Role of HR Ethics and its impact on the Organizational Development

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Abstract

A serious tricky facing the Human Resource Development Department is the observation among its executives is around the Role of HR Ethics in the context of (OD) Organizational Development. Human resource management deals with manpower planning and development related activities in an organization. Arguably it is that branch of management where ethics really matter, since it concerns human issues specially those of compensation, development, industrial relations and health and safety issues.

In today’s business arena, ethics are both important and vital if one has to succeed over the long run. Morals, values, standards and ethics are interestingly complex in the postmodern society. This affects the managers in HR, where decisions will affect people’s jobs and their future employment.

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. These questions are ethical in nature.

This paper emphasis on the Role played by HR Department in the Organization that contribute to develop the organization. The study is conducted to know the extent to which different organizations are initiating HR Ethics and Ethical issues and its impact on Organizational Development.

This paper will analyze the role of HR Ethics and its impact and it reviews how the role of a HR manager/ HR Department may affect the Organization Development.

Key Words: Human Resource Development, HR Ethics, Organizational Development, Ethical issue, Compensation, Industrial relations.

Abbreviations: HR – Human Resource, OD- Organizational Development.

INTRODUCTION

Wikipedia, defines ethics as

"...a study of values and customs of a person or a group. It covers the analysis and employment of concepts such as right and wrong, good and evil, and responsibility."

Ethics in general refers to a system of good and bad, moral and immoral, fair and unfair. It is a code of conduct that is supposed to align behaviors within an organization and the social framework.

Human resource management deals with manpower planning and development related activities in an organization. Arguably it is that branch of management where ethics really matter, since it concerns human issues specially those of compensation, development, industrial relations and health and safety issues. There is however sufficient disagreement from various quarters.

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this relationship, and about what constitutes fair treatment. These questions are ethical in nature, and will focus on debates about the ethical basis of human resource management.

Ethics sometimes fall by the wayside when organizations do not have a solid value-based culture starting from the top and working its way down. When this occurs, it is typically HR that is called to get involved. Issues such as sexual harassment toleration, knowingly hiring illegal immigrants, violation of privacy, biased performance reviews, wage and hour violations for the sake of saving overtime dollars, terminating whistle-blowers for reasons totally unrelated to performance, and tolerable discrimination. Lying for the sake of personal, corporate and shareholder gain. When is enough, enough? …or is it ever? It appears that an underlying theme in all HR-involved workplace issues is a management culture that fosters ethical ignorance – or at the very least knowingly allows an action to happen – even when the organization flaunts a Code of Ethics.

Ethical and moral issues are complex. Thinking through whose interest are involved and what consequences your actions, or lack thereof, might have on them—the shareholders, employees, customers, guests, and public is not easy. As an HR professional, you might think that your decisions and actions are appropriate if nothing is done, as many at Arthur Andersen and Enron did, and presumably still do, but the final call isn’t any individuals to make. Ethics is both a corporate and societal issue, easily becoming a legal and criminal one as well.

Management plays an essential role in inculcating workplace ethics in employees. Recently, a keen interest has emerged in both academic and professional spheres to analyze the important role that ethics plays in the organizational context (Feldman, 1996). As suggested by recent findings (Valentine et al., 2006; Baker et al., 2006; Institute of Business Ethics, 2003), this role is being recognized as positive and beneficial for both the organizational operation and global performance. Indeed, it has been argued that an increased emphasis on ethics and virtue in organizational decisions/behaviours contributes to a more humanized organizational culture (Melé, 2003), a lower probability of failure due to moral lapses (Melé, 2009), greater ease in obtaining happiness for the members of the organization (Torralla & Palazzi, 2010) and ultimately, increased value generation, not only by positive attitudes and behaviour by internal agents such as employees (Baker et al., 2006; Valentine et al., 2006; Ruiz et al., 2010) but also by higher satisfaction indexes of important external stakeholders such as clients (Torralla & Palazzi, 2010). In sum, ethics can be considered an asset for business (García-Marza et al., 2010), and insofar as the living of virtue ethics is made patent in organizations, excellent businesses can be thought to be successfully run (Torralla & Palazzi, 2010). As such, ethics implementation has become common in business world (Guillen et al., 2002), most likely because managers have somehow realized the significant advantages that can be obtained by behaving ethically (Treviño & Nelson, 2004).

**RESEARCH OBJECTIVE:**

The objective of this paper is to offer some of the learning about ethics and its role in Human Resource and the advantages of ethical programmes for HR practitioners - and for the employers they work for or with.

This paper looks at the significance of ethics; different school of thoughts, Virtue ethics and ethical issues in HR.

This paper focusses on role of ethics and its impact in Human Resource in the context of organizational development and organizational change

**RESEARCH METHODOLOGY:**

Rich data was collected through a series of interview with different Employees working in the organizations and also business executives, and management practioners who are directly and indirectly involved with/in Human Resource Department

This paper made an attempt to study based on secondary data which includes journals, books, articles, websites etc.
LITERATURE REVIEW:

Until very recently the field of business ethics was not preoccupied with issues relating to the ethical management of employees. Apart from the development of ethical awareness among managers (Snell, 1993; Maclagan,1998) and the ethical dimension of change management processes (Mayon White, 1994; McKendall, 1993), there has been little debate around the ethical basis of much HR policy and practice.

Three UK conferences on ethical issues in contemporary HRM in 1996, 1998 and 2000 have highlighted many evolving themes in this area, as reported in a special issue of Personnel Review (Vol. 25, no. 6,1996) and in Business Ethics: A European Review (Vol. 6, no. 1,1997).

HR 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 organisational well-being.

The ethical dimension of HR policy and practice has been almost ignored in recent texts on HRM, where the focus has shifted to 'strategic fit' and 'best practice' approaches. The focus on high performance HR practices developed in the US (Huselid, 1995) and in the UK (Guest and Peccei, 1994), and widened out through seminars (such as the ESRC/BUIRA seminar series on 'The contribution of HR strategy for business performance', special issues of journals (Human Resource Management Journal, Vol. 9, no. 3, 1999) and a plethora of research projects and articles, both supportive (Guest, 1997; Tyson, 1997; Tyson and Doherty, 1999) and more critical (Purcell, 1999). However, there is enough argument to the contrary to suggest that employee well-being and ethical treatment are as justifiable a focus as 'strategic fit' and 'best practice'.

Ethics is about people's behaviour, and this is a key concern of HR departments, so HRM has an active role to play in raising corporate ethical awareness and facilitating ethical behaviour (Van Vuuren & Eiselen, 2006), especially if there are not enough financial resources in the company to fund a separate ethics position. In that respect, Winstanley et al. (1996) noticed that one role identified for HR is that of ethical stewardship, taking charge of raising awareness about ethical issues and promoting organizational ethics. Thus, HRM plays a highly important role in handling these topics (Buckley et al., 2001; Weaver & Treviño, 2001; Winstanley et al., 1996; Van Vuuren & Eiselen, 2006), as HR policies and practices are highly important in transmitting the ethical values encouraged in the organization (Foote & Robinson, 1999). Such an important role can be somehow noted in the frequently use of those mechanisms (e.g., performance appraisal, promotion policy, etc.) by practitioners in European business (Guillen et al., 2002). This was also noticed by Greengard (1997), who stated that underlying organizational values and official statements should necessarily be perceptible during the recruitment process, employment interviews, orientation sessions and performance reviews in order to generate an organizational culture that truly emphasizes ethics.

A concern with job design and employee motivation was indeed one of the means by which ethical treatment of employees and concerns for their welfare were sustained well into the 20th century. The influence of the HR movement through the early work of Elton Mayo (1933), and the later work of Herzberg, 1968) and Maslow (1970) and the 'Quality of working life' movement in the 1970s, are all important illustrations of this.

In 1960s &1970s, the management agenda was especially focussed on the need for autonomy variety, skill development and self-actualisation but today they only receive a glancing acknowledgment relative to the emphasis on 'high performance' and 'high commitment' work systems linked to efficiency and effectiveness rather than intrinsic job satisfaction.

In the context of Organizational change/organizational development it has been observed 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 behaviour 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;
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 organisational 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.

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!

Discussions in ethics in HRD stem from employee relationships and whether or not there can be a standard for the same. Employee rights and duties and freedom and discrimination at the workplace are issues discussed and covered by most texts on the topic. Some argue that there are certain things in employment relationship that are constant others disagree with the same. For example, right to privacy, right to be paid in accordance with the work (fair compensation) and right to privacy are some areas that cannot be compromised upon.

The professional and academic HR community tends to have a different understanding of what 'ethical' concern means, compared with the community of business ethicists. For the former, the words 'ethical', 'moral' and 'good' are all synonyms denoting what is best practice. The concern is with action - doing something about a situation to bring it back into ethical equilibrium (Miller, 1996a, 1996b; Arkin, 1996; Pickard, 1995; Johns, 1995; Wehrmeyer, 1996).

According to Petrick and Quinn, they describe ethics as 'the study of individual and collective moral awareness, judgment, character and conduct' and say it involves taking one step back in order to reflect on these underlying principles, decisions and problems (Petrick and Quinn, 1997). Some ethical frameworks are more relevant to the study of HRM than others, and different situations require ethical insight and flexibility to be able to identify those frameworks that address the grounds on which competing claims are made. Decisions are judgments usually involving choices between alternatives, but rarely is the choice between right and wrong.

The ethical agenda for HRM becomes the development of ethical sensitivity and reasoning. Ethical sensitivity is the ability to reflect on HRM and be able to identify the ethical and moral dimensions and issues. Ethical reasoning is the ability to draw on relevant theory and frameworks to make more explicit the alternative interpretations and responses that could be made to inform decision-making. This article now proceeds to illustrate this by introducing a variety of relevant ethical frameworks which can be used to analyse and understand the ethical dilemmas faced in contemporary human resource management.

Virtue ethics

Virtue ethics is an approach that is seen to originate with Aristotle (384–322 BC). It has recently regained prominence through the work of the philosopher Alasdair Macintyre (1981). Aristotle was not concerned to identify the qualities of good acts, or principles, but of good people.
Acting as a ‘good person,’ Macintyre suggests, ‘is the state of being well and doing well . . . a complete human life lived at its best’ (pp. 148–149). For Aristotle, the virtuous man has to know that what he does is virtuous; a good man has to ‘judge to do the right thing in the right place at the right time in the right way’ (p. 150). This is not just the simple application of rules. The virtues include both intellectual and character virtues. Macintyre includes the need to feel that what one is doing is good and right; to have an emotional as well as a cognitive appreciation of morality is an essential component of virtue. A key distinction between this approach and others is that it focuses on the issue of agency in ethical conduct. It suggests that neither good intentions nor outcomes, codes and the recognition of basic rights will necessarily ensure ‘goodness’. In the final analysis, the effectiveness of an ethical system depends on the nature of the people who employ it. And are people essentially good or bad?

Virtues are practiced because human beings are urged to ‘lead a good life’ aiming to achieve the optimum but not excess in all things. This all makes it difficult for virtue to be grafted on as a new set of HR practices; instead it would imply that it would need to underpin the organizational culture. This may even suggest that it would only be possible for organizations such as Body Shop and the Co-operative bank, whose virtues have become embedded in practice, to aspire to virtue. It would be impossible for those organizations that adopt and shed their values with each new organizational change to adopt this ethical stance.

What, however, are the virtues that an employer and employee would exhibit today? Solomon (1992, 1993) draws on Aristotelian accounts of virtue to present a contemporary view of virtues for business ethics. He identifies six: community, excellence, role identity, holism, integrity and judgment.

Virtue ethics is at the same time appealing and frustrating. For example integrity is a key issue for HR professionals (Pearson, 1995)

**ETHICAL ISSUES IN HR:**

![Ethical Issues in HR Diagram](image)

**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 favouring the interests of the top management in comparison to that of other employees and stakeholders.
Race, gender and Disability

In many organisations 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 standardised employee behaviours towards each other. In good organisations the only differentiating factor is performance! In addition the power of filing litigation has made put organisations on the back foot. Managers are trained for aligning behaviour 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 organisation is an individual and has a personal side to his existence which he demands should be respected and not intruded. The employee wants the organisation 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 behaviours 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 organisation.

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.

IMPORTANCE OF ETHICS IN HUMAN RESOURCE:

At many companies, the HR department typically is charged with monitoring company ethics; they craft the company’s conflict-of-interest strategies and manage other ethically-important policies. HR departments should set the stage by operating in an ethical manner encouraging new hires and current employees to follow accordingly. Only fair, transparent and honest hiring processes support developing an ethical labor force.

HR deals with a variety of challenges being that department that deals directly with employees. There are many ethical risks that can destroy a company’s reputation, if not handled properly. Companies with comprehensive ethics programs in place can avoid costly troubles regarding discrimination and hostile working situations and stay out of court. Only an ethical employer can attract top talent and solidify the confidence that current and new employees have in the company and the management team.

Violation of ethics in HR can lead companies into a world of legal crisis. Discrimination issues, sexual harassment, unwanted verbal or physical behavior and unfair employment policies can damage a company’s reputation among consumers, partners, current and future employees. If your HR department uses unprofessional means to hire new employees by ignoring legitimate recruiting practices, uses dishonest means of promoting employees or disregards an internal breach of ethics, then these actions can become a costly affair if not handled cautiously. Unethical employers are known to lose even their most trusted, bright, experienced, creative and productive applicants and employees.

Treating employees fairly can help keep long-term employee trust and loyalty intact. Loyal employees are known to generate and proclaim positive word-of-mouth to family, friends and
acquaintances. They yield more experience working with their employers who allow them to master production processes and help them understand the inner workings of the firm better. This increases an employee’s productivity and efficiency over time, in addition to keeping recruiting and training costs under control.

**ROLE OF HR MANAGER/HRM IN INDOCTRINATING ETHICS IN THE ORGANISATION:**

_Management needs to act as a source of inspiration for the employees._ It is generally observed that team managers, leaders influence their team members to a large extent. Superiors strictly need to adhere to the rules and regulations of the organization for their employees to follow the same.

It is the role of the management to motivate the employees and guide them as to what is right and wrong. Remember a boss is like the captain of the ship. It is your responsibility to take your team members along and provide constant mentoring.

_Constant communication between the management and employees is of utmost importance in inculcating workplace ethics._ Management ought to be transparent with its employees. Let them have a say in company’s decisions. Let them decide what is right and what is wrong for them. Sit with them, discuss, brainstorm ideas and listen to what they have to say. Never ignore their opinions. Let them come out with their grievances.

The best way to promote workplace ethics is to be very specific and careful while recruiting potential employees who would be representing the top levels especially the human resource department. It is rightly said that human resource professionals are the face of an organization. They need to understand the psychology of individuals well as they are the ones who have the responsibility of formulating policies, rules and regulations of the organization. Remember, policies should neither be too flexible nor too rigid. If policies are too flexible, no one actually follows them and if policies are too rigid, again employees would depend on excuses and lies to escape them. You must understand your nature of business.

Organization needs to support its employees always, even at the hours of crisis. Job security and constant career growth are two most important factors which ensure employees stick around for a long time and also are satisfied with their current assignment. If employees are happy and contended and feel respected, they would also strive hard to deliver their level best every time.

**FINDINGS:**

More research is needed to examine the quality of working life and subjective experience of employees in the context of the organizational Development/ Organizational Change taking place

In the organization the HR should Consciousness to be elevated to develop insight into the rationale behind ethical thinking and benefits of applying it for organizational Development/ Organizational Change.

HR Practitioners need to be experts on human and organizational behaviour.

An HR workplace ethics awareness programme for employers and managers to be conducted.

A piratical HR Ethics Guidelines document/Hand book to be framed and circulated across the organization.

Expectation around standards of behaviour in every situation must be established and enforced.

**CONCLUSIONS:**

Human Resource (HR) ethics unlike other business ethics is not only restricted to the field of Human Resource and Personnel Department alone. It influences many aspects of our life and especially in developing perceptions in the minds of people and creating identity, in the society. Thought there can be no single opinion on ethics in HR that is convincing. Market in itself is neither an ethical institution nor unethical and no policies and procedures alone cannot govern and align markets to human wellbeing. However the requirement of such policies and procedures can also not be denied. In lieu of this HR ethics should take care of things like discrimination (sexual, religion, age etc), compensation, union and labor laws, whistle blowing, health and safety of the employees etc.
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