal code of conduct and the creation of the corporate responsibility department; social audits;
pilot projects of collaboration for development in several countries and joining the Global Compact Initiative. This is also the first time that the company explicitly includes the ‘human resources’ section, but only in a descriptive way; with information relating to the number of employees, distribution among the different areas of the company and the average age of the workforce. Since 2002, the group consolidates its CSR strategy and human resources become a key section heading in annual reports. As a result of this, we have selected 2002–2012 as the period of study for our research.

Furthermore, it is important to clarify that 2002 is the first year in which the annual report of the group is drafted pursuant to the 2002 Global Report Initiative (GRI-2002) guidelines, and the economic, social and environmental performance of the organisation is valued as a global reality. This initiative continues over the years and the last report analysed, corresponding to 2012, has been externally verified in accordance with ISO 19011 and following the principles laid down in the Global Reporting Initiative (Sustainability Reporting Guideline-G3-) and with the principles established in the AA1000 Accountability Principles Standard 2008.

Once the source of data for the research was defined, a qualitative content analysis technique has been applied for generating valid and reliable findings of published reports of the company. The analysis of qualitative data using a content analysis in CSR reports is becoming an innovative alternative to traditional methods as survey, case study or statistical analysis (Tate et al., 2010). The basic idea is to synthesise text with different number of words into smaller categories.

In our case, the categories were HR policies identified in the model and implemented by INDITEX, which are relevant to the five factors in HR sustainability. Therefore, through our analysis, we have highlighted the evolution of a set of HR policies through the years. The HR policies which have been studied are: participation (related to the factor ‘employee consultation and involvement’), multiskilling and job redesign (related to the factor ‘career development and organisational learning’), work conditions and arrangements (related to the factor ‘workplace institutions and systems’), social benefits (related to the factor ‘work and life balance’) and organisational structure and recruitment (related to the factor ‘organisational change’).

The policies selected are also consistent with the labour principles of diverse international institutions (United Nations-Universal declaration of human rights; European Union-Green paper of CSR; OECD-guidelines; OIT-The tripartite declaration, etc.).

4 HRM in developing the sustainability model of INDITEX

In this section, we are going to present the results of the content analysis. The evaluation of these results will allow us to deal with the research questions proposed and to understand the role that the HR function has played in the definition of the current sustainability business model of the group.

4.1 Key aspects in sustainable HR policies and practices

Dealing with the first question in the research, we enter fully into the results of our content analysis. Table 1 shows the main features that describe the development of the five policies over the 10 years.
<table>
<thead>
<tr>
<th>Year</th>
<th>Participation</th>
<th>Multiskilling and job redesign</th>
<th>Work conditions and arrangements</th>
<th>Social benefits</th>
<th>Organ. structure and recruitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Dialogue as a basis for communication</td>
<td>Training based in culture and values</td>
<td>Internal code of conduct. fair wages policy</td>
<td>Social audits program. 75% of stable employment</td>
<td>22% of workforce annual increase. Internal promotion</td>
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<tr>
<td>2003</td>
<td>Publication of an in-house magazine, two sections linked to corporate responsibility: ‘Solidarity’ + ‘Environment’</td>
<td>Intensive program for improvement of customer service</td>
<td>Internal code of conduct. Programs of variable compensation to reflect the individual contribution</td>
<td>Social audits program. 47.1% part-time work for work and life balance</td>
<td>22% of workforce annual increase. Women account for 87.5% of the total workforce. Internal promotion. Stability of the Workforce</td>
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<td>2004</td>
<td>Internal communication and participation campaigns: customer service, environment, Health &amp; Safety</td>
<td>Talent-spotting programs. 54.2% of employees following an individual training plan, Logistics management trained in stores</td>
<td>Freedom for association; the employees are covered by collective bargaining processes, Strategic plan of Health &amp; Safety</td>
<td>48% part-time work for work and life balance. The social benefits of part-time and full-time employees are the same</td>
<td>20% of workforce annual increase. Female majority in all organisation’s areas. Transparency in recruitment</td>
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<td>2005</td>
<td>Non-hierarchical structure. External an internal work teams</td>
<td>The corporate training allows the integration of the organisational culture from a multinational dimension, respecting diversity. Training in occupational risk prevention and environmental practices</td>
<td>Remuneration is associated to the attainment of results and performance. Collaboration agreement: World Trade Unions UNION NETWORKS and the International Textile Garment Leather Workers Federation (see 2005) and Internal Responsible Practices Directory. this document explains the relationships between the company and its employees</td>
<td>50% part-time work. Special social measures for the factories and logistics workers; accumulating vacation period hours or holidays after maternity, economic aid for children.</td>
<td>Human resources report explicitly. 23.68% of workforce annual increase. The internal promotion process guarantees maximum coverage in key Group positions</td>
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<td>2006</td>
<td>New systems of communication and participation: the store management terminals that permit real-time connection all the stores throughout the world with the central services</td>
<td>Equal project: starting to measure the vertical diversity, presence of women in areas of responsibility. The program that identifies human potential being implemented at all subsidiaries of Group</td>
<td>The creation of stable employment and the development of conciliation measures, the heart of HR policies Continuous improvement of employee conditions</td>
<td>The HR model is defined: attract, reward and motivate, develop and create links in legal and ethical framework. 19% of workforce annual increase. Creation of the Immigration division in Spain as a source of employment</td>
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<tr>
<td>Year</td>
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<td>2007</td>
<td>Carried out a people training plan for the store managers in delegation, motivation and team development</td>
<td>The training efforts were directed towards leading with growth and expansion. Emphasis in I.C (prevention of work accidents, work organisation, workshops)</td>
<td>The renovation of the Labour Conditions Collective Agreements was processed in the different social groups possible logistics area and manufacturing in headquarters</td>
<td>53% part-time work. The Group makes the employment of the different social groups possible</td>
<td>14.84% of workforce annual increase. Opening of the initial recruitment and training centres in Madrid and Barcelona. Future executives from the most important Business Schools</td>
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<td>2008</td>
<td>Each business unit sets down its own lines of activity in terms of staff motivation which grants great autonomy and freedom of action to its different teams</td>
<td>Continuing training plans initiated prior years and starting up specific initiatives such as the customer services and the international training plans</td>
<td>Emphasis in occupational risk prevention</td>
<td>59% part-time work. The signing of two equality plans. The alignment of variable pay with the objectives are common to the whole Group</td>
<td>12% of workforce annual increase. Continuing the policy of internal promotion. Integration of different teams of HR of each chains as collaborators in risk prevention</td>
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<td>2009</td>
<td>(see 2008)</td>
<td>Explicit model with all the policies focused on people, training and internal promotions as key factors</td>
<td>Signing a global agreement with the UNI Global Union for guaranteeing worker rights and sustainable growth of the company</td>
<td>60% part-time work. Flexibility as main factor of the HR model to facilitate stable work shifts.</td>
<td>4% of workforce annual increase.</td>
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<tr>
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<td>2010</td>
<td>‘Inspiration’: in addition to CSR activities carried out by the Group, people show constant dedication by participating in voluntary social activities</td>
<td>Talent management (‘Instore’ program): the ability of people to grow personally and professionally within the company</td>
<td>The Company Board of Directors approved the launch of a long term incentive plan targeting the management team and other key employees</td>
<td>41% part-time work. Improving the social measures for pregnant employees. Commitment: 80% of stable employment</td>
<td>8.5% of workforce annual increase (+ energy, optimism and progress). ‘Salta’: a re-insertion program for women at risk of social exclusion</td>
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<tr>
<td>2011</td>
<td>The ‘Impulse’ Project as communal tool to facilitate the employee participation in volunteering programs</td>
<td>Launching of the ‘Cantera’ Project in order to reach the young and innovative talent of recent graduates from the European Universities</td>
<td>Continuation of compensation policies and the implementation of an Internal Occupational Health &amp; Safety Management System</td>
<td>‘Caring’ = the new approach to social benefits. 44% part-time work</td>
<td>9.4% of workforce annual increase. New IT tool for recruitment people. Continuation of ‘Jemies’ and ‘Salta’ projects. Re-launching the project for integrate disabled people into the work force</td>
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<td>2012</td>
<td>Continuation of the ‘Impulse’ Project</td>
<td>Continuation of the policies related to talent management and continuous training</td>
<td>(see 2011) and the Code of Conduct and Responsible practices is renewed</td>
<td>56% part-time work. Improving the social measures (extended to civil partnerships and cases of dependent family members)</td>
<td>10% of workforce annual increase. Same recruitment policies and new ones for groups with special needs and vulnerability</td>
</tr>
</tbody>
</table>
Participation is the first of the policies analysed. This policy has been selected to evaluate the development of the ‘employee consultation and involvement’ factor of the model in the company. As seen in the table, this policy emerges in 2002 as a simple statement of principles, “dialogue as a basis for communication”, and evolves in the same way as the group grows in size. In the course of the following years (2003–2006), this principle is structured and extended within the organisation. A non-hierarchical definition for the organisational structure implies the implementation of a specific system of communication in order to facilitate the coordination of internal and external work teams around the world.

Simultaneously, the group launches communication campaigns in line with the CSR strategy focused on environmental matters, health and safety and solidarity. In 2007, the concept of participation is extended with the aim of staff motivation. The maturity of this motivation, which grants a greater autonomy and freedom of actions, culminates with the initiative of employees by participating in voluntary social activities, which complement the CSR activities carried out by the group. ‘Inspiration’ is the term that defines, in 2010, the big leap in the involvement of employees with sustainability. Finally, this inspiration is formalised through ‘The Impulse’ project in 2011 as a communal tool for its development.

Multiskilling and job redesign is the second HR policy analysed. This policy has been selected to evaluate the development of the ‘career development and organisational learning’ factor of the model.

Similarly, this policy emerges in 2002 as a statement of principles, ‘training based on culture and values’, which is embodied in a training and skills development plan since 2003. From 2004 to 2008, the group develops different training programmes oriented to encompass its growth and internationalisation, with a sustainable approach of issues (such as occupational risk prevention and good environmental practices), and leads this policy toward the commitment with diversity and equality and the identification of human potential.

The development of this training plan reached its highest level in 2009, with the definition of an explicit model with all the policies focused on people. The ‘Intalet’ program (2010) and the ‘Cantera’ project are starting points for managing the talent of people, which seek to find out and develop the ability of people to grow personally and professionally within the company.

The third policy considered is work conditions and arrangements, as a rendering of the ‘workplace institution and systems’ factor of the model. The starting point for this policy is the acceptance of an internal code of conduct that outlines the guidelines of the relationships between the company and its employees. In 2005, this code is reinforced with the definition of an internal responsible practices directory, both renewed on a regular basis.

In addition, from its initial year onwards, this policy contemplates a fair wages principle, which evolves over the years in remuneration programmes associated with the attainment of individual results and performance. By way of an example, in 2010, the Company Board of Directors approved the launch of a long-term incentive plan targeting the management team and other key employees. Signing a global agreement with the UNI Global Union for guaranteeing worker rights and sustainable growth of the company, in 2009, and the implementation of an Internal Occupational Health and Safety Management System, in 2011, constitute the other two main lines of actions resulting from the sustainability framework built up by the company over the last decade.
‘Social benefits’ is the label given to the fourth HR policy analysed, and this relates to the ‘work and life balance’ factor. This policy can be synthesised over the years with two premises: the continuous creation of stable employment and the development of conciliation measures as key factors of HR policies. In 2002, the rate of people with indefinite term contracts was 75%. Ten years later, and despite the deep economic crisis, this percentage remains above 80%. The same trend of stability is observed with regard to work–family balance or part-time work, with a rate around 50% over the years.

As a noteworthy detail, in 2011 the group’s HR model with all the policies focused on people became clear by defining the new approach to social benefits as ‘Caring’.

The fifth and last HR policy is organisational structure and recruitment. This policy has been selected to evaluate the evolution of the ‘organisational change’ factor of the model. Similarly, with regard to the fourth policy analysed above, this policy sets out clear and simple goals since 2002, annual increase of workforce in spite of crisis and internal promotion. As the company defines the HR model in 2006, the process unfolds four phases: attract, reward and motivate, develop and create links in a legal and ethical framework.

Finally, in accordance with the strong commitment to social sustainability, over the last three years, the company has developed recruitment programmes for groups with special needs and vulnerability.

Following the results of the content analysis, we highlight the aspects that, from our point of view, INDITEX has been strengthening and consolidating in HR policies and practices over the years. These aspects also fit in with the pillars defining the HR model designed by the company, visible in the 2006 annual report (attract–reward and motivate–develop and create links in a legal and ethical framework): transparency and equal opportunities (attract), fair wages, remuneration associated with the attainment of individual performance and dialogue (reward and motivate), training in skills, culture and values, talent management and promotion (develop) conciliation and stability, and dialogue, spirit of freedom but commitment with the internal responsible practices (create links in a legal and ethical framework).

4.2 Improving sustainability performance

Taking the discussion above into account, the next research question to deal with is how to manage these HR policies and practices towards improving the sustainability performance of the company. Once again, this case study allows us to illustrate a particular experience, but it certainly shows an exemplary company that may provide interesting lessons for consideration. In this regard, the clues to follow could be:

- **stability**: all the policies analysed during the time period outlined in the first year and consolidated in subsequent years
- **uniformity**: all the policies are integrated in the organisational culture from a multinational dimension, respecting diversity
- **consistency**: all the policies are deployed over time in accordance with the evolution of the sustainable strategy of the group.
4.3 Integrating HRM function into the strategy

In terms of how to integrate the HR management function into the strategy of sustainability/CSR of a company, this case illustrates the process in an explicit way. Ten years later, the beginnings of HR management policies framed in the CSR strategy (2002) have evolved into a strong HRM model fully aligned with the company’s sustainable model, following a two-way process. Firstly, the responsible strategy of the company is deployed downstream by communicating and training based on culture and values and training programmes with a sustainable approach of issues (such as occupational risk prevention, good environmental practices and practical skills). Upstream, the involvement and commitment of employees with the internal responsible practices of the company (‘Inspiration’) consolidate the sustainability strategy of the group and HRM function becomes the key driver of the process.

5 Conclusions

The role of staff as a key and essential factor for success in implementing strategic projects in organisations, such as continuous improvement and change of management or innovation, has been a thought widely recognised in all the different fields management literature. However, it is only recently when human resources have been linked to the sustainability research, introduced in the 1950s through the incipient CSR concept. This is particularly surprising considering the social dimension involved in the sustainability approach.

It is true that research on the social dimension of sustainability (scarce regarding the research on the environmental dimension) has paid attention to employees through different issues such as human rights, working conditions and health and safety. However, under this perspective, the employees play a role of passive beneficiaries as one of the stakeholders of the companies. But, introducing HR issues in sustainable debate opens a new perspective on the role to be played by employees in the sustainable outcomes of organisations. According to Kramar (2014), there is a wide body of research on the link between HR management and financial outcomes and, since the last decade, a new approach acknowledges the impact of HRM practices on human, ecological and financial outcomes. This new approach is labelled as ‘sustainable human resource management’ (SHRM).

Although the diverse SHRM literature does not represent a mature body of research, all of the different approaches recognise the impact of HR outcomes have on the success and survival of organisations. In short, it represents an alternative approach to people management. In this context, the analysis of the Gollan model and its practical illustration through the company INDITEX demonstrates that this new perspective to managing people, focusing on people as a means to achieve sustainable outcomes, is possible.

Similar to the Gollan HRS model, the SHRM model by INDITEX is supported by some simple factors or aspects related to classical HR issues, and culture, leadership, management style and policies are drivers for its development. However, the focus on people is the common thread of the evolution process.

The results of the company are well known and its current business model has made INDITEX the best company to work for (Corporate Reputation Business Monitor-MERCO-2012). However, as an improvement opportunity detected in our analysis of the
public reports of the company, it could be interesting to sound out the view of the company with results of a staff satisfaction survey. In our opinion, this feedback would be very enriching for the development of this SHRM model.

Conversely, bearing these policies and their application in mind, the textile industry, as a whole, undoubtedly has a long road ahead as regards respect for human rights, labour management policy and the effects of globalisation. Future research could be well employed to conduct comparative analyses of different companies and of different sub-sectors within the industry, as there is a need to delve deeper into specific cases with a view to improving current SHRM models.

Through our research we have set out to contribute to develop the Sustainable Human Resource Management literature. This new approach offers a wide range of opportunities for researches and practitioners. Many lessons can be learned from leader companies on sustainability and could advance theoretical proposals in this field.

References


