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**ROLE OF THE HUMAN RESOURCES DEPARTMENT IN IMPLEMENTATION OF ETHICS  
IN AN ORGANISATION**

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**ABSTRACT**

The implementation of Business Ethics in all aspects of business has become critical in today's modern competitive world. Organizations across the globe are adopting and looking at ways and means how business ethics can be implemented effectively. In most Organizations, the Human Resources Department is in charge of ethics. The primary step and the biggest challenge for the Human Resources Department is how to effectively implement ethics in business and ensure that the organizational ethics mentioned in the code of conduct are followed all throughout and that there is effective implementation of business ethics. This paper examines various researches and some of the ways that the Human Resources Department ensures that ethics is implemented in an Organisation which is primarily through the implementation of a Code of Conduct. The paper also helps to understand better and identify the common parameters and areas that need to be incorporated in a Code of Conduct and how the Human Resources Department can implement it.

*Keywords:* Business Ethics, ethics and HR Department, code of conduct, conflict of interest, common parameters.

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**INTRODUCTION**

Ethics is the discipline dealing with that which is good and bad and with moral duty and obligations. Ethics are those values which have been imbibed within an individual or reinforced externally that help him to distinguish between right and wrong and to act accordingly. Business Ethics refers to application of moral values, accepted character and behavior by contemporary business world to all business activities, dealings, offers, practices and other such issues what is ethical and unethical in general may not be the same in

business. Ethics influence all business activities. Business ethical policies and practices influence and shape the individual ethics, characters and behaviors of the employees which influence their decision making styles and behavioral norms which in turn help in overall improvement of an Organisation. (S Prabhakaran, 2010)

The HR Department is primarily engaged in the process of planning, directing, organizing and controlling human activities to achieve the organizational and individual goals. Ethics is fundamentally concerned with the choices we make—either as individuals or as companies—when those choices have an impact on people's well-being or their rights. As such since business ethics has a direct impact on people, the HR Department is mostly in charge of managing and ensuring implementation of ethics in an Organisation. Hence these days in many large organizations the HR Department is in charge of ethics. The HR Department is often tasked with various activities related to ethics management like preparing the Code of Conduct making sure that all employees are updated on it, defining the areas for conflict of interest, preparing modules related to ethics training and implementation of such modules, setting up the grievance redressal mechanism for ethics, spelling out the whistleblowers policy etc. Ethics essentially has become the heart of an organization's HR function and the expectation and the responsibility is only bound to increase.

A Code of Conduct is a set of rules outlining the responsibilities of, or proper practices for, an individual, party or organization. In an organization, a common code of conduct is written for employees of a company, which protects the business and informs the employees of the company's expectations and also contains the ethical guidelines that need to be followed in case of a conflict of interest and other ethical issues. Importantly, the Code of Conduct encompasses almost all areas of activities/ business which ensures that violations and deviations can be addressed and this minimizes the chances of fraud, corruption etc.

It is through a Code of Conduct that the HR Department primarily manages and ensures that ethics are implemented in an Organisation. All employees, irrespective of their level are generally expected to sign the Code of Conduct and it is the base document for ethics management based on which the grievance redressal mechanism for ethics, whistleblowers policy etc are drawn up.

#### **MATERIALS AND METHODS**

The first and foremost task that needs to be done by the Human Resources Department is to define clearly the areas that would need to be focused upon as a part of ethics strategy and then ensure that these areas are incorporated into the Code of Conduct. Different Organisations have their own versions of a Code of Conduct which may not be covering all the areas and the entire scope of ethics. This result in loopholes and in certain cases may lead to unethical decisions in case of a conflict of interest. Designing the Code of Conduct is also not the end to it. The HR Department will also need to come up with an effective implementation strategy. Hence it is important that the Code of Conduct is drafted in such a way that it minimizes the chances of any loopholes coming in and has a mechanism in place which prevents occurrence of any unethical incidents and decisions. This paper examines various some researches (Jessica Frincke, SHRM, 2008; Bob Lyke (2002); National Business Ethics Survey, 2014; Dori Meinert, SHRM, 2014) that have been conducted on Code of Conduct (Ethics) in various Industries. An analysis has been made of the Code of Conduct practiced in leading organizations from different sectors to understand better and identify the common parameters and areas that can be incorporated in a Code of Conduct. Analysis has also been conducted of organizations which are likely to have a more effective code of conduct due to the type of work they are into. Accordingly the Code of Conduct of the Worlds HR leading Consulting Company Aon Hewitt (2014), American Psychological Association (2010), the world's largest organization for addiction professionals, Naadac (1993) and Confederation of Indian Industries (2011) has been analysed. The results derived out of this analysis can be used by the Human resources Departments of small and large corporate as well as governmental setups to formulate and adopt an effective Code of Conduct for effective management of business ethics.

#### **RESULTS AND DISCUSSIONS**

The importance of ethics in management of an Organisation has only come up in the last few years. As of now there are no clear guidelines or in-depth data that is available for analysis. Currently the analysis of ethics and its incorporation in the Code of Conduct is a combination of subjectivity and some facts based on actual experience. The famous case of Arthur Andersen and Enron, two corporate giants that collapsed due to unethical practices is used as a benchmark on what should not be done in a business. Enron was reporting

false financial positions and Arthur Andersen executives supposedly destroyed documents because of a conflict of interest due to the significant consulting fees generated by Enron (Gary M Cunningham and Jean E Harris Enron and Arthur Andersen 2006). Enron has been described as having a culture of arrogance that led people to believe that they could handle increasingly greater risk without encountering any danger. According to Sherron Watkins, Vice President Corporate Development, "Enron's unspoken message was, 'Make the numbers, make the numbers, make the numbers—if you steal, if you cheat, just don't get caught. If you do, beg for a second chance, and you'll get one.'" Enron's corporate culture did little to promote the values of respect and integrity. This perhaps sums up best the disregard the Organisation had for ethics and the primary reason why it collapsed. Worldcom is another huge organization that used fraudulent accounting methods to disguise its decreasing earnings to maintain the price of WorldCom's stocks and there was a basic compromise on ethical standards. (Bob Lyke (2002), CRS Report). In India, the Bhopal gas tragedy is an example of an occurrence due to lack of a code of conduct. These days while designing a Code of Conduct, Hr Departments of modern business entities are using more of these learning's while designing their ethical code of conduct.

It is observed that most Organisations while drawing up the Code of Conduct identifies and incorporates issues which they feel is important to them and in the absence of a fully separate ethics department with people from relevant backgrounds, the HR departments can struggle with this ethical burden. The other challenge is how much support the HR Department receives from the top Management. A 2008 study done by SHRM (Jessica Frincke, SHRM , 2008 ), the Society for Human Resource Management, showed that over 50 percent of employers did not make ethical considerations part of their employee evaluations. About half of employees did not think they had means to find ethical advice within their company, and even 19 percent of human resources professionals felt pressure to compromise their ethical standards, coming from multiple directions within their companies, though the HR department was the primary resource for ethical information in 80 percent of studied companies. However, the situation from 2008 has slightly changed and now employers are giving more stress on ethics. The surveys in the subsequent years have shown a much more positive trend. For example, the percentage of companies providing ethics training in USA increased from 74 percent in 2011 to 81 percent in 2013, (National Business Ethics Survey, 2014). Other key indicators of strong ethical workplace cultures: Two-thirds of companies include ethical conduct as a performance measure in employee evaluations, up from 60 percent in 2011, and almost 3 in 4 companies communicate internally about disciplinary actions when wrongdoing occurs. (Dori Meinert, SHRM, 2014).

This means that the HR Department has become more empowered now to make a proper code of conduct. With empowerment taken care of, the challenge is what to incorporate in the Code of Conduct and what should be the policy of implementing the same. The objectives of writing the code have to be defined and priorities ascertained. Business ethics vary from industry to industry and location to location. So besides what is being laid down later as common areas that needs to be there in a Code of Conduct, it is prudent that local considerations, business priorities are taken into account while drafting the Code. A significant point that has been observed is that ethics and related aspects are more evolved in organizations which have their origins in the West. In India, The Confederation of Indian Industry (CII) has prescribed a Code of Business Ethics to its members which is more than 8000 member companies (CII,Code of Ethics,2011) aiming to reduce corruption and ensure transparency among business communities through effective ethical practices in the organization. The Federation of Indian Chambers of Commerce and Industry (FICCI) have also adopted a similar stand when it comes to ethics in business. (Final Report submitted by Institute for Corporate Sustainability Management Trust ( 2014),

A Code of Conduct should provide the company with guidelines on its far reaching human rights impact, and existing laws governing human rights in the territory. Also, in a situation where human rights abuses take place, businesses cannot plead ignorance of existing norms since they have been set out in the Code of Conduct. In short, a Corporate Code of Conduct is extremely important from the point of view of all concerned in order to clearly define legal liability of companies and enforcement of law to ensure protection and respect for human rights. The mode of whistle blowing needs to be a part of the Code of Conduct so that employees know what needs to be done in such an eventuality

The International Federation of Accountants (PAIB committee, 2007) has come with six principles for defining and developing an effective Code of Conduct for Organizations which are been used as a guidance tool by various organizations in the world. The six principles are,

- PRINCIPLE A  
The organization's overall objective should be to develop a values based organization and a values driven code, to promote a culture that encourages employees to internalize the principle of integrity and practice it, and encourages employees to "do the right thing" by allowing them to make appropriate decisions
- PRINCIPLE B  
Codes of conduct vary in design and content as well as how they are developed, and will be affected by the following factors:
  - Organizational size, type and complexity;
  - Geography;
  - Industry; and
  - Cultural considerations
- PRINCIPLE C  
Commitment of Board of Directors and Top Management
- PRINCIPLE D  
A multi disciplinary and cross functional group including international personnel should lead code development where organizational size permits.
- PRINCIPLE E  
Clearly identifying the established process for defining, developing and reviewing a code will promote understanding of, and agreement on, the key stages and activities.
- PRINCIPLE F  
A code of conduct should apply across all jurisdictions in which an organization operates, unless contrary to local laws and regulations

Study and analysis of the Code of Conduct of the world's leading Consulting Company Aao Hewitt (2014), American Psychological Association (2010), Naadac (1993) and Confederation of Indian Industries (2011) has revealed that there are some common areas that a Code of Conduct should be covering to prevent unethical practices. The areas that have been identified are:-

- a) Competing for business openly, honestly and fairly: - The primary reason why a business entity exists is to carry out business activities. It is important that while competing for business it is done in an open, honest and fair manner. The clients, suppliers etc should be treated fairly and there should be avoidance of conflict of interest. The products and services of the Company need to be described truthfully so that there is openness and transparency. Prejudices and personal relationships should be avoided while awarding of business or work.
- b) Treating one another with respect and integrity: - This pertains to the culture of the Organisation. All employees need to be treated equally. There should be no discrimination and harassment. There has to be workplace safety and equal employment and development opportunities need to exist for all. Policies and Procedures should ensure fair, equitable and consistent treatment for all employees.
- c) Sustainability of Business: - Business can be sustained only if certain factors are maintained properly and ethically. Proper care has to be taken of all assets by all people. Business records need to be maintained accurately and retained for future reference and use. The Organisations information needs to be maintained securely so that there is no breach of confidentiality and trust of any stakeholder connected to it. There should not be any compromise on the purchase or maintenance of assets, records or information of the Company as there different stakeholders connected to it.
- d) Ensuring that the reputation of the firm is maintained all throughout: - The business entity and its employees have to adhere to the laws of the Country and other local laws.

- e) Business should be conducted with only partners who are reputed to be ethical. This would also cover guidelines on acceptance of gifts, entertainment etc. Corporate Social responsibility is another key area these days. There needs to be effective guidelines on Money laundering, anti terrorism etc.
- f) Maintaining the firm's reputation in social media: - Social media has gained in popularity and recently there have been a lot of ethical issues that have come from social media. There has to be proper guidelines in place for employees in terms of social media with regards to postings, confront communications, speculations etc.

### CONCLUSIONS

Business Ethics has become an area of strategic importance for all and lot of stress has been given on its implementation and the role of the HR department is critical for success of the same as the HR Department has been identified in most Organisations as the custodian of ethics. For effective implementation ethics, it is important that the Code of Conduct in the organization is drawn up properly and that while making the Code of Conduct, the following are considered and taken into account.

- The code of conduct should be simple, easy to understand and accessible to all.
- The objective for the code needs to be clear and ethical endeavors that have to be accomplished within have to be laid down.
- While framing the Code of Conduct due cognizance needs to be taken of all the latest legal legislations, both nationally and locally that are there so that it does not affect the Company's ethical processes, expectations, and requirements and does not violate any legal litigation. It should be updated in tune with the legislations.
- The involvement of employees at various levels is of utmost importance while making the Code as this will help to gain support which is important for effective implementation.
- The Code of Conduct is meant to be widely used and as such it needs to be communicated to all levels of the organization along with the whistle blower policy and it should be readily available to any employee who may need aid in making judgment calls.

The Code of Conduct prepared by the Human Resources Department of small and large corporate as well as governmental setups within the above parameters should incorporate the common areas that have been identified and are incorporated in the leading organizations. Relevant organization specific and local issues should also be incorporated into the code. The Code of Conduct so formulated needs to be followed and implemented strictly by the Human Resources Department for effective management of business ethics which in turn will ensure effectiveness, success and longevity of business.

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