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Ethical Human Resource Management (EHRM): A Critical analysis

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**Abstract:**

In modern day, Human Resource Management (HRM) is seen as a mere variant of management control aiming intentionally to 'colonize' the identity of the individual employee which points to the contradictions between the idealised HRM theories and its practice commonly referred to as the difference between rhetoric and reality. These critical analyses suggest that HRM reflects a historical shift in the way work is defined and managed and research has to be undertaken on how morality and ethics may be represented in the discourse, lived experiences, practice and broader context of HR professionals. The HR function will continue to face challenges in balancing business imperatives and ethical values but as long as the corporate and HR leadership remains committed, no challenge may be insurmountable.

## 1. Introduction

Human Resource Management (HRM) department has assumed an important place in organizational success in view of the recent global changes including the increased economic turbulence, global competition, constant revisions in employment law, changing values and new employee expectations (Wooten, 2001). In addition, since essentially concerned with the treatment of humans, HRM is an inherently ethical activity and HRM debate and practice automatically raise ethical implications (Greenwood, 2012). Hence, it is suggested that HRM cannot be considered fully professional unless and until the ethical dilemmas that it faces can be identified, analysed and resolved (Wooten, 2001). Surprisingly though, the field of ethics and HRM remains underdeveloped (Greenwood, 2012).

Besides, HRM is the protector of the 'social contract' in employment relationships, and needs to balance and integrate the interests and needs of its different stakeholders (Kochan, 2004) but as Kochan (2007, 599) stated, human resource management "faces a crisis of trust and a loss of legitimacy in the eyes of its major stakeholders." The 'Strategic human resource management' movement of last two decades has failed to deliver on its promise and achievement (Kochan, 2007). A strict market-based perspective in mainstream HRM pushes HR practitioners to draw on an economic criteria rather than social values to legitimize their practice. There is a basic assumption in this perspective that human resource is a cost that ought to be minimized, and that the value of HR rests almost solely on its contribution to bottom line of productivity and profitability (Janssens and Steyaert, 2009). However, there is a call for contextualized ethics, where the discourse and practice of HRM is articulated through the lived experiences of those who are entrusted with HR affairs in actual organizations. This implies that morality, and indeed ethics, is not only contextual but also relational (de Gama et al, 2012).

In addition, for a normative discourse to identify and prescribe what organizations should do to be deemed ethical, it has been suggested that HRM should aspire to be a 'guardian of ethics', an ethical steward or the 'champion of corporate ethics'. However, Ethics is understood to be a managerialist discourse that privileges notions of performance and organizational legitimacy (Jack et al, 2012). Many corporate human resource management decisions raise ethical issues. There is no shortage of ethical dilemmas facing human resource management. Noted management guru, Drucker (1954, as cited in Schumann, 2001) argued over four decades ago that management must consider the impact of every business policy and business action upon society (Schumann, 2001). Even, Milton Friedman (1970) in his manifesto of the 'narrow' view of corporate social responsibility wrote that business in its pursuit of profit must stay within the rules of the game and conduct the business in according to rules of society-whether legal or ethical (Greenwood, 2002).

In this submission, the author will discuss the role of HRM for Ethics by discussing HRM, Critical HRM (CHRM); the transition of CHRM towards Business ethics (BE) and Ethical HRM (EHRM).

## **2. From HRM to Critical HRM**

Defining HRM, whilst apparently straightforward, is in fact a complex and value-laden task. For our purposes, HRM is understood in its broadest sense, to be the management of people within the employment relationship (Watson, 2010). HRM is commonly defined as the “*productive use of people in achieving the organisation’s strategic business objectives and the satisfaction of individual employee needs*” (Stone, 1998, 4). To call a person a resource is already to tread dangerously close to placing that human in the same category with office furniture and computers. Human resource management (HRM) involves the effective management of people to achieve organisational goals. The word “management” in this context is a euphemism for “use” (Greenwood, 2002).

Managerialist orientation is the bedrock of ‘Mainstream HRM discourse’. It looks for an HRM that can contribute to strategy, organizational performance, job performance and cultural alignment (Delbridge and Keenoy, 2010). The HRM bases its contribution traditionally on two different models of the strategic management named as hard and soft HRM (Rhodes and Harvey, 2012). Soft HRM is known to be people-focused whereas Hard is considered to have production-focused policies and practices (Greenwood and Freeman, 2011). Hard HRM takes its roots from ‘The Michigan model of strategic Human Resource Management’ (HRM) as developed and advocated by Fombrun et al. (1984) and Soft HRM believes in enhancing the work experience of the employee and supporting their interests. The ‘Harvard model’ typifying the concept of Soft HRM makes the importance of stakeholders central for its long term success and adopts a pluralist approach. In addition, it not only caters to the effectiveness of the organization but also looks after the individual and societal well-being. This trend points to HRM function playing a central role in ensuring organizational ethicality as related to employment relations (Rhodes and Harvey, 2012). However, “soft” HRM practices are not always without strategic intent (Greenwood 2002). In fact, HRM has been stated as “a sheep in wolf’s clothing” (Greenwood, 2002) or that “soft HRM” is just a “hard HRM” in disguise (Greenwood and Freeman, 2011). As stated by Greenwood (2002, 272):

*“If we cannot be assured of the soft nature of HRM practices (cannot be assured that the sheep is not a wolf in sheep’s clothing) then it is more dangerous for the employee to be exposed to such practices than for them to be faced with blatant hard HRM practices. Surely a wolf provides less threat than a wolf in sheep’s clothes because we know to approach with caution.”*

The mainstream HRM viewpoint tends to be US based and practitioner focused. Being prescriptive, it often relies on naïve generalizations assuming the value of HRM. Offer of practical advice or the presentation of empirical data has been the main results of research (Greenwood and Freeman, 2011). This approach derives its roots from classical management theory, and while taking systems maintenance or functionalist approach, views HRM as a mechanism for improving efficiency and for the attainment of organizational goals (Townley, 1993). There is a focus on the individual employee as a unit and it follows unitarist perspective while assuming singularity of purpose and goals of the employment relationship. In addition, the main epistemological approach in this HRM is positivism which “seeks to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements” (Legge, 1995, cited in Greenwood and Freeman, 2011).

There is a wide agreement among critical scholars that HRM is directed by a unitarist approach to managing the employment relationship (Watson, 2010; Torrington et al, 2008; Francis and Keegan, 2006). This is pursued by taking ‘as axiomatic that high performance HR practices’ are good for employees (Janssens and Steyaert, 2009). However, the scholars have started questioning the legitimacy of HRM (Kochan, 2007) and its economic preoccupation as promoted by western capitalism, and have termed it as a new source of exploitation. It is claimed that HRM has failed to deliver in theory as well as practice, and it just comes out now as a powerful tool of normative control and a cold set of demands. The empowered employee is as far away as ever. Even though different HRM theories vary considerably, these converge in claiming that the H in HRM is lacking (Johnsen and Gudmand-Høyer, 2010). It is said that the legal and contractual models of the employment relationship need to be stretched to honour mutual obligations by encompassing the essence of a “psychological contract” between employers and employees (Greenwood, 2002). Recent changes in the employment relationship, however, reflect large-scale shifts in the ‘psychological contracts’. These changes represent contemporary HRM approaches which frame employees as bundles of objective capacities and “human capital,” to be utilized, developed, or divested according to an economic logic (Torrington et al, 2008). What is forgotten in the process is that entering into a contract with an employee presumes the independence and dignity of both parties (Islam, 2012).

Although Ulrich (1997) proposed four key roles for HR practitioners: Business partner, administrative expert, employee champion and change agent; these roles have not been without criticism. ‘Business partner’ role, specifically, has been identified with two main drawbacks: “(1) the apparent disconnection between operational and strategic HR mindsets, and (2) the disconnection between employees and HR personnel who are gradually disappearing from the shop floor” (Francis and Keegan, 2006). Hence, “The two decade effort to develop a new ‘strategic HRM’ role in organisations has failed to realise its promised potential of greater status, influence and achievement” (Kochan, 2007, 599); thus suggesting that what Ulrich had proposed for strategic HR did not deliver. While adhering to the shareholder logic, HR practices have become more of ‘instrumental’ ‘business partners’

than ‘employee champions’. In fact, the claim that ‘people are our most important asset’ nowadays is taken with a pinch of salt, and is likely to solicit more laughter than serious candor (Thompson, 2011). The prevailing HRM philosophy is that “human resources can be managed and controlled”. The basic assumption remains that people (with a carrot, instead of a stick) can be influenced and eventually controlled. This paradigm depicts a gap between the rhetoric of HRM and the reality in the workplace (Legge, 2005) and has led to HRM’s disconnection with (Ethical HRM) progress in the West (Van Marrewijk and Timmers, 2003). Hence, HRM has also been dismissed as an employee champion (Johnsen and Gudmand-Høyer, 2010). A more balanced agenda which caters both to the employer and employee, as discussed before is the key to a successful future HRM (Francis and Keegan 2006). In this balancing act, two key challenges present Human resource (HR) managers with ethical dilemmas: one concerning the focus of the HR role and the other concerns its enactment (Guest and Woodrow, 2012). In addition, we need to further address the real problems HR professionals face in achieving a balance between competing stakeholder interests and values, and also understand why many firms still operate with an imperialistic and financial approach rather than an empowering and people oriented style (Francis and Keegan, 2006). Two decades of research has not been able to give definite answers to the link between HRM and performance. The focus of HRM policy and practice has shifted to ‘strategic fit’ and ‘best practice’, and its ethical perspective has been lacking in academic texts lately (Francis and Keegan, 2006).

By combining a practice-based approach with a critical lens and while focusing on ideological and exploitative aspects of HRM, more recent approaches to HRM have begun to emerge from critical theory while challenging mainstream approaches to ethics (Greenwood, 2002). The growing importance of critical ethical approaches focus on “macro” critiques of HRM (Townley, 1993) while doubting the ethical foundations of the field in general (Greenwood, 2002). Critical ethical views highlight the potentially problematic idea of “using” people (Greenwood, 2002) as is inherent in such framings like the other resources-financial or physical- at an organization’s disposal. Hence, some ethics scholars question the ethicality of depriving them of their relational or other essential aspects (Islam, 2012). “Critical” theorists assume a pluralist and collectivist nature to the workplace as opposed to “mainstream” writers. They assume that the various parties involved in the workplace have differing views, and thus potentially, goals. This view points to the stakeholder perspective which we will discuss later (Greenwood and Freeman, 2011) but let us first explain critical HRM.

### **Critical HRM**

Critical writers have been concerned with the interplay between power, knowledge and control (Townley, 1993). Their scholarship avoids positive methods and HRM is analysed from the perspective of employees, HR managers or a range of stakeholders. Self-reflection (and demand for self-reflection) coupled with contextualisation (vis-a-vis dominant methods and methodologies) are the dominant research drifts (Greenwood 2012) in CHRM. One of the most significant studies in this direction has been by Townley (1993). Townley (1993)

suggested that we look at HRM as a heterogeneous set of practices that structure social relations in a specific manner and not as an already given and idealized model. Subjectification of the individual can be understood through Townley's identification of how a host of Human Resource activities are mobilized in order to configure individuals as manageable objects. In linking it as an organizational technology to Taylor's scientific management (Townley, 1993, 531) Townley's eyes the organization of HRM techniques as 'disciplining' jobs. Townley further avers that HRM renders human beings into calculable objects of managerial science and practice. Townley's critical perspective points to this 'capacity for change' that "shapes individual employees—both through objectification and subjectification—as they are 'moulded' into a form that allows the organizational framework to classify, measure and order them in particular sequences and create 'leadership potential' (Townley, 1993). Townley notices a continuous process of self-creation in humans in HRM as a reflection of Nietzsche's notion of the Overhuman (Übermensch), the search for 'superior workers' (Townley, 1999, 293), with an 'order of rank', reflecting qualitative differences among different types of men known as the 'higher types', supposedly endowed with a potential for 'higher' predisposed capacities that others lack. Townley argues that these ranks fail the 'human agency' and its dignity and autonomy and they downplay the human capacity for making individual ethical decisions. But as (Johnsen and Gudmand-Høyer, 2010) state:

*"While Townley's perspective assumes that HRM primarily serves the interests of management, the radical humanist critique of Townley's perspective presupposes a kind of authentic humanity being neglected or left behind."*

However, it is understood now that HRM studies will only produce 'better' research if HRM acknowledges the political nature of the employment relation; both at the micro and macro level, and develop concepts that can take issue with the inherent pluralism of work life (Watson, 2010). HRM needs to devote more attention to underlying conflicts at work, focus more explicitly on the implications of new forms of work for employees without assuming a harmony of interests, and consider the broader political-economic forces influencing the way work is managed. In addition, the way HRM affects the nature of managerial work and the complexities and tensions this brings about for managers in dealing with the interests of employees also needs lot of attention (Delbridge and Keenoy, 2010).

A social practice perspective illuminates a new research path that aims to understand how HRM in a specific organization or context is produced through connecting and interweaving various discourses, micro-practices and rhetorical strategies that can beautifully referred to as 'tapestry' (Beardwell and Claydon, 2010). A socio-political analysis of HRM should address normative questions (Greenwood, 2012). We cannot fathom the impact of HRM without considering the ethical implications of policies and practices on employees. However, despite many convincing arguments as to why and how "alternative" streams of research can challenge and enrich our understanding of HRM, negligible demand is placed on addressing explicitly normative questions. Hence, in the next section we will discuss the transition from



critical HRM to ethical HRM. The term ethical HRM is not taken to mean HRM that is ethical (as opposed to unethical) but rather HRM as seen through an explicit ethical perspective or analysis (Greenwood, 2012).

### **3. From Critical HRM to Ethical HRM**

Ethical analysis of HRM started as an off-shoot of industrial sociology and critical management studies in the UK in the early 1990s. Business ethics took a more micro-focus in USA. In ethics and HRM, UK critical management studies and socio-logical perspectives highlighted the socio-political embeddings of HRM and its ideological pluralism. Critical/alternative viewpoints and normative considerations came together once industrial relations in US accepted their ‘usefulness’. Despite progress in UK and US towards ethical analyses of HRM, there has been little debate on it (Greenwood, 2012; Thite, 2013). Given that practice HRM is considered to be in crisis, this present low level of interest is surprising (Kochan, 2007; Delbridge, 2010; Thompson, 2011).

Mainstream HRM focus on micro-level practices and individual behaviours and its academics and practitioners follow the ‘bad apples’ approach (Trevino and Youngblood, 1990; Dessler, 2012). This entails rewarding and punishing individuals for ethical rights and wrongs

without considering the effects of the broader context at the systemic level overseeing the organisation or society. By avoiding the embedded nature of HRM, we ignore the larger political and social context for understanding the employment relationship and its inherent ethical conundrum. In a widely cited consultancy report, Cappelli and Yang (2010, cited in Greenwood 2012) claim, “human resources is a crucial point of intersection between the broader society and business”. Despite the recognition of the important role that a human resources department plays in promoting ethics, this poses a real challenge for HR in balancing (business) value and (ethical) values (Ardichvili and Jondle, 2009; Thite, 2013). It also ‘begs the question, not of whether HRM is ethical, but of whether HRM can be ethical’ (Greenwood 2002, 261; Thite, 2013).

### **Can HRM be Ethical?**

As part of managing the economic exchange which is the basis of all employment relations, it is argued that HRM is like bureaucracy (Watson, 2010) and has limited opportunities for ethical action. While quoting Weber’s theory of bureaucracy, Watson (2007) makes a clear distinction between the private ethics of the individual and the public business rationale of the organization. Watson (2007) has argued that it is not viable for HR practitioners to bring (essentially) private ethics into what are business decisions. Furthermore, HRM has itself distanced itself from interest in business ethics on account of mainly self-interested career reasons (Dale, 2012). As it is essentially concerned with the treatment of humans, Human resource management is an inherently ethical activity and HRM debate and practice do automatically raise ethical implications.

Moreover, in organizational terms, HRM is best understood as a ‘third order strategy’, determined by the strategic goals of the organization (first order strategy) and organizational design and its operational control (second order strategy) (Purcell and Ahlstrand 1989, 398). Hence, ethics, subordinate to HR strategy (Redman and Wilkinson, 2009) is a fourth order strategy. This means that what is deemed ethical at an executive level necessarily becomes ethical for the employee especially as it relates to the values brought to bear on work (Rhodes and Harvey, 2012). Hence, the idea that human resource management primarily serves the interests of business is wide spread and the term ‘ethical human resource management’ is considered an oxymoron (Wilcox, 2012). However, Wilcox (2012) stresses that Human resource management practice must be envisaged as ‘situated’ social action (Mutch et al, 2006). She suggests that “it is through the examination of the situated action of HR managers themselves that we can gain a better understanding of the extent to which human resource management is inherently ethical or unethical.” Ethical HRM significantly diverges from mainstream HRM’s adoption of unitarist ideologies, managerialism, positivistic empirical studies, and economic performance. As Greenwood (2012, 361) elaborates:

*“Both the critical and ethical perspectives of HRM, as distinct from mainstream HRM, share an understanding of HRM as embedded into its socio-political context and consider HRM at a macro-level. Furthermore, ethical HRM as a perspective can be differentiated from both*

*mainstream and critical HRM perspectives by considering more finely grained socio-political assumptions and research epistemologies. Whilst both ethical and critical HRM eschew unitarism, the broader critical school encompasses both radical and pluralist political perspectives. Ethical HRM is fundamentally pluralist: It assumes parties to the employment relationship have divergent (sometimes conflicting) interests, but also overlapping interests that form the basis for entering a (mostly) voluntary co-operative relationship”.*

Ethical analysis of HRM is developing as an important area of inquiry for both the research and practice of HRM. An ethical perspective HRM differs from other HRM philosophies and practices in that it places ethical considerations at the forefront and, in doing so, offers valuable critique of existing HR research and practices. Moreover, an ethical perspective differs from critical analysis of HRM in that it definitively addressed normative questions and concerns.

Let us now discuss how ethics is affected by the individuality of the employees and their ‘self concepts’ and its implications for HRM.

### **Individuality, the concept of self and context in Ethics**

Given the time and effort individuals spend in their jobs and careers, they also depend on their work for social relationships, self-identity and self-actualization (Greenwood and Freeman, 2011). However, Business Ethics research has paid little attention to the concept of self in moral decision making and its application. Studies (Rozuel and Kakabadse, 2010) have suggested that since their ‘self’ is key to who they are, people look for consistency between their actions and their ideals and a good knowledge of self enables them to make moral judgements ‘with great certainty’ (Rozuel and Kakabadse, 2010). Rozuel (2011) states that ‘individual development should be given priority before any significant social change can take place’. Unless and until staff is prepared to embrace change, the relative success and effectiveness of any HRM policy will be in jeopardy. It is the people who make up organisations and the society and they should be the primary reason for improving the ethical climate of organisation. In a nutshell, HRM will remain a balancing act, and it needs to be a more ethical, more reflexive and a balanced HR (Thompson, 2011). In modern day, our happiness depends upon our own efforts and competence and we must be self-reliant (Torrington et al, 2008), but, we can never put in enough effort or be competent enough to satisfy the desires of consumption. The outcome of this state has been a self-indulgent society in which the disciplines of neighbourliness, that is, attention to the other, have disappeared (Dale, 2012).

Compartmentalization points to the insulation of distinct social structures that employees make for themselves while playing different roles in their different spheres of life. These roles seek different personalities in different ‘compartments’ of life. Hence, besides logics of economic, compartmentalization of roles also works against moral agency (Wilcox, 2012). This moral agency may be neutralised for HR professionals when they become ethically inactive through a process of distancing while performing a role that separates them from the outcomes of their actions. Second, HR professionals might depersonalize and dehumanize

and treat humans as resources rather than people. Third, HR Manager and the people in organizations are dissembled as bundles of skills, competencies and capabilities to be classified, monitored and maintained (de Gama et al, 2012). In attempting to rationalize and universalize people's moral impulse or moral nature, particularly through bureaucratic organizations and rule-governed ethics, morality in organizations is not enhanced but neutralized (de Gama et al, 2012). Due to compartmentalisation, individuals become unaware of their 'self' as a unified whole and, ultimately, can develop 'psycho-pathologies' which can result in 'hazy' unrest that people feel in their daily lives (Rozuel and Kakabadse, 2010). In contrast to the new increasingly integrative and holistic business model that is called for in the modern world (Porter and Kramer, 2011), Compartmentalisation represents the old paradigm wherein its manifestation in the form of 'roles' was considered necessary for business success (Rozuel and Kakabadse, 2010).

We will now discuss the rich diversity available in terms of ethical responses to the issues discussed above.

### **Different Ethical Responses**

Let us first discuss the concept of international HRM and the concept of 'Agonism' related to it.

In considering this 'Agonism' in International HRM, we move from a predominantly neo-positivistic stance to a pluralistic conception of an ethical framework, one that draws on a broad range of epistemological positions and theoretical traditions (Janssens and Steyaert, 2012). Similarly, we suggest that ethics can arise in relation to HRM through processes of political 'Agonism' whereby conflicting positions are brought together in democratic interaction and where the ethics favoured in the name of HRM represents but one of those positions. In this regard, literature on the ethics of HRM is dominated by two approach levels: Macro and Micro (Winstanley and Woodall, 2000; Rhodes and Harvey, 2012). A key dimension of the ethics of mainstream HRM discourse is the normative position that the HR function should take on the role of moral guardian of an organization's ethics as far as the employment relationship is concerned. Picking up on Levinas's approach to ethics, 'Agonism'—a term that refers to non-violent political difference and conflict as a central feature of democracy (Rhodes and Harvey, 2012). In addition, Kantian ethics also offers some core universal maxims suggesting that you should always treat others as you would have them treat you and that people should always be treated as ends in themselves and never as a means to an end (Guest and Woodrow, 2012). The famous 'Golden rule' also suggests similar meanings (Buchholtz and Carroll, 2012).

In taking this ethical questioning further it is useful to contrast the relationship between the self-absorbed atomistic self, encouraged through consumption and HRM, and the possibilities for thinking of an ethics based on a concern for what is 'Other' than self, drawing inspiration from the work of Levinas. This primary relationship with the Other is ethical, based on infinite responsibility for the Other (Storey, 2007). For Levinas, this ethical relation with the Other is not reciprocal as for Levinas social relations based upon reciprocity are problematic and insinuate commercial exchange. The relations of self and other which are foregrounded

within HRM and consumption practices are exactly based upon this exchange reciprocity. However, Levinas does not end with this dyadic relation of self and Other. For it is not solely one central Other who demands our responsibility, but there are all the ‘other Others’—what Levinas describes as the ‘third person’, with whom justice begins (Dale, 2012; Rhodes and Harvey, 2012). This concern for the Other as the basis for morality is central to the work of Levinas (de Gama et al, 2012).

Thus, an ethical perspective of HRM provides a philosophical stance, informing a corpus of HRM theories and frameworks concerned with the ethical analysis of HRM, underpinned by a specific set of epistemological and ontological assumptions (Greenwood, 2012). The issue of what constitutes moral treatment of employees is of course central to “ethical” HRM and a model showing the relationship between employee engagement and “ethical” HRM allows for greater understanding of HRM and is applicable to both HR theory and practice (Greenwood and Freeman, 2011). We will now discuss this search for a moral framework for HRM.

Reliance on the traditional “threesome” of rights/justice theories, deontology and consequentialist has limited debate to micro-level HR issues and the search for a “solution” (Greenwood and Freeman, 2011; Greenwood, 2012) in particular deontological and consequentialist theories are severely limited especially in its application in social contexts for HR managers and employees (Jack et al, 2012). A socio-political analysis of HRM needs to address normative questions. However, we ought to be cautious in treating the normative as a separate category when all managerial practices have a normative dimension (Thompson, 2011). Rather than understanding normative conceptions as being in opposition to ethics that are situated and contextual, we seek a balance between absolutism and relativism and, hence, the case for ethical pluralism (Greenwood, 2012). However, what is regarded as ethical in one part of the world may be regarded differently in another part of the world. A firm’s ethical orientation is primarily determined by the senior management and hence, the focus on the strategic apex. The theory of ethical relativism states that because different cultures may have different moral principles, there is no way to judge these principles as being correct or incorrect. Most philosophers reject the theory of ethical relativism for a variety of reasons (Schumann, 2001). It is claimed that ethical relativism is unethical under its own principle and, hence, it must be false (Schumann, 2001). Furthermore, this relativism can not engage in the deep conceptualisation available when pursuing singular moral reasoning (Greenwood, 2012).

In view of increasing ethical diversity, it is suggested that there is a need for ethical principles which may be fairly acceptable across the board which might be considered as a basis for a minimum standard to evaluate HR. Majority of people would accept the ideas that an individual or organisation must treat individuals with respect, and that an individual or organisation does not have the right to interfere with the freedom of an individual. These two minimum standards are used to assess HRM. However, HRM even fails this evaluation (Greenwood, 2002). However, the challenge remains to identify the basic ethical rules that managers need to follow. The most effective way to tackle ethical issues in human resource

management can be to apply an already examined and successfully used framework of moral principles to analyse ethical issues. These moral principles, like the five discussed hereunder, are commonly used by people, even though they may not be aware of the formal arguments used by philosophers in developing and studying the principles (Schumann, 2001). The five common moral principles examine morality from the different perspectives of utilitarian principle, the rights principle, the distributive justice principle, the care principle and the virtue principle. Combined together, they provide effective alternate solutions for different morally complex situations. In those situations where the principles reach conflicting conclusions, the solution can be reached by analysing the nature of the apparent conflict to see if the apparent conflict can be resolved. The analysis of these and other human resource management ethical issues can help managers understand what distinguishes ethical from unethical conduct (Schumann, 2001).

The preceding however is not without its limitations. Firstly, such a framework could degenerate into another “best practice” recipe for HRM. Secondly, it may degenerate into a diluted and ineffectual statement of rights (Greenwood, 2002). In addition, HR managers lack the power, the appropriate structure of their role and sometimes also the inclination to ensure this key stage of such type of ethical policy implementation. Decades of analysis of the HR role suggest that HR managers need help if they are to achieve this. Realistically, we must accept that the constraints on and the boundaries of the HR role confirm that we should not look with any confidence to HR managers to ensure an ethical HRM. HR managers lack the power and influence to be the principle upholders of ethics in organisations and it is unrealistic to expect them to do so. Nevertheless, there is a call for at least for ethical sensitivity (Storey, 2007) and reasoning, which is defined as the ability to reflect on human resource management and to be able to identify the ethical and moral dilemmas and issues therein. The challenge for HR managers is to decide how far to go in such pursuits in organisational contexts especially where the interests of competing stakeholders, including the shareholders, have to be taken into account. This we will discuss in our next section about Ethical HRM.

The alternative model given credence in the literature as a response to the question whether human resource management policies and practices can be ethical is the stakeholder model of the organisation. Stakeholder theory represents a significant part of the debate in business ethics and has many obvious connections to HRM (Greenwood, 2002). The role of stakeholder theory in this debate has, however, been overlooked. The resource-based view of the firm argues for HR practices that are welcomed by employees and which thereby develop a form of mutuality more aligned to a variant of a stakeholder perspective (Guest and Woodrow, 2012). Stakeholder theory offers the potential to conceptualize the organization-employee relationship as a moral relationship and the employee as a moral person (Greenwood and Freeman, 2011). The introduction of ethical theory and stakeholder theory in the discussion of HRM is a rather new phenomenon and highly unusual (Greenwood and Freeman, 2011). Hence, research into HRM within a stakeholder model comes out as a necessity. Most ethical analysis assumes that, at least, employers maintain positive moral obligations towards their employees (Greenwood, 2002). Stakeholder theory is based on

traditional normative precepts (Kantianism, utilitarianism and justice ethics) and contemporary philosophies (feminist ethics and discourse ethics) and can contribute to the ethical analysis of HRM given its status as an eminent business ethics theory of ethical pluralism (Greenwood, 2012; Greenwood and Freeman, 2011). Hence this poses a challenge for the HR function which continue to face challenges in balancing business imperatives and ethical values, but the corporate leadership including that of HR remains important in overcoming this challenge (Thite, 2013; Buchholtz and Carroll, 2012); however, rather than codifying norms, from top, to make them rigid, contemporary philosophers suggest deliberating with stakeholders to make norms valid and evolving (Greenwood, 2012).

It would be pertinent for us to discuss here how HR management and especially the role of HR Manager can play an effective role in this awareness about Ethics. We propose the role of leadership in these HR affairs and proffer the role of leadership especially the transformational one. HR managers lack the power, the appropriate structure of their role and sometimes also the inclination to ensure this key stage of ethical policy implementation. Decades of analysis of the HR role suggest that HR managers need help if they are to achieve this. This supports the argument that leaders, including HR managers, play a key role in the management of organisational culture (Guest and Woodrow, 2012). It is often stated that the real reason behind the world's perennial financial, economic and political crises is the lack of ethical leadership (Brown, 2010; Stiglitz, 2010). We can safely include HR leadership in it as well. Leadership can be commonly defined as directly or indirectly influencing others, by means of formal authority or personal attributes, to act in accordance with one's intent or a shared purpose. There is an emphasis on the role of 'transformational' leadership in academic circles these days (Bass and Steidlmeier, 1999). As Bass and Steidlmeier (1999, 211) state:

*“Perhaps the greatest challenge of leadership is precisely to bridge ethical relativism by forging a platform of common values and stimulating alignment and congruence of interests. What is required of the authentic transformational leader is not a blueprint for all to follow but a sort of Socratic commitment to the process of searching out moral excellence.”*

However, in real world, “most leaders are neither completely saints nor completely sinners. They are neither completely selfless nor completely selfish.” (Bass, 1998, 171).

#### 4. Discussion

As indicated before, authentic transformational (HR) leaders need to promote ethical policies, procedures and processes within their organizations. Not only that, they need to implement that in letter and in spirit. They need to start internally for ethics by aligning it with appropriate recruitment, training and rewards for all the organization's members while adhering to shared moral standards (Bass and Steidlmeier, 1999). Although research supports that the transformational leadership is more effective, productive, innovative, and satisfying to followers than transactional leadership; yet, we should also not forget that effective leadership exercises both transformational and transactional. Transformational leadership complements transactional leadership; it does not replace it (Bass and Steidlmeier, 1999). HR managers can play an effective role in engendering an ethical environment in the organization. Placed as they are in the important roles of not only hiring the 'right' people for the 'right' job but also looking after their training and development; HRM can, initially, hire 'conscientious' people in their organization and/or impart such knowledge and skills, later on, that can make employees aware of their responsibilities in the 'shared' context.

However, as discussed before, the core problem that leadership faces today is to achieve the 'common good' of the organization, while catering to the needs of the various stakeholders. For that outcome, people must come together and cooperate. It is in this scenario that we direly feel the need for authentic transformational leadership (in case of HR Managers also) as only it can help people develop the 'common interests of a community beyond the aggregate interests of its individuals.' The authentic transformational leader essentially forges a path of congruence of values and interests among stakeholders, while avoiding the pseudo-transformational pitfalls of deceit and self-service (Bass and Steidlmeier, 1999). Despite the virtuous credentials of these leaders, their unique decisions and actions must be evaluated against generally applicable moral requirements. It is necessary while considering that each actor is a part of a much larger social and moral framework that binds the behaviour of all actors (Price, 2003). Burns (1978, 75) asserts that '*[a] test of adherence to values is the willingness to apply principles or standards to oneself as well as to others*'. Hence, the most critical test for leaders may be one of adherence to morality. So, when faced with important decisions and critical issues especially concerning society at large and not their own 'community', only; Leaders must be willing to forego these 'other-regarding' values that go against generally applicable moral requirements and look for holistic solutions that can benefit 'others' as well (Price, 2003).

Organizational members exercise moral agency by using 'relational spaces' as reflective milieus (MacIntyre, 1999). We also find these milieus necessary for moral agency. Wilcox (2012) further states that the degree to which HRM practice is ethical will always be context-dependent. The concept of moral agency comprises of two dimensions—the moral code and the agency, and their investigation is both philosophical and sociological. The prevailing social structures influence the morality of managers and hence, in a given context, they might use certain logics and ignore others, and vice versa. Self-reflection and the critical examination of established social orders (and hence contextual structures) are necessary for



social actors to assume role of moral agents. Compartmentalization points to the insulation of distinct social structures that employees make for themselves while playing different roles in their different spheres of life. These roles seek different personalities in different 'compartments' of life. Hence, besides logics of economic, compartmentalization of roles also works against moral agency (Wilcox, 2012). Besides neo-liberal economics, the compartmentalization of roles also works against moral agency. Hence, there are lot of contextual constraints on ethical action, virtually rendering HRM practice unethical (Wilcox, 2012).

Nevertheless, recent research has shown that while the structural context does constrain the agency of the human resource managers, it does not completely erode their potential for agency. So, 'structural reproduction is not always a foregone conclusion' (Wilcox, 2012). Should managers create relational spaces for themselves that allow for critical reflection and conversation, moral agency remains a possibility in business life, However, it requires not only the questioning of 'taken for- granted' logics and norms, but, also, reflecting on the impact of HR practices on all the stakeholders. HR managers' general backgrounds can also provide additional roles and sources of identity to relational space and critical reflection. By creating relational spaces for critical reflection and promoting professional norms and logics, the HR managers can find ways to exercise their moral agency. Despite the compartmentalization of roles endemic in contemporary business life that makes critical reflection difficult, it would be incorrect to assume that HR managers cannot exercise moral agency. The preceding discussion also insinuates the role for professional associations and educators in providing human resource managers with the necessary perspective to critically reflect on the prevailing norms and standards that affect their work contexts (Wilcox, 2012).

## 5. Conclusions

By rebuilding a viable 'social contract' at work, HRM would shape not only its legitimacy but also its future influence in organizations and in society. If employee concerns are taken into consideration while designing, developing and implementing organizational systems; the evidence shows it can narrow the gap between the interests of firms and those of employees (Kochan, 2007). Furthermore, in order to rebuild trust and for achieving balance among the different stakeholders at work, HR will have to part with its internal orientation and rebuild relationships with the workforce and other (external) stakeholders. By imparting the right knowledge and skills to its employees, incorporating ethical and normative values, HR can bring value to all the stakeholders. In addition, HR professionals will need to have the skills and experience base to help build the types of constructive relationships and partnerships that are required between employees and other stakeholders. Hence, the new demands of the workplace call for HR leadership to balance worker and firm interests, rebuild trust, and foster a new social contract at work (Kochan, 2007). In this regard, Management education may provide opportunities in 'critical pedagogy' to HR professionals that portray management as a social, political and economic practice and not an isolated phenomenon (Francis and Keegan, 2006; Wilcox, 2012). This should allow HR professionals to develop more skilled approaches to balancing conflicting employee-employer interests coupled with the ability to 'champion' ideas that are based on social values rather than strict shareholder oriented economic philosophy (Francis and Keegan, 2006).

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