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ETHICAL ISSUES IN HRM

Introduction

Ethics involves a framework of moral values that help determine what is right or wrong, as well as the merits and faults of actions, their motivations, and their outcomes. In the business world, professionals are expected to base their understanding of appropriate conduct on the same ethical foundations as anyone else. Ethical principles help guide individual efforts toward actions that are both harmless to others and beneficial to society as a whole. Human resource functions frequently encounter ethical challenges in areas such as compensation, employee relations, workplace safety, and professional development.

Ethics is a branch of philosophy that explores the concept of morality. It falls under moral philosophy, one of the three traditional divisions of philosophy alongside formal and natural philosophy. Ethics encompasses various areas, including the general study of what is good and morally right, applied ethics, meta-ethics, moral psychology, and the metaphysical basis of moral responsibility. Its central concern understands goodness and right action. A key question in ethics is how, as rational beings, we should make decisions and what moral principles ought to guide our actions and goals.

Many people are drawn to the idea that ethical questions have one clear, correct answer. They struggle with moral uncertainty because they sincerely want to do what is right—and even if they cannot determine exactly what that is; the belief that a single correct answer exists somewhere provides comfort.

However, in many situations, no single "right" answer exists. There may be multiple acceptable options, or only choices that are less harmful than others, leaving individuals to make difficult decisions on their own.

For some, the discomfort with moral ambiguity stems from the need to take personal responsibility for their decisions, rather than relying on familiar rules or social norms to guide them.

Human resource management

Human Resource Management (HRM) encompasses the policies, procedures, and systems that shape employee behavior, mindset, and job performance. Key HRM functions include job analysis and design, recruiting suitable candidates, selecting new hires, providing job training and career development, assessing employee performance, offering compensation and rewards, fostering a healthy workplace culture, and aligning HR efforts with the organization's overall strategy through planning and managing change.

These HRM practices are critical to an organization's success. Choices related to hiring, compensation, training, and performance evaluation directly influence employees' motivation and their capacity to deliver valuable goods and services. By determining who is employed and how effectively they perform, HRM plays a key role in achieving organizational goals like quality output, profitability, and customer satisfaction. Ultimately, HRM significantly impacts an organization's effectiveness and ability to remain competitive.

Human Resource Management and Ethics

To address national and global issues like corporate fraud and unethical conduct, many modern organizations are increasingly relying on their Human Resource Management (HRM) teams. As a result, HR professionals are becoming more deeply involved in ethical matters due to their critical role in shaping policies, procedures, and programs that directly influence employee behavior. These HRM efforts significantly affect

whether employees act ethically and help shape the organization's ethical climate—making ethics an integral part of a strong HR function.

Considering the frequency of ethical scandals, it is both irresponsible and risky for HR professionals—or any organizational leader—to disregard ethics. Ethics can be complex and hard to define, often lacking clear lines between right and wrong. This ambiguity may tempt HR professionals to avoid the topic altogether. However, ethics is essential to any effective business strategy. If leaders focus only on outcomes without considering how they are achieved, the integrity of those outcomes may be compromised. Even figures like Bernie Madoff may have started with good intentions, highlighting the importance of consistent ethical oversight.

To incorporate ethics into HR and organizational strategy, the first step is to intentionally bring ethics into the conversation. Ethics should be woven into company culture, strategic planning, mission statements, onboarding, leadership development, and executive meetings. Rather than relying on vague statements about ethics, HR professionals should help clarify what ethical behavior looks like within the context of their specific organization. Discussing real-world scenarios, industry trends, and potential ethical risks can help personalize the topic and encourage proactive planning. Asking questions like, “What ethical challenges might we face?” and “What can we do to prevent them?” fosters a culture of ethical awareness.

As mentioned earlier, HR philosophies are deeply embedded in an organization's operations and significantly influence its culture and policies. Since HR professionals interact with individuals at all levels, ethics should be central to everything HR does. The complexity arises from the fact that ethics are deeply personal—shaped by individuals' families, education, experiences, and beliefs. This diversity means that leaders, managers, employees, and HR professionals may each approach ethical situations differently, making ethical dilemmas an ongoing challenge in HRM.

Understanding ethical issues

Hosmer (1987) stated that ethical concerns in Human Resource Management (HRM) arise when individuals or groups suffer harm in their workplace roles in ways they did not deserve, could not avoid, and could not control. To understand the nature of this harm, it is necessary to consider ethical, legal, financial, and behavioral dimensions—evaluating the cause of harm and whether any obligations to those affected were fulfilled or breached.

Because all HRM practices carry the potential to cause harm, the ethics of an organization's entire system, including its values and operations, must be assessed.

Florea et al. (2011) explored how HR relates to organizational culture. Their findings showed a clear connection between the two, indicating that organizational culture not only affects HR but also shapes how HR functions in achieving performance goals. They concluded that HR and organizational culture are deeply intertwined—culture depends on HR to establish, nurture, uphold, and implement cultural values, including rituals that mark transitions and achievements. A weak HR function leads to a weak culture, while a strong HR function strengthens it.

Similarly, Dutch (2013) explored the interconnected nature of organizational strategy, HRM, and culture. His model proposed that HR must directly support the human elements of strategic goals and align with the overall strategy to sustain a competitive edge. Strategy, culture, and HR cannot succeed in isolation. To thrive in the market, organizations must cultivate an ethical culture by aligning employee development with strategic objectives.

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.

Ethical cultures and environments

The logic supporting ethics as good practice is that ethical contexts will create the proper climate, which will serve to drive the development of ethical human resource practices. The result is a shared value system that channels, shapes, and directs behavior at work. Ethical work environments consist of common perceptions of typical organizational practices and procedures that have an ethical content; where ethics simply dictate, what a person should do (Victor & Cullen, 1988).

Normative systems in the organization must be institutionalized (i.e., organizational members must have a measurable degree of consensus) in order for an ethical work climate to exist (Schneider, 1983). Ethical environments affect a broad range of decisions as they are deeply embedded in many of the characteristics of an organization. The types of ethical contexts existing in an organization influence what ethical conflicts are considered, the process by which such conflicts are resolved, and the characteristics of their resolution.

Victor and Cullen (1988) stated that the ethical context of organizations is multidimensional and is derived from three sources: sociocultural, bureaucratic-structural, and firmspecific. Ethical environments tend to reflect institutionalized societal norms, and are built upon at least a minimal level of personal consideration within the organizational environment.

Thus, the larger sociocultural environment appears to be one source of the ethical climate in organizations because these organizations operate in and draw membership from this environment.

From an academic perspective, Culture and Environmental Ethics involves a detailed interdisciplinary exploration of how human societies influence—and are influenced by—their ethical relationships with the non-human world through shared beliefs, customs, institutions, and symbols. This field goes beyond simply asking what we ought to do (normative ethics) and instead critically examines how different cultures define, validate, challenge, and evolve environmental values and practices across time and regions. It draws on diverse disciplines—such as anthropology, sociology, philosophy, history, religious studies, and psychology—to understand the complex interactions between cultural dynamics and environmental consequences.

Academically, environmental ethics are seen not as universal or innate truths but as culturally shaped ideas. These ethics emerge from specific historical, material, and intellectual conditions. For instance, a society rooted in Abrahamic religious traditions may hold different views on nature—often emphasizing human authority over it—compared to cultures with animistic worldviews that see nature as inhabited by spirits or conscious beings.

In academic study, grasping Culture and Environmental Ethics also requires analyzing the impact of interactions across different societal sectors. A key focus is the complex connection between economic systems and cultural approaches to environmental ethics. Neoclassical economics, which promotes values like those that continuous growth, individual self-interest, and the tendency to treat environmental harm as an external cost, has had a significant influence on global environmental thinking. This economic model often supports a consumer-driven culture that values immediate profit over sustainable, long-term environmental health.

Values, accountability and ethics

An essential aspect of any culture, including organizational culture, lies in its core values. These are the principles promoted and emphasized by top leadership, communicated to new employees, and embedded across the organization. Such values play a significant role in shaping the organization's overall performance.

Values can be communicated in organizations via socialization and codes of ethics. However, if people do not agree on or do not know the norms and values of an organization, a weak corporate culture exists (Finegan, 1994).

Unethical behavior in organizations can stem from unclear values, conflicting norms, and weaknesses in individual character. While senior leaders have tools to help realign their organizations ethically, lasting change requires commitment at every level of the hierarchy—especially if companies want to remain competitive in the future.

Top executives play a crucial role in promoting an "ethical consciousness" throughout the organization. They must not only communicate the company's moral values clearly, but also genuinely believe in and exemplify them. Enforcing ethical codes and demonstrating pride in the organization's ethical standards can foster a culture where doing the right thing is recognized and rewarded.

When leaders visibly support and model ethical behavior, it encourages employees to follow suit, making it easier for them to resist unethical choices. Managers should reinforce ethical conduct in a way that resonates positively with employees. Ultimately, ethical values and organizational culture are deeply interconnected, and leaders must understand this relationship to effectively cultivate an ethical workplace.

The Role of HRM Professionals in Fostering an Ethically Oriented Organizational Culture

HRM professionals are frequently confronted with ethical challenges related to discrimination based on age, gender, race, and other factors, as well as issues like sexual harassment, workplace health and safety, and adherence to laws and regulations. As discussed earlier, both current and future HR professionals must remain aware of these ethical concerns to protect employees and foster a culture grounded in ethical values. As societal norms evolve, these challenges grow more complex, posing ongoing risks to an organization's reputation and exposing it to potential legal consequences if not properly addressed.

A central ethical principle for HR professionals is to treat employees, as they themselves would wish to be treated. Mintz (2016) emphasized that fairness is the highest ethical standard in dealing with HR issues. However, a common misstep among some HR professionals is equating ethics solely with legal compliance. Simply following workplace laws does not necessarily mean an organization is acting ethically. This perspective—known as "ethical legalism"—overlooks the reality that new or nuanced ethical issues can emerge that are not explicitly covered by existing laws or regulations. In such cases, HR professionals must rely on broader ethical principles, such as justice, which calls for treating people equally when their situations are alike and recognizing meaningful differences when they are not.

The Nature of Ethical Issues

Ethical challenges, such as those described, have a unique moral dimension. What sets ethical problems apart from other management concerns is that they involve causing harm or disadvantage to people in ways they cannot control. These situations often involve individuals experiencing undeserved negative consequences due to decisions made by others in positions of authority. For instance, a convicted bank robber receiving a five-year prison sentence does not typically raise ethical concerns, as the punishment results from their own choices. Similarly, letting go of an employee who ignored consistent negative performance reviews and declined training opportunities has little ethical weight since the outcome was largely under their control.

However, consider a loyal employee who is laid off following a merger—despite performing well and making no mistakes. In this case, the ethical concern is more pronounced, because the individual had no way to prevent the outcome and may face significant personal and financial hardship.

This type of dilemma is common in human resource management, where choices often involve unavoidable harm to some people. The challenge lies in determining what actions are fair, just, or appropriate when someone is bound to be hurt, despite not deserving it.

We cannot always prioritize the affected individual, as broader decisions may benefit other groups or the organization overall. For example, eliminating overlapping roles after a merger can make the company more efficient, benefiting those who remain. Similarly, shutting down an outdated facility could lead to more jobs elsewhere. Even outsourcing jobs from the U.S. can uplift people in developing nations. The true ethical dilemma arises when decisions bring gains for some and harm to others. These are the complex choices HR professionals frequently encounter.

Ethical decisions are easier when harm is minor, well defined, and repairable. If only a merger displaces one manager, and we can reassign and retrain them, the situation is relatively straightforward—we simply need to act ethically. However, most cases are not this simple.

Now consider a more challenging, modern scenario: numerous managers lose their jobs after a carefully planned merger aimed at surviving intense global competition. The merger promises greater efficiency and cost savings, but only by cutting staff at every level. The company's financial health is fragile, and there is even talk of using retiree pension funds if consolidation costs spiral. In this context, we can no longer claim the moral high ground, as harm to employees is unavoidable.

Moral Standards of Behavior

Moral standards are basically the rules we live by—what we think is right or wrong behavior in a given situation. These standards guide how we expect ourselves and others to act. For example, they help us decide whether something is fair, honest, respectful, or responsible. When we're trying to solve ethical problems—especially in areas like business or human resources—these personal moral rules become part of how we judge what should be done.

But here's the issue: moral standards are deeply personal. They're not the same for everyone, and most people haven't really thought through their own moral beliefs in a clear or consistent way. We may feel strongly about what's right and wrong, but we don't always understand why we believe what we do. And often, we make exceptions based on convenience or comfort—even if they go against our supposed values.

Take lying, for example. Most people say it's wrong to lie. But in real life, we often make small exceptions. Imagine you're invited to an event you don't want to go to, and instead of telling the truth, you say, "Sorry, I'm busy that night," even if you're not. This kind of lie feels socially acceptable, even though it breaks the rule against dishonesty.

In the workplace, especially in human resource management, similar things happen. Let's say you already know who's getting a promotion, but someone asks you about it. Instead of saying, "I can't discuss that," you might say, "I don't think that's been decided yet," even if it has. Technically, it's not honest—but it feels more polite and less confrontational. These small lies often seem justified to avoid hurting someone's feelings or creating conflict.

Negotiations are another example where truthfulness often bends. People negotiating salaries or deals might say, "That's the best I can do," when they actually have more flexibility. This shows how even people who value honesty can compromise when under pressure or in certain roles.

What makes things more complicated is that moral standards differ greatly from person to person. In a company, for instance, one manager might think the company's main responsibility is to its shareholders (the people who invested money in it), while another might feel its first duty is to its employees, customers, or even to themselves. These conflicting viewpoints can lead to very different ideas about what the "right" decision is in an ethical dilemma.

The real challenge is that most people don't examine or question their moral beliefs, even though they strongly defend them. As a result, when disagreements happen about what's ethical or fair, people often don't realize that the disagreement stems from different underlying moral values.

So, relying only on personal moral standards to solve ethical problems—especially in professional settings like business—can be very unreliable. Since these standards are so subjective and inconsistent, they're not always the best tools for making fair and balanced ethical decisions.

Moral Standards of Behavior

1. Moral Standards

Moral standards are the personal principles or rules that guide how we think people—ourselves included—should behave in different situations. These rules help us judge what is good, right, or fair. For example, we might believe that people should be honest, respectful, and responsible. These beliefs shape the decisions we make, the way we interact with others, and the way we expect others to act toward us.

In ethical decision-making, especially in professional settings like business or human resource management, people often refer to their personal moral standards to determine what the right action is. However, relying on personal moral beliefs can be complicated. One reason is that people's moral standards are highly subjective, meaning they are based on personal opinions and experiences. What one person sees as ethical, another may not.

2. Subjectivity and Inconsistency in Moral Standards

One of the main issues with using personal moral standards to analyze ethical dilemmas is that they are often unclear, inconsistent, and deeply personal. Many people have never taken the time to think deeply about why they believe what they believe. Instead, these values may come from family upbringing, cultural background, religion, education, or personal experience.

Even though people may strongly feel that something is wrong or right, they often can't explain *why* they feel that way. As a result, they sometimes make exceptions to their own rules when it suits them.

3. Workplace Ethics and Politeness vs. Truthfulness

These kinds of moral compromises happen often in professional environments, particularly in human resources, where managers deal with sensitive information. Suppose two people have applied for a promotion, and the decision has already been made. If one of them asks whether a decision has been made, the manager might say, "We haven't decided yet," even though that isn't true. The manager likely feels this response is more courteous or neutral, avoiding tension or disappointment.

But this is still a lie. It highlights how even people in leadership roles—who are expected to model ethical behavior—sometimes choose comfort over complete honesty. Their intentions might be good, but the action still conflicts with the value of truthfulness.

4. Negotiations and Stretching the Truth

Another area where moral standards often become flexible is during negotiations. In business deals, job interviews, or salary discussions, people frequently stretch the truth. For example, a car salesperson might say, "I really can't go any lower on the price," even though they are allowed to make further discounts. Similarly, a candidate negotiating a salary might claim, "I've been offered a higher salary elsewhere," even if it's not entirely accurate.

These practices are so common that many people accept them as "normal." However, they show how situational factors can influence whether someone sticks to their moral values. Even people who strongly believe in honesty might compromise it if they feel it benefits them.

5. Different People, Different Values

A deeper challenge arises from the fact that people don't always agree on which moral values are most important. Within the same organization, different individuals may have very different ideas about what the company's priorities should be.

When people have such different beliefs, it becomes difficult to reach consensus on what the "right" or "ethical" action is in a given situation. What one person sees as a fair business decision, another may view as a moral failure.

6. Unexamined Moral Standards and Their Consequences

One reason disagreements happen is that most people never take the time to reflect on their own moral standards. They may have strong feelings about what's right or wrong but haven't thought about *why* they believe those things. Without this self-awareness, people often don't recognize that their disagreements with others are rooted in different value systems.

This lack of self-reflection can create tension and confusion. For example, during a company-wide decision—like laying off employees, outsourcing jobs, or cutting benefits—different managers may strongly disagree. If they don't understand the underlying moral beliefs guiding their views, the debate can turn emotional and unproductive.

Ethical system of belief

1. Why We Need Ethical Systems of Belief

In complex situations involving ethics, simply relying on our personal moral standards is often not enough. Personal values are subjective—they can change from one person to another and are often based on upbringing, culture, or emotional bias rather than logical reasoning. This makes it difficult to apply them consistently in real-life dilemmas.

To deal with this problem, philosophers and ethicists have developed what are known as ethical systems of belief. These systems aim to provide a more objective and rational foundation for deciding what is right and wrong. They are part of a field called normative philosophy, which studies how people *should* behave, rather than simply describing how they *do* behave.

2. The Core Idea Behind Ethical Systems

Every ethical system of belief starts with a “first principle” or “essential value”. This is a foundational idea that the rest of the system is built upon. It acts like a compass, guiding all decisions and judgments that follow.

For example, one ethical system might say that consistency is the most important value. The belief is that if everyone acted consistently—treating similar situations in the same way—we would build trust among people. That trust would lead to greater cooperation, less conflict, and a more peaceful, functioning society.

This is a common goal across all ethical systems: they are designed to improve human cooperation and reduce conflict by providing clear, logical standards of behavior that everyone can agree on.

There is an underlying understanding that humans are social beings. We can't survive or thrive in isolation. Cooperation is essential not just for productivity, but also for survival, peace, and community well-being. Therefore, we need shared moral principles to help us live and work together.

3. The Classic Warning: Hobbes and the Problem of Self-Interest

One of the most powerful arguments for ethical systems comes from philosopher Thomas Hobbes (1588–1679). He warned what life would be like if everyone acted purely out of self-interest without any regard for others. In his famous words, life would become “solitary, nasty, brutish, and short.”

Hobbes believed that without a moral framework or shared ethical standards, people would constantly be in conflict. Trust would disappear, cooperation would collapse, and society would break down into chaos and violence. His point supports the idea that we need ethical systems—not just to be good people, but to make society function at all.

4. The Problem with Ethical Systems of Belief

Although ethical systems aim to provide clarity and order, there's one big problem: there are too many of them.

Since the days of Plato (427–347 B.C.), philosophers have been trying to create a universal system—a single set of rules based on a single “truth” or value that everyone could agree upon. Unfortunately, no single system has been universally accepted.

If such a system existed, resolving ethical dilemmas would be much easier. All we'd have to do is refer to that system and apply its rules.

But human beings are complex, and so are the ethical challenges they face. Different cultures, professions, and individuals prioritize different values. For example, one person might prioritize honesty above all else, while another might think kindness is more important—even if it means bending the truth.

Despite their differences and limitations, these ethical systems are still useful tools. They help us examine ethical problems more logically, ask better questions, and weigh the consequences of different actions in a structured way.

5. Ethics in Human Resource Management

Ethical decision-making becomes especially tricky in areas like human resource management, where the decisions you make can have economic, legal, organizational, social, and personal consequences.

Let's look at an example: Suppose a company must lay off employees due to financial losses. The legal aspect may allow it, the economic side may justify it, and the organizational structure might benefit from it. But what about the personal and social impacts? Will the employees lose healthcare? How will their families be affected? Is the process being handled fairly?

In such a case, ethical systems can help a manager analyze the situation more thoroughly. They can offer a structured way to ask, "Is this the right thing to do?" instead of just, "Is this legal?" or "Is this good for profits?"

Though normative philosophy doesn't always give a black-and-white answer, it helps clarify the gray areas and provides a deeper understanding of the ethical trade-offs involved.

Conclusion

Ethical challenges have long been a concern and continue to pose complex operational and moral issues for leaders, governing bodies, and HR professionals (HRPs). In today's dynamic global market, leaders must think beyond immediate service demands and current stakeholders. They need to carefully balance financial limitations and legal requirements with the pursuit of strategic goals, while also fulfilling social and ethical responsibilities.

HRPs are uniquely placed to promote ethical and principled decision-making, especially when they can show that fostering a culture of accountability toward employees and stakeholders contributes to achieving organizational success. When ethics are embedded into the practices of leadership, boards, commissions, and HR professionals, organizations are better equipped to create value, enhance wealth generation, and deliver high-quality services with efficiency and effectiveness.

Recommendations

Develop a Clear Code of Ethics

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Establish and implement an organizational code that guides ethical behavior in all HR functions.

Train Staff on Ethics

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Conduct regular training to help HR personnel and managers recognize and address ethical challenges.

Ensure Fairness and Transparency

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Apply consistent procedures in hiring, promotions, evaluations, and terminations to avoid bias and favoritism.

Protect Employee Privacy

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Handle employee information confidentially and use it only for valid, ethical purposes.

Implement Whistleblower Protection

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Create safe, anonymous reporting systems and protect those who expose unethical behavior from retaliation.

Promote Diversity and Inclusion

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Encourage equal opportunity, prevent discrimination, and create a respectful, inclusive workplace culture.

Ensure Pay Equity and Fair Benefits

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Conduct regular reviews of compensation practices to maintain fairness and avoid wage gaps.

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