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HRM AND ETHICAL BEHAVIOUR: REVIEW AND CONCEPTUAL ANALYSIS

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ABSTRACT

Standards, values, morals and ethics have become increasingly complex in a postmodern society where absolutes have given way to tolerance and ambiguity. This particularly affects managers in HR, where decisions will affect people's jobs and their future employment. The research about strategic human resource management (SHRM) has suggested that human resource professionals (HRPs) have the opportunity to play a greater role in contributing to organizational success if they are effective in developing systems and policies aligned with the organization's values, goals, and mission. Whether in domestic or global companies, ultimately, the commitment to business ethics and the foundation is built through organizational culture, with ethical values reflected in the workplace. Ethical challenges abound in HRM. Each day, in the course of executing and communicating HR decisions, managers have the potential to change, shape, redirect, and fundamentally alter the course of other people's lives. This paper reviews and develops the ethical analysis of human resource management (HRM).

KEYWORDS

HR decisions, strategic human resource management, human resource professionals, business ethics, organizational culture.

INTRODUCTION

All HR practices have an ethical foundation. HR deals with the practical consequences of human behavior".

Johnson, 2003

Human Resource Management is a business function that is concerned with managing relations between groups of people in their capacity as employees, employers and managers. Inevitably, this process may raise questions about what the respective responsibilities and rights of each party are in this relationship, and about what constitutes fair treatment. An ethical workplace is established through an organization's culture, values and leadership. To promote ethical behavior, human resource professionals, people managers and senior management need to be knowledgeable about business ethics—from leadership, codes of conduct and related legislation to compliance training, ethical decision-making, and cultural and generational differences around ethics. Transparency, fairness and communication are key for establishing and maintaining an ethical workplace.

There are different schools of thought that differ in their viewpoint on role of ethics or ethics in human resource development. One group of thought leaders believes that since in business, markets govern the organizational interests and these interests are met through people, the latter are therefore at the highest risk. They believe that markets claim profits in the name of stakeholders and unless we have protocols, standards and procedures the same will develop into a demon monopolizing markets and crushing human capital; HR ethics are become mandatory.

There is another group of ethicists inspired by neo-liberalism who believe that there are no business ethics apart from realization of higher profits through utilization of human resources. They argue that by utilizing human resources optimally, there is more value creation for the shareholders, organization and the society and since employees are part of the society or organization, they are indirectly benefited. Nevertheless ethics in human resource management has become a perennial debate of late!

LITERATURE REVIEW

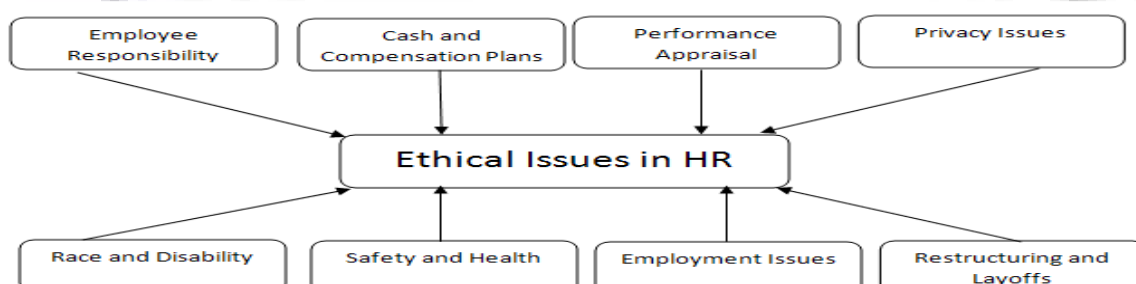
On the whole, ethical issues have been of marginal significance to the unfolding academic debates around human resource management. The Harvard analytical framework for HRM (Beer et al, 1984: 16) was one of the earlier models to suggest that, as well as organizational well-being, HRM had to concern itself with the promotion of individual and societal well-being. This reasserts the primacy of the stakeholder as opposed to the shareholder model of the firm, an issue on which the battle lines have been clearly drawn in business ethics literature. The 'business is the business of business' proponents are aligned on one side (Friedman, 1962; Sternberg, 1994, 1997) and those who suggest that organizations should meet the needs of a wider range of stakeholders, including employees (Freeman, 1984; Royal Society of Arts, 1995; Wheeler and Sillanpaa, 1997), on the other.

There has also been some interest in the role of the HR specialist as a guardian of ethics, with the HR function assuming the role of 'ethical stewardship' and ethical leadership. Most discussion of this has appeared sporadically in professional HR journals. For example, some writers have stressed the HR manager's role in raising awareness about ethical issues, in promoting ethical behavior and in disseminating ethical practices more widely among line and project managers. Another ethical role for HR professionals involves communicating codes of ethical conduct, providing training in ethics, managing compliance and monitoring arrangements, and taking a lead in enforcement proceedings (Arkin, 1996; Pickard, 1995; Johns, 1995; Wehrmeyer, 1996). Where ethical conduct is questioned, HR managers have traditionally overseen arrangements for the handling of discipline and grievances. For some (Connock and Johns, 1995), the mantle of ethical leadership should not just be worn by HR managers alone; the responsibility should also be placed firmly on the shoulders of the whole senior management team and line managers. This is an argument that is very much in keeping with moves to make HRM the concern of a wider group of organizational stakeholders. Thus, if ethical concern has been an enduring, if occasionally low priority and even sporadic, concern in the history of professional personnel practice and academic inquiry, then why does it require more attention now? The answer lies in the changes which have taken place in HRM over the last two decades.

ETHICAL ISSUES IN HR

Of all the organizational issues or problems, ethical issues are the most difficult ones to handle or deal with. Issues arise in employment, remuneration and benefits, industrial relations and health and safety.

FIG. 1: DIAGRAMMATIC REPRESENTATION OF HR ETHICAL ISSUES



■ CASH AND COMPENSATION PLANS

There are ethical issues pertaining to the salaries, executive perquisites and the annual incentive plans etc. The HR manager is often under pressure to raise the band of base salaries. There is increased pressure upon the HR function to pay out more incentives to the top management and the justification for the same is put as the need to retain the latter. Further ethical issues crop in HR when long term compensation and incentive plans are designed in consultation with the CEO or an external consultant. While deciding upon the payout there is pressure on favoring the interests of the top management in comparison to that of other employees and stakeholders.

■ RACE, GENDER AND DISABILITY

In many organizations till recently the employees were differentiated on the basis of their race, gender, origin and their disability. Not anymore ever since the evolution of laws and a regulatory framework that has standardized employee behaviors towards each other. In good organizations the only differentiating factor is performance! In addition the power of filing litigation has made put organizations on the back foot. Managers are trained for aligning behavior and avoiding discriminatory practices.

■ EMPLOYMENT ISSUES

Human resource practitioners face bigger dilemmas in employee hiring. One dilemma stems from the pressure of hiring someone who has been recommended by a friend, someone from your family or a top executive. Yet another dilemma arises when you have already hired someone and he/she is later found to have presented fake documents. Two cases may arise and both are critical. In the first case the person has been trained and the position is critical. In the second case the person has been highly appreciated for his work during his short stint or he/she has a unique blend of skills with the right kind of attitude. Both the situations are sufficiently dilemmatic to leave even a seasoned HR campaigner in a fix.

■ PRIVACY ISSUES

Any person working with any organization is an individual and has a personal side to his existence which he demands should be respected and not intruded. The employee wants the organization to protect his/her personal life. This personal life may encompass things like his religious, political and social beliefs etc. However certain situations may arise that mandate snooping behaviors on the part of the employer. For example, mail scanning is one of the activities used to track the activities of an employee who is believed to be engaged in activities that are not in the larger benefit of the organization.

Similarly there are ethical issues in HR that pertain to health and safety, restructuring and layoffs and employee responsibilities. There is still a debate going on whether such activities are ethically permitted or not. Layoffs, for example, are no more considered as unethical as they were thought of in the past.

INTEGRATING THE FIVE MORAL PRINCIPLES

Since each moral principle examines ethics from a different perspective, no one principle captures the full range of relevant issues (Velasquez,1998). Therefore, by using all the five principles together (Table 1). It is more likely to consider all of the relevant issues in deciding what constitutes the ethical course of action. The right principle focuses on the action or means used and examines whether or not the person performing the action in question has the moral right to do the action.

Table 1
Framework of moral principles

<p>1. Utilitarian Principle: What action will do the most good and the least harm for everyone who is affected?</p> <p>a. Who are the stakeholders?</p> <p>b. What are the alternative courses of action?</p> <p>c. For each alternative, what are the benefits and costs (good and harm) for each stakeholder now and in the future?</p> <p>d. Which alternative creates the most benefits and the least costs for all stakeholders considered together? (To help answer this question, consider what would happen in a competitive market in which all stakeholders have complete and accurate information and are free to make their own choices in mutually beneficial negotiations with each other.)</p> <p>2. Rights Principle: What action do you have the moral right to take, that protects the rights of others, and that furthers the rights of others?</p> <p>a. Do you have a moral right to take the action in question?</p> <p>(1) <i>Reversibility:</i> Are you willing to have the action in question done to yourself if the roles were reversed?</p> <p>(2) <i>Universalizability:</i> Are you willing to live in a world, can you even conceive of a world, in which everyone did the action in question?</p> <p>(3) <i>Respect and free consent:</i> Are you treating people with respect? Are you treating people in ways that they have freely consented to be treated?</p> <p>b. What moral rights do other stakeholders have? (To help answer this question, apply the reversibility, universalizability, and respect/free consent principles.)</p> <p>c. Are there conflicts among the moral rights that you and the other stakeholders have? If so, which moral right should take precedence?</p> <p>(1) What interests are being protected by each competing right?</p> <p>(2) Which competing interest is more important?</p> <p>(3) Give precedence to the right that protects the more important interest.</p> <p>3. Distributive Justice Principle: What action produces a fair distribution of benefits and costs for all of the stakeholders?</p> <p>a. <i>Egalitarianism:</i> What action produces an equal distribution of benefits and costs?</p> <p>b. <i>Capitalism:</i> What action produces a distribution of benefits and costs based on the contributions of each stakeholder?</p> <p>c. <i>Socialism:</i> What action distributes benefits based on need and costs based on abilities?</p> <p>d. <i>Libertarianism:</i> What action has been freely chosen by the stakeholders?</p> <p>e. <i>Rawls' Principles:</i> What action provides all stakeholders with equal liberties and equal opportunities (but allows for differences in results based on differences in contributions) while helping those in need to the greatest extent possible?</p> <p>4. Caring Principle: What action cares for those people with whom you have special relationships?</p> <p>a. What action cares for your own needs?</p> <p>b. What action cares for the needs of those people with whom you have special relationships (e.g., family, friends, coworkers, employees, customers, stockholders)?</p> <p>(1) What action helps those who are vulnerable and dependent on you?</p> <p>(2) What action nurtures the ability of those with whom you have special relationships to make their own choices and live their own lives?</p> <p>(3) What action avoids basing relationships on domination, oppression, hatred, violence, disrespect, injustice, or exploitation?</p> <p>5. Virtue Principle: What action displays virtuous character traits?</p> <p>a. Does the action display virtues such as benevolence, civility, compassion, conscientiousness, cooperativeness, courage, fairness, generosity, honesty, industriousness, loyalty, moderation, self-control, self-reliance, or tolerance?</p> <p>b. Or does the action display vices such as cowardice, deceit, dishonesty, laziness, neglect, or selfishness?</p> <p>c. Take the action that displays virtues, not vices.</p> <p>6. Resolve Conflict Among the Five Moral Principles: Do all five moral principles reach the same conclusion, or do they reach conflicting conclusions?</p> <p>a. If they reach what appear to be conflicting conclusions, then examine the nature of the apparent conflict to determine if the conflict can be resolved by choosing a previously unconsidered course of action.</p> <p>b. If the apparent conflict among the principles cannot be resolved with a different course of action, then decide which principles should take precedence by examining your values. For example, if you believe that the ends can never justify the means, then give precedence to the rights principle.</p>
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ETHICAL STANDARDS FOR HRM

There are three ethical standards for governing HR practices. Each of these standards embodies a core principle and protects a prominent constituency whose interests and well-being hinge on the work of HRM. We first specify standards, and then for each one, we explain its intended function, the constituency whose interests it protects, and the problems, both practical and confronting the standard. We begin simply by proposing the three standards:

Standard 1: *Advance the organization's objective.* Execute the task in question so that progress is made towards the objective that calls for it to be done in the first place.

Standard 2: *Enhance the dignity of those harmed by the action.* When managers distribute opportunities and benefits, there are those who do not receive those opportunities and benefits-of who receive fewer than others. When companies go through cycles of destruction-restructuring, downsizing-individuals get harmed. In both instances, those who lose out are due treatment that respects their standing, fosters their resilience, and enables them to continue to function effectively.

Standard 3: *Sustain the moral sensibility of those executing morally ambiguous tasks.* Someone must deliver the poor performance appraisal, announce the lay-off, or shutter the manufacturing facility. The ambivalence induced in performing these tasks reflects an underlying uneasiness about fair treatment and fair outcomes, and managers ought to remain attuned to that uneasiness.

These standards highlight underlying ethical challenges that arise in performing the work of HRM, and they orient managers towards not only the targeted party, but also to themselves and to the organization as a whole. As important as procedural justice is, it becomes more powerful when standing alongside ethical standards that promote due consideration of organizational objectives, active efforts to promote the dignity of harmed parties, and care and development of the very people asked to perform the tasks of HRM.

The unethical practice of HRM itself has also hit public attention:

- Off-shoring and exploiting 'cheap' labour markets;
- Using child labour;
- Reneging on company pension agreements;
- Longer working hours;
- Increasing work stress;
- The use of disputed and dubious practices in hiring and firing of personnel.

It has been shown that just as consumers' perception of the ethics of a company can affect sales, so the views of its investors will affect its share price. Similarly, it has been suggested that poor standards of conduct emanating from the top management affect employee motivation and commitment to organizational goals. (Schramm, 2004). Some of the ways to assess Company and Its Procedures About Decision-Making are shown in Table 2.

TABLE 2: TEN QUESTIONS TO ASSESS COMPANY AND ITS PROCEDURES ABOUT DECISION-MAKING

- Do you give your employees an opportunity to express their views before decisions are made?
- Are all employees treated with respect and dignity?
- Does the company promote consistent application of the rules across situations?
- Does the company discourage the influence of personal biases on decisions?
- Are the needs of employees considered?
- Are decisions made based on accurate information?
- Is honest feedback provided about why decisions are made?
- Are the rights of employees respected?
- Are managers consistent in their views about appropriate ethical standards?
- Are opportunities provided to appeal decisions that employees disagree with?

Source: Adapted from Tyler, T (2008, Winter). *The ethical commitment to compliance: Building value-based cultures.* California Management Review, 50 (1), 31-51.

BUSINESS PRESSURES AND CORPORATE CULTURES

Marketplace competition is a major business driver of business ethics today, second only to corporate scandals, according to the *Human Resource Institute, Business Ethics Survey 2005*. The Human Resource Institute survey asked participants about the top three reasons that were most likely to cause people to compromise an organization's ethical standards. This finding can be seen as a simple nod to the facts of business life: competition applies pressure on businesses to perform, and this sometimes means cutting ethical corners to gain a business edge. The most common response by far was "pressure to meet unrealistic business objectives/deadlines,". By comparison, the second-most commonly cited factor was "desire to further one's career,". Third was the "desire to protect one's livelihood,". Some other surveys have had similar findings. A *2003 survey* conducted jointly by the *Society for Human Resource Management (SHRM)* and the *Ethics Resource Center (ERC)* found that "meeting overly aggressive business objectives" and the "need to follow boss's directive" were the leading causes of pressure to compromise standards, which might also be driven by the need to boost business performance (Joseph & Esen, 2003, p. 6). In a similar vein, another survey, *Watson Wyatt Worldwide Work USA Study (2004)* found that majority of workers say that the demands that come from their jobs often or sometimes pressure them to compromise their personal standards for behavior and performance. Such pressures can help create a cynical corporate culture in which ethics is not taken seriously. Unless a corporation has a "culture of dissent" that encourages workers to freely speak their minds, employees may not challenge unethical actions because of the fear of retaliation and the strong desire to preserve their own jobs (Conference Board, 2003).

TABLE 3: FACTORS MOST LIKELY TO CAUSE PEOPLE TO COMPROMISE ETHICAL STANDARDS

1. Pressure to meet unrealistic business objectives/deadlines
2. Desire to further one's career
3. Desire to protect one's livelihood
4. Working in environment with cynicism or diminished morale
5. Improper training/ignorance that the act was unethical

Source: Business Ethics Survey 2005)

THE ETHICAL AND UNETHICAL CONCERNS OF PERSONNEL MANAGERS

A survey of over 1,000 US personnel managers (Danley et al., 1991) found that the most common areas causing ethical concern were: favoritism in hiring, training and promotion; sexual harassment; inconsistent disciplinary measures; not maintaining confidentiality; sex discrimination in promotion, and pay; and non-performance factors used in appraisals. Various factors that are most likely to cause people to compromise an organization's ethical standards that lead to *unethical behavior* may be summarized as:

- Pressure to meet unrealistic business objectives/deadlines
- Desire to further one's career
- Desire to protect one's livelihood
- Working in environment with cynicism or diminished morale
- Improper training/ignorance that the act was unethical
- Lack of consequence if caught

- Need to follow boss's orders
- Peer pressure/Desire to be a team player
- Desire to steal from or harm the organization
- Wanting to help the organization survive
- Desire to save jobs
- A sense of loyalty

BUILD AN ETHICAL REWARD SYSTEM

One of the most basic concepts of management principles states that if you desire a certain behavior, reinforce it. Using rewards and discipline effectively may be the most powerful way to send signals about desirable and undesirable conduct. That means rewarding those who accomplish their goals by behaving in ways that are consistent with stated values. How ethical behavior is perceived by individual and reinforced by an organization determines the kind of ethical behavior exhibited by employees. Therefore, if business leaders want to promote ethical behavior they must accept more responsibility for establishing their organization's reinforcement system. Research in ethical behavior strongly supports the conclusion that if ethical behavior is desired, the performance measurement, appraisal and reward systems must be modified to account for ethical behavior. According to Nielsen (1988), in many cases, managers choose to do, go along with or ignore the unethical... because they want to avoid the possibility of punishment or to gain rewards...As a formal way to shaping the employees' ethical behavior, management control systems play an important role, but it is impossible to implement management control systems of ethics if the company's culture not support the ethical behavior. The control of ethics is an aspect of the entire control systems, if the company's culture is to award the one who achieves great financial accomplishment but will violate ethical standards, and then the system will work in a vacuum. As we know, some people may be trained or educated with proper ethical knowledge or value and further willing to follow a moral code of conduct to behavior ethically, but fail to maintain or continue to perform ethically due to the stress from upper managers or the impact from peers or coworkers. Therefore, to be a successful in the business world, an organization should be able to effectively aware the importance of having a culture of ethics and further come out with strategy to acquire this culture.

It is increasingly clear that the ethical culture of companies is set at the top, what top managers do, and the culture they establish and reinforce, makes a big difference in the way lower-level employees act and in the way the organization as a whole acts when ethical dilemmas are faced. Surveys of different business executives indicate that the management's behavior, more than anything else, sets the ethical tone of a firm. In other words, employees take their cues from their management. If a firm's managers adhere to obvious ethical norms in their business dealings, employees will likely follow their lead. In contrast, if managers act unethically, employees will see no reason to behave any differently. For example, an employee who observes a manager cheating on her expense account quickly learns that such behavior is acceptable (Cross & Miller, 2007). To build a culture for the ethical behavior, the top managers need to behave ethical and set an ethical climate for entire company.

CONCLUSION

'The entire concept of HRM is devoid of morality.'

Hart, 1993: 29

The ethics of HRM is about more than treating people sensitively or being fair and measured. Ethical behavior will affect a company's performance for the long term while the short term benefits of unethical behavior might look positive, which influences more and more companies and scholars to find a way to motivate employees' ethical behavior. Organizational ethics are rules and standards that guide workplace behavior and moral principles. Many organizations establish a "code of ethics" that sets company expectations regarding ethical issues such as privacy, conflict of interest, discrimination and harassment and workplace diversity. Human resources personnel are charged with setting standards that promote ethical behavior in the workplace.

TABLE 4: ETHICAL BEHAVIOR IN HR OBJECTIVES

How far do you agree with the following list of HR objectives?

- In recruitment and selection: ensure that all assessment measures are fair and just.
- In reward management: ensure fairness in allocation of pay and benefits.
- In promotion and development: ensure equal opportunities and equal access.
- Ensure a safe working environment in both for all employees.
- Ensure that procedures are not unduly stressful, and that the needs of employees' work-life balance are not compromised.
- When redundancies occur, to be fair and just in handling job losses.
- Deal effectively with all forms of bullying and harassment.
- In outsourcing and off shoring: ensure that contractors, consultants and franchisees are fair and honest in their dealings with employees, clients and customers.

Ultimately, it is simple to be brave. *Once one sees what the right thing to do is, one does it.* Seeing what is the right thing to do is, in Kierkegaard's phrase, to be in an instant: there is no 'before' and no 'after'. One ceases to consider losses and gains; one stops imagining what is going to happen to oneself. In the 'instant' there is only the person and eternity. You close your eyes, take your hand off the rail you have been grabbing, and—there you go. ***Once in the water, you will swim. Have courage, be brave.*** (Heller, 1990)

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