

Ethics in an Organization and the Role of The Human Resources Department

Dr.K.V.Sridhar, Ch.Madhavi Latha,

*HOD&Associate Professor, Department of Management Studies, Sir C.R.R.College of Engineering,Eluru,A.P,
Assistant Professor, Department of Management Studies, Sir C.R.R.College of Engineering,Eluru,A.P,*

Date of Submission: 05-04-2023

Date of Acceptance: 15-04-2023

ABSTRACT

Business ethics must be applied consistently in today's highly competitive global economy. Businesses worldwide are adopting and researching methods for implementing business ethics. HR is usually in charge of ethics. To ensure that the code of conduct, which lays out the company's ethics, is followed consistently throughout the company. the Human Resources Department must determine the best approach to implementing business ethics. In this paper, we'll look at the research on the subject and some of the methods used by the HR department to ensure that a company's Code of Conduct promotes ethical behavior throughout the organization. In addition to assisting the HR department in implementing a Code of Conduct his paper clarifies and identifies the common parameters and areas that must be included.

Key words: Common parameters, Codes of Conduct, Conflicts of Interest, and Ethical dilemmas in Business.

I. INTRODUCTION:

Ethics is the study of morality and the rules and guidelines that govern human behavior. The term "ethics" refers to a person's moral principles, which are instilled in them from birth or taught to them by others. What is considered ethical and unethical in everyday life may not be the same in the business world, so the term "business ethics" is used to describe the application of moral values, accepted character, and behavior by the modern business world to any business activities, dealings, offers, practices, and other such issues. Located within the realm of the social sciences, ethics explores questions of right and wrong about established norms of conduct. An examination of how businesses ought to handle contentious topics like corporate governance, insider trading, and employee misconduct is what we mean when we talk about "business ethics." Corporate social responsibility, fiduciary duties,

nondiscrimination, and bribery are all topics that need to be addressed. There are some fundamental standards that all businesses must meet. Customers need to be able to affordably purchase the company's high-quality products and services.

Business Ethical considerations are always present in a company's operations. Because ethical corporate policies and procedures affect each employee's ethics, personality, and actions, they have a multiplier effect on the company, resulting in better decisions and more consistent behavior. According to scientific studies, the Human Resources division's primary focuses are planning, directing, managing, and controlling human activities to meet organizational and individual goals (S. Prabhakaran, 2010). The focus of ethics is on how our decisions, whether personal or business-related, affect other people's lives and liberties. As a result of the direct influence business ethics has on individuals, the Human Resources division is typically in charge of overseeing and enforcing the organization's ethical standards and policies. As a result, the Human Resources department frequently handles modern ethics training. Human resources professionals are frequently tasked with a wide range of ethics management responsibilities, including but not limited to the following:

- Creating and disseminating a company's Code of Conduct.
- Identifying areas of potential conflict of interest.
- Creating and delivering ethics training modules.
- Creating a procedure for dealing with ethical complaints.
- Outlining procedures for dealing with whistleblowers.

The importance's of ethics in human resources (HR) departments are growing, as are the associated pressures and responsibilities. A code of

conduct also known as a set of guidelines is a document that specifies the expected behavior of its members or constituents. A company's code of conduct is twofold: to educate employees about the company's values and to protect the company by outlining the proper procedures to follow in case of a conflict of interest or other ethical quandaries. Because it covers a broad range of commercial and professional activities, the Code of Conduct makes it easier to handle any infractions or deviations, reducing the likelihood of fraud, corruption and so on.

Human resource management (HRM) is concerned with overseeing and preparing for the use of an organization's human resources. As such, it can be described as a subfield of management in which moral considerations are specially weighted. Issues related to human resource management problems with people, such as those with money, progress, workplace safety and unions. However, there are adequate differences in handling HRM concerns that originate from various quarters.

Integrity in a Capitalist Economy consequently, corporate ethics become debatable as different market systems have varying effects on businesses and human resource departments. Markets that do not fairly compensate workers necessitate government and labor union actions to prevent worker exploitation.

In a free market system, both employees and employers have the power to strike deals that benefit both parties. Interference by the government or labor unions is usually counterproductive in free market systems, as it slows down operations and creates unneeded barriers. There has been a rise in the significance of the idea of globalizing labor in tandem with the expansion of globalization. Employee management, desirable policies and practices, and the function of HR in general are all hotly debated subjects now that trade unions no longer exist.

Human resources are increasingly seen as merely another group of shareholders pushing for more transparency and profit maximization in the workplace. When it comes to human resources ethics, no one point of view can claim to be the only viable option. The market is neither a moral nor an immoral entity; no set of rules or regulations can regulate or coordinate markets in a way that benefits humanity. Because human flourishing is the pinnacle of all human endeavors, it is impossible to dismiss or downplay the importance

of such rules and processes. Human Resource Management and Morality Ethical issues and policies are the most challenging to address in any organization. There are problems in the areas of employment, pay and benefits, unions, and workplace safety. Ethics in Human Resource Management

Key Areas of Human Resource Management That Deal with Ethical Issues in Business.

For example, as human beings, we bear a disproportionate amount of responsibility for the cultivation and emancipation of the human resources essential to the administration and management of businesses. The following section will address a few of these problems.

Payments, in addition to Benefit Packages Wages, benefits, bonuses and other forms of executive compensation, as well as other forms of annual incentive plans, raise several general ethical concerns. Human resources are frequently pressured to widen the range of starting pay. The human resources department is under constant pressure to boost compensation for executives and to justify this rise to keep their services. When HR consults with the CEO or an external consultant on matters of long-term remuneration and incentive schemes, ethical concerns naturally arise. The HR department is under pressure to prioritize the needs of upper management over those of the rest of the company and its stakeholders. Discrimination based on: Race, Gender, and Physical Impairment.

Numerous companies can be cited where discrimination based on color, gender, nationality, or disability was commonplace until very recently. As time went on, laws and regulations were put in place to regulate employee conduct, so this was no longer the case. Only performance should be used as a metric of success in ethical workplaces. Concerns in the Workplace, Number 23 from the Field of Business Ethics in the HR department, various challenges arise when trying to fill open positions. Problems can arise for example, when a top executive feels obligated to hire a friend's or relative's referral.

A further critical issue is posed by workers who are afterward discovered to have forged documentation. Each problem deserves equal attention. The first scenario is more urgent because someone may already have been trained for the post. The individual in the second scenario may be competent and have the correct mentality for the job. Human resource managers routinely

have to deal with challenging scenarios like the ones described above. Concerns about Personal Information Personal lives exist for all employees of any company. An employee relies on the company to provide some measure of security for their personal lives. Considerations such as one's religious, political, and social convictions are part of one's private life.

Health and safety, organizational change, and layoffs are only a few examples of the many HR-related ethical challenges. It's still up for discussion whether or not certain actions are morally acceptable, and if not, why not. In contrast to previous beliefs, modern society generally accepts layoffs as a necessary business practice. Professional Conduct in Business 24 Businesses in the financial services industry cannot afford to have their personnel check their ethics at the door. Integrity is typically essential in the financial sector Finance Trust is Essential.

Lack of trust causes markets to collapse. To put it another way, if people stop participating in the financial markets because they fear getting scammed, the economy would slow down since fewer people will be looking to invest. A more welcoming and diverse market is more ethical, and that makes it more liquid, which in turn makes its financial products cheaper for consumers. Financial market players are generally afforded a degree of economic freedom, and not without good reason; yet, the hallmark of the world's most thriving financial exchanges is trust, not economic freedom. The Human Resources department oversees and enforces the organization's ethical standards, primarily through a Code of Conduct. The Code of Conduct serves as the foundational document for ethics management from which other documents, such as the ethical grievance redressal system and the whistleblower's policy are developed.

TECHNIQUES AND SOURCES:

The Human Resources department's primary responsibility is to identify and outline the areas that must be targeted as part of the Company's ethical strategy and to incorporate these goals into the Code of Conduct. Each group has its Code of ethics, which may or may not cover every ethical problem imaginable. This opens the door to exploitation and unethical decision-making, especially when there is a conflict of interest. Developing a Code of Conduct is only one of the final steps in establishing an integrity-based culture. In addition, the HR department must devise a strategy to implement it. As a result, the Code of

Conduct must be designed so that there are as few infractions as possible and that a mechanism is in place to prevent the creation of unethical situations and judgments. Here, we compare Jessica Frincke's (SHRM, 2008) and Bob Lyke's (2002, "False Financial Positions and Arthur Andersen Executives Suspected of Destroying Documents Due to Conflict of Interest in the Form of Substantial Consulting Fees Generated by Enron") research (Gary M Cunningham and Jean E Harris Enron and Arthur Andersen 2006). Employees may have mistakenly believed they could take increasing risks because of Enron's allegedly pervasive arrogance culture. "Make the numbers, make the numbers—if you steal, if you cheat, just don't get caught," said Enron's vice president of corporate development, Sherron Watkins, in an internal memo. And if you do, all you have to do is beg for a redo. There was a lack of mutual respect at Enron and a covert emphasis on dishonesty and secrecy. This is the clearest example of the Organization's callous disregard for morals, which contributed significantly to its demise. WorldCom is the latest multinational corporation to violate its founding principles by concealing declining profitability and maintaining a high stock price through fraudulent accounting. as stated by (Bob Lyke, CRS Report 2002). The absence of a code of conduct aided the Bhopal gas tragedy in India. Human resources departments use this information more than ever before when developing a company's ethical Code of conduct.

It has been observed that when developing their Code of Conduct, most organizations prioritize issues that are especially important to them. Human resources professionals may feel more comfortable taking on this role if their Company has an ethical department staffed by subject matter experts. Higher management's support for the Human Resources department is also an issue. According to a 2008 Society for Human Resource Management study, more than half of businesses (SHRM; Jessica Frincke, SHRM; 2008). Even though human resources was identified as the primary source of ethical information in 80% of the companies studied, approximately 50% of employees did not believe they had the means to find ethical advice within their Company, and even 19% of human resources professionals felt pressure from multiple directions within the Organization to compromise their ethical standards. However, there has been a shift since 2008, and businesses now place a higher value on workplace ethics. As time passed, polls began to

show a positive trend. For example, the percentage of American businesses that provide ethics training increased from 74% to 81% between 2011 and 2013. (National Business Ethics Survey, 2014) More than 75% of companies disclose internal disciplinary actions taken in response to misconduct, and the percentage of organizations using ethical behavior as a performance criterion in employee reviews has risen from 60% in 2011 to 65% in 2016, according to the findings of a recent study (Dori Meinert, SHRM, 2014).

This means that the Human Resources team will have more freedom to develop an effective code of conduct. Now that the empowerment issue has been resolved, the question of what rules should be in the Code of Conduct and what policy should be used to enforce them comes up. Priorities and goals for the coding project must be set. Standards of behavior for businesspeople vary by industry and region. So, when making the Code, think about local concerns, company priorities, and what will be listed below as common things that should be in a Code of Conduct. Companies founded in the West tend to have more developed codes of ethics and other values. The Confederation of Indian Industry (CII) has given its members, which include more than 8,000 businesses, a Code of Business Ethics to reduce corruption and promote openness in Indian business communities (CII, Code of Ethic2011). Regarding business ethics, the Federation of Indian Chambers of Commerce and Industry (FICCI) takes a similar stance. (Finished Trust for Corporate Sustainability Management Report 2014).

In the form of a Code of Conduct, the corporation should have clear rules for dealing with its significant influence on human rights and how to comply with local human rights regulations. Furthermore, when human rights violations occur, companies cannot claim ignorance because the standards are clearly outlined in the Code of Conduct. In short, a Corporate Code of Conduct is critical from the standpoint of all parties involved in establishing legal liability for enterprises and enforcing legislation to protect and respect human rights. Whistle blowing procedures should be outlined in the Code of Conduct so that all employees know their responsibilities if they become aware of a potentially illegal or unethical situation.

Organizations worldwide have used the International Federation of Accountants' (PAIB

committee, 2007) six principles as a guide for defining and creating an effective Code of Conduct for Organizations. The six rules are as follows:

- APRIL'S PRINCIPLE The Organization's main goal should be to create a values-based organization and a values-driven code, to foster a culture that encourages employees to internalize and practice the principle of integrity, and to motivate employees to "do the right thing" by giving them the freedom to make good decisions. 'PRINCIPAL B'.

The following factors will have an impact on the overall structure, content, and development process of codes of conduct: Culture, location, industry, as well as an organization's size, nature, and complexity.

Board of Directors and Senior Management Commitment: C PRINCIPLE. When possible, Code should be created by a group of people from different disciplines and departments, as well as from different parts of the world (PRINCIPAL D). Stakeholders are more likely to agree on what needs to be done if the steps to define, create, and review a code are outlined. A company's code of conduct should be enforced everywhere it does business, except where it would violate local laws and regulations.

. The study and analysis of the Codes of Conduct of the world's top consulting firms, such as Aao Hewitt (2014), the American Psychological Association (2010), Naadac (1993), and the Confederation of Indian Industries (2011), showed some common areas that a Code of Conduct should cover to prevent unethical practices. These areas were chosen:

a) Competition between open, honest, and fair businesses; a company's main purpose is to do business. The competition must be done openly, honestly, and fairly to win customers and clients. Everyone, including customers, vendors, and others, must be treated fairly, and conflicts of interest must be avoided at all costs. The company's products and services must be described accurately to maintain trust and credibility. When deciding who gets what contract, it's best to put biases and personal connections aside.

b) Being open and honest with one another is essential to the Organization's ethos. Everyone on the team should be treated equally. Prejudice and harassment have no place in society. Workplace

safety is essential, as is the provision of equal opportunities for advancement. All employees should be treated fairly, equally, and consistently, which should be reflected in company policies and procedures.

c) **Business Sustainability:** Several critical elements must be correctly and ethically upheld for a company to last. All parties involved must keep all property safe. Exact documents must be kept and stored for current and future business needs. Everyone involved with the Organization's privacy and confidence must be protected at all times. Because so many people are vested in the Company's success, no expense should be spared in acquiring or protecting its assets, records, or information.

Maintaining the Company's reputation necessitates the following:

d) Following all federal, state, and local rules and regulations. Only do business with reputable companies and individuals. Accepting gifts, entertainment, and so on would also be covered. Corporate social responsibility is becoming more important. Clear and effective regulations are required for money laundering, anti-terrorism and other similar policies.

f) **Maintaining the Company's online reputation:** - The rise in popularity of social media has increased the number of ethical concerns. Clear policies regarding using social media in the workplace should be established to ensure that all employees are on the same page.

II. CONCLUSION:

Much emphasis and effort have gone into making business ethics a reality, and the Human Resources department is crucial in this effort because it has been designated as the "guardian of ethics" in most companies. For the effective application of ethics, it is critical to consider the following when developing a Code of Conduct for an organization. The Code of Conduct should be read and understood by everyone. The purpose of the Code must be clearly defined, as well as a list of mandatory ethical goals.

To ensure that the Company's ethical practices, expectations, and obligations are not jeopardized and that legal proceedings are not jeopardized, all applicable national and local laws must be carefully considered while the Code of Conduct is being drafted. As laws change, they must be updated accordingly. Employee participation at all levels in developing the Code is

critical to securing support for its successful implementation.

Therefore, the Company's Code of Conduct and its Whistleblower Policy should be extensively disseminated and made available to any employee who would benefit from having them at their disposal when facing challenging choices. Within the aforementioned parameters, the Human Resources departments of both large and small businesses and government agencies should include the common areas discovered and implemented in leading organizations in their Codes of Conduct. The Code should also factor in relevant structural or geographical factors. The Company's Code of Conduct is enforced by Human Resources to promote a culture of honesty and trustworthiness throughout the business.

REFERENCES:

- [1]. S. Prabhakaran (2001)-Business Ethics and Corporate Governance, Excel Books.
- [2]. Jessica Frincke,(2008).The Ethics landscape in business.Society for Human Resources Management(SHRM).Retrieved on 22nd Dec 2014.
- [3]. National Business Ethics Survey, Ethics Business Centre (retrieved on 22nd January 2015 <http://www.ethics.org/nbes/>).
- [4]. Dori Meinert(2014)Creating an Ethical Workplace Vol.59 No4 Society for Human Resources Management(<http://www.shrm.org/publications/hrmagazine/editorialcontent/2014/0414/pages/0414-ethical-workplace-culture.aspx>).
- [5]. Aon Hewitt Code of Conduct(2014)retrieved on 6th January 2015.
- [6]. (<http://www.aon.com/about-aon/corporate-governance/guidelines-policies/code-of-business-conduct.jsp>).
- [7]. Ethics Code of American Psychological Association (APA) retrieved on 14th January 2015 (www.apa.org/ethics/code/).
- [8]. Code of Ethics, Naadac, retrieved on 15th January 2015 (www.naadac.org/code-of-ethics).
- [9]. CII Releases 'Code on Business Ethics', THE ECONOMIC TIMES, available at http://articles.economictimes.indiatimes.com/2011/07/05/news/29738986_1_code-member-companies-businessethics.
- [10]. Gary M Cunningham and Jean E Harris Enron and Arthur Andersen(2006)- The case of the crooked Eand Fallen A, Global perspectives on accounting education, Volume 3. 27-48 (<http://gpae.bryant.edu>).

- [11]. Bobyke(2002)CRSReportforCongress,WorldCom,TheAccountingScandal.Retrievedfromhttp://www.law.umaryland.edu/marshall/crsreports/crsdocuments/RS21253_08292002.pdf.
- [12]. FinalReport(2014)onDevelopingCodeofEthicsforIndianIndustrybyInstituteforCorporateSustainabilityManagementTrustforNationalHumanRightscommission(http://nhrc.nic.in/Documents/reports/misc_dev_code_of_ethics_for_indian_industry_ICSM.pdf).
- [13]. PAIBcommittee(2007).“DefiningandDevelopinganeffectiveCodeofConduct.
- [14]. Organizations”InternationalFederationofAccountantsinInternationalGoodPracticeGuidance(2007).(<http://www.ifac.org/publications-resources/defining-and-developing-effective-code-conduct-organizations>).
- [15]. SocietyforHumanResourcesManagementCodeofConduct(2001)EthicsResearchCentre(www.shrm.org/about/Documents/organization-coe.pdf).