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CHAPTER 4
HRM AND THE ETHICAL ORGANISATION

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Chapter knowledge objectives

→ To explore, and explain, the growing debate on issues of ethics, justice, social responsibility, sustainability and human rights in organisations.

→ To define notions of ethics, justice, social responsibility and sustainability.

→ To explore relevant theory-informing issues of ethics and justice at work.

→ To understand why managers/leaders behave (un)fairly and (un)ethically.

→ To understand the role of ethical codes, policies and practices and the importance of HRM to the integration of social responsibility and sustainability.

→ To discuss the role of HRM, and the HR profession, in delivering fair, ethical, responsible and sustainable organisations.

Chapter skills objectives

→ To critically reflect upon ethical dilemmas at work.

→ To develop an awareness of the ethical, social responsibility and sustainability dimensions to strategic decision making and problem solving.

→ To demonstrate ethical problem-solving and decision-making skills.

→ To be able to advise others on issues of ethics, social responsibility, sustainability and human rights at work.

→ To improve one's ability to make fair decisions and behave justly.

This chapter also provides indicative content for the following Intermediate and Advanced Level CIPD modules:

CIPD Intermediate level modules

5BIC Business issues and the context of HR

CIPD Advanced level modules

7HRC Human resource management in context

7SBL Developing skills for business leadership

INTRODUCTION

The globalisation of business and the complexities this creates present challenges that are unprecedented in human existence. Perhaps the greatest of these challenges is best summed up in the following question. How can the lives of all people around the world be improved in the context of a resource-constrained planet? Whilst the issues this question raises are not new, the recent banking crisis and collapse of economic markets have refocused attention on the ethics and responsibilities of business. The interconnectedness between these events and the impact they have on people's lives has thus generated an impetus to call for a re-examination of the role of business in society. This is in line with the growing interest in the ethics of business and what is generally referred to as corporate social responsibility (CSR) and **sustainability**. As HR is the key function with responsibility for people in the organisation, what are the roles and responsibilities that these challenges present for HRM practitioners in organisations today?

This chapter will define the different terms and concepts used in this area of study, explore the issues related to these challenges, and provide a much-needed investigation of the potential roles and responsibilities of the HR function for promoting more ethical, fair, responsible and sustainable organisations. The chapter introduces and discusses a wide range of conceptual and empirical research in the areas of workplace ethics, justice, social responsibility, human rights and sustainability. A particular focus is also placed on providing students interested in both HR and non-specialist management roles with a range of tools and practical recommendations for promoting more fair, ethical, responsible and sustainable organisations.

This chapter is organised as follows.

At the outset, we provide some definitions of the various terms used in relation to this area. We then explore the nature of the issues in more detail and examine the case for ethics, justice, social responsibility, human rights and sustainability as part of HRM strategy. We then set out the policies and processes for integrating these issues into the organisation.

THE ROLE OF HRM: A PRIMER

In order to examine the issues we need to look at the relationship in theory and practice between the growing interest in the range of issues relating to workplace ethics, justice, social responsibility, human rights and sustainability on the one hand and the role of HRM on the other.

The history of HRM is intertwined with the development of 'responsible business'. In Chapter 1 you saw that the evolution of HRM started with the social reformers, who were primarily concerned with the welfare of workers. The case study in the chapter refers to Cadburys and Edward Cadbury (son of a pioneer of corporate social responsibility, George Cadbury) who observed the link between the welfare of employees and 'good business'. 'The supreme principle has been the belief that business efficiency and the welfare of the employee are but different sides of the same problem. Character is an economic asset; and business efficiency depends not merely on the physical condition of employees, but on their general attitude and feeling towards the employer' (Cadbury, 1912: xvii).

The role that HRM has played in promoting and maintaining ethical and responsible business practice has varied over the decades (and this will be discussed later in the chapter), but there are essentially two key aspects of the HRM role that should be highlighted at this point. The first is in ensuring that the organisation's strategies, policies and practices (including those relating to HRM) are ethical and that the culture of the organisation is consistent with this approach. Critical to the operation of the organisation is the behaviour of those individuals that comprise it, and HRM has responsibility for the key policies and processes (such as recruitment and selection, training and development, performance review and organisational development) that can influence the culture and therefore behaviour within the organisation. Therefore, HRM professionals can play a key role in relation to embedding ethics, justice, social responsibility, human rights and sustainability.

The second is that the HRM profession itself models ethical behaviour through the individual professionals' conduct within the organisation. Professional HRM bodies around the world, including the US-based Society for Human Resource Management (SHRM) and the UK-based Chartered Institute of Personnel and Development (CIPD), have professional codes of conduct that place expectations of ethical behaviour on their members (Parkes and Davis, 2013). SHRM refers to 'serving all stakeholders in the most morally responsible manner and leading individual organisations to conduct business in a responsible manner as well as exhibiting individual leadership as a role model for maintaining the highest standards of ethical conduct' (www.shrm.org). The CIPD also sets out two particular standards for its members that relate to these roles. The first is described as the 'courage to challenge', defined as when individuals 'show courage and confidence to speak up, challenge others even when confronted with resistance or unfamiliar circumstances'. The second is the requirement to be a 'role model', defined as a person who 'consistently leads by example; acts with integrity, impartiality and independence; applies sound personal judgement in all interactions' (CIPD, 2009).

WHAT'S IN A NAME?

One of the confusing issues in relation to this area of the business is that a number of terms are used to describe what is broadly referred to as the 'responsibilities of business'. Some of these terms have already been referred to, and so it is appropriate at this point to provide some definitions of the different concepts and the related areas of research and activity.

Ethics

The American Heritage Dictionary (2007) defines ethics as 'the study of the general nature of morals and of the specific moral choices to be made by an individual in his or her relationship with others, and the rules or standards governing the conduct of the members of a profession', but explains that ethics also 'indicates an obligation to consider not only our own personal well-being, but also that of others and of human society as a whole'.

Justice

In the context of the workplace, we focus on **organisational justice**. This is the psychological concept of fairness as perceived by the employee in relation to its three dimensions consisting of: (i) the distributions or outcomes (distributive justice), (ii) the procedures by which those distributions are determined (procedural justice) and (iii) the communication of the distributions (interactional justice) (Cropanzano and Greenberg, 1997).

Human rights

Human rights are rights inherent to all human beings, whatever our nationality, place of residence, gender, national or ethnic origin, colour, religion, language, or any other status. We are all equally entitled to our human rights without discrimination. These rights are all interrelated, interdependent and indivisible (United Nations Office of the High Commissioner for Human Rights: **http://www.ohchr.org/**).

Corporate social responsibility (CSR)

The European Commission (2013) defines corporate social responsibility as 'the responsibility of enterprises for their impacts on society'. To fully meet their social responsibility, enterprises 'should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders': **http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm**.

Sustainability

Sustainability is most often associated with the environmental domain and implies continuity and more long-term perspectives. This is encapsulated by the Brundtland Commission Report that describes sustainable development as, 'meeting the needs of the present without compromising the ability of future generations to meet their own needs' (United Nations Commission on Environment and Development, 1987).

ETHICS IN BUSINESS

One common approach to ethics in all fields, including **ethics in business**, is the notion of 'doing good' or, to use the opposite and most frequently used phrase, of 'doing no harm' (Baron, 1996). This is never more relevant than in the business context of today. It is difficult to escape the catalogue of ethical scandals that have beset organisations in the public and private sectors over recent decades. Examples include (but are not limited to) the failure of our major banks, the explosion and oil spill in the Gulf of Mexico, and the collapse of a factory building in Bangladesh and the consequent loss of life of clothing workers producing garments for Western High Street stores. The behaviour of business (locally and globally) is subject to constant scrutiny, and the 24/7

societies in which we live provide instant access to information (and misinformation). There are myriad media communication channels that place expectations on business organisations not just to behave ethically but also to provide visible evidence that they are acting responsibly.

The consequences of these expectations and public scrutiny have highlighted real concerns for the conduct of organisations and their leaders, with the resulting problems of reputational risk and a reduction in trust. In the 2013 Edelman Trust Barometer (Edelman Trust Survey, 2013), less than one-fifth of the general public stated that they believe business leaders and government officials will tell the truth when confronted with a difficult issue (www.edelman.com/insights/intellectual-property/trust-2013/).

This lack of trust goes to the heart of the problem of 'business ethics' and the potential mismatch between an individual's ethics and those exercised in business. For some the notion of business ethics is an oxymoron, and they question whether ethics can be practised in business. If this reasoning is followed, then business may be seen as outside the realm of ethical enquiry or as morally neutral or amoral. Others may argue that ethics in business do exist but differ from ethics in other spheres and therefore may appear amoral in other spheres. However, it is our contention that business, politics and personal life should all share the same ethics as part of a moral community.

Applying ethical theory

Ethical theory can appear to be remote from the practicalities of everyday decisions in the workplace, but from the earliest times, decisions taken in business are often justified theoretically and practically using arguments that stem from ethical theory. Indeed, Aristotle is recorded as stating that there is nothing as practical as an ethical theory. To make sense of the term 'ethics' it may be worth thinking of ethics as 'values in action' and to remember, when developing HRM strategies and policies, to consider whose values or ethics are being used in a business or where they come from.

Ethical theories provide rules that can be applied to any given situation, and most fall into two broad groups. First, those that base the judgement of the decision on the outcome of the actions and second, those that do not look at whether the outcomes are desirable but at the underlying principles of the motivation to act (Parkes and Harris, 2008) (see Table 4.1).

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DEVELOPING KEY SKILLS: Critical thinking

Ethical theories enable situations to be viewed from different perspectives. Table 4.1 provides a pragmatic guide to assist with decision making.

Task: Use the questions to explore ethical dilemmas that arise in personal and professional life. For example: in the workplace, the use of outsourcing or acceptance of gifts from suppliers; and in personal life, decisions about whether to buy ethical or sustainably sourced goods.

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TABLE 4.1 Ethical Theory: A Practical Approach (adapted from Crane and Matten, 2010). Reproduced with permission of Oxford University Press.

Theory	Explanation	Questions
Egoism	Self interest	Is this in my own (or the organisation's) interest?
Justice	Fairness	Am I treating everyone fairly? How fair are the systems, processes and outcomes?
Utilitarianism	Belief that value is determined by its utility. The 'greatest happiness principle'	If I consider all consequences, who will be better off, who will be worse off?
Virtue ethics	Moral character	Am I acting with integrity? What would a person of good moral character do in this situation?
Feminist ethics / Ethic of care	Care for others and relationships	How would the affected parties feel? Which solution allows good relationships to be maintained?
Discourse ethics	Communication to resolve conflict	What norms can be established? How can the situation be resolved and mutual respect be maintained?
Ethic of rights	Entitlement of others	Whose rights need to be considered? Am I respecting fundamental human rights and dignity?
Ethic of duty	Duties to others	Whom do I have obligations to in this situation? How should everyone act in this situation?

Values

In the previous section we suggested thinking of ethics as 'values in action'. This is because **values (both individual and organisational)** are important to consider in the context of ethics in organisations. Values have been defined as ideas or cognitions present in every group or society about desirable end states (Rokeach, 1973) and play an important role in driving individual behaviour within and outside the workplace (Schwartz, 1999). They are a fundamental characteristic that both employees and organisations share, operate at multiple levels (societal, organisational and personal) and play an important role in shaping the organisation's culture with regard to ethics. They are also important to consider because value statements have become a popular means of communicating what an organisation believes it stands for and how it wishes to be seen by its stakeholders.

HRM's role in the processes used to identify an organisation's values is vital because encouraging engagement in relation to the range of stakeholders (including employees) requires open discussion and critical awareness. Research by the Work Foundation (Wong et al., 2009) explores the link between individual and organisational beliefs and values and

emphasises the impact of values on employee commitment and engagement. Similarly, a mismatch between individual and organisational values has the potential to have a negative impact on an employee's psychological contract. Martin and Hetrick (2006) highlight how 'values-based psychological contracts' can improve employee commitment where employees identify with an organisation as a form of cause or mission.

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DEVELOPING KEY SKILLS: Reflecting on personal values

1 List ten key words that define the values that are important to you. Think about where the values come from (e.g.: family, faith, education, experience, peer groups).

2 Next, reduce the values list to five, focusing on those values that are most important to you.

3 Finally consider, of the five values remaining, which are the one(s) that you could never give up.

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ORGANISATIONAL JUSTICE

Scholars of organisational justice have tended to seek answers to a number of important, and inter-related, questions regarding justice in the workplace – (1) what is justice at work, (2) why does justice matter to employees, (3) how do employees make justice judgements regarding their work and (4) what are the potential consequences of these justice judgements (see Crawshaw et al., 2013)?

What is justice at work?

As introduced earlier, past research has identified up to four different 'types' or 'sources' of justice at work – termed distributive justice, procedural justice, interpersonal justice and informational justice. Often scholars have combined interpersonal and informational justice into one concept – interactional justice – and for parsimony we will also do so for the remainder of this chapter.

1 **Distributive justice** refers to the fairness of outcomes one receives from one's employer. In other words, are the resources or rewards offered by an organisation distributed or allocated in a fair manner? In examining these questions, most research (at least Western research) has tended to assume that distributed justice is best understood in terms of equity. In other words, distributive justice is upheld when employees feel that they get (e.g. bonuses, promotion, access to training and development) what their performance or contribution to the organisation deserves or merits.

2 **Procedural justice** refers to the organisational procedures and processes followed to make these reward or resource allocation decisions. Leventhal (1980) identified six procedural justice 'rules' which, when enforced, are said to promote greater employee perceptions of fairness regarding organisational procedures. These rules are:

   i Voice/decision control: procedures that allow employees to influence the final decision.

   ii Accuracy: decisions that are based on the collection of accurate information.

iii Representativeness: procedures that seek input from all stakeholders affected by the final decision.

iv Bias suppression: procedures promote objective decision making and suppress opportunities for personal bias (see Chapter 9).

v Correctability: procedures that allow employees to challenge decisions that have been made.

vi Ethicality: ensuring that procedures uphold pervading moral and ethical values of society.

3 **Interactional justice** refers the fairness of one's interactions with the decision maker – often one's direct line manager. Specifically, interactions that provide timely and detailed information or explanations of decisions and are carried out in ways that show respect for the individual are viewed as interactionally fair.

Why does injustice matter at work?

In their review, Cropanzano et al. (2001) propose a multiple-needs model of justice, suggesting that individuals may view justice as important for instrumental, relational and/or deontic reasons.

1 Instrumental perspectives on organisational justice. These suggest that justice matters to individuals because a fair system is more likely (in the long term at least) to provide one with the best outcomes. Justice matters, therefore, because a just system will more likely help one achieve one's personal work-related goals (e.g. Cropanzano, Goldman and Folger, 2005).

2 Relational perspectives on organisational justice. Alternatively, others suggest that justice matters to individuals because being treated fairly by your manager(s) (and peers) suggests one is a highly valued member of the team and organisation. Thus justice matters because it helps to meet one's self esteem and identity needs (see Tajfel and Turner, 1986).

3 Deontic perspectives on organisational justice. Finally, others suggest that justice matters 'for its own sake'. In other words, justice matters because it is the basic human right of all employees to be treated fairly. In support of such perspectives, there has been some really interesting recent research that shows employees care about, and react negatively to, injustices even when they themselves are not the recipient of this mistreatment (e.g. Greenbaum et al., 2013).

How do employees make justice judgements at work?

When it comes to answering questions on how employees make justice judgements, the literature has been dominated by three models – equity theory, fairness theory and uncertainty management theory.

1 Equity theory: Adams's (1965) equity theory proposes that employees make justice judgements by calculating their own inputs (e.g. effort, skills, performance) into, and outcomes (e.g. pay, bonuses, promotions) from, the organisation and compare this ratio

with a significant other – commonly a peer carrying out a similar role either in their team or in another equivalent team within the organisation. Only when these ratios are in balance is one said to perceive a fair system (for a more detailed review see Cropanzano and Greenberg, 1997).

2   Fairness theory suggests that individuals evaluate the (un)fairness of a decision by making three separate judgements – namely 'would', 'could' and 'should' judgements – regarding the decision (Folger and Cropanzano, 2001). First, for justice to be a concern at all, individuals must have a negative experience of some kind – for example, being passed over for promotion. This forces one to reflect upon this scenario and to evaluate how another, alternative scenario (i.e. getting the promotion) 'would' have felt. Second, individuals evaluate whether anyone can be blamed for this negative experience – in other words, 'could' the decision maker have acted differently? Finally, and only when these two previous conditions have been met, will one judge whether the decision maker 'should' have acted differently – for example, followed procedures more closely.

3   Uncertainty management theory (UMT) is a reaction to these rather deliberate process models above, suggesting that individuals tend to use cognitive shortcuts or schema when assessing the fairness of their experiences (Van den Bos and Lind, 2002). Emerging from earlier research on fairness heuristics theory (Lind, 2001), UMT argues that the sheer complexity and uncertainty that most of us face in our daily working lives lead us to rely on limited information or cognitive schema when judging the trustworthiness of our employer and our colleagues. This information therefore may be about the allocation of rewards (distributive justice), procedures followed (procedural justice) or our interactions with line management (interactional justice) – it just depends on what information is available at the time.

What are the outcomes of (in)justice?

A vast amount of research has identified a whole range of emotional (e.g. anger), attitudinal (e.g. job satisfaction) and behavioural (e.g. organisational citizenship behaviour) outcomes of employees' injustice judgements (for a meta-analysis see Colquitt et al., 2001). However, research suggests that employees' behavioural reactions to (in)justice may come in three forms. Individuals may decrease their 'good' behaviours, increase their 'bad' reactions and may even start to behave in an 'ugly' way (Conlon, Meyer and Nowakowski, 2005). 'Good' outcomes refer to positive behaviours such as organisational citizenship behaviours toward the organisation (OCBOs) or the individual supervisors (OCBIs), 'bad' outcomes equate with withdrawal reactions (absenteeism, turnover, neglect and employee silence) and lastly there are 'ugly' or antagonistic reactions such as sabotage, theft and other retaliatory behaviours. While all three types of (in)justice have been shown to have a significant impact on these three types of behaviours, meta-analysis research suggests that procedural justice appears to be the strongest antecedent of 'good' behaviours, withdrawal reactions are better explained by distributive (in)justice, and interactional (in)justice has the strongest unique effect on more antagonistic reactions (Colquitt et al., 2001).

(In)justice and human resource management

Experts and managers who incorporate fairness into the design and implementation of the HR policies of their firm can thus benefit from the numerous positive consequences identified above. Thus, when designing HR practices, HR professionals would do well to explicitly consider justice issues. Let us look at one specific case in point – personnel selection.

Personnel selection, whether relating to internal promotional decisions, decisions relating to the recruitment of new members of staff or redundancy decisions, is perhaps the most widely researched justice/fairness issue in HRM (e.g. Gilliland, 1993). As we will return to in subsequent chapters, there is a vast amount of research regarding the potential discrimination faced by various minority groups in the selection process and thus fairness/justice is one of the most important criteria for assessing the validity and reliability of assessment methods (see Chapter 7). Importantly, such unfair practices do not benefit any party (in the long term) – employees or candidates are more likely to react negatively (reduce performance or even sue the organisation) and employers are unlikely to benefit from selecting the best qualified and able candidates or staff available (e.g. Bertolino and Steiner, 2007).

Thus, whatever the exact nature of the assessment method (e.g. assessment centre or job interview), a focus on organisational justice theory can provide important insights into the design and delivery of effective assessment and selection. Let's look at some specific examples.

1 Panel interviews, rather than one-to-one interviews, are more likely to suppress bias (procedural justice) as multiple perspectives are taken on the suitability of candidates.

2 The development of explicit competency frameworks and the use of scoring mechanisms and templates against these frameworks in selection are more likely to promote the accuracy of decision making (procedural justice).

3 Sophisticated (and well kept) personnel records are again more likely to promote accurate decision making, suppress bias and also promote greater transparency in the process.

4 Well-trained interviewers who actively listen, and treat candidates with the respect and dignity they deserve, are more likely to promote important interactional justice perceptions.

5 Organisations that communicate selection decisions in a timely and sensitive manner are again more likely to promote important interactional justice perceptions (e.g. Gilliland, 1993).

Whilst this is clearly not meant to be an exhaustive list of all the potential justice-related considerations in well-designed selection processes, hopefully it provides a pointer to these important issues. Of course, these same issues arise when one is considering the design and delivery of other HR policies and practices including (but not limited to) issues around conflict management, redundancy, pay and reward, career management and learning and development; we will therefore return to these issues when discussing these practices in later chapters of this book.

Unfairness at Bankco

This is based on an interview with John, an MBA student in 2009.

I worked for BankCo India for seven years in the commercial banking division, handling various products like cash management, trade and treasury. I applied for a regular position in another department where I really wanted to develop my career. I wanted to learn more about products and develop my skills. So I applied, and for no clear reason I was rejected. I fitted all the criteria the Bank had specified for the internal transfer, with respect to the rating, with respect to the experience in the company and with respect to my knowledge of the policies … and they didn't even call me for interview.

The guy who was eventually recruited didn't have any banking experience and he was coming in from a completely different field. We later found out that this guy had a very good 'personal' relationship with the head of the department that recruited him. That's real discrimination at work. This kind of bias should not be possible. So we went and complained, but we couldn't prove anything. So I stopped fighting.

After six months that guy left the firm because he couldn't handle the pressure. So the job was available again, but I did not go for the position again. It looked like a discriminatory department. I would not risk myself there. The manager of my department decided to give me a job called process manager. It's a kind of new position they created. So they gave me an opportunity. It was considered to be a position that can be handled only by experts. But at the end of the day, I still decided to quit and to start an MBA.

Task: Describe the consequences for both the employer and employee of this unfairness experienced by John. Why do you think John refused to reapply when the job became available again?

CORPORATE SOCIAL RESPONSIBILITY (CSR)

There is a range of terms that come under the heading of 'social responsibility' that have gained popularity amongst business managers and the general public in recent years. The terms all refer to the general idea that businesses should take account of all the groups affected by what they do; not only shareholders and investors but also suppliers, customers, governmental and non-governmental organisations (NGOs), communities affected by their activities (locally and globally) and – central to our discussion in this book – employees. Some prefer to use the term social responsibility because 'corporate' may be inappropriate to organisations in the public sector or small and medium sized enterprises (SMEs). Similarly, others emphasise 'corporate responsibility' in relation to governance and responsibility. Another approach to implementing CSR is reflected in the term 'corporate citizenship'. As with the concept of citizenship generally, 'corporate citizenship' reminds us that organisations are embedded in wider systems and environments and the idea that organisations are themselves actors within local, national and international settings. This underlines the political role that organisations may play (especially MNCs) in the societies in which they operate (positively or negatively). In effect, the idea of responsibility demands that we look beyond simplistic ideas that business is solely about making profit; that we look beyond the 'bottom line' to take account of a range of stakeholders and to respond to the economic, political, social and environmental context within which organisations have to work.

A more traditional view of corporate responsibility has revolved around three key responsibilities. These involve:

1 Producing goods or services that people want and that are safe and ethically provided.

2 Providing employment and treating those employed well.

3 Paying taxes to contribute to the society in which the organisation operates.

Some of what may appear to be fairly basic responsibilities may have been forgotten in recent times, particularly with regard to payment of taxes. In the UK, three huge corporations (Google, Amazon and Starbucks) were brought before Parliament and questioned about their tax avoidance. The arguments made by companies that they can use the money saved to support good causes is an interesting one because this suggests that the companies should take the place of governments in allocating resources for society's needs. Starbucks found itself at the centre of a media and customer storm that led the company to change its approach to taxation and agree to pay tax in the UK. Whilst what the companies were doing was not illegal, the public scrutiny that organisations are now subject to is, according to Janice Turner (*The Times*, 18 November 2012), 'throwing up a new set of ethics that are nothing to do with cool causes, biodegradable packaging or empathy for indigenous tribes. It is a dull, quotidian, almost timeless mark of good citizenship: do you pay your taxes?'

Carroll's (1999) model of corporate social responsibility sets out four aspects of responsibility – economic, legal, ethical and philanthropic obligations, with economic obligations forming the base of a pyramid on which the other layers rest. The economic drivers are important for organisations, but the danger of relying only on the 'business case' is that ethics and CSR become 'optional' (any ethical or moral case then being disposable). Similarly, whilst adhering to the law is not optional, it cannot deliver ethical and responsible behaviour on its own. An example of this involves the laws surrounding discrimination in employment, which provide a regulatory framework but do not replace effective policies and practices that aim to influence behaviour. Philanthropic activity has been the main way in which many organisations have seen their 'social responsibilities'. This is predominantly through charitable giving or related activities, and whilst this is laudable, it can still position ethics and CSR in economic terms as an 'externality'. The consequence of this is that organisations may have a disconnect between promoting a CSR policy in the community and behaving responsibly as an employer. In short, ethics and CSR should be much more about how a business makes its money and runs the organisation, rather than just about what it does with any excess profits. An authentic approach to CSR requires real engagement with all its stakeholders. If ethics and CSR are to be successful, the strategies and policies must be internally driven – which contrasts greatly with the popular use of ethics and CSR as a public relations or marketing gimmick.

Visser (2008) extended Carroll's work and adapted his pyramid model to be more appropriate for developing countries (Ragodoo, 2009). In this model, economic responsibilities are at the base of the pyramid and are deemed to be: providing investment, creating jobs and paying taxes. This is followed by philanthropic responsibilities that require setting aside funds for CSR community projects. The legal responsibilities are defined as ensuring good relations with government officials, and finally the ethical responsibilities call for the adaptation of voluntary codes of governance and ethics.

Garriga and Mele (2004) provide a useful overview of CSR theories. Their paper discusses four different types of CSR theory:

1 instrumental theories, which outline the business case and set out social activities as a means to achieve economic results;

2 political theories, which outline the power of organisations in society and the responsible use of this power;

3 integrative theories, in which the organisation is focused on the satisfaction of obligations to stakeholders; and

4 ethical theories, based on ethical responsibilities of organisations to society.

In essence, the paper considers each CSR theory in relation to the four dimensions of profits, political performance, social demands and ethical values and calls for an approach to CSR that integrates the four perspectives.

CSR and human resource management

At the start of this chapter, the importance of the role of HRM in relation to CSR was highlighted. In particular, this meant the role of HRM in ensuring that the organisation's strategies, policies and practices (including those relating to HRM, such as recruitment and selection, training and development, performance review and organisational development) are ethical and that the culture of the organisation is consistent with this approach. Thus HRM professionals can play a key role in relation to embedding ethics, justice, social responsibility, human rights and sustainability by integrating these issues into the value system of the organisation. Adopting a triple bottom line perspective (that embraces multiple stakeholders) there is an opportunity to widen the rather narrow economic interpretation of what 'effectiveness' in terms of strategic HRM means. Rather than assuming that 'strategic' relates mainly to the financial consequences of HRM policies and practices, the legitimate concerns of constituents (other than investors) can be recognised (McWilliams et al., 2006).

The raised public expectations, competitor pressures and increased levels of media scrutiny (with the associated reputational risk) also suggest that ignoring these issues is no longer possible.

This reorientation of strategy and policies has other, more positive benefits. There is growing evidence that the career choices of graduates, and thus recruitment for employers, are influenced by the sustainable development and CSR agenda of employers (HEA, 2007). Therefore, recruitment and, importantly, the retention of talented employees can be affected by the extent to which organisations are able to demonstrate their commitment in this important area (Turban and Greening, 1997). Many organisations now actively involve employees in CSR and sustainability initiatives as part of development initiatives including induction and management development programmes (see below).

SUSTAINABILITY

Sustainability is a widely used term, yet there seems to be a limited understanding of what we actually mean by the word. In business, sustainability is often used to refer

HRM IN PRACTICE
Engaging employees in CSR and sustainability (1)

PricewaterhouseCoopers (PwC) community engagement

'We create socio-economic value by using our skills and experience to engage with and help local communities, measuring our impact and encouraging a network-wide focus on capacity-building and education' (www.pwc.com). 'All PwC firms are involved in their local communities through a vast range of projects, from supporting youth education and leadership programmes to helping social entrepreneurs and local charities. This is a core part of our PwC culture, and we regularly contribute our time, skills and resources. While our goal is to make a difference in the communities where we work by sharing our time and knowledge, PwC people also benefit from new skills, enhanced personal fulfilment and deeper local relationships. One example is the "Educating the Children of Darfur" project that is tangible proof of the good that can be achieved through public and private sector partnership, even in the most remote and difficult of locations.'

Further information is available at:
http://www.pwc.com/gx/en/corporate-responsibility/community-engagement.jhtml. For other examples, including those of small to medium sized organisations, see the Business in the Community website http://www.bitc.org.uk.

HRM IN PRACTICE
Corporate responsibility competency map

One of the key challenges for HRM specialists in developing strategies, polices and practices in this area is the availability of sufficient people with the appropriate expertise.

Business in the Community provides an interactive online Corporate Responsibility Competency map that sets out key activities for both CSR specialists and HR managers. The competency map is a useful tool than can be adapted for application in recruitment and selection, training and development and performance management processes.

The map provides a range of activities including: Communications (external and internal), Community, Environment, Governance and Risk Management, Influencing Leadership, Marketplace, Measuring and Reporting, Policy, Programme Development and Implementation, Supply Chain and Workplace. For each activity there are also: (1) Desired Business Outcomes, (2) Challenges, (3) Behaviours and (4) Resources.

The behaviours include: Achievement, Builds Relationships, Change Driver, Collaboration, Communication, Data Gathering and Analysis, Engages Others, Influence, Innovation, Integrity, Operational, Organisational Awareness, Organisational Commitment, Self-Confident, Strategic, Technical Expertise.

The competency map is available at: http://www.bitc.org.uk/services/learning-bitc/cr-practitioner-competency-map/activities.

to two related ideas. One is about the need to think about the longer-term survival of the business and not just about making 'quick profits'. The other is to think about the link between the survival of the business and the survival of the physical environment. However, from the literature we see that sustainability is, in fact, a very precise term that has its roots in the ecological sciences (Borland and Lindgreen, 2013), and as such is regarded as a scientific term.

Porritt (2007: 33) defines ecological sustainability as 'the capacity for continuance into the long-term future, living within the constraints and limits of the biophysical world'. He further suggests that ecological sustainability is viewed as the goal, endpoint or desired destination for the human species as much as for any other species, and can be explained, defined and measured scientifically. Finally, he asserts that the pursuit of ecological sustainability is both non-negotiable and pre-conditional, meaning that if humans want to have a long-term future on Earth they need to start behaving, and living, sustainably, which currently we are not doing. Judge (2002) summed up sustainability when he said: 'We can't make the Earth sustainable; it is sustainable – but whether with us, or without us, is our choice.'

This sobering statement implies that ecological sustainability is, in fact, a scientific imperative rather than a social nicety and this changes the orientation and, indeed, the priority in terms of the things we need to address urgently if we want to survive in the long term. This inevitably creates a hierarchy of priorities for the sustainability challenge, with ecological as the first priority. The social and economic elements thus become secondary as each is founded on and dependent on ecological sustainability (Porritt, 2007).

It is therefore important to distinguish between 'sustainability', which is ecocentric, and 'sustainable development' that is human-centric. The term sustainable development embraces the traditional three pillars of the triple bottom line – economic, social and environmental (Elkington, 1999). Porritt (2007: 33) defines sustainable development as: 'the process by which we move towards sustainability'. Sustainable development emphasises the importance of providing a sustainable human future. This distinction is crystallised by the report of the UN Commission on Environment and Development (the Brundtland Report) (1987), which recommends that sustainable development should be viewed as 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'. However, the phrase was originally written in the context of the title of the report 'Our Common Future' which referred to 'meeting the needs of all species' and not just the human species. Therefore, the original Brundtland report phrase was written in the spirit of sustainability. Unfortunately, it is often used, today, in a limited context because it tends to be associated with exclusively human development and progress and not the development and progress of all species.

Debates about climate change polarise opinion around sustainability, but climate change is not the core issue; it is seen as one of the symptoms of our global lack of sustainability as human beings (Borland, 2009). The Earth (as a planet) changes and will continue to do so in order to adapt to different conditions and survive. The question is whether this is with us or without us and the most at risk from these changes are the most vulnerable communities and peoples in the world. Thus our lack of sustainability can be seen to be contradicting the ethical principle of 'do no harm' because it is driving society and organisations in a direction that is destructive to the environment, to other

species and ultimately destructive to future human society (Porritt, 2007; Purser et al., 1995). This leads us to question whether our current lifestyles and business models are sustainable.

Whilst there has been an increasing recognition of the need for sustainability strategies and policies in organisations, there can be confusion about what it really means in practice. For example, sustainable for what and for how long? Does this mean all existing species or just humans or both, and is it all humans? What role does business take in this and how do we measure success? In HRM research and practice, the concept of sustainability has been predominantly used to refer to organisation performance and more specifically how high-performing individuals and high-performance working translate into performance that is sustainable over the long term (CIPD, 2010). However, the wider debate about sustainability centres on one of the most challenging issues facing all human beings, and that is our lack of ecological sustainability. 'Human development has become almost inseparable from the, now, almost global conception of economic growth that is in many respects the antithesis of [societal] and ecological ends' (Blowfield and Murray, 2008: 323).

If we are to move to a more sustainable world, all actors, including governments, businesses, communities and individuals, need to play their part in committing to a shift in the way we live our lives. Although political leaders need to act with courage and commitment to reach global agreements, the real success will be the extent to which all organisations (and the general public) engage with the issues and commit to changing the way they conduct their business activities and live their lives. In short, what makes it possible for individuals to make the connection between the information they have, what they need to do in practice, and their behaviour?

The role of strategic HRM (in research and practice) is concerned with leadership, vision, organisational values, employee engagement, culture and changing attitudes and behaviour. It is also responsible for the processes, policies and practices; including requirements in recruitment and talent management, the training it gives employees, the expectations placed upon them through performance management and reward systems, as well as establishing codes of practice for what is considered appropriate behaviour. There are examples of companies using monetary and non-monetary rewards to support sustainability activities (e.g. rewards for 'green' behaviours or working with others to promote sustainable products and services).

Borland and Ambrosini (in review) have developed a useful typology that categorises business strategies on the basis of the firm's or industry's approach towards ecological sustainability. They draw a distinction between 'traditional', 'transitional' and 'transformational' strategies.

Traditional strategies

Traditional business strategies (Porter, 1980, 1985) assume a limitless supply of physical resources, customers and new markets and relentless development of products and services. Businesses are separate from society and the natural world and have no interaction with, or responsibility towards, either.

Transitional strategies

Transitional business strategies are concerned with 'ecological efficiency' and are based on the five Rs: reduce, reuse, repair, recycle and regulate (Borland and Ambrosini, in review). The transitional approach incorporates familiar concepts such as corporate social responsibility (CSR), environmental management, such as adoption of the International Organisation for Standardisation's (ISO) 14001 Environmental Management standard and environmental regulation, such as the Environmental Protection Act of 1990.

Such a transitional approach has a positive effect in reducing usage, waste and damage to the environment from non-renewable resources and the recycling of waste materials, and it can therefore be seen as 'less bad' than traditional strategies. However, a transitional strategy can also be seen as a 'bolt-on' to a traditional strategy, dealing with ecological concerns after products and services have been created, sold and consumed.

Transformational strategies

By contrast, transformational strategies offer a marked difference from traditional and transitional strategies in that concern for ecological sustainability provides the starting point, and also a sustainability vision that strongly influences strategic thinking within a company or industry, leading to innovative business strategies. Transformational strategies adopt an 'ecocentric' perspective, whereby the future generations mentioned in the Brundtland definition of sustainable development (1987) refer to whole ecosystems and all species. Ecosystems may be defined as complex sets of relationships and interdependencies among the living resources, habitats and residents of an area, including plants, trees, animals, fish, birds, micro-organisms, water and soil (Stead and Stead, 2010). Healthy ecosystems are able to self-renew, self-manage and self-regulate, and do not require environmental management, doctoring and engineering by humans (Rolston, 1994).

Transformational strategies are also based on five Rs – rethink, reinvent, redesign, redirect and recover – and on 'eco-effectiveness', through harnessing the inherent effectiveness of ecosystems to self-perpetuate (Borland and Ambrosini, in review). In order to be eco-effective, industrial systems should be designed to be 'cradle to cradle' and closed loop, whereby energy and resources are transformed into products whose wastes are absorbed and reused, thus eliminating waste, rather than 'cradle to grave' and open loop where wastes are left as wastes (as is the case in traditional and transitional strategies).

Sustainability and human resource management

HRM can play a key role in the shift towards developing transformational strategies for sustainability. Providing appropriate training, communication systems and reinforcement mechanisms are often seen as a starting point. However, to achieve fundamental change, the sophisticated interaction between many different organisational and contextual factors needs to be considered, including the challenge of engaging individuals and groups with a transformational business strategy (previously discussed) that embraces the needs of others and broader ethical and ecological principles. This includes making connections between behaviours at home and in the workplace. Who else, other than HR within an organisation,

GRADUATE INSIGHTS
Connecting HRM and sustainability

Yasmin Surran (not her real name) graduated with a BSc in Business and Management (with an HRM specialism) and was appointed to a graduate role with a large car manufacturer. The company has a proud history of pioneering low (and zero) carbon emission cars and was clearly committed to integrating sustainability principles into its product design and manufacturing.

Yasmin had observed that although employees were aware of the company products and the environmental awards gained by the company, there was limited awareness of why it was important to protect the environment. Many saw the zero emission cars as just another product line and an opportunity to sell more cars.

During her studies Yasmin had attended lectures on sustainability and the responsibilities of business and, as part of her role in HRM, was involved in organising employee training and communication events.

→ Yasmin saw an opportunity to include sustainability (and the role the company plays in helping to protect the environment) but, importantly, why this is important to all our futures.

→ The sessions would enable individuals to make the critical connection between their own behaviours and the environment.

→ They would also encourage sustainability to be part of their own decision-making processes and actions at home and in the workplace.

has a remit for strategic change and employee engagement and thus has the potential to make a difference? Critical to any change is the commitment of senior management, and HRM has a role in gaining buy-in from key stakeholders. Identifying 'sustainability champions' in different areas of the organisation can help to integrate and embed sustainability practices, but recruiting employees with ecological and scientific expertise (who understand the technicalities of the change required) may be the only way to make substantive progress.

Many organisations have made inroads with recycling and carbon reduction schemes, but these are often easier targets. To make a real difference and embrace the challenges of the future, strategic HRM needs to be at the forefront of rethinking organisational strategies that really do change the way we use the Earth's valuable resources (Parkes and Borland, 2012).

CSR and sustainability reporting

Many organisations now engage in **CSR** and/or **sustainability** reporting, with public limited companies required to publish these reports about their activities. Whilst these are in the public domain, they are by nature 'self-reports'. Since 2000, a growing number of multinational corporations have adopted the Global Reporting Initiative (GRI) guidelines

(https://www.globalreporting.org/Pages/default.aspx) – a framework of internationally accepted guidelines and principles for companies and organisations to report on corporate responsibility and sustainability performance. It is based on ten universal principles in the areas of human rights, labour, the environment and anti-corruption.

STRATEGIES FOR DEVELOPING AN ETHICAL ORGANISATION

The role of HRM in taking responsibility for influencing change towards more ethical, responsible and sustainable organisations has been discussed, but it is important to state that it is not simply a case of using mechanistic instruments such as changing structures or issuing edicts. Standards can be provided in policies and codes, but norms are established through factors that influence the broader organisational culture and subcultures, including managerial language and behaviours. Just publishing a 'code of ethics' or producing CSR and sustainability statements is therefore not sufficient – the principles must be interwoven into everything a business does. In the case of codes of ethics, Ferrell et al. (2008) argue that they need to be part of an effective ethics programme which is a process of continuous activities that are designed, implemented and enforced to prevent and detect misconduct. However, this requires the recognition that its code of ethics – just like CSR and sustainability – is part of the value system of the organisation and embedded into its core systems, including those for which HR is responsible.

In developing strategies for workplace ethics, justice, social responsibility, human rights and sustainability, it is important to pay as much attention to how such strategies will be implemented as to the strategies themselves. The key principles for implementation include (see also Webley, 2006):

→ establishing and clarifying the organisation's core values and principles. These are the threads that bind all the policies and principles together; ensuring that there is clear leadership throughout the organisation in establishing the core values and principles; developing an understanding of the organisation's stakeholders, the nature of the relationships with and responsibilities towards them;

→ ensuring that the business strategy, ethical principles, CSR and HR practices are aligned; communicating consistently and effectively with all stakeholders; providing timely and appropriate training to reinforce values and principles and reviewing strategy, policy, procedures and practices to ensure consistency and compliance.

HRM'S role: A summary and critique

The responsibilities that HRM has for the key processes and practices in an organisation are brought together in a model by Verbos et al. (2007). The authors draw on literature from business ethics, positive organisational scholarship and management publications to outline the elements of positive ethical organisations, defined as 'those exemplary organisations consistently practicing the highest levels of organisational ethics. In a positive ethical organisation, the right thing to do is the only thing to do' (Verbos et al., 2007: 17).

Verbos and colleagues propose a living code that sets out the importance of organisational identity and brings together five key organisational processes (attraction–selection–attrition, socialisation, reward systems, decision making and organisational learning). This is supported by the interaction of ethical leadership and an ethical organisational culture – in other words, one that is characterised by heightened levels of ethical awareness and a positive climate regarding ethics.

However, there has been some criticism of HRM for not taking up the challenge to champion ethical and responsible behaviour or leadership in organisations. It can be argued that this may be due to the profession's drive to prove its business credentials by attempting to justify its role primarily in financial terms. Fisher (2000) provides three key reasons for this possible reluctance by HRM professionals. The first is what Fisher (2000: 68) calls 'quietism', where HR professionals are 'coerced' into siding with the organisation, whatever the cost. The second is 'neutrality', which could be a by-product of a lack of opportunities to 'blow the whistle' because of the perceived power of organisational politics. The third reason is the acceptance of the business case justifying compromising personal ethical viewpoints (and where any resistance tends to be in the form of sarcasm).

This said, it would be wrong to label all HR professionals as ethically 'mute' and there are many encouraging examples of what Lowry (2006) describes as 'ethical reactivity', where HR managers choose to intervene in specific situations, and 'ethical assertiveness', where HR professionals have managed to reconcile the internal and external pressures to influence an ethical pathway (see also Parkes and Davis, 2013).

DEBATING HRM
Taking up the challenge

The history of HRM has strong connections with movements for more ethical and socially responsible business. In the UK, the CIPD now translates this into two behavioural requirements for HR professionals: having the 'courage to challenge' and being a 'role model' (CIPD, 2009).

TASK: *In small groups, discuss the role of HR professionals in 'taking the lead' in promoting a more ethical organisation. How successful do you think they have been? Do you think this should be a leading role of HR professionals and departments? Why? – or why not?*

END OF CHAPTER CASE STUDY

CASE STUDY

CSR and sustainability reporting

In October 2011, the European Commission adopted a new strategy on corporate social responsibility (CSR). The strategy places a strong emphasis on a core set of internationally recognised CSR guidelines and principles.

Five instruments together make up an evolving and increasingly coherent global framework for CSR: It highlights in particular the ten principles of the UN Global Compact; the OECD Guidelines for Multinational Enterprises; the ISO 26000 guidance standard on social responsibility; the ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy and the UN Guiding Principles on Business and Human Rights. The European Commission refers to these instruments as 'an evolving and recently strengthened global framework for CSR'.

The OECD guidelines for multinational enterprises

These guidelines (**http://www.oecd.org/daf/inv/mne/**) are far-reaching recommendations for responsible business conduct that 44 adhering governments – representing all regions of the world and accounting for 85 per cent of foreign direct investment – encourage their enterprises to observe wherever they operate.

The ten principles of the United Nations global compact

The compact (**http://www.unglobalcompact.org**) asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. Companies can sign up to the UN Global Compact, which subsequently commits them to submit a yearly communication on their progress.

The ISO 26000 guidance standard on social responsibility

This (**http://www.iso.org/iso/home/standards/iso26000.htm**) is a voluntary international standard that provides guidance rather than requirements, so it cannot be certified, unlike some other well-known ISO standards. It is aimed at all types of organisations, not just enterprises.

The UN guiding principles on business and human rights

The UN Guiding Principles (**http://www.ohchr.org/EN/Issues/Business/Pages/BusinessIndex.aspx**) define what governments and enterprises should do to avoid and address possible negative impacts on human rights by enterprises. On the basis of these principles, the European Commission has been developing an introductory guide to human rights for small businesses and guidance for three business sectors: **http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/human-rights/index_en.htm**.

The international labour organisation tripartite declaration of principles concerning multinational enterprises on social policy

This declaration (**http://www.ilo.org/empent/Publications/WCMS_094386/lang--en/index.htm**) offers guidelines to multinational enterprises, governments and employers' and workers' organisations in such areas as

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employment, training, conditions of work and life and industrial relations. This declaration is the only ILO text that is also addressed to enterprises. The ILO provides a **help-desk** for enterprises on international labour standards.

In addition, for questions related to reporting and transparency, enterprises frequently refer to the Global Reporting Initiative and to the International Integrated Reporting Council (**http://www.theiirc.org**).

Tasks:

1   Select three multinational companies (preferably from different sectors).

2   Go to the company websites to access their CSR/Sustainability reports.

3   Consider the similarities and differences between the reports. You may find the guidelines and principles above useful in reviewing the reports.

CHAPTER SUMMARY

The key points that we have identified in this chapter are the following:

→   Ethics, justice, CSR, sustainability and human rights are all issues that have been of increasing interest to organisations in recent years.

→   The importance of these issues to the success of an organisation has gained momentum due to (inter alia) greater societal awareness and concern, media interest, the associated reputational risks, competitor drivers, ethical and moral arguments as well as an increasing recognition of the positive benefits for individual organisations.

→   Each of these areas is distinct yet has important connections, and it is important to recognise the particular nature of the issues in an organisational context. For example, sustainability can be overlooked in HRM but for all individuals and society as a whole it is the key to the future for all of us and for all species. Similarly, human rights and the responsibilities of business are of growing importance and are likely to be a key concern for all organisations in an increasingly global economy.

→   The role of HRM is critical to embedding all of these issues into the organisation because of the responsibility that HRM has for key processes and practices within the organisation. These include recruitment and selection, training and development, codes of conduct, organisational development, culture and values.

→   Although the links between the historical development of ethical and responsible organisations and the HRM profession are interconnected, individual professionals can be conflicted because of the drive to constantly justify their existence through financial targets and the 'business case'.

→   The growing recognition of the importance of these areas to organisations provides the opportunity for HRM professionals to validate the critical role of HRM as an essential part of organisational life rather than an 'add on extra'.

REVIEW QUESTIONS AND EXERCISES

1 Ethics, justice, CSR, human rights and sustainability are issues and areas of activity that have moved further up the agenda for most organisations in recent years. Discuss three key reasons for this shift.

2 Think about two organisations that you believe have a positive image with regard to ethics, CSR or sustainability, and two organisations that have a more negative image. Explain the reasons for your choices.

3 Using the examples chosen for question 2, discuss the potential HRM implications of the different images for the organisations concerned.

4 How would you design an HRM strategy that enables connections to be made between the physical environment and home or work behaviours that is in line with a transformational strategy as described above?

5 Which HRM processes do you think would be the key to achieving this strategy?

6 What do you consider to be the role of HRM in relation to ethics, justice, CSR, human rights and sustainability?

7 Discuss the benefits and challenges for HRM professionals (and their organisations) in taking on such a role.

EXPLORE FURTHER

Parkes, C. (2012) The OD role of HRM in ethics, corporate social responsibility (CSR) and sustainability, in H. Francis, L. Holbeche and M. Reddington (eds.) *People and Organisational Development; A New Agenda for Organisational Effectiveness*. London: CIPD Publishing. pp. 286–311.

Parkes, C. and Borland, H. (2012) Strategic HRM: Transforming its responsibilities towards ecological sustainability – the greatest global challenge facing organizations. *Thunderbird International Business Review*, 54(6): 811–824.

Business in the Community at **http://www.bitc.org.uk**. *This is a UK umbrella organisation that supports businesses with CSR and Sustainability strategies and initiatives. The website has many examples of different approaches.*