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Human resource management and ethical challenges: building a culture for organization success

HRM and ethical challenges

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Abstract

Purpose – Human resource professionals (HRPs) remain challenged by ethical conundrums in the workplace. Business leaders are asked to respond to demands for efficiency in an environment of distrust or skepticism amongst employees and customers. HRPs who understand ethical decision-making as well as ethical perspectives and implications of actions within the organization can create value within their organizations. The purpose of this paper is to discuss the five ethical content issues of Hosmer's (1987) model related to the twenty-first century human resource management (HRM) themes.

Design/methodology/approach – As a result of a syntheses of leadership and HRM philosophies over several decades, six propositions associated with the content issues are suggested.

Findings – HRPs are well-positioned to encourage ethical and moral decision-making within their organizations when they are able to contribute to creation of a culture that honors duties to stakeholders and supports organizational success.

Originality/value – The existence of synthesized analysis regarding organizational leaders, human resource managers, ethics and culture to build organizational success is limited. Thus, this paper highlights a need for organizations and for HRPs to dedicate policies and implement practices which can support ethical sustenance in today's organizations.

Keywords Competitive advantage, Transformational leadership, Finance, Law, Human resources, Ethics, Corporate citizenship, Strategic goals, Stewardship

Paper type Conceptual paper

Although 30 years have passed since LaRue Hosmer (1987) identified the knotty ethical problems inherent in human resource management (HRM), those who seek to lead the modern organization continue to face those same frustrating dilemmas – made even more complex by increased demands for efficiency and effectiveness in meeting customer and public needs; greater skepticism and distrust among employees and customers, and increased expectations by top management that their human resource professionals (HRPs) will meet the strategic and operational needs of organizations in the twenty-first century (Ulrich *et al.*, 2012). These ethical challenges have increased as companies face external threats from competitors, the erratic demand resulting from a variable international economy, and an ongoing decline in loyalty that is redefining the employment contract between companies and those who work for them (Smith *et al.*, 2016). This paper focuses on the ethical challenges facing top managers, boards and commissions, as well as the HRPs who face the dichotomous demand to become more responsive to employee needs, improve productivity, implement more effective HRM policies, and create organizational cultures



that enhance “value creation” that improves quality of life for customers served while delivering services more efficiently and effectively.

We begin this paper by reviewing the ethical challenges in dealing with current high priority HRM issues. Next, we introduce ten ethical perspectives and implications to ethical HRM. After providing a framework for establishing and maintaining a highly ethical HRM system, we identify six ethically based HRM problems facing today’s leaders and HRP’s and offer six propositions with practical ethical implications for managing today’s HRM systems. We conclude our paper by identifying opportunities for testing these propositions and for conducting future ethically based HRM research.

Understanding ethical issues

Hosmer (1987) explained that HRM ethical issues are in play whenever an individual or a group of individuals is harmed in some undesired and unavoidable way within the context of their employment position in a manner that is outside their own control. Ethical, financial, legal, and behavioral factors must all be analyzed and addressed to ascertain the nature of the harm imposed, its active measures of causation, and whether a duty owed to those impacted was honored or violated (Hosmer, 1987). Because all HRM systems and processes have the potential to harm, the entire organization and its values and practices are subject to ethical analysis.

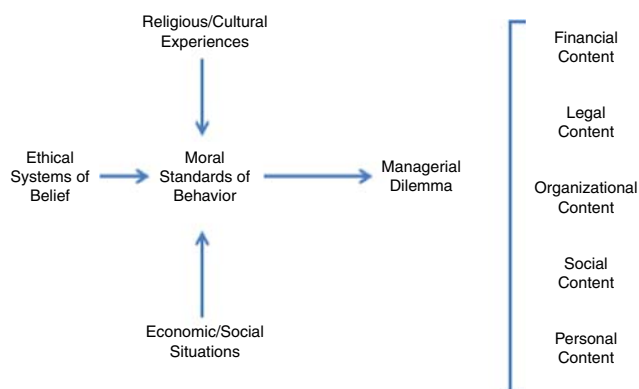
Florea *et al.* (2011) examined the relationship between HR and organizational culture. The researchers found that not only there is a relationship between HR and organizational culture, but organizational culture can also influence and shape the HR function to obtain performance. Also, the researchers found that HR and organizational culture are inseparable. An organizational culture is dependent upon the HR function to create, develop, maintain, and enforce cultural norms, including the various rites that may occur to celebrate passage, integration, and enhancement. A weak HR department creates a weak organizational culture. A strong HR department creates a strong organizational culture.

Similarly, Dutch (2013) studied the symbiotic relationship between organizational strategy, HRM, and organizational culture. The researcher’s model suggests direct HRM support of the human pieces of strategy and alignment with the strategy itself is needed to maintain a sustained competitive advantage. The strategy, culture, and HR function cannot succeed independently. To remain competitive in the marketplace, organizations need to focus on developing and maintaining an ethical cultural by aligning the development of the people within the organization with the strategy of the organization.

Rosolen and MacLennan (2016) sought to determine relationships among the corporate social responsibility dimensions of strategic, ethical, social and environmental to strategic HRM in companies operating in Brazil. Additionally, the researchers examined the impact of social responsibility and strategic HRM on the size, industry and company internationalization level. The researchers found evidence that ethical corporate social responsibility can be associated with strategic HRM. Environmental corporate social responsibility showed a marginal relationship with strategic HRM. Social and strategic corporate social responsibility showed no significant association with strategic HRM. In general, HRM plays a significant role in corporate responsibility actions of an organization.

Hosmer (1987, p. 316) suggested a framework for understanding ethical analysis in HRM decision-making, as indicated in Figure 1.

Hosmer (1987) explained that HRM ethical analysis began with identifying the content of a dilemma, as suggested by the five topics at the right of Figure 1. Each of the five potential content areas may contribute to understanding the nature of the HRM issue and should be evaluated in context with ethical and moral standards of the content area – in addition to factoring into the equation the broader costs and benefits of a decision on all of the stakeholders impacted by a decision (cf. Hosmer, 2010).



HRM and ethical challenges

Figure 1.
Conceptual framework
for ethical analysis
of HRM decisions

Articulating the moral or ethical consequences of an HRM decision is profoundly affected by the value system, assumptions, and underlying beliefs that make up the subjective ethical lens used in the HRM decision-making process (cf. Caldwell and Hayes, 2007). Moral standards are the criteria used to judge the impacts of behavior, the relationships affected, and the consequences of choice and are the guidelines for ethical decision-making by all functions at every organizational level. In practice, moral and ethical standards are well-documented to be subjective, imprecise, and variable between individuals and organizations (Bartlett, 2003; Durkheim, 2013; Frederickson and Ghere, 2013). Examining the impact of HRM decisions requires that HRP's carefully evaluate the effects of HRM policies, decisions, practices, and systems on all stakeholders – incorporated within the five content areas suggested by Hosmer (1987).

Brady (1999, p. 312) has provided an ethical framework for examining HRM decision-making that demonstrates the complex problem of the inherent differences in values and perspectives when making ethical decisions. Brady created a matrix explaining ethical choices at the individual and the organizational level which considered duties owed, outcomes sought, and relationships maintained as three defining ethical criteria, Brady's model can be slightly adapted to HRM decision-making as set forth in Table I with the guiding HRM priority briefly described for each ethical perspective.

Level of analysis	Duty-based	Outcome-based	Relationship-based
Individual	Situational or need-based ethics	Self-actualization/self-interest	Personal relationships
Individual level HRM priority	Emphasizes the contextual needs and duties owed to individual employees by the organization	Seeks creating opportunities for each employee to achieve his/her best and honors covenantal duties owed to employees	Emphasizes creating close relationships with employees and putting their needs ahead of the organization
Organizational	Virtue-Based/Principle-Centered	Character/social ethics	Organizational Espirit/culture
Organizational level HRM priority	Expects that HRM policies and systems will reinforce achieving the mission or purpose of the organization	Goal is to optimize long-term wealth creation and create and implement HRM systems and policies that maximize profitability	Focus is on creating an organizational culture that builds commitment and trust as a vehicle to achieving organizational objectives

Table I.
An ethical framework
of differing
perspectives

Brady's (1999) model explains how each ethical perspective calls out a different ethical priority, based upon that perspective's theoretical foundations. The impact of HRM decisions from each of these six different ethical perspectives consequently creates a slightly varying result or outcome.

Brady's model provides a useful insight for recognizing that "ethical" HRM programs, systems, and policies are ultimately subjective constructs that depend upon the conceptual theoretical framework upon which underlying HRM ethical assumptions are based. Consistent with Brady's model, Hosmer (1994, 1995) has also noted that there are distinct theoretical perspectives for business ethics – identifying ten ethical perspectives with each having a different guiding ethical value and underlying conceptual foundation. Table II cites the ten ethical perspectives identified by Hosmer (1994, 1995), briefly identifying their philosophical roots, summarizing the key elements of each ethical philosophy, and suggesting a corresponding ethical duty of HRM systems.

Each of these ten ethical perspectives imposes a moral duty on HRP's and upon organizations to honor ethical duties owed to stakeholders in the creation of long-term wealth.

HRP's who struggle in resolving ethical dilemmas can do well to incorporate Hosmer's frameworks for ethical duty, including the obligation of HRP's to carefully examine the costs, benefits, and ethical impacts of decisions on individual stakeholders. Hosmer (2010) has concluded that HRP's and an organization's top management team must clearly acknowledge the complex consequences of HRM decisions and be prepared to explain the rationale behind each decision's positive and negative impacts on stakeholders. Leaders who fail to explain their reasoning for making decisions risk losing the trust of their stakeholders and overlook the importance of transparency and effective communication in building trust and commitment (Llopis, 2012).

Examining key issues

In this section we explore the five content issues of Hosmer's (1987) model, relate the model to major HRM themes in the twenty-first century, and present six propositions associated with these content issues. We extensively explain Hosmer's model in the following section.

Financial issues and public demands

In a global economy, customers and potential consumers are demanding greater quality at lower cost. A firm's ability to manage financial issues is often a key to competitive advantage and economic survival (Kouzes and Posner, 2012). The ability of HRP's to understand and track the costs of programs and services has been a limiting factor that has restricted the ability of HRP's to contribute strategically in both the public and private sectors (Kaufman, 2012; Phillips, 2012). Although Huselid (1995) had found that high performance work systems – an integrated system of aligned HRM practices – created profitability for companies, the consensus among HRM scholars is that it is the unusual organization that integrates its HRM systems. Many HRP's lack the insights and skill sets to help organizations improve their financial position (Kaufman, 2012; Phillips, 2012; Armstrong, 2014). The transformation of the HRM function demands that HRP's understand their role in helping the firm to focus on cost-effectiveness and reframing the HRM function to deliver enhanced value (Beer, 1997; Sheehan, 2005).

Colbert (2004) had opined that HRP's added value to a firm only when they demonstrated the ability to help an organization to achieve its strategic goals, and Becker and Huselid (1999) explained that the strategic contribution of HRM was dependent upon its ability to establish itself as a "business partner" with organizational units. Becker *et al.* (2001) also emphasized that HRM's effectiveness was tied to its understanding of how organizations achieved goals, reduced costs, improved efficiency, and used intangible assets to improve tangible financial and performance results. This comprehensive knowledge of an

Ethical perspective	Basic summary	Organizational impacts	Ethical implications for HRM
Self-interest (Protagoras)	Society benefits when we pursue self-interest without encroaching on others' rights	Seeks to optimize long-term wealth creation	High performance work systems suggest that treating employees as valued partners optimizes long-term wealth
Utilitarian benefit (Bentham and Mills)	A law or act is "right" if it leads to more net social benefits than harms	Recognizes the need to identify costs, benefits, and impacts of choices	Requires HRM systems to be created which optimize social and economic benefits while acknowledging obligations to assist employees to become their best
Personal virtues (Plato and Aristotle)	Standards must be adopted to govern relationships and articulate virtuous behaviors	Organizations must govern according to correct principles	Standards, systems, and practices of HRM should model organizational values and comply with correct principles
Religious Injunction (St Augustine)	Compassion and kindness must accompany honesty, truthfulness, and temperance	Honoring relationships equates with interpersonal respect and kindness	HRM policies and values should create a culture that values employees as partners and as important contributors to organization successes
Government requirements (Hobbes and Locke)	Established rules should be honored and complied with in dealings with stakeholders	The law sets forth obligations that protect individual rights	Honoring the intent rather than just the letter of the law builds trust and demonstrates the integrity of the organization and its leaders
Universal rules (Kant)	Inspired rules govern action, resulting in the greater good for society	Universal rules and values impact organizations and leaders	Organizations and their policies must comply with universal rules and values to earn commitment and trust
Individual rights (Rousseau and Jefferson)	An articulated list of protected rights ensures individual freedom and protects individuals	Organizations are obligated to honor duties owed to individual members	HRM has a moral obligation to establish policies, practices, and rules that honor and respect individual rights and demonstrate concern for the welfare, growth, and wholeness of members
Economic efficiency (Adam Smith)	Seek the maximum output of needed goods and the maximization of profits	Acknowledges the importance of wealth creation and value	Optimization of value creation is best achieved when employees are empowered partners working with thoughtful and competent leaders
Distributive justice (Rawls)	Avoid taking any actions that harms the least of us in any way	Organizations owe individuals fair treatment at all times	The process and procedures established to ensure that rights are protected must be fair to all and allow for input and participation
Contributing liberty (Nozich)	Avoid actions that interfere with others' self-fulfillment and development	Acknowledges the obligation to assist employees to become excellent	Imposes upon HRM systems the obligation to create a learning culture that develops and improves employees and helps them to become their best

Table II.
Ten ethical perspectives and their HRM ethical implications

organization's strategic objectives, when matched by HRM objectives that help organization sub-units to achieve operational efficiencies and financial goals, enables HRPs to demonstrate their technical competence in serving their organization and contributing to its financial health (Ulrich *et al.*, 2012).

Caldwell *et al.* (2011) defined the role of HRPs as encompassing an ethical stewardship that was obligated to pursue long-term wealth creation in an integrated array of ethical obligations to the entire organization. Nonetheless, Kaufman (2012) has declared that in the main, HRM

systems have earned “a failing grade” over the past three decades for their inability to deliver results that benefit an organization’s strategic goals and its bottom line. HRP’s must be held accountable to helping their organizations to create added value, to increase operational efficiency, to improve employee commitment and morale, to create a learning culture within their organizations, and to serve as an internal partner to operating departments in the pursuit of goal achievement and customer satisfaction (cf. Caldwell *et al.*, 2011).

A commitment to business ethics can have an impact on nonfinancial performance for an organization. Vig and Dumičić (2016) evaluated whether a commitment to business ethics had a positive influence on nonfinancial performance including HRM, client satisfaction, innovation and efficiencies in business processes. When measuring dimensions of ethical behavior against the three nonfinancial measures, motivation, rewarding policy for ethical behavior, and responding to unethical behavior provided the most increase in nonfinancial performance. Not only can HR benefit from ethical behavior, the HR department can be instrumental in creating, implementing, and monitoring all ethics-related programs. Operating from a macro-organizational view, the HR department is one of the few departments capable of impacting the entire organization.

Consistent with our discussion of the role of HRM in addressing the financial goals of organizations, we present our first proposition:

- P1.* HRP’s who function as operational partners in helping their organizations improve efficiency, control costs, and improve sub-unit effectiveness are viewed as more valuable strategic partners than HRP’s that do not function in those ways.

Legal focus and spirit of the law

HRM systems and practices are delivered within a complex federal, state, and local legal context. Research about the legal nature of organizational trustworthiness has found that complying with the spirit of the law, rather than simply with the letter, is correlated with individuals’ perceptions about that trustworthiness (Caldwell, 2004). West (2015) explained that a legalistic focus may seek to impose a black and white solution on a complex behavioral problem which is really a mix of shades of gray. As a result, West advocates a principle-based rather than a law-based approach to ethical dilemmas.

A good example of the ethical dysfunction of the letter of the law is the “employment at will” rule that enables an employer to summarily terminate an employee with or without cause – or for a bad cause – with no recourse to the employee. Pfeffer (1998) is one of many scholars who argued against this rule of law that is in force in 40 of the 50 US states and its sub-units. Although “employment at will” terminations are legally permissible, Pfeffer (1998) noted that the rule treats employees as commodities rather than as valued partners and violates the ethic of care. The cost, he explains, is in undermining a culture of trust and respect that is critical to establishing high performing organizations (Pfeffer, 1998).

Other management scholars are sharply critical of the arms-length legalistic culture created by HRP’s and other leaders in high control organizations. Block (2013) suggests that organization leaders should treat employees as “owners and partners” and argues that doing so is a stewardship obligation of moral leaders. DePree (2004, Ch. 1) concurs with the importance of treating employees with a commitment to their best interests, explaining that doing so is a “covenantal” obligation of organizational leaders. Caldwell *et al.* (2015) note that a legalistic position may often be an amoral ethical position which, while not subject to criminal nor civil prosecution, fails to honor the obligation of leaders and organizations to optimize wealth creation and honor moral duties owed to stakeholders. Honoring ethical rather than legalistic duties and treating employees as “Yous” rather than as “Its” enables organization leaders to create relationships that encourage commitment, creativity, and extra-mile performance (Reina and Reina, 2015).

Koys (1991) tested attrition theory involving 48 Midwestern department stores' operational managers. Attribution theory is utilized to test if a positive relationship between an employee's perception of fairness in human resource activities and their organizational commitment exists. A significant positive relationship exists between organizational commitment and the perception of fairness in human resource activities. Commitment is not significantly related to the perception of fairness when the HR department is involved with legal compliance. Organizations are better served in regards to organizational commitment when HR is perceived to act in fairness rather than simply comply with legal requirements.

Consistent with this research about the legal perspective of HRMs, we offer our second proposition:

- P2. Organizations with HRPs who honor the spirit of the law rather than just the letter of the law, and treat employees as partners rather than as commodities are viewed as more ethical than organizations who do not adopt this approach to honoring legal obligations to employees.

Organizational strategic integration

Although the focus of HRM over the past 30 years has been on the integration of HRM with the strategic goals of an organization, HRPs continue to be denied access to the decision-making table when they either lack a strategic perspective or limit their focus to technical HRM functions that may be necessary but that do not contribute to achieving strategic effectiveness long-term (Lo *et al.*, 2015; Cohen, 2015). The contribution made by HRPs in achieving strategic goals requires that they fill multiple roles of coach, architect, facilitator, conscience, and contributing leader and refine their status by evolving from technicians or process "partners" to strategic contributors or "players" that contribute strategically and truly add value to the organization (Ulrich and Beatty, 2001).

Merging the HRM function with the strategic role requires aligning core processes so that when systems mesh the entire organization is able to utilize people more efficiently and effectively. Part of this strategic integration requires the ongoing development of new knowledge. Collins and Porras (2005) confirmed that the organizational culture, financial performance, and goal achievement were interdependent contributors of successful organizations. The power of high performance and high trust work systems and their ability to substantially increase organizational effectiveness lies in the integrated nature of values, system, and programs administered by aligning HRM practices with strategic organizational objectives (Pfeffer, 1998; Pangarkar, 2011).

Strategic integration also means that valuing people and treating them well is a key element to improving an organization's efficiency and effectiveness (Ulrich *et al.*, 2012). A significant amount of empirical research affirms that designing and implementing internally consistent policies can ensure that employees' knowledge, skills, and abilities contribute to the achievement of an organization's business objectives (Huselid *et al.*, 1997). When HRPs lack the strategic knowledge and ability to create integrated HRM policies, systems, and practices and to implement an integrated HRM system within their organizations, they fail to honor the ethical obligations and professional duties that they owe to their organizations (Caldwell *et al.*, 2011).

HRM is highly engaged in the strategic initiatives of corporate social responsibility including strategic HRM in emerging markets. According to Rosolen and MacLennan (2016), HRM plays a significant role in the creation and monitoring of corporate social responsibility initiatives. Because HR plays such an integral role in corporate social responsibility, organizations need to further develop and infuse strategic actions of corporate responsibilities into the HRM function. The HR department monitors, controls, transmits the social and ethical culture of the organization.

Kontoghiorghes (2016) examined the role of organizational culture and employee attitudes on talent attraction and retention. In the study, talent attraction and retention were highly associated with the extent that an organization is perceived to have a change, quality, and technology-driven culture. Change, quality, and technology were characterized by encouraging creativity, providing open communication channels, and effectively managing knowledge; while emphasizing the core values of integrity and respect. By utilizing strategically aligned HR initiatives and an ethical culture, talent attractiveness and retention as well as development of a high commitment and motivated work system increased.

Building on the importance of a strategically integrated HRM system as a key ethical component for HRP, we offer our third proposition:

- P3.* Organizations with HRPs who understand how to integrate their HRM policies with the strategic goals of their organization are viewed by their organizations as more effective than organizations that do not have HRPs who understand and adopt this strategic approach.

Social and societal impacts

Organizations function within a constantly evolving social system and their actions may have impacts on many stakeholders within a community and beyond (Stern and Barley, 1996). As organizations utilize the human capital and the qualifications of the employees which make up their firm, the degree to which those organizations add value or create burdens upon society is influenced by each organization's HRM systems (Hosmer, 1987). As corporate citizens, organizations have a moral duty to contribute to the resolution of societal problems and that duty includes incorporating ethically fair and effective organizational systems and policies (Carroll and Buchholtz, 2014).

The merger of two companies and the consequences of letting employees go to avoid duplication of activities and costs has its unavoidable social costs and the HRM process used in that merger has inevitable social impacts (Buono and Bowditch, 2003). Organizational downsizing may also have significant financial and social repercussions on an entire community and the HRM processes used to carry out that downsizing can exacerbate the downsizing's effects (Lämsä, 1999). Kilkauer (2014) has imposed on the HRM function a complex set of moral responsibilities, including an obligation to honor duties to society – consistent with the standards of Lennick and Kiel (2011) to: add value short term; add value long term; and do no harm. The social consequences of HRM policies have evolved to include a multinational impact as a result of the growing global nature of the economy (Voegtlin and Scherer, 2014).

Increasingly, the modern organization has been expected to be a contributor to improving the quality of life and the mitigation of problems in a deeply troubled world (Aguilera *et al.*, 2007). HRM practices can help address societal problems and enable organizations to improve their reputations and their regard within their communities as they act in the pursuit of workable solutions to those societal issues (West, 2015). The role of HRPs in helping to create the moral conscience of an organization has been frequently addressed as a desired role for HRM in the academic literature but not always followed by HRPs in actual practice.

Consistent with this review of the social role of HRM, we present our fourth proposition:

- P4.* Organizations with HRPs who help implement policies and programs that honor duties owed to their communities and to society at large are viewed as more trustworthy than organizations with HRPs who do not adopt these measures.

Personal transformational focus

Increasingly, the ethical focus of HRM at the individual level has been to both create an optimal long-term outcome for organizations while contributing to the welfare, growth, and

wholeness of organization members (DePree, 2004; Cameron, 2011). This “ethical stewardship” perspective acknowledges the importance of empowering organizations to manage change, compete successfully in a global marketplace, innovate in response to changing technology, and develop the skill sets of employees to meet the demands of present and future customers (Caldwell, 2012).

The challenge for HRP has sometimes been to balance the conflicting expectations of top management with the expectations of employees in honoring HRM work roles and ethical duties (Wiley, 2000). Block (2013) has advocated that the stewardship responsibility to employees includes telling them the truth, treating them with great regard, and making them full partners in the achievement of both organizational and personal goals. Bennis and Nanus (2007) echo this commitment to a transformative leadership role in which organizational systems create win-win opportunities to optimize wealth creation while simultaneously empowering employees to achieve personal excellence. HRPs who seek the best interests of employees while simultaneously working for their organization’s success create an organizational culture that breeds high commitment, innovation, and extra-mile employee dedication that is the key to long-term competitive advantage (Covey, 2006; Kouzes and Posner, 2012). Covey (2012) described this synergistic approach to leadership as the pursuit of “win-win or no deal.”

In keeping with this description of the HRM role with regard to personal relationships, we present our fifth proposition:

- P5.* Organizations with HRPs who seek solutions that value employees and pursue their growth and empowerment as well as the optimization of organizational goals are more successful in creating high employee commitment than organizations with HRPs who do not adopt that synergistic philosophy.

Integrating the content

The research about effective HRM systems increasingly advocates the importance of high performance and high trust work systems that honor ethical duties owed to employees while pursuing the best interests of the organization (Caldwell and Floyd, 2014; Wei and Lau, 2010). Integrating the best elements of leadership effectiveness has been shown to have a greater impact on organizational outcomes than a piece-meal approach (Kouzes and Posner, 2012). Similarly, Xu *et al.* (2015) have suggested that leaders whose ethical commitments are high and who adopt a “transformative” leadership approach that integrates the ethical features of highly regarded leadership perspectives are most successful in earning employee trust. Hosmer’s (1987) model for resolving ethical dilemmas suggests that all five content elements are important in resolving those dilemmas.

Consistent with these perspectives about incorporating all five of the ethically based elements of Hosmer’s model (Figure 1), we offer our sixth and final proposition:

- P6.* Organizations with HRM systems that view their ethical responsibilities as encompassing financial, legal, organizational, social, and personal obligations are viewed as more trustworthy than organizations which do not adopt this comprehensive approach.

Contributions of the paper

Ethical challenges persist as organizations navigate in a complex global marketplace. In the pursuit of organizational success while navigating these complex ethical waters, managers, boards, commissions, and HRPs work within a system replete with constraints and challenges (Parker and Bradley, 2000). This paper provides four contributions to existing

literature about ethical leadership and HRM that enable HRP's to successfully contribute to their organizations' success:

- (1) We integrate Hosmer's ethical HRM decision-making framework and Brady's ethical matrix and explain the key factors HRP's must consider as they implement policies and programs within an ethical and moral context. Ethical leadership facilitates the development and implementation of sound policies, procedures, and programs which protect organizations', employees', and constituents' best interests.
- (2) We present ten ethical perspectives, their organizational impacts and ethical implications for HRM. Each ethical perspective introduces a moral duty on HRP's and their organizations to honor obligations owed to constituents when creating or enforcing policies, programs, and delivery of services.
- (3) We examine and explain five ethically based HRM content issues facing today's HRP's. We note that Hosmer's (1987) model of these five content issues continues to have major implications for organizations in the twenty-first century and serves as a valuable framework for examining ethical duties associated with financial challenges, the legal focus, organizational strategy, social and society impacts, personal transformational focus, and the integration of these five content areas.
- (4) We suggest six testable propositions with practical implication for managing today's human resources systems. Each proposition provides HRP's and organization leaders with the opportunity to self-audit current practices in order to determine whether their own existing programs, policies, and procedures align with ethical duties owed to stakeholders. We note that honoring those duties enhances employee trust and commitment and enables organizations to achieve their strategic goals and objectives.

HRP's are in the position to profoundly influence the ethical and moral climate of their organizations. Understanding ethical challenges and utilizing an ethical framework for program and policy implementation and service delivery positions organizations to compete successfully, protect assets, and provide for the common good. Organization leaders who work within an ethical framework are much more likely to develop employees' trust in management (Matzler and Renzl, 2006) and consequently encourage employee loyalty, commitment, and extra-role behavior (Pfeffer, 1998).

Conclusion

Ethical challenges have persisted for decades and continue to present leaders, boards, commissions, and HRP's with operational and moral conundrums. The global marketplace has created an environment of change which requires leaders to consider more than their immediate service delivery needs and current constituents. Financial constraints and legal considerations must be balanced with support of the organization's strategic initiatives while considering social and personal obligations and duties. Today's HRP's are well-positioned to encourage ethical and moral decision-making when they are able to demonstrate that creating a culture that honors duties to employees and stakeholders actually facilitates the achievement of organizational goals. When organization leaders, boards, commissions, and HRP's integrate ethical decision-making into practice, their organizations are positioned to create added value and optimize wealth creation while delivering quality services efficiently and effectively.

Implications and suggestions for further research

Our paper has several practical and academic implications. First, the organizational cultural and HR function are symbiotic entities that function in tandem to make ethical decisions.

Although it is unclear how much influence the HR function has over organizational culture, it is clear that HR acts as the catalyst for developing, maintaining, and enforcing ethical behavior in the organization. Managers need to focus on developing ethical employees thus ultimately developing an ethical organizational culture. Organizational cultures cannot exist independently from the individuals who make up the organization.

In that same vein, not only is hiring the “right people” important, but organizations must develop and enforce HR policies, procedures, and programs that reinforce ethical behavior. Individual employees need ethical guidance during their tenure of employment. The HR policies, procedures, and programs provide the necessary guidance to help with ethical decisions. Collectively, the organizational culture is maintained by the HR department. Transparency helps create ethical accountability for the HRP as well the organization. Accountability develops an organizational culture in which decisions are based upon ethical standards that are directly tied to strategic imperatives of the organization.

Most change initiatives originate from top management and are subsequently enacted by managers in various departments. As our paper has shown, HRPs are equipped to strategically impact the ethical culture of an organization. HRPs can be important change agents within the organization. Because of their macro-view of the organization, HRPs can be utilized to make lasting changes to the organization’s culture including the ethical and moral climate. Because HRPs are the keepers of organizational ethics and morals, managers should pay particular attention to the quality of the HRP they hire.

Our paper also has theoretical implications. First, the research supports Hosmer’s five content issues model. Although nearly 30 years old, the theoretical model is still valid and is applicable to the modern organization and the HR profession. Second, the paper integrates Hosmer’s model with Brady’s ethical matrix. Not only does it help support both theories, but it creates a theoretical context to evaluate future HR actions.

Furthermore, we examined the ten ethical perspectives that created moral duties for HRP. The resulting moral duties for HRP are a new theoretical product that needs to be tested and confirmed. Although practical, the new duties for HRP also have theoretical implications. Additionally, we provided six testable propositions that had practical applications for HR professionals. However, the practical applications also had theoretical implications. The propositions helped HRP to self-audit their HR practices helping influence organizational culture. The impact on organizational culture is theoretical and needs to be tested in practice.

Each implication for managers provides an opportunity for further research. Researchers should further investigate the connection between HR and ethics. Additionally, research is needed to investigate how to effectively develop policies and procedures to ensure ethical adherence. Finally, researchers need to examine the degree to which an HRP can contribute and influence an organization’s ethical decision-making and culture.

Glossary

HRM	Human resource management
HRP	Human resource professional

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