

HR ethics revisited

How important is ethics in human capital practice?

By Dr M Amr Sadik

Recently, I was assisting my daughter, Farah, with her university homework to write an essay about synergy, and one of the questions that needed an answer was: "If you are asked to add an eighth habit to the seven habits of highly effective people that you think is important for most effective people, what is it and where are you going to position it among the other seven habits?"

As a matter of fact, this is a very challenging question and needs a thorough assessment of what is actually going on around us, in life and business. However, after careful review, my daughter and I agreed that ethics would be of great importance to incorporate and place at the top of the seven habits.

The late Egyptian poet Ahmed Shawqi said, "Nations are nothing but their ethics; once their ethics are lost, nations are no longer."

Ethics is described as the standards of ethical behavior that are accepted by society as right versus wrong actions. It begins with each of us. Moreover, ethical dilemmas are widely defined as situations in which two or more values are in conflict. Ethics is considered as a set of principles and actions by which we live, and the code of conduct for all of our relationships. It encompasses our social habits that are usually expressed as good manners or behaviours toward others.

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Nowadays there are legitimate reasons to focus on current ethical practices in both corporate business and social life and, despite the fact that ethics is perceived as a fundamental aspect of management, current life reality and business practices are collectively ignoring it.

Subsequently, I was later motivated to have some profound thoughts on whether senior management and HR practitioners:

1. practise what they preach;
2. make ethical interventions in the conduct of business and with employees;
3. supersede and obviate that; and
4. consider people as valuable to the organisation and as adding value.

Let us examine our approaches, but first things first. How important are values and ethics in today's business society?

The global financial turmoil raises a serious fundamental question about the functioning of ethics in the corporate world and our behavioural approach to our employees. Sad to say, many people do not really believe that it is possible to work ethically or with integrity. Why? The root cause is that organisations prevent it, as the bottom line dominates business decisions and behaviour and, therefore, they believe that the business environment dictates that we behave in various ways that would best not be subjected to too much moral analysis. Values are based on rules of conduct, the shoulds and oughts that we assign to our behaviours, and are measured by the ways we bring meaning to concepts such as fairness, respect, dignity and integrity.

The prevailing view of business is that business is tough and, if you want to succeed or survive, you have to be prepared to tighten your belt, cut every corner, be harsh, hold the truth for the occasion and squeeze what you can out of employees.

If that is the view of business then how important is ethics in HR practices?

Human Resources Management has become a highly specialised discipline because:

1. people are the source of competitive advantage that ought to be managed, handled and treated delicately; and, subsequently, therefore

2. the effective management of them should result in evidently excellent performance and bottom line results.

We have witnessed well-known unethical HR practices such as off-shoring and abusing cheap labour markets by using child labour, longer working hours, and increasing work stress. These have damaged the public's confidence in HR.

Executive management and HR practitioners are also facing enormous ethical dilemmas when it comes to implementing and executing HR practices, policies, procedures and programmes, perhaps consciously or unconsciously.

A report published by The Josephson Institute of Ethics regarding The Hidden Costs of Unethical Behaviour have pinpointed that unethical behavior dramatically affects productivity, performance of highly skilled employees, efficiency, communication, retention, recruiting and employee absenteeism, and leads to sabotaging behaviour that results in astronomical costs to an organisation.

Nevertheless, the perceived lack of ethics in business conduct is the subject of great interest and considerable concern and debate, and HR is an integral part of any business. It has in fact been said, "The entire concept of HRM is devoid of morality".

People may argue the statement but the fact remains that there is a broad consensus among employees that HR practitioners have a vested interest in maintaining the status quo in order to look after their own interests. This is a very disappointing fact that ought to be challenged and changed. Unfortunately, we tend to forget that our actions affect people around us in ways that we cannot foresee.

Remember the golden rule: "Treat people the way you want to be treated."

Performance appraisal unethical considerations

The late Peter Drucker in his book *The Effective Executive* said: "Executives who do not know how to make themselves effective in their job and work set the wrong example." Drucker added that they build on strengths – their own strengths, the strengths of their superiors, colleagues and subordinates, and on the strengths in the situation. That is, on what they can do. They do not build on weakness.

The majority of executives resist evaluating performance on the basis that they do not want to play the role of judge and jury when it comes to an employee's career or salary evaluation. While, others believe that negative feedback is demoralising, demeaning and perhaps unethical, they often give employees better performance ratings than they deserve. Still others see the appraisal as a way to cut people down or keep them under their thumb.

Thus, ethics must be questioned.

Such an approach is a sort of deception and is damaging to the employee, the organisation and the manager as well. Those who practise that either do not know how to evaluate employees properly or simply do not take a sincere interest in their performance.

In reviewing performance, we deliberately tend to forget to question ourselves as to whether the underperforming employee is a result of our own shortfall as a manager. Did I give appropriate coaching, did I provide enough training, did I facilitate the work by giving the right tools, or was I a boss from hell?

The performance appraisal can have moral consequences that may cause frustration, cynicism and alienation among all participants, particularly if we use it as a tool to negatively criticise someone in order to decide on demotion or salary reduction.

HR practitioners, therefore, have a moral obligation to steer evaluators away from any tendencies to be excessively negative or positive in critiques. They can influence an ethical review climate by designing a system that stresses objectivity and by training managers on correct procedures and ethical practices. They have to intervene in the process to ensure ethical review of performance.

Training and Development: unethical considerations

Jeffrey Pfeffer in his book *Competitive Advantage Through People: Unleashing the Power of the Work Force* identified 16 management practices that are implemented, in full or in part, by highly successful companies to achieve the competitive advantage. Training and development activity is one of those practices.

The investment in employee training and development programmes is viewed as high cost to the majority of companies and, if they invest, they want a return on such investment, and we all agree with that. But due to misperception of training, as explained previously in one of my articles titled "Training Myopia", many companies pour money down the drain on training that is of no use or has little chance of implementation. Then they become the victim of their own misunderstandings and consequently feel disillusioned and discontinue training activities.

On the other hand, ironically, organisations want to see an improvement in people's performance, otherwise employees may be terminated. To be able to see that improvement materialise, they would have to invest in training their staff. What a predicament!

HR practitioners have an ethical responsibility ensure that the training budget is well invested

in a proper manner in the right programme, and that the programme is appropriately implemented afterwards in the workplace. Not only that, but they have to make sure that the majority of employees has benefited by asking those who participated in training programmes to conduct orientation sessions for their colleagues who were not selected to attend.

Organisations must provide the right training to the right people, at the right time, in the best possible way, and in an ongoing basis and not as a once-off event.

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Furthermore, managers have a fundamental and active role in employees' training and development that can't be left entirely to HR only when it comes to job specific training.

Therefore, in order for training to reach its full potential, managers must be strong advocates and vigorous champions of learning and skill improvement. Regrettably, managers frequently avoid such responsibilities in developing their people, and they think that by sending them to a training course they have solved the problem. In today's business environment, training activities have to be inculcated, developed or increased to achieve a competitive advantage.

We, therefore, as HR practitioners, have an ethical role to play in ensuring the appropriateness of the training to all employees and to assess whether an individual needs training or there is perhaps another issue to be undertaken, and to establish the right system to ensure that managers are accountable and taking an active and critically important role in the process and in setting the climate for development.

Last but not least, HR has to come up with accurate criteria for selecting employees to attend external programmes and not rely on an ad-hoc approach in which favouritism may apply.

Benefits and compensation: unethical considerations

There are ethical issues pertaining to salaries, benefits and annual incentive plans. HR is often under pressure to raise the band of base salaries and to pay out more incentives to top management. The justification given for the same is the need to retain the latter.

Further ethical issues crop up in HR when management decides to reduce the annual bonus or to drop it due to expansion or investment plans, or when employees work on holidays and do not get compensated. Also, despite written policies on overtime and paid time off, HR confronts fairness issues that risk legal consequences, such as manipulating time entries, even with an employee's consent, to protect the payroll budget from overtime charges.

A manager who misinterprets holiday or vacation entitlement opens the door to legal action by disgruntled workers. Enforcing equitable bonus eligibility criteria to avoid favouritism may be politically trying for the HR professional, as may supporting executive compensation plans be perceived by employees as being too generous. Another ethical issue with compensation requires HR to respect the confidentiality of employees' salaries.

Another unethical practice is when Human Resources offers less cash and a lower compensation package than the accepted budget to a new candidate just to save on the salaries budget of top management, with promises to the candidate that salary will be reviewed and increased after the probation period. Such heinous and despicable acts are an immoral approach.

Recruitment, selection and termination: unethical considerations

From a rather different perspective, there is considerable pressure between how we treat employees in the marketplace and the proper ways in which we should treat human beings, and the use of disputed and dubious practices in hiring and firing of people. The issue of dishonest decisions particularly in the hiring, firing or promoting come to the surface due to the fact that many managers are not prepared to go through an objective ranking process and take a subjective approach instead.

Recruitment and selection is a process of seeking potential candidates in adequate numbers and qualities to fill vacant positions within the organisation. It is that activity that generates a pool

of applicants who have the desire to be employed by an organisation from which those found suitable can be selected.

Nonetheless, it involves ethical dilemma when it comes to personal preferences and company needs. Favouritism of friends, recommendations from people inside the organisation, from the top executive or a government figure do not necessarily identify the best candidates, and that can jeopardise not only the equal opportunity, but also the organisation.

In 2010, working with a diversified manufacturing and production company as Group CHRO, I was obliged to hire a female employee to the HR team. This was imposed by the owner and highly recommended by the Managing Director in which I had no other option but to terminate her services in less than three months due to incapacity to learn and frequent demands to be treated exceptionally.

In addition, in some of the Middle East countries, the entire recruitment process and determination of position, salary and benefits are purely based on nationality regardless of the educational background or expertise. When we question such practice, we always receive the same unjustified cliché "to attract and retain", but the brutal fact is that they are being prejudiced.

This differentiation approach to recruitment with regard to race, gender, age and/or favouring particular university graduates is an unethical practice that creates depression and frustration among employees as well as in the society that have to be studied and addressed. Also, recruiting from competitors, customers and suppliers may expose the organisation to conflict of interest and favouritism that could be considered as unethical practice.

As for international recruitment practices of countries such Philippines, Thailand, India, Sri Lanka, Nepal, and Bangladesh, HR practitioners can be confronted with a serious and awkward dilemma. The majority of recruiting agencies impose certain financial obligations to be paid, by the selected candidates, under the table, before processing their papers.

HR either has to accept this unethical practice that will reflect negatively on the organisation, or they have to carry such expenses and repay the employee, which will eventually result in increases in the recruitment budget and expenses.

As the most significant part of ethical practices in business life is associated with the activities of the HR function, the relationship between HRM and ethics plays a vital role in an organisation and it

shouldn't be overlooked.

There are more unethical practices that we have to watch it in the workplace and further address, such as: snooping around in emails and mail and interference in personal life.

It would be easy to be discouraged about the possibility of working ethically. The pressures of business are pervasive, persuasive and relentless, but we are not moral philosophers, nor are we ethicists, yet we are concerned about the ethical practice in our organisations.

Ethics isn't easy. The fact is that the management of human resources will substantially contribute to the integration of business ethics within the organisation, and this is only possible through the sensitivity and approach of the HR function to such issue. Ethical behaviour requires that the interests of all affected individuals be taken into consideration before decisions are made. Note, when I refer to unethical issues I do not necessarily mean illegal issues.

There are so many grey areas in HR that need to be addressed, that what we have highlighted above are just a few examples that are transparent in current HR business practices. Ethical HRM is a complex and multifaceted matter in which there are no easy solutions. We have to look around us and refine our judgment based upon some sort of external criteria that are accepted by society.

In the absence of the ethical approach to HRM, conflict, impairment of the organisational culture, reduction of employee commitment, motivation and performance will prevail.

Remember, once the organisation gets affected by unethical practices, there will be collateral damage on the outside of the organisation that will: 1) hinder getting quality people in board, 2) affect product sales and transactions with suppliers, and 3) affect the longevity of the organisation.

In conclusion, we know that ethics is the knowledge of rights from wrongs that influence one's way of working and one's decisions. Because people's choice affects everyone around them, without ethics society would become chaotic and even more corrupt and might fall apart. HR practitioners have to have true grit to address and question unethical practices in their organisations before the organisation's reputation is affected. ■

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