

STUDENT SUMMARY NOTES

chapter 11

HRM and ethics

Chapter overview

In this chapter we examine the role of HRM as the ethical guardian of the organisation. We explore the role of business ethics and corporate social responsibility emphasising different ethical frameworks and the application of ethical principles. We consider the various functions of HRM such as, recruitment and selection, HRD and performance management and rewards and their role in promoting and supporting an ethical organisation.

Learning outcomes:

After studying this chapter, you should be able to:

1. Understand the role of ethics and corporate social responsibility in an organization.
2. Assess the alternative dimensions of ethical theory and apply them to HRM issues.
3. Explain the competing roles of the HRM function in business ethics.
4. Debate the context of ethics in a corporatist environment.

Chapter outline

Introduction

Whether you are a shareholder, business owner, manager, employee or a consumer of products and services you will be affected by the ethical conduct of a business. Ethical practice is far-reaching and central to managing work and people. This chapter takes a closer look at the ethical frameworks applied to understand

ethical decision making and considers ethics as a responsibility of the HR department.

Business Ethics

1. Definition – Business ethics are a set of moral principles and values that influence the decisions and actions of individuals within an organization.
2. Definition provides a guidepost to how the world views a business.
3. Behaviour is viewed as either good or bad depending on the stakeholder.

HRM and globalization 11.1 Toxins and cancer: what price for Canada's oil?
This example (p. 372) demonstrates the environmental cost of unethical organizations. Other costs include, social, economic, reputational and life.

Corporate social responsibility

1. CSR or corporate social responsibility is concerned with the ways in which managers' behaviour and actions exceed minimum compliance-based regulation.
2. Derived from the stakeholder theory of the firm, CSR acknowledges the legitimate rights of a range of stakeholders to have their interests met.
3. CSR contends that managers' behaviour extends beyond the financial and legal interests of the firm.

Ethical theories and cultural context

1. Utilitarianism – A branch of ethics that is forward-looking and is often discussed under the name consequentialism. Actions and behaviours are evaluated according to their consequences.
2. Deontology – A branch of ethics that is either backward or present-looking. Most widely known through the work of Immanuel Kant (1744-1804) emphasis is on the motive for an action rather than the consequences of the action.
3. Virtue ethics – Virtue is embodied in a person's character rather than their actions. Virtue ethics evaluates belief systems and is manifested through discussion of what individuals or organisations stand for.

Rights-based ethics: Human rights and core labour standards

1. Rights based ethics argues that behaviour should be judged by standard rights. Such rights include: free speech, freedom from slavery and equal opportunity
2. Supported by the United Nations, the rights are internationally transferred through national laws.
3. Labour rights or standards are represented by the International Labour Organization (ILO). 'The main aims of the ILO are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues' (www.ilo.org).

HRM: How do ethical principles apply?

1. Ethics in recruitment and selection – transparent and accurate setting of genuine position requirements, skills and qualifications are all ways the HR manager can assist the organisation to ensure that legal and ethical considerations are met. Assessing a candidates attitudes and values assists in obtaining an ethical fit between the organisation and the new employee.
2. Ethics in human resource development – An ethical organisation may deliver training to employees on equal opportunity, safety and procedural and distributive justice. Ethical acculturation is through the message sent to employees of the organisational values contained within mission statements, codes of conduct and culture.
3. Ethics in performance management and reward – Reinforcing ethical behaviour through performance management systems can establish and maintain an ethical culture. Rewarding desired behaviour and ensuring that bad behaviour is not ignored helps employees to guide their own behaviours towards ethical standards

Whistleblowers

1. Whistleblowing is the reporting of unethical behaviour.
2. Whistleblowers use many mediums to report such behaviour including internally through line of command and whistleblowing hotlines, or externally through media or websites such as WikiLeaks.

3. Whistleblowing often has unpleasant side effects such as lawsuits, divorce, alcohol abuse and suicide which makes potential whistleblowers think twice about reporting.
4. Many whistleblowers do so out of loyalty to the organization, seeking to have bad behaviour addressed before it does damage to the reputation and long term health of the business.

Study tip: HRM as I see it (p. 382)

Go to the website and listen to Gregor Karolus' interview in which he discusses business ethics and his view on whistle-blowers.

The gaps in human rights

1. The 'problem of dirty hands' claims that unethical behaviour is necessary in businesses that wish to be competitive. It derives from the understanding that being good at all times will result in ruin when competing with many who are not so good.
2. If the HR department is to provide ethical guardianship then it must build more muscle, taking up leadership to ensure that ethical norms are upheld.

HRM in practice 11.1 Banks: who do they serve?

This case (p. 383) demonstrates the link between risk and high-win outcomes in the banking industry. The case demonstrates the role of industry and organizational culture in unethical, risk-taking situations.

Paradox in ethical action

1. Ethics in HRM is predicated on the assumption that moral behaviour is important but problematic for the HR manager.
2. It is not enough for only formal systems to be aligned with ethical values, informal systems are equally important. Fairness, values and honesty should be perceived to be present through all HR systems as they interact between the formal and informal.
3. Care must be taken where reward systems meet behaviours. Those organisations that emphasise and reward self-interest will often experience unethical behaviour

Engaging in critical thinking

Chapter case: 'Whistleblowing – an Australian context'

This case is designed to illustrate the role of whistleblowers in the exposure of corporate misconduct. In the corporate world, unethical behaviour is often found where greed has resulted in sub-standard practices and outcomes for the consumer and public as a whole. While the outcome of whistleblowing for the organisation appears costly in terms of lawsuits and reputation, the cost of a potential whistleblower failing to speak out may be even costlier in the long run.

Tip to students: Read this case from the perspective of the HR manager. Using the sub-headings on p.378 and 379, identify ways the different HR systems might work to protect whistleblowing in these and similar organisations.

Reflective question/essay question

"Establishing an ethical organisation is primarily the responsibility of the HRM manager". Discuss.

Tip to students: This question requires you to first, as always, define the terms. A comprehensive answer would ensure a critical response to the tensions and ambiguities created.