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# Managing Human Resources in Global Era- Prospects & Challenges



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# HRM – IN THE MISTY MAZE OF ETHICS

Dr. Farida Virani

## Abstract

Many papers and researchers rightly conclude, that HRM holds the moral ‘stewardship’ of organizations, standards, values, morals and ethics (Winstanley and Woodall, 2000) as it plays an important part in building an ethical and moral climate in organizations. 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. For each HR practice, there are winners and there are losers. Ironically, management of human capital (HRM) itself deals with a lot of ethical challenges, both at the senior levels involving strategic decisions and middle management involving treatment of individual employees. This paper is exploratory, reviews various ethical philosophies, and analyzes their deficiencies and related shortcomings while applying them to HRM as a discipline. These ethical concerns and questions are raised to evaluate the applications of ethical philosophies to practical HRM. The paper concludes with practical recommendations for HR managers.

**Key words:** Ethics, Ethical Philosophies, HRM.

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

(Johnson, 2003)

HRM is a hotbed for ethical challenges. 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. For each HR practice, there are winners and there are losers. Furthermore, HRM is not a consistent and unitary set of principles and practices. It varies from organization to organization, from culture to culture, and can be diverse both within and between industries and sectors. HRM has evolved in multifaceted historical, economic and social contexts.

The decline of collectivist systems of industrial relations (IR) has left many employees potentially more vulnerable to opportunistic and unethical behavior (Watson et al. 2003). The recent shift towards

‘individualism’ in employment has questionably placed the integrity of HRM in the hands of business managers and HR managers in particular. Denhardt (1991: 28) stated; Ethics is not just avoidance of corruption, responsiveness to elected officials, or not keeping costs to a minimum while supplying a quality service or product. It is also the vigorous pursuit of principles such as justice, fairness, individual rights (for example, privacy and due process), equity, respect for human dignity and pursuit of the common good. While it is argued (Winstanley and Woodall, 2000) that HRM holds the moral ‘stewardship’ of organizations - interpretations of standards, values, morals and ethics have become increasingly complex in a postmodern society, where absolutes have given way to ambiguity. In this current context, it becomes most relevant to examine the ethical dimensions of HRM practice.

### **Ethical philosophies and HRM challenges**

There is a perception that ethical decision making is just a matter of applying ethical principles and theories to situations. In reality, different ethical theories when applied to the same situation would most likely result in differing outcomes. This could be quite tricky especially in relations to HRM. The researcher has therefore tried to discuss the different ethical philosophies and argued about its application in terms of Human Capital Management.

### **Absolutism and Relativism**

*Ethical absolutism* believes in the notion that there are universal truths in morality that apply at all times and in all circumstances. *Ethical relativism* believes, there are no universal or international rights and wrongs, it all depends on a particular culture’s values and beliefs and the only right and wrong are as specified by the moral code of each society.

In the world of moral relativism, the role of HR becomes predominantly challenging. Cultural relativism is the mistaken idea that there are no objective standards by which our society can be judged because each culture is entitled to its own beliefs and accepted practices. No one can object to any society’s intolerance that reflects its indigenous worldview. Because there is no objective moral truth that pertains to all people and for all times, one moral code is no better or no worse than

any other. Multiculturalism, racism, post modernism, deconstructionism, political correctness, and social engineering are among cultural relativism's "intellectual" descendants.

For e.g. Many U.S. businesses frown on nepotism in hiring, fearing that it may lead to favoritism and inequity. However, in many countries, nepotism in staffing is not considered wrong. Acquiring a position in an organization based on family relationships is a common norm in collective cultures. Many ethical scholars reject ethical relativism, believing it may generate unacceptable consequences. However, in the light of these varying views the role of HR managers become particularly complex in international companies, as it is no longer clear whether local cultural solutions are acceptable or appropriate or absolute universal truth should prevail.

### **Consequentialist Approaches (Utilitarianism)**

This approach was developed by Jeremy Bentham (1748–1832) and John Stuart Mill (1806–1873). Its main premise suggests that the morality of an act is determined by its consequences: people should do that which will bring the greatest *utility* (which is generally understood to mean whatever the group sees as good) to the greatest number affected by a given situation. In terms of means vs. ends, it focuses exclusively on the ends, not means. However, in practice it is difficult to measure all the good and all the costs. Some things are immeasurable. Utilitarianism has been criticized as too numeric because measuring costs and benefits omits any human element.

Hypothetically, in the case of deception, if the chances are high that the deception will have a significant net positive effect, individuals will use utilitarian theory to reason their decision to deceive. This view tends to dominate business decision making. It is consistent with goals like efficiency, productivity, and high profits. By maximizing profits, for instance, a business executive can argue he is securing the greatest good for the greatest number as he hands out dismissal notices to 15 % of his employees.

HR practitioners, argue that in practice it is very complex to accurately determine 'what' the maximal *utility* would be for all affected by a situation. Who represents the 'majority'? Can we accept a situation where the benefits of the majority might mean the exploitation, and

suffering, of the minority even resulting in costing lives of people? HR managers may not always have all the necessary information. The notion of utility is also very vague. Is the vision short or long term? These perspectives may lead to different conclusions and so varied HR practices.

### **Non-Consequentialist Approaches (Deontological or ‘Duty’ Ethics)**

This approach, associated with Immanuel Kant (1724–1804), is sometimes referred to as ‘duty ethics’. A HR manager who accepts Kantian morality would ask whether the principle on which any given decision is based passes the test of the ‘categorical imperative’. Is the principle based on good will? Does it treat people as ends in themselves? And can it be willed universally without contradictions? Unless the principle of your action can be universalized, it is immoral to make an exception for yourself (Bowie, 2002). A key notion for Kant was that of *intentionality*. It might well be that the outcome of an act leads to very dire consequences for people – for example, the closure of a mining site to adhere to government compliances and subsequent job losses and families sufferings as a consequence – but according to this theory, if one’s aims and intentions are good, then the act is a moral one. It’s all about motivation and meaning. Kantian approaches propound a number of rights, usually embracing issues such as the fundamental right to life and safety, and the human rights of privacy, freedom of conscience, speech and to hold private property.

Rights-based frameworks continue to be relevant to HRM, particularly in areas such as selection interviewing (the right to privacy and confidentiality of personal information, particularly where it is not relevant to the job e.g. female candidates asked about their marriage plans or when do they plan to start a family), occupational testing (such as the right to feedback), equal opportunities and diversity management (the right to be treated the same e.g. equal employment opportunities and pay for both genders or to be given special treatment for the differently able employees), flexible employment contracts and working time (the right to work- life practices), ‘whistle blowing’ (the right to speak out about wrongdoing) etc. Conversely, this approach also harvests a lot of questions from the HRM perspectives that requires answers. First, how (on what parameters) does the organization

establish the interests of the employees? Second, why should one employee's interests be the same as another employee's interests? Or, be the same as the employee's interest in the future? These questions are challenging to address because of the rapid change in the mindset, skill sets and the attitudes of both the employees and employers within the changing business context and related legal frameworks. Moreover, the assumption of homogeneity is a perpetual problem faced in the domains of HRM (Wright and Boswell 2002) areas.

### **The Ethics of Human Rights**

Human rights are the basic rights of each human being, independent of race, sex, religion, political opinion, social status, or any other characteristic. John Locke (1632–1704) was one philosopher who emphasized and elaborated an ethics based upon human rights. He argued that it is not so much the application of reason to acts that is important to morality, but an *appreciation* of the fair and equal treatment of all people, enshrined in the recognition of basic human rights. According to the theory of moral rights, human beings have certain fundamental rights that should be respected in all decisions: the right to free consent, privacy, and freedom of conscience, free speech, and due process (Cavanagh et al., 1981).

Businesses realize the compelling reasons why they should involve human rights in their policies and practices. Businesses increasingly need a stable international environment in which to operate, with sustainable markets and a “level playing field” of opportunities. Human rights offer a common framework for businesses to understand societies' expectations and deliver value to stakeholders in a more sustainable way. Human resources are a key sector where the concerns of human rights and human diversity meet the practical reality of workplaces, whether in the public, private or non-profit sector. Hiring, promotions, and workplace conditions have serious and immediate implications for whether individuals of diverse backgrounds and identities enjoy the equality and opportunities that human rights principles suggest everyone deserves.

However there are a lot of occasions when HRM and Human Rights have been at cross roads. E.g. how do you operate within international standards of Human Rights when there are local corrupt financial



practices, a lack of laws, and the improper administration of justice, leading to limited respect for human rights? How do you obtain protection for personnel and plant when the state security forces are known to use excessive violence and commit other human rights abuses against the local population?

### **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). 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. Research shows that a person’s cognitive moral development will influence how they respond to ethical dilemmas (Kohlberg 1981). A number of factors influence the mode of individual behaviors to either deontological or teleological approaches, especially if the teleological way takes the form of self-seeking, rather than communal good type behavior.

Practically even if virtuous behavior is desirable, there is haziness and ambiguity about which virtues are desirable and functional in the ever changing dynamic business context. From a HR managerial perspective, the end of a business enterprise is not a virtuous life but economic efficiency and profit, where using virtue at work is a means to good business. But, according to Aristotle’s virtue ethics, the end is not economic efficiency and profit, but a virtuous life, using economy as a means to eudemonistic (living and acting well) happiness. These conflicting conceptions can cause ambiguity to HR practitioners.

## **The Stakeholder Approach**

This approach has emerged from the area of applied business ethics, and proponents include Freeman (1998) and Weiss (1994). Stakeholder analysis sees morality as evolving within a community of equals, where rights and needs are recognized as residing within all individuals and groups that participate in business life. Organizations consist of many interwoven webs of relationships, rights and responsibilities. Many individuals and groups have a ‘stake’ in how an organization performs, apart from just the shareholders and members of the board. Employees, customers, suppliers and the wider community should all be considered when decisions affecting them are made. Stakeholder theory offers potential to conceptualize the organization that recognizes employee relationship as a moral relationship, and the employee as a moral ‘claimant’ of the organization.

However, there are a number of realistic problems with this approach. First, organizations must identify relevant stakeholders – and this is not always an obvious matter. Second, when stakeholders are identified, an organization has a moral compulsion to ascertain their views. This is not always easy and incurs cost and time. An organization may, with the best of objectives, obtain a fractional view of the wishes of its stakeholders but that does not acknowledge the voices of several relevant diverse groups. Lest forgotten, even though an important stakeholder an HR manager, he is still an agent of the firm. Tough decisions in regards to employee relations would see HR making decisions aligned with the organization’s interest, but not necessarily in the interests of employees, who may have their rights infringed.

Research shows that there are a number of pressures on HR managers which influence their ability to act ethically. Consider, for example the roles of ‘administrative expert’, ‘employee champion’, ‘change agent’, and ‘strategic business partner’ (Ulrich 1997). Each of these roles represent embedded conflicting interests for example, the “strategic business partner” and “administrative expert”, would see the HR manager act within the interests of the organization, but not necessarily to promote ethical interests or the rights of employees. In contrast, the employee champion role would see that HR managers act within the interests of employees, and be a champion of their rights, which is

perhaps more consistent with the rights based ethical justice framework espoused by Rawls (1971).

From the above analysis and arguments, it is evident that each philosophy examines ethics from a different perspective, and no one principle captures the full range of relevant issues. There are major challenges in the application of any one or all the philosophies to HRM as a domain and therefore extensive reflection, deliberation and research on the ethical HRM schema is essential. Ethical analysis of HRM needs to be developed as an important area of inquiry both in research and practice of HRM.

### **Conclusions**

HRM holds the moral 'stewardship' of organizations - standards, values, morals and ethics as it plays an important part in building an ethical and moral climate in organizations. Paradoxically, management of Human Capital (HRM) itself deals with a lot of ethical challenges. It is apparent, that the intersection of organizational, professional and personal ethics can lead to complex ethical dilemmas and so an extensive complexity of ethical choices that arise. Ethical HRM is a complex and multifaceted matter to which there are no easy solutions, few evidently correct answers and therefore the difficulty of determining the morally best HRM strategies. HR managers are advised to examine challenging ethical dilemma applying all the principles and philosophies. When all the principles come to the same conclusion about the ethics of a course of action, then there is no apparent conflict about what is ethical. However the researcher is also mindful of the practical relevance of such an advice where time, financial results and bottom lines are all that matters.

Some business sectors share knowledge and experiences about their ethical framework processes and procedures which could be valuable tools for HR managers. A strong commitment from a company's senior leaders is a prerequisite for embedding an ethical culture into a company's operations and activities. Open discussions about ethical dilemmas faced within the organization would help generate frameworks for ethical decision making specific to your organization which could be documented. Cultivating ethical sensitivity and ethical reasoning amongst HR managers would go a long way to achieve

ethical practices in HRM. Most importantly ethics in HRM should be encouraged as a rigorous subject in academic institutions. Achieving an ethical balance in HRM is not a destination, it is a continuous journey .....

It's an elusive moving target.

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