

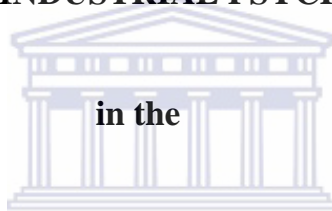
**ETHICAL DECISION-MAKING AMONGST HR EMPLOYEES  
WITHIN A RETAIL ORGANISATION**

**By**

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**Submitted in partial fulfilment of the requirements for the Degree of**

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## ABSTRACT

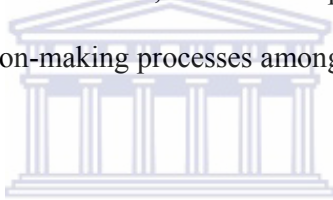
Ethical decision-making has in recent years emerged as one of the leading challenges facing organisations. Discourse surrounding the ethical responsibilities of human resource (HR) managers and employees is in its infancy in South Africa, despite an increasing concern with broad matters related to corporate governance and the ethical 'behaviour' of organisations. Recent industrial relations legislative changes in South Africa arguably place greater responsibilities on HR managers/employees, and raise issues related to the role they may take in promoting fairness and justice within the workplace.

Based on a review of empirical findings, this research endeavours to elucidate the theoretical terrain of HR managers/employees in terms of a range of decision-making options and resultant ethical positionings. From a synthesis of empirical findings and philosophical perspectives, a heuristic is derived which outlines the varieties of ethical or non-ethical stance an HR manager/employee may make. The argument is made that an understanding of ethical decision-making in human resource management warrants the exploration of the dynamics involving ethical inaction, not just the dynamics of ethical action.

Admittedly, while there has been some research on HR employees and ethical judgment, there is a relative dearth of research on this particular topic in its relation to the South African context. Mullins (1996) maintains that in today's society each individual has the ability to make up his or her mind own mind when dealing with an ethical standpoint, hence the onus is on the individual to either make the morally in/correct decision. According to Weeks, Moore, Mckinney and Longenecker (1999) ethical judgment can be operationalised as a respondents' attitude toward the acceptability of certain ethical situations within the workplace. Therefore it is no longer debatable about whether organisations should conduct their

businesses in an ethical and responsible manner but instead organisations have to take into account the interests of the organisation (primarily profitability) as well as the individual employee and society (Erasmus & Russelworth, 2006).

In current literature, existing models of ethical decision making cannot yet explain the disparity between what organisational members decide is "right" to do in a given situation and what they actually do (Jones & Ryan, 1997). Hence the aim of this present study will be to examine ethical judgment amongst HR employees taking into consideration various factors, such as employment equity, performance appraisals, Consulting as well as psychometric testing as all these areas have a direct effect on HR decision making. It is argued that ethical ideologies, moral awareness, moral development and also ethical culture have an influence on ethical decision-making processes amongst individuals in general, and HR employees more specifically.



The aim of this research was to examine whether a significant relationship exists between ethical decision-making had an impact on HR employees within a retail organisation. The questionnaire for the South African Board for People Practices, and the Ethical Position Questionnaire was administered to a sample of 150 employees in a large retail organisation within the Western Cape – South Africa. The researcher used a non-probability sampling technique specifically, a convenience sampling approach.

The results of this study indicate that there is a statistically significant correlation between moral awareness and decision-making amongst HR employees. However with regards to gender there seems to be no statistical significant relationship amongst HR employees and ethical decision-making. Similarly results also indicated that there was no significant relationship between ethical ideology and ethical decision-making.

Notwithstanding the limited generalisability of this study, implications for research and practice are suggested and recommendations are made to facilitate improved functioning.

### **KEY WORDS**

Ethics, Ethical judgment, Moral Awareness, Selection, Ethical culture, Ethical ideology, Human Resources, Employment equity, Psychometric testing, Relativism, Idealism, Ethical Judgment.



## DECLARATION

The researcher hereby declares that the thesis “**Ethical Decision-making amongst HR employees within a retail organisation**” is her own work, and that all sources have been referred to, and quoted have indicated and acknowledged with complete references.

---

Mineshree Naidoo



## **DEDICATION**

To my mum- my only wish is that I be half the woman you have turned out to be. Thank you for giving me hope and courage and just believing in me. I do not think that without your support through all these years, I would have gotten this far. I am truly blessed.



## ACKNOWLEDGEMENTS

While working on this dissertation, I have benefited greatly from the input and assistance of many people.

Firstly I would like to thank my family. My dad who is no longer with us but will never be forgotten. As my elder brother mentioned in his thesis “my only wish is that he has found peace and is now looking down on us with a smile upon his face”

To my brothers- Vaneshen and Surendran, thank you for your support and your understanding.

To Terence – thank you for helping me get through a very difficult year. “You have truly been my rock”

To the Lord almighty for aiding me with guidance and inspiration and ensuring the completion of this research project.

To all my colleagues and friends, thanks for always listening.

And lastly to my Supervisor Karl Helsop who has believed in me from the beginning and put up with all my nagging throughout this year. Thank you Karl – I know this was a difficult year for you; you inspire me with your dedication.

**AUM NAMA SHIVAYA**

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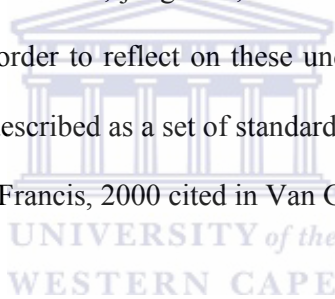
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## CHAPTER 1

### INTRODUCTION AND PROBLEM STATEMENT

#### 1. INTRODUCTION

In recent years ethics has become an important issue for modern organisations as they face inherent conflicts between the goals of profit maximisation and social responsibility (Vickers 2005 cited in Van Gramberg & Menzies, 2006). Ethics have been described as a set of moral principles or values of people or society, which inform them of what is good and bad, right and wrong, and which influence how people act and behave. Petrick and Quinn (1997 cited in Van Gramberg & Menzies, 2006) suggest that ethics is the study of individual and collective moral awareness, judgment, character and conduct, and argue it involves taking one step back in order to reflect on these underlying principles, decisions and problems. Ethics can also be described as a set of standards of behaviour which must be applied to a particular profession (Francis, 2000 cited in Van Gramberg & Menzies, 2006).



As the HR function assumes a more strategic place in organisations, so too does its role in creating an ethical consciousness and moral business environment. Brewster et al. (2003, cited in Erasmus & Wordsworth, 2006) point out that this is not surprising, considering that ethical issues are generally people issues. In support of the HR's role in creating an ethical climate, Buckley et al. (2001, cited in Erasmus & Wordsworth, 2006) point out that ethical climates are perpetuated with effective attraction, selection and retention strategies, and as such, should be considered partners in creating an ethical culture in an organisation.

It is in this regard that the HR function has a key role to play because the said mechanisms include such things as disciplinary systems, performance evaluations, merit compensation, reward systems and employee handbooks, all of which fall within the ambit of the HR

function. It would also seem that, more importantly, the role the HR function is currently playing in South African organisations in this regard is not well researched, with limited literature available in the South African context (Erasmus & Wordsworth, 2006).

Nevertheless, research, (Petrick & Manning, 1990 cited in Brand, 2008) indicates that ethics is a prerequisite for the reputation and sustained financial performance of a company and should be a foundation element in human resource management strategy.

### **1.1. MOTIVATION FOR THE STUDY**

The rationale for the study is to determine the effects of dilemmas confronting ethical employees as they are often faced with moral issues. It could potentially aid organisations in determining which factors would likely exert a stronger influence when implementing ethics within the workplace thus enabling them to follow a more ethical stance. From an examination of current literature it appears that the evidence is unequivocal regarding which factor can be best used when institutionalising ethical judgment. Thus, it can be said that the relative dearth of information, particularly as pertains to the South African context, provides the context and justification for this research.

### **1.2. PROBLEM STATEMENT**

It is commonly accepted that sound ethics management is an essential part of modern day business. While sound ethical behaviour can give an organisation a competitive edge, unethical behaviour can have devastating consequences for an organisation. An acknowledgement of the importance of business ethics is more than a mere commitment to be ethical, but instead requires the establishment of a corporate ethical capacity in a

concerted and structured way. Thus it is vital that managers should be competent in managing the ethical dimensions of their business (Brand, 2008).

It is argued that HR managers play an important role in developing ethical organisations. Researchers have explored the many roles that HR managers can adopt to develop the ethical climate of organisations. These include being a champion of ethical issues, developing ethical agendas, audits, writing codes of conduct, and developing the moral conscience of an organisation (Van Gramberg & Menzies, 2006).

One such debate currently noticeable in management literature deals, with the role of the human resource (HR) function and human resource manager in managing business ethics. Martin and Woldring (2001, p. 244 cited in Erasmus & Wordsworth, 2006) highlight the ongoing debate on the role of HR management in terms of “carrying the mantle” of ethical stewardship. Brewster, Carey, Dowling, Grobler and Warnich (2003, p. 28 cited in Erasmus & Wordsworth, 2006) also emphasise the role that the HR function could play in terms of ethical stewardship, and suggest that HR has a role to fulfil in the formulation, communication, monitoring and enforcement of an organisation’s ethics programme.

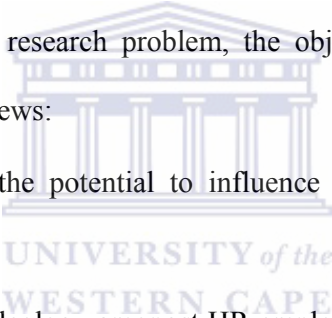
Of central importance however remains, is who should assume functional responsibility for leading the change? Several functional departments could be held accountable but the HR function occupies a particularly prominent position in this regard as it is one of the functional areas where services and products are procured (and visibly so) on behalf of the organisation. It is in fact critical that the HR function is seen as leading, upholding and role modelling the ethical stance of the institution – notably as it serves as an entry point into the organisational system for new appointees, consulting services and the like. If the manner in

which these functions are performed is acknowledged, perceptions built and ultimately organisational reputation among those whose services are accepted and in particular not accepted, it follows that HR then becomes a critical ethical showcase and nexus for organisational ethics (Roodt & Van Tonder, 2005).

## **1.2. AIMS AND OBJECTIVES OF THE STUDY**

This study aims to ascertain how being ethical in business will affect not only the individual but the entire organisation and secondly, to determine which variables have the greatest impact on making ethical decisions amongst HR staff.

Based on the background of the research problem, the objective of this research is to provide insight on the following views:

- 
- To determine if HR has the potential to influence ethical judgment within the workplace.
  - To ascertain how Ethical Ideology amongst HR employees affects ethical judgment within the organisation.
  - How promoting an ethical culture can have a positive effect on the workforce of an organisation.
  - To determine gender differences in ethical judgment.
  - To determine which factors are most influential in ethical judgment



## **1.4. HYPOTHESIS**

A hypothesis is a “conjectural statement of the relationship between two or more variables” (Kerlinger, 1986, p. 18). They are utilised by researchers to establish the nature and extent of the relationship between variables. There are two primary characteristics of hypotheses, namely, they are in a declarative form and secondly, they state that a relationship exists between variables of interest. The researcher then needs to test the hypotheses in order to establish if they are true or false (Nkosi, 1999, p. 63). For this study the researcher drew a sample from the population, and administered the questionnaire to respondents. Their responses were used to determine whether the pre-formulated hypotheses are substantiated or not.

The main hypotheses in this study will be:

### **Hypothesis 1**

- There is a significant gender difference in ethical decision-making amongst HR employees within a retail organisation.

### **Hypothesis 2**

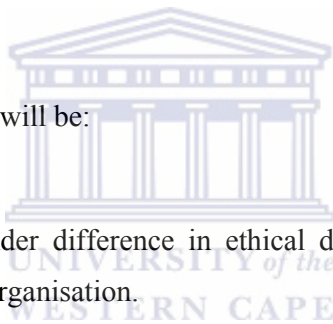
- There is a significant correlation between ethical ideology and ethical decision-making amongst HR employees within a retail organisation.

### **Hypothesis 3**

- There is a significant correlation between moral awareness and ethical decision-making amongst HR employees within a retail organisation.

### **Hypothesis 4**

- Moral awareness, gender, and ethical ideologies will significantly influence the variance in ethical decision-making amongst HR employees.



## 1.5. DEFINITIONS AND TERMS

**Idealism** refers to the degree to which individuals “assume that desirable consequences can, with the right action, always be obtained” (Forsyth, 1980, p. 176, cited in Fernando, Dharmage & Almeida, 2007).

**Relativism** is “the extent to which an individual rejects universal moral rules” while making ethical judgments (Forsyth, 1980, p. 175 cited in Fernando, Dharmage & Almeida, 2007).

**Code of ethics** is seen as a set of rules used to guide the moral/ethical decision-making and behaviour of individuals (Weller 1988; Schwartz 2001 cited in Bricknell & Cohen, 2005).

**Conflict of interest** in the business context occurs when an individual act in a way that is to their advantage at the expense of the employing organisation (Shaw, 1999 cited in Razafiarivony, 2003).

**Ethical Dilemma:** An ethical dilemma is a situation in which a individual must decide whether or not to do something that, although benefiting them or the organisation, or both, may be considered unethical (Schermanann, Osborn & Hunt, 2000).

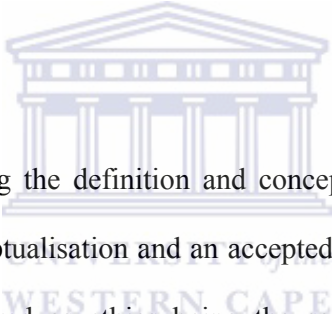
## 1.6. LIMITATIONS OF THE STUDY

The following are the main limitations that were identified:

A primary limitation of the study relates to the use of a non-probability research design. This implies that the results derived from the research cannot be confidently extrapolated to

the population of HR employees, as circumstances in other environments may differ from the sample selected. Another limitation also includes that the sample was not randomly selected as the sampling technique was based on an accidental/ convenience sample.

It is possible that respondents may have felt under pressure to answer favourably in the questionnaire so as to seem that they were ethical in their decision-making. Furthermore, the study did not take into account whether respondents had time to read through and answer questions adequately. Moreover, it might not have seemed appropriate or polite for the respondent to answer negatively about HR situations due to the fact that it be seen negatively by the organisation. In addition previous studies also showed a lack of interest in ethics amongst HR staff.



There is little consensus regarding the definition and conceptualisation of ethics in HR. Hence without a consistent conceptualisation and an accepted theory, the concept ethics in HR cannot be adequately measured as ethics being the same as another. Most of the constructs of ethics amongst HR have never been replicated in other research nor well supported. Also no other researcher has specified the mechanisms by which ethical decision-making occurs amongst HR staff members.

The study confined attention to one specific retail organisation. In doing so, it is acknowledged that the perceptions of other HR staff in other retail organisations will be excluded. Nevertheless, the findings in this study may be indicative of ethical decision-making amongst HR of some retail organisations within South Africa.

## **1.7. OVERVIEW OF THE STUDY**

Following the introductory chapter, chapter two will provide a detailed review of ethical decision making amongst HR employees with reference being made to the relationship between these two variables and the affects that it has in the workplace. Definitions of ethics and HR commitments are provided, as well as theories of unethical behaviour and their determinants will be discussed.

Chapter three provides an overview of the research methodology employed in this study and includes the research design, participants, sampling methods, data collection and data analysis strategies, administration of the questionnaire statistical techniques used and composition of the sample used as well as ethical considerations.

Chapter four highlights the statistical results of the research study arising from the empirical analysis of the data obtained. The data is represented in tabular and graphical format to facilitate ease in understanding the data.

In chapter five, the most significant information gained from both the literature survey and the empirical study will be addressed. Conclusions are drawn based on the obtained results and integrated with existing literature. Furthermore practical implications of the research are highlighted and recommendations for future research are outlined.

## **1.8. CONCLUSION**

This chapter has briefly provided an outline/layout of the structure and hypothesis guiding the research. It has presented an overall view of the entire study. In chapters that follow, each component of the research process is discussed in greater detail.

The literature survey will be introduced in the next chapter with the focus being on ethics, ethical decision – making and the Human Resources role in ethical decision-making.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

In recent years, increased awareness has been paid to ethics, particularly since several cases (both local and international) where corporations and investors suffered significant losses due to unethical behaviour made news headlines. In many of these instances, managers misused financial data in an attempt to mask information that might have had a negative impact on investor confidence and thus would have tarnished the image of the company (Maree & Radloff, 2007).

One of the leading challenges, more pertinently the management thereof have emerged in recent years. Managing business ethics, has become a major ordeal that face modern managers (Erasmus & Wordsworth, 2006). On the other hand business ethics as a field of research has also enjoyed increasing attention in management literature (Martin & Woldring, 2001 cited in Erasmus & Wordsworth, 2006).

Local and international magazines all too often have the headlines where a well-known firm had seen its reputation sullied—and profits diminished—because of some unethical action. Whether it be a major law suit or petty thefts, many organisations experience financial loss due to unethical and fraudulent actions. Despite the fact that ethical conduct is generally expected from employees and their managers, the understanding of what actually constitutes ethical (or unethical) conduct is often lacking (Razafiarivony, 2003). Philosophers that date back to Plato showed a strong interest in how individuals responded to ethical issues, however, social scientists have only recently begun to focus on responses to ethical issues in the context of business (Sonenshein, 2007).

A reason as to why ethics has become this popular is because in the framework of forty years of socio-economic and political inequities in society, there should be no surprise, that unethical behaviour and corruption exist in the business world (King, 1993 cited in Van Zyl, 2001).

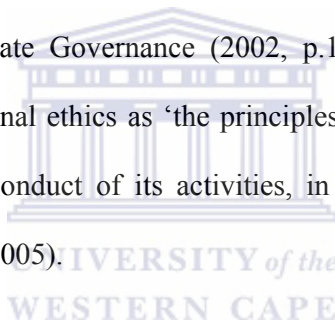
It is suggested by Longstaff (2004, p. 3 cited in Maree & Radloff, 2007) that the sphere of ethics is widely viewed as an 'ethical landscape' or as a set of rules governing what is right and wrong. He does however point out that the problem with this, is that rules 'depend, for their effectiveness, on there being people who are inclined to observe them'. In Carr's (2003, p. 7 cited in Maree & Radloff, 2007) opinion it is argued 'that within the current environment questions of morality and social responsibility are ignored by organisations, no matter what their size, at their peril'. Serious attention has to be accorded to ethics irrespective of whether it is described as a landscape or as a set of rules (Maree & Radloff, 2007).

'Ethical behaviour is not just the right thing to do – it is a necessity. If the profession and the practitioner's career are to thrive there must be a prevailing pattern of responsible conduct' (Sheldahl 1980, p. 36 cited in Maree & Radloff, 2007). Two factors need to be considered in order to develop and maintain such a prevailing pattern in the profession as a whole. These two factors of morally appropriate action are: the code and an ethical corporate environment (Maree & Radloff, 2007).

Within South Africa, businesses are increasingly embarking on focused and structured attempts at managing ethics. The recommendations of the King I Report on Corporate

Governance published in 1994, and to an even greater extent, the recommendations of the King II Report, published in 2002 (IoD, 2002 cited in Van Vuuren & Eiselen, 2006), clearly specify the institutionalisation and management of ethics as a primary focus of good governance. The King paradigm of corporate governance is built on the premise that governance is not only an ethical imperative, but also that ethics has to be governed and ethical performance reported on. However, organisations are still somewhat ill at ease not only with the 'how' of managing ethics, but also with the 'whom' that should assume accountability for coordinating organisations' ethics management efforts (Van Vuuren & Eiselen, 2006).

The King Committee on Corporate Governance (2002, p.101 cited in Spangenberg & Theron, 2005) defines organisational ethics as 'the principles, norms and standards that it promotes for the guidance and conduct of its activities, in accordance with established values' (Spangenberg & Theron, 2005).

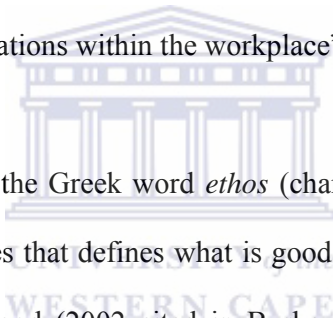


## **2.2 DEFINITIONS OF ETHICS**

A plethora of definitions for business ethics was unravelled during an investigation. According to Rossouw (1994 cited in Goosen & Van Vuuren, 2005) business ethics is defined as "the specific application of this general principle (what is good or right for human beings) to business activities. To ensure that businesses act morally within the business environment, means ensuring that the consequences of business actions are not detrimental to others. To put it in a more positive light: it is ensuring that business performance contribute towards the personal well-being of others and societies that are influenced by these actions" (p. 2 cited in Goosen & Van Vuuren, 2005).



The term “ethics” is not always clearly understood except that it is related to morality. According to Trevino and Nelson (1995 cited in Razafiarivony, 2003). “Ethics are the principles, norms, and standards of conduct governing an individual or group” (p. 12). Ethics investigates morality (Buchholz & Rosenthal, 1998; Velasquez, 2002 cited in Razafiarivony, 2003). The nature of “right” or “wrong” has to do with the potential of benefiting or harming oneself or other human beings. But it goes beyond that first concern. It encompasses the potential harm done to the physical and social environment, inasmuch as this harm will sooner or later lead to the deterioration of living conditions for human beings (Razafiarivony, 2003). According to Weeks, Moore, McKinney and Longenecker, (1999 p. 301) “ethical judgment is operationalised as a respondents’ attitude toward the acceptability of certain ethical situations within the workplace”.



The word ethics, is derived from the Greek word *ethos* (character), which can be loosely defined as a set of moral principles that defines what is good and bad and invokes a sense of moral duty and obligation. Wood (2002 cited in Burke, Harper, Rudnick & Kruger, 2007) describes ethics as a set of formal and informal standards of conduct that people use to guide their behaviour.

Ethics could be defined as to “...clarify right and wrong and act on what we take to be right...” (Fox & Meyer, 1995 cited in Van Rooyen, 2008) and ethics refers to rules or principles that define right and wrong conduct” (Fox, 2006, p. 17 cited in Van Rooyen, 2008).

The term moral or ethical behaviour can refer to a wide range of behaviours. Subsequent to this moral and ethical behaviour is construed as behaviour that is subject to (or judged

according to) generally accepted moral norms of behaviour. Thus, moral behaviours occur within the context of larger social prescriptions (cited in Reynolds & Ceranic, 2007)

As a result, ethics can be defined as a systematic attempt, through the use of reason, to make sense of individual and social moral experiences in such a way as to determine the rules that ought to govern human conduct and the values worth pursuing in life (Bowie & Duska, 1990; De George, 1986 cited in Smith, Van Vuren & Visser, 2003). Ethics can further be defined as norms and standards that are used to guide decision-making about morally correct courses of action or behaviour.

Ethics entails issues fundamental to practical decision making. According to Woodrow (2003 cited in Iyoha & Kingsley, 2007 p.116), ethics is “the systematic study of conduct based on moral principles, reflective choices and standards of right and wrong conduct.” In the same vein, Omoregbe (1993 cited in Iyoha & Kingsley, 2007 p.116) defines ethics as “the branch of Philosophy which deals with the morality of human actions”. Thus it can be seen that ethics is essentially concerned with values—what human behaviour should be as opposed to what actually is the case (Iyoha & Kingsley, 2007).

Aspects that need to be considered within ethics which need to be governed include gaining informed consent, establishing and maintaining confidentiality, establishing and maintaining professional boundaries, and the utilisation of power and influence within the consultation relationship. Another characteristic that is imperative is that an ethical code be put in place as consultants still need to be made aware of the level of personal responsibility involved in ethical consulting practices (Guy, 1990; Newman, 1993 cited in Smith, et al., 2003).

Therefore ethics should not be seen merely a marketing tool, but instead needs to be made part of the everyday functioning of an organisation. It should not only involve the interests of all stakeholders, internal and external, but also requires proactive ethics management (Goosen & Van Vuuren, 2005).

### **2.3 ETHICAL JUDGEMENT**

In organisations today an individual's ethical judgment plays a key in ethics. An individual's moral philosophy or ethical ideology is one of the factors that propose to explain differences in ethical judgment (Barnett, Ken, & Gene, 1994). This is subject to the philosophical debate of right, wrong, and how to make correct moral judgments about right and wrong (Barnett et al., 1994).



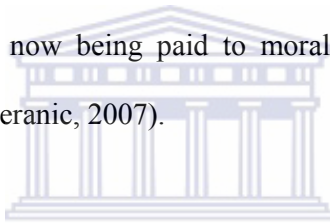
### **2.4 THE DEFINITION OF TRUST**

What is Trust? At the Great Place to Work institute, trust has been studied for countless years. Trust can be found in three characteristics of workplace relationships. First trust grows out the capability to perceive others (management in particular) as probable, that what they say is true, that their actions are infact consistent with their words and that they will be ethical in their business practices. It is also dependent on how much employees experience respect- through support provided by professional growth, the inclusion of employees ideas in decision making, and through care both within the workplace and in life outside work. Hence, trust grows out of a sense that an individual will be treated justly by others – which is regardless of position or characteristics. It can therefore be expected that a definite amount of fair and equitable treatment by people within the organisation in terms of pay and benefits, career development opportunities and the just resolution of problems or concerns will be unavoidable (Lyman, 2003).

Trust, as defined by the Oxford English Dictionary, is the firm belief that an individual may be relied on. A different definition provided by Shaw (1997 as cited in Armstrong, 2006 p.220) is the 'belief that those on whom we depend will meet our expectations of them'. These expectations are reliant on 'our assessment of another's responsibility to meet our needs' (Armstrong, 2006).

## **2.5 ETHICAL DECISION-MAKING**

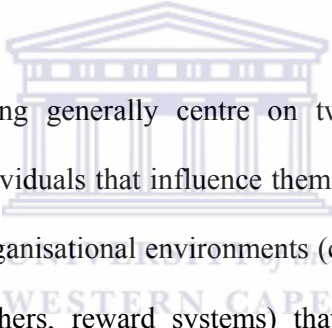
Due to recent ethical scandals, such as those associated with Enron and stock options backdating, the value and significance of understanding moral behaviour has been increased, thus more attention is now being paid to moral decision making and moral behaviour research (Reynolds & Cernanic, 2007).



It was argued by Kohlberg (1981 cited in Reynolds & Cernanic, 2007) that although there are many elements that contribute to moral behaviour, the most critical element is moral judgment, or determining what is right and wrong.

Many concerns have been raised with regard to management integrity (Pearlstein 2002 cited in Ashkanasy, Windsor & Trevino, 2006). Snell (2000 cited in cited in Ashkanasy et al., 2006) noted a dearth of empirical research on management ethical decision-making. According to Rest (1986 cited in Reynolds & Cernanic, 2007), moral decision making begins with an awareness of the moral issue from here the individual will then make a moral judgment, and establish an intention to act morally, and, finally, will engage in moral behaviour (Reynolds & Cernanic, 2007).

Thus, in ethical decision-making situations, it is noted that many individuals learn what the outcome would be for a certain situation by observing what has happened to their organisational peers. Therefore, those who have observed others being rewarded for unethical conduct or punished for ethical conduct would be more likely to make unethical decisions because they come to expect a comparable outcome for themselves if they were to behave in a similar manner which leads to those individuals internalizing these expectations. Indeed. It was found by Trevino and Youngblood (1990 cited in cited in Ashkanasy et al., 2006) that continuous exposure to the organisational reward system affected managers' ethical decision-making by influencing their outcome expectancies (Ashkanasy et al., 2006).



Models of ethical decision-making generally centre on two types of influences and interactions: characteristics of individuals that influence them to make more or less ethical decisions and characteristics of organisational environments (codes, ethical climates, ethics programs, leadership, referent others, reward systems) that can influence individuals' ethical and unethical decisions and conduct (Greenberg 2002; Jones & Ryan 1997; Trevino 1986; Trevino, Butterfield, and McCabe 1998; Trevino, Weaver, Gibson, & Toffler 1999; Victor & Cullen 1988 cited in Ashkanasy et al., 2006).

Karande et al. (2002 cited in Fernando et al., 2007) examine that most models of ethical decision-making posit that organisational factors, such as an organisation's ethical values influence a manager's ethical decision-making (Ferrell and Gresham, 1985; Hunt and Vitell, 1986, 1993; Trevino, 1986 cited in Fernando et al., 2007). It is suggested that existing models of ethical decision making cannot yet elucidate the disparity between what

organisation members decide is "right" to do in a given situation and what they should actually do (Jones & Ryan, 1997).

Another factor to consider is social consensus. This refers to the degree of social agreement concerning whether a proposed act is good or evil (Jones, 1991 cited in Reynolds & Cernanic, 2007) or right or wrong. Social consensus also indicates the extent to which there is a general consensus within society about the moral status of an issue. Although there are no specific referents stipulated, social consensus communicates a general normative conclusion, seen as a broad social judgment about that issue (Reynolds & Cernanic, 2007).

## **2.6 DETERMINANTS OF ETHICAL DECISION MAKING BY HR MANAGERS.**

Research has shown that there are numerous pressures on HR managers which influence their ability to act ethically (Van Gramberg & Menzies, 2006).

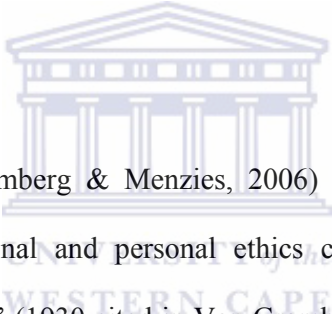
### **2.6.1 The Conflicting Nature of the HR manager's role**

It is suggested by some researchers that HR managers have conflicting demands made on them and their position often requires the delicate balancing of paradoxical roles (Warnick 1993 cited in Van Gramberg & Menzies, 2006).

Each of these roles represent embedded conflicting interests, for example, the "strategic business partner" and "administrative expert" would see the HR manager act within the interests of the organisation, but not essentially to promote ethical interests or the rights of employees. Carey (1999 cited in Van Gramberg & Menzies, 2006) agreed with this view point and stated that the HR manager as a business partner adopts a unitarist perspective; one which concurs with the best interests of the organisation (rather than its employees). In

disparity, the employee champion role would see that the HR manager act within the interests of employees, and be a champion of their rights, which perchance is more consistent with the rights based on ethical justice framework espoused by Rawls (1971 cited in Van Gramberg & Menzies, 2006).

It was found by Foote and Robinson (1999 cited in Van Gramberg & Menzies, 2006) that HRM professionals do indeed face many ethical dilemmas from business demands. Evidence established by Foote (2001 cited in Van Gramberg & Menzies, 2006) was that although HR managers wanted to be ethical, and wanted to make fair and just decisions, issues like this did not take priority for the reason that the firm's bottom line was seen to be more important.

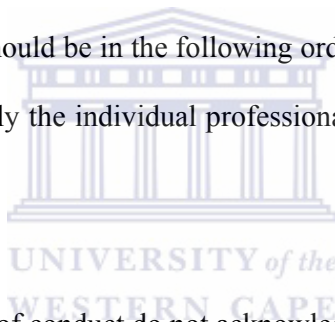


Wooten (2001 cited in Van Gramberg & Menzies, 2006) suggests that the crossroads between organisational, professional and personal ethics can lead to complex ethical dilemmas. He suggested that Ross' (1930 cited in Van Gramberg & Menzies, 2006) model on ethics which included a regime of duties of fidelity, such as faithfulness to contracts, promises, truth telling and redressing wrongs may be a useful resolution for HR managers. Wooten (2001 cited in Van Gramberg & Menzies, 2006) argue that if dilemmas are acknowledged when personal, professional, organisational conflicts arise, then there would be a lower probability that unethical decision making will be made, hence unethical behaviour exhibited.

This is similar to declaring an individual's interest in a situation, where under such a scenario, it would be mandatory for a HR manager to identify at the beginning of a HR situation (such as conducting dispute resolution), what their personal, professional and

organisational demands are. Another fact stipulated by Carey (1999 cited in Van Gramberg & Menzies, 2006) was that HR managers have a double agency problem and this may lead to uncertainty about whether their primary role should focus on the employer or employees.

Thus it be acknowledged that HR's role should be about managing the multiple interests of employers and employees. Once again, in managing multiple interests managers may be well served by a professional code of conduct, which can be consulted for assistance when making decisions. A code of conduct was likened to a moral compass for HR professionals (Carey 1999 cited in Van Gramberg & Menzies, 2006). The Society of Human Resource Management's (SHRM) code on professional conduct of HR professionals recognizes that loyalty to different stakeholders should be in the following order: the public, the profession, the client/employer and then finally the individual professional (Windt et al., 1989 cited in Van Gramberg & Menzies, 2006).



A major question that most codes of conduct do not acknowledge is that HR managers have their own self-interest, and it should not be assumed that the HR managers' primary loyalty is to the firm. A brief review of the literature suggested that the order of loyalties of HR managers might actually be as follows: first to the individual professional (self), second to the client/employer and then perhaps to the profession and finally to the public.

A study conducted in 1991 on ethics by (SHRM/CCH 1991) confirmed a link between ethical behaviour of HR practitioners and the influence of senior managers. Likewise, in a survey conducted by KPMG in Canada of chief executive officers (1999 cited in Van Gramberg & Menzies, 2006) found that executive leadership, personal commitment to ethical principles and corporate culture was rated as the strongest influences on ethical



behaviour. In the US research conducted by SHRM/ERC (2003 cited in Van Gramberg & Menzies, 2006) showed a number of factors were found to influence ethical behaviour of HR professionals which included their own personal values; the attitudes and behaviour of their supervisors and senior managers, and the perceived enforcement of ethics violations.

Another aspect revealed in the survey was that adherence to ethical standards was often curtailed by the need to meet short-term organisational goals. Indeed, early work by Tyler (1988 cited in Van Gramberg & Menzies, 2006) on workplace justice found that when managers were primarily orientated to tasks or outcomes and concentrated on the short term achievement of those goals, they made decisions that were less to do with fairness and more to do with practical goal obtainment (Van Gramberg & Menzies, 2006).

### **2.6.2 Pressures from Managers and Supervisors**

Senior managers' influence on ethical behaviour was explored by Soutar et al. (1996 cited in Van Gramberg & Menzies, 2006) who found that senior managers need to be ethical proponents in the organisation for the rest of the organisation to expand to a more ethical approach. Thus pressures that come from superiors where decisions are guided by the interests of the business and profitability, but not within ethical interests of other stakeholders such as employees, play an enormous role in affecting ethical HR decision making.

From another perspective, Weiss (1994 cited in Van Gramberg & Menzies, 2006) argues that HR managers often overlap the fine line between the individual rights of employees and corporate interests. Research by SHRM/ERC (2003 cited in Van Gramberg & Menzies, 2006) also explored the possible reasons for an individual to compromise their ethical

standards, and some of the reasons included: following the boss's directives, meeting overly aggressive business objectives, helping the organisation survive, wanting to be a team player, saving jobs, advancing the career interests of a boss, others do it, peer pressure, and competitive threats. Thus decisions influenced by these factors would be considered ethical from the perspective of restricted egoism, consistent with Friedman's (1971 cited in Van Gramberg & Menzies, 2006) doctrine that the only responsibility of businesses is to increase profits.

### **2.6.3 Pressures from Career and Individual Maximisation**

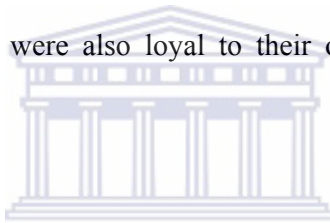
The SHRM/ERC (2003 cited in Van Gramberg & Menzies, 2006) survey on ethical HR decision making found that 73 per cent of HR manager respondents declare they would report ethical misconduct occurring in their organisations. Despite the fact that this implies a high rate of ethical monitoring, the survey also shed some light on the occurrences where ethical misconduct goes unreported.

Briefly, these instances include: when HR managers believe that corrective action would not be taken (by others) and so there was no point in reporting; when retaliation was perceived as being linked to potentially disastrous effects on their career; when they did not trust the organisation to protect them; and when they were fearful that they would not be seen as a team player (SHRM/ERC 2003 cited in Van Gramberg & Menzies, 2006).

In an Australian study of 35 whistleblowers it was found that 90 per cent of respondents reported that they would fear losing their jobs or being demoted (Lennane 1996 cited in Van Gramberg & Menzies, 2006) if they were to report unethical practices. Lovell (2002) maintained this argument in his suggestion that HR managers feared that admission of

ethical misconduct would be suppressed by senior managers and would impair future promotional opportunities for them. Therefore, HR managers would most likely feel reluctant to report unethical behaviour, for the sake of their career (Van Gramberg & Menzies, 2006).

In a study conducted by Lovell (2002 cited in Van Gramberg & Menzies, 2006) it was found that HR managers had difficulty in raising ethical issues to a formal level within their organisations, and experienced even more anxiety when revealing any of the incidents to an external agency. Lovell (2002 cited in Van Gramberg & Menzies, 2006) proposed due to the fact that HR managers were fearful of their own positions, they would chose not to disclose unethical behaviour, but were also loyal to their organisations, colleagues and superiors.



Lovell (cited in Van Gramberg & Menziwa, 2006) concluded that moral agency remains at best an aspiration and at worst an illusion or fabrication of the mind as in situations of ethical importance. He also found that there was an interplay between moral agencies and the pragmatics at work. Pragmatism applied to sorting out the ethical issues carrying the least angst, rather than any notion of doing the right thing. He found that when an individual pursued a business case when making decisions, people did not often recognise arguments based on moral principles.

#### **2.6.4 The Individual Altruist**

Findings from three other studies stand out as the results show HR managers are intrinsically ethical. The survey by SHRM/ERC (2003 cited in Van Gramberg & Menzies, 2006) also found that advancing an individuals' career interests rated last in the array of

pressures influencing HR managers to compromise the organisation's ethical standards. Thus these findings appear to be at odds with the argument that HR managers are more likely to make decisions that will profit their own careers and self-interest as ethical egoists.

However, there is the question that the extent to which such surveys prompt respondents to provide socially desirable responses rather than describe what they actually think, believe or do is something to consider (Phillips & Clancy 1972 cited in Van Gramberg & Menzies, 2006). In a study done by Wiley's (1998 cited in Van Gramberg & Menzies, 2006) results showed that HR professionals are bound by an altruistic norm of service and a code of ethics that directs them to honestly represent the welfare and interests of all parties including management, employees, the community and society.

Finally, Danley et al. (1996 cited in Van Gramberg & Menzies, 2006) observed the ethical perceptions of 1078 human resource professionals, and established that the so called ethical crisis in business is largely overstated. Results showed that only one in ten HR professionals felt the need to compromise their own personal principles in their business decision-making. Whilst comprising a small group of researchers, these results confirm that the normative expectations of HR managers deserve further probing – predominantly in the development of an ethical code of practice (Van Gramberg & Menzies, 2006).

Below are practice based decision-making models by Burke et al., 2007:

Corey, Corey, & Callanan (1998)	Forester-Miller & Davis (1996)	Keith-Spiegel & Koehler (1985)	Tymchuk (1986)	Welfel (1998)
1. Identify the problem	1. Identify the problem	1. Describe the parameters	1. Determine stakeholders	1. Develop ethical sensitivity
2. Identify potential issues involved	2. Apply the code of ethics	2. Define potential issues	2. Consider all possible alternatives	2. Define the dilemma and options
3. Review relevant ethical guidelines	3. Determine nature of dilemma	3. Consult legal and ethical guidelines	3. Balance risks and benefits to make decision	3. Refer to professional standards
4. Obtain consultation	4. Generate potential courses of action	4. Evaluate the rights, responsibilities, and welfare of all	4. Decide on level of review	4. Search out ethics scholarship
5. Consider possible and probable courses of action	5. Consider potential consequences; determine courses of action	5. Generate alternate decisions	5. Implement the decision	5. Apply ethical principles to situation
6. Enumerate consequences of various decisions	6. Evaluate selected courses of action	6. Enumerate the consequences of each decision	6. Monitor the action and outcome	6. Consult with supervisor and peers
7. Decide on best course of action	7. Implement course of action	7. Make the decision		7. Deliberate and decide
				8. Inform supervisor and take action
				9. Reflect on the experience



## 2.7 MORAL AWARENESS

There are several prominent theories which claim that individuals use deliberate and extensive moral reasoning to respond to ethical issues, such as weighing evidence and applying abstract moral principles (Sonenshein, 2007).

Many theories of moral decision making hypothesize moral behaviour as the culmination of a multistage process—a process that begins with moral awareness or the identification of a moral issue (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Rest, 1986; Treviño, 1986 cited in Reynolds, 2006).

It is argued by Rest (1986 cited in Reynolds, 2006) that moral awareness is something of an interpretive process wherein an individual recognizes that a moral problem exists in a situation or that a moral standard or principle is relevant to some set of circumstances. More recently, Butterfield, Treviño, and Weaver (2000 cited in Reynolds, 2006) define moral awareness as “a person’s recognition that his or her potential decision or action could affect the interests, welfare, or expectations of the self or others in a fashion that may conflict with one or more ethical standards” (p. 233 cited in Reynolds, 2006).

Central to this is one of the tenets of rationalist approaches where individuals use deliberate and extensive moral reasoning to make moral judgments about how to react to issues (e.g., Kohlberg, 1981, 1984; Rest, 1986 cited in Reynolds, 2006).

Many commentators would consider an individual’s ethical beliefs as being among the most important wellsprings of human behaviour. It has been posited by Hart and Killen (1995 cited in Ross, 2003) that morality, in its various forms, is a dominant influence on the conduct and evaluation of much day-to-day life. It is suggested that the pervasiveness of the ethical domain is to be found in almost every aspect of life. It is said that moral commitments shape the goals and aspirations that provide direction and purpose to human behaviour. Moral judgements are alleged to be constituent elements in the determination of favoured courses of action in life contexts, sometimes provoking opposing and even occasionally contradictory attitudes. Hart and Killen have also pointed out that the evocation of emotions within an individual (for example guilt, satisfaction, confusion) is impacted by this engagement with moral issues (Ross, 2003).

According to Jones (1991 cited in Bartels, Harrick, Martell & Strickland, 1998), ethical issues are defined as being present when a person's freely performed actions have either a positive or negative impact on others. He put emphasis on two parts of the definition: volition and consequences. That is, the individual dealing with the moral issue must have a choice, thus choices must exist even if the costs associated with those choices are high. In addition to this, the choice must have consequences for others. Other examples of ethical issues include not maintaining confidentiality; arrangements with vendors or consulting agencies leading to personal gain; and hiring, training or promotion based on favouritism (Bartels et al., 1998).

## **2.8 ETHICAL IDEOLOGY**

Recent corporate failures indicate that, although managers are equipped with an array of management tools to deal with day-to-day management situations, during ethically challenging situations, these tools most likely need to be complemented with other decision making aides. Often it is these ethically challenging decision making situations which tend to lead to ethical dilemmas, and are grounded in the conditions and factors related to the decision maker, the situational circumstances and the decision-making process itself (Fernando et al., 2007).

Henle et al.'s definition of ethical ideology is seen as a "a system of ethics used to make moral judgments, which offers guidelines for judging and resolving behaviour that may be ethically questionable" (2005, p. 219 cited in Fernando et al., 2007). There are also several researchers who have proposed theories on the individual differences in ethical ideology (Kohlberg, 1983; Rest et al., 1974 cited in Fernando et al., 2007). It was Forsyth (1980 cited in Fernando et al., 2007) who was able to explain these theories on "two

general dimensions: idealism and relativism.” (p. 175). Idealism defined is seen as the degree to which individuals “assume that desirable consequences can, with the right action, always be obtained” (1980, p. 176 cited in Fernanado et al., 2007).

He goes on further to explain that idealistic individuals feel that harming others is always preventable, and they would relatively not choose between the lesser of two evils which will lead to negative consequences for other people (Forsyth, 1992, p. 462 cited in Fernanado, et al., 2007). Forsyth (1980, p. 175 cited in Fernanado et al., 2007) defines relativism, as “the extent to which an individual rejects universal moral rules” while making ethical judgments. Thus these relativistic individuals “generally feel that moral actions depend upon the nature of the situation and the individuals involved, and when it comes to judging others they weigh the situation more than the ethical principle that was violated” (Forsyth, 1992, p. 462 cited in Fernanado et al., 2007).

Singhapakdi et al. (1999 cited in Fernanado et al., 2007) also noted that managers in organisations with higher levels of ethical values would have a higher moral standard, on average, as opposed to those in organisations with lower levels of ethical values, and as a result, be more committed to finding ethical solutions to moral problems (be more idealistic) and rely more on rules and guidelines (be less relativistic) (Fernanado et al., 2007).

## **2.9 PSYCHOMETRIC TESTING**

It was viewed for a long time that testing in South Africa was discriminatory and unjust, however, this perception is slowly changing (Foxcroft, 1997 cited in Paterson & Uys, 2005). Today practitioners are becoming more aware of the advantages of sound



assessment, and improvements in test development have lead to the implementation of cross-culturally fair tests. Tests in the workplace today are seen, as part of an assessment, and are used to measure the performance and potential of current and future employees through selection and performance management respectively (Bartram, 2004 cited in Paterson & Uys, 2005). Thus psychological tests are not used in isolation but as part of an extensive assessment battery and this helps to reach an equitable and fair decision (Fernandez- Ballesteros, 1999 cited in Paterson & Uys, 2005).

To further enhance the perception of testing, fairness and equity needs to be taken into consideration as the assessment procedure as a whole can further enhance the perception of testing (Skarlicki, 2003 cited in Paterson & Uys, 2005). The test or method can be scientifically proven as fair, valid and reliable, but the perception of the method of assessment can still be perceived as negative by the testee, thus if the method is viewed as fair, and the practitioner effectively handled interpersonal relationships, there is a greater chance that the employee/candidate will support assessment-based decisions (Skarlicki, 2003 cited in Paterson & Uys, 2005).

To ensure responsible test use there needs to be sufficient training of users as part of primary qualification and continuous development. Practitioners should be sensitized to demands placed on assessment by the multicultural South African society through training in cross-cultural test use (Fernandez-Ballesteros, 1999 cited in Paterson & Uys, 2005). Therefore training should further address access to tests, rights of practitioners and testees and the need for qualifications for the application of tests.

All stakeholders should be involved in drawing up assessment guidelines to ensure equitable, responsible and transparent assessment practice. These include practitioners, test developers and distributors, universities and legislative bodies such as the Health Professions Council of South Africa, as well as professional associations such as Psychological Society of South Africa and Society of Industrial Psychology in South Africa. It would be also be wise to include representatives from all cultural and language groups in this stakeholder group. This will however prove to be a challenging but rewarding endeavour (Paterson & Uys, 2005).

## **2.10 EMPLOYMENT EQUITY**

Eleven years after the introduction of the Employment Equity Act (no 66) (1998), indication exists in many South African organisations of a constructive movement towards the functioning of employment equity programmes (EEPs), the empowerment of the previously disadvantaged workforce, the embracing and valuing of diversity, and the active development of a work environment advantageous to all employees (Oakley-Smith & Winter, 2001; Vinassa, 2001; Wentzel, 2002 cited in Cilliers & Stone, 2005).

There are many characteristics that HR have to take into consideration with regards to employment equity, below are some of those considerations (Armstrong, 2006).

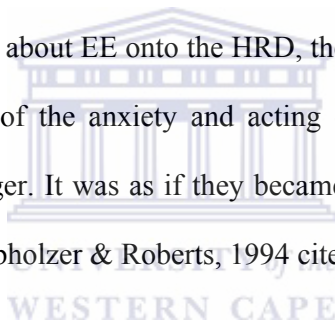
- **Equity:** is about treating employees fairly and justly by adopting an ‘even handed’ approach. This consists of protecting individuals from any unfair decisions made by their managers, providing equivalent opportunities for employment and promotion, and operating an equitable payment system (Armstrong, 2006).

- **Consideration:** is taking account of individual situations when making decisions that affect the prospects, security or self-respect of employees.
- **Organisational learning:** is a belief in the need to encourage the learning and development of all the members of the organisation by providing the processes and support required.
- **Performance through people:** this focuses on the importance attached to developing a performance culture and to ongoing improvement; the significance of performance management as a means of defining and agreeing mutual expectations; the provision of fair feedback to people on how well they are performing.
- **Work-life balance:** is striving to provide employment practices that permit people to balance their work and personal obligations.
- **Quality of working life:** is consciously and persistently aiming to advance the quality of working life. This involves increasing the sense of satisfaction people obtain from their work by, so far as possible, reducing repetitiveness, increasing variety, autonomy and responsibility, and evade placing people under too much stress.
- **Working conditions:** is about providing healthy, safe and so far as practicable pleasant working conditions.

Clever procedures that often come from management relating to the management of affirmative action could also be seen as unethical. Members form designated groups often get appointed by managers, only to set them up for failure in their jobs. The result of this is poor performance as no support, training and managed responsibility were provided to these employees, which in turn serves as a confirmation to managers that affirmative action appointments cannot succeed (Chapter 3 of The Employment Equity Act 55 of 1998 provides clear guidelines on affirmative action management) (Brand, 2008).

In a recent case, a lot of time and energy was spent on the HRDs formulation of the EE policies, plans, targets and advertisements of vacancies for EE positions. What was found in this case was that most of the HR practitioners experienced exhaustion when doing work such as this, often experiencing the feeling of “never getting it right” and “never performing good enough for the business”. The organisation was just not capable of employing and retaining black, coloured and Indian employees, in spite of executing and managing an official EEP. What was evidenced was HRD’s feelings of “extreme frustration”, “almost giving up or becoming hopeless” and the fear to not succeed (Cilliers & Stone, 2005).

This is interpreted as projective identification – not only did the larger organisational system project increase its anxiety about EE onto the HRD, the HR practitioners took in the projections, acting as containers of the anxiety and acting out the system’s exhaustion, performance anxiety, fear and anger. It was as if they became the ‘holding’ object as well as the injured party of the EEP (Obholzer & Roberts, 1994 cited in Cilliers & Stone, 2005).



What was hypothesised was that the HRD became the object of dependence which contained the frustration, helplessness and disempowerment in the system. Thus it should come as no surprise that evidence of counter dependence was heard when a line manager said, “HR is doing nothing to promote the hiring and development of non-white staff in this company – we will have to make another plan” (p. 53). It is assumed that the HRD is used by the system to carry the conflict (the double message of helping AND not helping). The hostility that this message may have carried had been meant for other authority figures, such as EXCO, management and even the government (Koortzen & Cilliers, 2002 cited in Cilliers & Stone, 2005).

Also apparent was that the HRD's position was split, between the above 'bad' and a substitute (fantasy) good parent (mother, anima) role (becoming the 'good breast') (Klein, 1975 cited in Cilliers & Stone, 2005). On the one hand, this refers to having empathy towards management – “the managers are in such a difficult position – they want to be law abiding citizens, yet the need to survive is so burly that they follow their hearts, rather than their heads” (Cilliers & Stone, 2005).

Thus the results from this case showed that HRD was caught up in a difficult middle role, acting without the authority to convey what was contracted, which led to the whole system not producing the contracted result (Cilliers & Stone, 2005).



## **2.11 THE CLIENT CONSULTANT RELATIONSHIP**

As professionals within a client-consultant relationship, specialists often tackle the convoluted ethical dilemmas, which includes the intrusion of preconceived images of the consultant-client relationship, dangers in the manipulation of human behaviour, the issue of achieving equivalence between values and behaviour, the likelihood of multiple clients, and the issues contiguous to advocacy and innovation (Parsons, 1996; Van Rooyen, 1996 cited in Smith, Visser & Van Vuuren, 2003). Many ethical issues stem from a multitude of compromising situations which involve breach of client confidentiality, the scope of services offered, practice expansion and development, billing for services rendered or not rendered, misrepresentation of results, deceptive practices, and legal liability (Allen & Davis, 1993; De George, 1986 cited in Smith et al., 2003). Assumed misconduct and non-delivery within the consulting profession has led to inspection and wariness of consultants and the profession in general (Smith et al., 2003).

Ethical facets which need to be governed comprise gaining informed consent, establishing and maintaining confidentiality, establishing and maintaining professional boundaries, and the utilisation of power and influence within the consultation relationship. However, it is also essential that although there may be an ethical code in place, consultants still need to be made aware of the level of personal responsibility involved in ethical consulting practices (Guy, 1990; Newman, 1993 cited in Smith et al., 2003).

## **2.12 PERFORMANCE APPRAISALS**

The term performance appraisal fundamentally describes the assessment of people in the workplace with regard to their job performance and potential for additional development (Rademan & Vos, 2001). On the other hand, it was Milkovich and Boudreau (1988 cited in Rademan & Vos, 2001) who suggested that performance assessment represents one of the most significant interactions which take place between supervisors and subordinates, to the degree that it can either boost or reduce the effects of other human resources management activities (Rademan & Vos, 2001).

Generally HR staff are responsible for designing performance appraisal systems and for training supervisors in how to conduct appraisals. This then makes HR the best function to ensure that ethical goals and fair processes are integrated into these systems and the training in how to use them. Another function that is important for HR is to ensure that rewards and benefits are distributed fairly, or else employees will not see ethical goals as being integrated across the company (Weaver & Trevino, 2001).

Previous researchers and authors tended to consider performance appraisal as being an aspect of human resources management whereas more recently, performance appraisal is

swiftly becoming an integral part of a wider, or more holistic notion referred to as performance management. It is proposed by Spangenberg (1994 cited in Rademan & Vos, 2001) that a change to a more holistic avenue is necessary to establish situational and organisational factors so that the system will work more successfully (Rademan & Vos, 2001).

Some businesses for instance, pride themselves on applying a performance-appraisal system whereby the lowest-performing 15 per cent of staff are 'culled' every year (although the practice does not extend to the CEO). Allegedly, this keeps every person on their toes. It is also important to note the preoccupation with appraising performance rather than enhancing it (Padaki, 2007).

Other further negative connotations of appraisal by a single rater can be as follows (Rademan & Vos, 2001):

- Reliability of the procedure may be questionable.
- Appraisee's are rated according to the singular perspective, opinion or judgement of one rater.
- Other important sources of information such as inputs from peers, other departments, customers etc., are in general not taken into account.
- With more and more importance being placed on fairness in the workplace, the compliance of one-to-one appraisal processes with new legislation could also be disputed.

Under these circumstances all role-players are forced to become involved on a continuous basis. Thus perceptions under such circumstances could be considerably changed and research in this direction could therefore, supply significant findings in the interest of HR

management in particular, as well as industrial growth and development in general (Rademan & Vos, 2001).

### **2.13 RECRUITMENT AND SELECTION**

The concept of Competency-based HRM is about using the competency and the results of the competency analysis to notify and enhance the processes of performance management, recruitment and selection, employee development and employee reward. Therefore the language has liberated much of HR thinking and practice in recent years. Due to the fact that it is based on performance, the concept of competency has achieved this degree of prominence. Competency defined by Mansfield as (1999 as cited in Armstrong, 2006, p. 159) ‘an underlying characteristic of a person that results in effective or superior performance’. It is Rankin (2002 as cited in Armstrong, 2006 p. 159) that describes competencies as ‘definitions of skills and behaviours that organisations expect their staff to practice in their work’ and explains that: Competencies represent the language of performance. Thus both the expected outcomes from an individual’s efforts and the manner in which these activities are carried out can be noted. Because everyone in the organisation can learn to speak this language, competencies offer a common, universally understood means of describing expected performance in many different contexts (Armstrong, 2006).

Common issues that are experienced are:

- Companies should assume the realistic recruitment approach by presenting candidates with applicable and undistorted information about the job and the company/organisation. It was referred to by Greenhaus (2000 cited in Brand, 2008) that the issue needs to be addressed and mentioned as this could assist in reducing the voluntary turnover in the company, as most applicants have impractical job expectations before joining the company



and then suffer from reality shock soon after starting employment. Thus it would be much easier to settle into a position if all applicable information about the position, positive and negative, was presented during the selection interview (Brand, 2008).

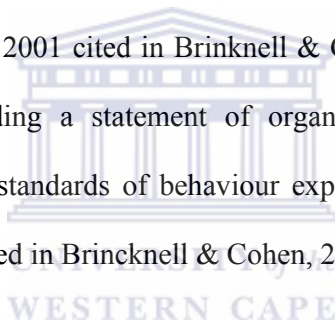
- Interviews are also seen as being subjective and are prone to human error and bias. It is therefore important that a more structured interview is used to help ensure less prejudice and/or discrimination against any applicant (Brand, 2008).
- Administration that is involved in receiving and processing of applications could also be not as proficient as expected. Generally, due to workload, most organisations do not keep applicants up to date and most often the applicant is not aware that their curriculum vitae and other documentation have been received, with an explanation on how long the process of selection thereafter will take. Many unsuccessful applicants never receive a letter of regret and have to phone, for example, the company's human resource management department to enquire about their application (Brand, 2008).
- Another factor that is not always adhered to is confidentiality, as expected and requested by applicants. What was found was that many current employers of applicants were phoned to attain information, even when there were cases where applicants requested that this should not be done (Brand, 2008).

There is also the issue with internal appointments. Countless managers already know who they would like to appoint and simply go through the entire recruitment and selection process, only to cover themselves from issues such as possible disputes from unsuccessful applicants (for example disputes serving at the CCMA) (Brand, 2008). Another link in the

HRM chain is induction. A lot of time and trouble has been made over selection procedures, looking to appoint the very best candidate. Nevertheless, selecting someone who is supposed to be suitable for a certain kind of work and bringing that person into a productive relationship with the position are two entirely different propositions and is sometimes brought up for question (Padaki, 2007).

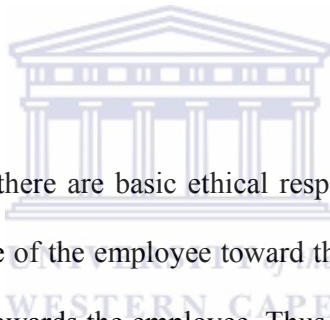
## **2.14 CODE OF ETHICS**

A code of ethics is seen as a set of rules that is used to guide the moral/ethical decision-making and behaviour of individuals. Due to the fact that the law sets only minimum standards of behaviour, some form of organisational regulation of ethical behaviour is desirable (Weller 1988; Schwartz 2001 cited in Brinknell & Cohen, 2005). Thus Codes of ethics fulfil this role by providing a statement of organisational values, duties and obligations, and establishing the standards of behaviour expected of employees (Cassell, Johnson & Smith 1997 cited in Brinknell & Cohen, 2005).



In South Africa the need for a uniform code of ethics was established after the professionalisation of human resource management. It is common that most professions have their own ethical codes. According to Van der Westhuizen (1998 cited in Brand, 2008), an evaluation of the guidelines in the ethical codes of The Psychological Association of South Africa, the Health Professions Council of South Africa, the Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act and the Skills Development Act, brought forward some issues of significance to consider with regards to recruitment and selection ethics in human resource management. It is the duty of the human resource management practitioner to ensure that ethics takes a priority in these processes (Brand, 2008).

More and more companies are, rightly, developing and publishing value statements and codes of ethics. The focus on such codes was encouraged by the Cadbury Report on corporate governance, which in 1992 recommended that companies should adopt one. An ethics code may include the guiding principles the organisation follows in conducting its business and relating to its stakeholders – employees, customers, shareholders (or other providers of finance), suppliers, and society in general. A code will also summarize the ethical standards expected of employees. These may include conflicts of interest, the giving and receiving of gifts, confidentiality, environmental pollution, health and safety, equal opportunities, managing diversity, sexual harassment, moonlighting and political activity (Armstrong, 2006).



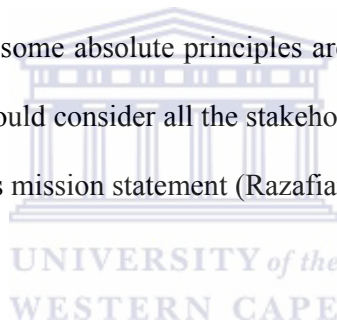
In the area of Human Resources there are basic ethical responsibilities that focus on two major reciprocal obligations: those of the employee toward the employer and organisation, as well as those of the employer towards the employee. Thus the obligations for each party differ and are spelled out in a contract. Nevertheless, a contract cannot possibly cover all the situations that may be encountered by employees and employers. It is for this reason that there needs to be more than a legal contract to tie these two parties. Within the contract the legal rights of both parties are stated, however its existence does not essentially mean that the ethical rights of either party will be respected (Pfeiffer & Forsberg, 1993 cited in Razafiarivony, 2003).

These ethical rights come from ethical principles which should be in the “other unseen contract” which binds employee and employer. This type of contract is spelled out in various forms in many organisations: mission statements, codes of ethics, and codes of

conduct. Their very existence is intended to generate an environment where performance counts, where expectations are understood and met, where prejudices and biases are reduced to a bare minimum to allow the person to reach the highest level of development (Trevino & Nelson, 1995 cited in Razafiarivony, 2003).

In addition to this, employees need to receive communication about any issue of relative significance concerning ethical issues. The more that this information is communicated to the employees the less they will be tempted to act unethically regarding the issue (Le Clair, Ferrel, & Fraedrich, 1998 cited in Razafiarivony, 2003).

In order to apply business ethics, some absolute principles are needed that would generate dependability. These principles would consider all the stakeholders of the firm. Inevitably it should be a reflection of the firm's mission statement (Razafiarivony, 2003).



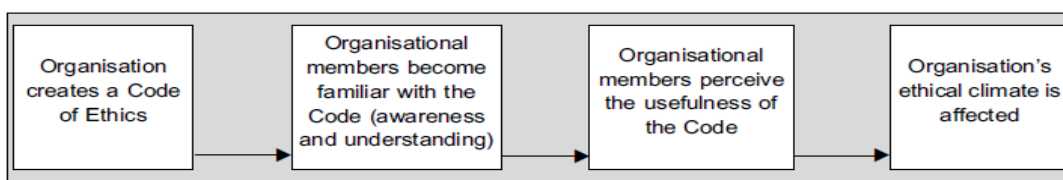
In order to apply these principles a further step needs to be taken to the actual life of the organisation, for instance some firms have designed a written code of conduct about the operations of the firm. It is the manner in which this code is written and organised that will establish whether employees will use it as a reference or not. If the code is misinterpreted, the code would be seen as a mere list of do's and don't's or the firm's reaction to accidents with legal claims that had happened in the past. Therefore such a document is not relevant to the present of the organisation, and certainly not to its future (Hall, 1993 cited in Razafiarivony, 2003).

### 2.14.1 Conflict of interest

In the context of business, conflict of interest occurs when an individual acts in a way that is to an individual's advantage but at the expense of the employing organisation. At the time of hiring, when an employee agrees to the terms of a contract, there is also an unspoken agreement that the employee will not forfeit the interests of the organisation for his or her own personal interest (Shaw, 1999 cited in Razafiarivony, 2003). It is seen that conflict of interest infringes the principles of impartiality whether the "interest" may be financial or not (Razafiarivony, 2003).

The crucial purpose of any code of ethics is to provide members of an association with guidelines for making consistent ethical choices (Railborn & Payne, 1990 cited in Burke et al., 2007). The ethical code also communicates significant expectations to members of the professional body. This helps encourage self-regulation and the examination of personal values (Malloy, Hadjistavropoulos, Donaud, & Smythe, 2002 cited in cited in Burke et al., 2007). In addition to this, the code of ethics guarantees all stakeholders that members of the profession are in fact competent, that they have a high level of integrity, and that they are able to enforce significant moral standards (Malloy et al., 2002; Scherrer et al., 2002 cited in cited in Burke et al., 2007). Practitioners are most often faced with the dilemma of two or more ethical principles which are in direct conflict with one another and then having to make a choice about which principle should be followed (Burke et al., 2007).

Influences on the Code of Ethics on employee behaviour by Brinknell and Cohen, (2005)

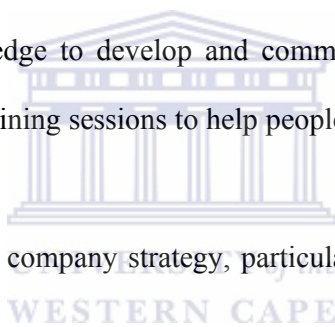


Awareness is referred to as an employee's knowledge of the existence and whereabouts of the code as well as the knowledge that it should be consulted when the employee comes across a problem of moral or ethical importance. It has been disputed that even if employees might not have read or understood the code in its entirety, their knowledge that the code exists should have an impact on their behaviour (Trevino & Nelson 1995 cited in Brincknell & Cohen, 2005).

Pickard (1995 as cited in Armstrong, 2006) identified the following for HR practitioners which would assist in contributing to enhancing the awareness of ethical issues by:

- Deploying professional knowledge to develop and communicate an ethics policy and field the response to it, holding training sessions to help people think through the issues and monitoring the policy;
- Contributing to the structure of company strategy, particularly touching on mission and values;
- setting an example through professional conduct, on issues such as fairness, equal treatment and confidentiality.

Thus to impact employee behaviour, the code needs to be expansively institutionalised/communicated, and there should also be an enforcement instrument in place. Findings showed that the institutionalisation of the code influences employee understanding of the code, which in turn surfaced as an important aspect influencing ethical behaviour (Brincknell & Cohen, 2005).



## **2.15 ETHICAL CULTURE**

Theorists generally agree that situational variables such as organizational climate can affect ethical behavior of individuals (Deshpande, 1996; Kelly et al., 1989 cited in Bartels et., 1998). Despite consensus regarding the importance of ethical climate, little empirical research has been directed to studying the relationship between ethical climate and the occurrence of ethical problems within human resource management (cited in Bartels et al., 1998).

It is a known fact that organisations across the world manage their ethics both formally or informally. Many of these organisations not only aspire to comply with externally enforced requirements for ethics, but actually endeavour to make ethics a part of their usual business day-to-day running. More often than not the aim is to integrate ethics in all aspects of organisational life and decisions, to institutionalise ethics. These type of organisations are often known for their ethical cultures (Van Vuuren & Crous, 2005).

There is, however, some doubt as to whether ethics management programmes that are externally induced and/or aimed at solving or preventing problems, would necessarily create sustainable ethical organisational cultures. Alternative approaches to get members at all levels in organisations to attend to ethics because they want to and because it is the right thing to do, are often overshadowed by fears of what could go wrong and what others ‘want us to do’ to prevent it (Van Vuuren & Crous, 2005).

### **2.15.1 Cultural Influences on Ethical Standards**

The ethical climate of the organisation can also influence the behaviours of individuals within it (Soutar, McNeil & Molster 1996 cited in Van Gramberg & Menzies, 2006).

Further, the ethical values of an organisation promote types of behaviour and practices deemed acceptable (Trevino 1986 cited in Van Gramberg & Menzies, 2006). Lovell (2002 cited in Van Gramberg & Menzies, 2006) argued that callousness, cynicism, hypocrisy and malpractice often spread like a cancer within organisations and were key influences on the ethical behaviour of HR managers in organisations (Van Gramberg & Menzies, 2006).

Those organisations with strong ethical climates are likely to clearly communicate the norms about how to respond to moral issues for their members. Thus, when faced with an ethical dilemma, individuals within organisations with strong ethical climates are likely to choose more ethical behaviours which result in fewer incidents of ethical problems within the organisation. Therefore, it was hypothesized that human resource managers working within an organization with a strong ethical climate will report less serious ethical problems and more success in dealing with ethical issues (Bartels et al., 1998).

Another methodological issue that deserves discussion is the use of human resource managers. Limiting the sample solely to human resource managers may reduce the generalisability of the study's results to other types of managers. However, previous research and theory report that human resource management may be supportive of top management in efforts to manage organisational ethical behavior (Danley et al., 1996; Martell and Bartels, 1995 cited in Bartels et al., 1998).

Moreover, Sunghapakedi, Rao and Viiell (1996 cited in Ross, 2003) emphasised that the more precisely defined and lucid are the ethical structures, the greater the probability that shared ethical cultures within the workplace will be established and enhanced. Thus notions



such as trust and effective communication are recognised as integral in the advancement of an organisational culture that fosters ethical behaviour (Ross, 2003).

## **2.16 HR AND ETHICS**

It was ascribed Pratley (1995 cited in Erasmus & Wordsworth, 2006) that there is a twofold objective to ethics, the first being that it evaluates human practices by calling upon moral standards, and secondly, it may also give prescriptive advice on how to act morally within a detailed situation.

### **2.16.1. Ethical issues that HR Managers may face**

There are many ethical dilemmas that HR managers face in the workplace, this includes sensitive issues arising during recruitment, hiring, training, compensation, promotion, job assignment, job classification, counselling, rehabilitation, substance abuse monitoring, discipline, benefits, terminations or layoffs, or retirement (Danley, Harrick, Schaefer, Strickland & Sullivan 1996 cited in Van Gramberg & Menzies, 2006).

In addition they deal with issues associated with affirmative action, health and safety, and harassment (Danley et al., 1996 cited in Van Gramberg & Menzies, 2006). HR managers also deal with ethical dilemmas including favouritism in employment decisions, inconsistency in pay and discipline, sexual harassment, sex and race discrimination, and breaches of confidentiality (SHRM/CCH 1991 cited in Van Gramberg & Menzies, 2006). By dealing with these issues, HR managers are able to make decisions within their own interests, as well as those of the organisation that they believe are inherently 'ethical' (Van Gramberg & Menzies, 2006).

Wiley (1998 cited in Van Gramberg & Menzies, 2006) observed the frequency and seriousness of misconduct in HR functional areas. What she found was that ethical misconduct most often occurs in employment situations such as recruitment and selection or staff discipline, followed by health, safety and security, and compensation. Former significant areas of ethical decision making are in employment negotiations and labour relations. It was Van Gramberg and Teicher (2005 cited in Van Gramberg & Menzies, 2006) who examined the ethics of decisions made in relation to industrial relations, and argued that HR managers cannot make ethical decisions when dealing with workplace conflict due to the fact that it challenges the very nature of what HRM is about.

According to Greenwood (2002 cited in Van Gramberg & Menzies, 2006), the 'use' of human resources implies the use of people primarily as resources. Seeing that the HR manager is an agent of the firm, tough decisions in relation to employee relations would see HR making decisions associated with the organisation's interest, and not necessarily in the interests of employees, who may have their rights infringed. Regardless of this, Greenwood (2002 cited in Van Gramberg & Menzies, 2006) states that most ethical analysis of HRM presumes that employers have optimistic moral responsibility towards their employees, over all other obligations, such as obligations to employers.

It was examined by Wooten (2001 cited in Van Gramberg & Menzies, 2006) that ethical dilemmas faced by HR managers are in key HR activity areas such as economic justice, employee honesty, discrimination and worker rights and safety. He recommended that without a clear set of ethical guidelines for HR decision making, areas such as these would remain problematic for the individual HR manager. In the same way, Legge (1998 cited in Van Gramberg & Menzies, 2006) suggested that it is likely that HRM encompasses the

values of the enterprise culture over other values. However, by avoiding other interests, ethical decision making becomes an instrument to benefit profit making above all (Van Gramberg & Menzies, 2006).

It is recognised that HR managers face a difficult balancing act, between career, business and morally based demands, nevertheless it is suggested that it is of import for HR managers to attempt for higher positions, and maintain the highest standards of ethics when making decisions within organisations (Van Gramberg & Menzies, 2006).

It is therefore argued that any code of ethics for HR Managers should take into consideration that the likely ethical stance taken by HR managers is that of ethical egoism (the pursuit of self interest). Due to the fact that many instances of unethical behaviours go unreported by HR managers provides a better understanding of the barriers to ensure an ethical organisational climate and can also contribute to the development of a code. Embedded in the agency theory and the rewards embedded in the employment contract envisage a role for a code of ethics in the reward system (Van Gramberg & Menzies, 2006).

The HR manager may also have a role in avoiding misconduct occurring through whistleblowing or reporting. Reporting on bad behaviour such as organisational pilfering, corruption, bribery or price fixing are issues that ethical HR managers may face.

The business society is abounding with examples of unethical practices, which have resulted in corporate collapses of organisations such as Enron, Worldcom, and Arthur Andersen in the US and HIH and Onetel in Australia. Research found by Wiley (1998 cited in Van Gramberg & Menzies, 2006) of HR managers that play distinct roles in ethical

situations, include advisory, monitory, educator, advocate, investigative, questioning, organisational and finally modelling type roles. By taking on these roles may have played a part in thwarting such fall downs. On the other hand, for HR to be credible to take on these ethical roles within organisations, they need to be able to make decisions in an ethical way (Van Gramberg & Menzies, 2006).

Given this context, the focal point in this discussion is directed at the fundamental ethical orientation of corporate HR action and in particular that of HR functionaries acting as a conciliator between the organisation, most pertinently represented by line management (often indirectly present) and outside consultants. Of course, the matter of whether and to what extent the HR function pursues sound ethical practices is that the observation is not a discretionary decision for HR management. This is the basis on which it is argued that HR, firstly, is 'in service' of the organisation and its line management in particular who represent HR's 'market' and provides the validation for its presence in the organisation (Roodt & Van Tonder, 2005).

Secondly, HR interfaces with a diverse facet of the organisation's operating framework and HR's social responsibility consequently also manifests in how it relates to and represents the 'supplier community', consultants, job seekers, statutory institutions and the like. In fact HR is a tripartite affiliation among line (as consumers of HR products and services), the suppliers/vendors of HR services and products and of course HR itself. From this perspective HR is seen to have no choice in whether it wishes to identify its responsibility to these stakeholder constituencies (Roodt & Van Tonder, 2005).

The assumption is often made as a point of departure, that the HR manager, the line manager and the consultants are all capable in their respective jobs. Consider the following (Roodt & Van Tonder, 2005).

- What rights of the line manager, the service provider/consultant and HR are influenced
- Whether the demeanour of the parties are ethically acceptable that is right or wrong,
- Whether any legal parameters or frameworks are contravened or violated in the process,
- How these situations should or could have been dealt with so that it would disclose a strong ethical orientation while at the same time not compromising the legal rights of any of the parties in the relationship.

Human resource management should also assume ethical and socially accountable models, processes and codes. It is suggested by Stead, Worrell and Snead (1990 cited in Brand, 2008) that there are certain ethical-driven exploits which can be taken despite the fact that human resource management execute a strategy.

Actions such as these are (Brand, 2008):

- Ensure that an individual behaves ethically
- HR managers are seen as potent role models – their behaviours send clear signals about the significance of ethical conduct.
- Ensure that the proper screening of potential employees are done (fair & just) to ensure proper recruitment and selection process.
- Ensure that the references, credentials and other information of applicants are checked.
- Expand a significant code of ethics, which is dispersed to every employee, is firmly supported by top management, refer to specific practices and ethical dilemmas, and is evenly imposed with rewards for compliance and clear penalties for non-compliance.

- Ensure that ethics training is provided. Employees need to be trained to identify and deal with ethical issues.
- Ensure that ethical behaviour is reinforced via policies and procedures, various communication channels and illustrated leadership.
- Create positions, units and structural instruments to deal with ethics. Some companies even go as far as having ethics managers/directors at corporate level, as well as ethics hotlines.

Organisations therefore assign corporate ethics management responsibilities to existing corporate functions as over-and-above roles to be executed. Other examples of such functions that can be given to ethics management responsibilities are financial management, internal audit, compliance, corporate legal services, risk management, procurement, the company secretariat, or the human resource function (HR) and/or one or more of its associate functions (organisational development, employment relations or human resource development) (Van Vurren & Eiselen, 2006).

HR has indeed played an active role as custodian of organisational values, regarding the raising of the corporate ethical consciousness, the facilitation of ethical behaviour and the promotion of ethical leadership (Arkin, 1996; Johns, 1995; Pickard, 1995; Pocock, 1989; Wehrmeyer, 1996; US perspective provided by: Bartels, Harrick, Martell & Strickland, 1998; Caudron, 1997; Compton, 1997; Driscoll & Hoffman, 1998; Flynn, 1995; Greengard, 1997; Grensing-Pophal, 1998; Hosmer, 1987; Koys, 1988; Lawler, 1988; Losey, 1997; Raelin, 1987; Smith & Carroll, 1984 cited in Van Vurren & Eiselen, 2006). However, what is unclear, is whether HR should presume responsibility for ethics management, and

whether HR ought to coordinate corporate ethics management proposals (Van Vurren & Eiselen, 2006).

### **2.16.2 Arguments in favour of HR managing ethics**

There are strong views held by several scholars on the role of HR in managing ethics. In a survey conducted (N=1078) by Danley, Harrick, Schaefer, Strickland and Sullivan (1996 cited in Van Vurren & Eiselen, 2006) among corporate US HR managers, results showed that 50% of the respondents considered “advocate of employees” as a significant part of their role. The “employee advocate” role is brought into line to what Ulrich (1997 cited in Van Vurren & Eiselen, 2006) labels an “employee champion” role (one of the four major generic HR roles as proposed by Ulrich). Other authors describe the role of HR as being the “custodian” of organisational values (Armstrong, 1995; Torrington & Hall, 1995; Sadler, 1995 cited in Van Vurren & Eiselen, 2006).

Research by Foote and Robinson (1999 cited in Van Vurren & Eiselen, 2006) indicated that HR managers professed themselves as custodians of organisational values. Foote (2001 cited in Van Vurren & Eiselen, 2006) also claimed that HR’s role as the “conscience” of the organisation has a long pedigree. Lowe (in Foote, 2001 cited in Van Vurren & Eiselen, 2006) referred to the human resource management task as the organisation’s “arbiter of justice and acolyte of benevolence” (p. 28) Woodd in (Foote, 2001 cited in Van Vurren & Eiselen, 2006).

According to Driscoll and Hoffman (1998 cited in Van Vurren & Eiselen, 2006), “HR as the ethics office isn’t an oxymoron” and “Safeguarding the business is human resources’ job. More and more, HR managers are taking the lead role by recognising the need for

ethics programs and in making them happen” (p. 121). The reasons that are provided for this is that those in leadership positions in human resources are highly valued within their organisations for truthfulness, having the ability to solve intricate ethical dilemmas, understanding the company’s culture and communicating it at all hierarchical levels in the organisation.

It is claimed by Driscoll and Hoffman (1998 cited in Van Vurren & Eiselen, 2006) that even in minor companies that do not have a separate human resources function, “ethics initiatives properly fit as part of the human resources department” (p. 121). Wiley (1998 cited in Van Vurren & Eiselen, 2006) too, believes that HR has a stance to play in assuming responsibility for ethics management. Her opinion is based on research findings which revealed that it is fitting for HR to assume accountability for corporate ethics.

It is suggested by Donaldson (in Digh, 1997 cited in Van Vurren & Eiselen, 2006) that “70 per cent of the responsibility for values and ethics should fall to HR” (p. 92). Woodd (in Foote, 2001 cited in Van Vurren & Eiselen, 2006) sees HR specialists as located ideally “... at the heart of policy design and implementation, concerned in the training of employees, and acting in response to change through organisational development” (p. 28). In a survey conducted by the Society for Human Resource Management in 1997, in conjunction with the Ethics Resource Centre, specified that “70 per cent of HR professionals are involved in devising ethics policies and 69 per cent are a primary resource for their enterprises’ ethics initiative” (Brewster, Carey, Dowling, Grobler, Holland & Wörnich, 2003 cited in Van Vurren & Eiselen, 2006).



It is stated by Drummond (in Pickard, 1995 cited in Van Vurren & Eiselen, 2006) that HR departments ought to be interested in managing ethics, seeing that ethics is about people's behaviour. He goes on further by saying that HR concerns itself with people's standards and behaviour as well as performance – in ethics management, standards and behaviour are also critical factors. What also plays a factor in performance management in that performance is influenced by ethically related issues, for instance, “treating others with respect” would sway the interpersonal relationship facet that is present in performance appraisal systems (Van Vurren & Eiselen, 2006)

Caudron (1997 cited in Van Vurren & Eiselen, 2006) is obstinate that “HR professionals need to understand and implement ethical business behaviour” (p. 63). It is well-known that of all the main functional corporate departments within an organisation, HR is seen to have the greatest familiarity and proficiency with the major issues (work force diversity, participative management, the abandonment of the lifetime employer/employee relationship), which has helped enable to equip employees with the resources to align company priorities with that of individual and group moral claims. He goes on to further point out that most of specific issues covered by a corporate codes of ethics will to some extent, communicate employees' contracts with the company.

This is a reason why the HR manager should have a rigorous amount of participation in the formulation, articulation, dissemination, implementation, assessment, and revision of company ethics policies, codes, guidelines, as well as ethics management programs. By increasing the intensification of the HR contribution to business ethics programs adds a measure of substantive involvement to HR responsibilities – a development that promises

to grow to be more profound in future (Berenbeim, 1991 cited in Van Vurren & Eiselen, 2006).

To achieve the goals of encouraging ethical behaviour within organisations, HR managers need to be more involved in corporate ethics initiatives. It is suggested that an employee's evaluations of equality, or justice, within the organisation play an important role in accomplishing valuable ethics management outcomes, thereby fostering fairness in the organisation generally as well as within a specific context of ethical programs (Weaver & Trevino, 2001).

Subsequently, the HR function should play a crucial role in the organisation's efforts to assist with ethical issues, since HR's function is essential to the management of fairness in present-day organisations (Weaver & Trevino, 2001). A study of ethics programs conducted in the Fortune 500 service and industrial organisations established 28 percent of these firms had an HR officer that was ultimately responsible for ethics/compliance management (Weaver, Trevino, & Cochran, 1999b cited in Weaver & Trevino, 2001).

If issues of fairness are ignored by the HR function, an unsatisfactory outcome would mean expensive corporate ethics initiatives went to waste (Weaver & Trevino, 2001). It is for this reason that ethics program activities and goals, in effect, need to be constant with other organisational measures. This is in maintenance with other research which show the importance of internal and external consistency in HR programs (MacDuffie, 1995 cited in Weaver & Trevino, 2001). For example, if the workforce are held answerable to the standards of an ethics program, and these standards are not integrated into performance appraisal standards and reward, compensation, and benefit systems, the end result can be a

sense of inequity or unfairness as the terms of exchange with the organisation have been altered. Perceptions of unfairness can develop if integration is discerning or uneven, so that some parts of the organisation (executive leadership) are not kept at similar standards as others (rank and file employees). Therefore the integration of the ethics program, influences ethics program effectiveness in part for the reason that it is an issue of fairness (Weaver & Trevino, 2001).

It was noted earlier, that HR staff and functions at present have at best a supporting responsibility in business ethics initiatives. Nevertheless awareness to the control orientation and integration of ethics programs, and the fairness perceptions and other outcomes they produce, indicates that HR is exclusively well-suited to manage ethics proposals. Thus it is seen that HR has a critical role to play in both the control orientation and integration of an ethics program (Weaver & Trevino, 2001).

HR staff must ensure that those initial impressions and resulting role identity incorporate recognition of the magnitude of ethics. The selection process itself can influence the fairness of a new employee's expectations about ethical behaviour within the organisation. If these prospective employees observe that the hiring procedure does not treat people fairly, they may presume that ethical behaviour is not an important aspect within the company, and that "official" pronouncements about the significance of ethics can be discredited. Thus, HR staff can also play a vital role by ensuring that the employee selection process is just; lack of fairness in the process sends an unwanted but prominent message to new employees (Weaver & Trevino, 2001).

The development of an ethical perspective of human resource management (HRM) is still in its early stages. It arises in part from concern of some writers with uncritical acceptance of soft HRM as 'ethical'. Many have voiced concern about the double-edged sword of soft HRM (Greenwood, 2004).

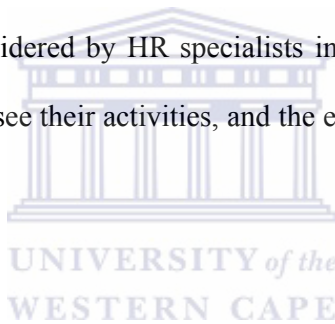
Within HRM literature there remains an implicit assumption that there is a direct and positive association between engagement of employees through soft HRM practices and ethical behaviour of employees. There is an obvious soundness of logic to the conjecture that the more an organisation interacts with its employees the more likely the organisation will show responsibility and accountability towards these employees. The method seems evident. Throughout soft HRM practices such as employee consultation, training and development, and valuing each other the organisation and the employees are more likely to be aware of, to accept and to act in each others best interests. The problematic part is that this occurrence could exist, and is believed that it should exist. It is challenging not just because it may be erroneous but, more importantly, as it may be misleading. Soft HRM may in fact be unethical, which brings forward the concern (Greenwood, 2004).

Analysis of mainstream HRM research has come to pass from within its own ranks and from outside. Concern is expressed by Wright and McMahan (1992 cited in Greenwood, 2004) regarding the lack of a theoretical support in HRM. It was Alvesson and Willmott (1996 cited in Greenwood, 2004) who spoke of silence about issues such as inequity, conflict, domination and subordination, and manipulation within both conventional and more progressive accounts of management and organisational theory (Greenwood, 2004).

Unethical behaviour comprises of covering up incompetence, fraud, bribery, corruption, sexual harassment, nepotism, victimisation, subjective and arbitrary decisions, and disclosure of confidential information, tax evasion, speed money and inefficiency. Therefore it is essential for an individual to understand how external authority understands the disparity between correct and incorrect before that individual learns to assess rules of independency. A successful code of conduct is one that has an influence on the behaviour of an employee. It does so by emphasising the fact that ethical behaviour is an institution priority (Mafunisa, 2008).

### **2.16.3. Ethical considerations**

Ethical standards need to be considered by HR specialists in three ways: their manner as professionals, the values that oversee their activities, and the ethical standards of their firms (Armstrong, 2006).



#### **Values**

HR professionals are part of management, therefore, they are not there to act as substitute representatives of the interests of employees. On occasion there will be situations when in their professional capacity HR specialists should speak out and contest plans or actions that are clearly inconsistent with the values of the organisation. They should also ensure that their best is done to influence changes in those values where they feel they are indispensable.

They must not endure injustice or inequality of opportunity. If redundancies are predestined as a result of business-led 'slimming down' or 'taking costs out of the business' processes, they must make certain that the organisation takes whatever steps it can to mitigate

unfavourable effects by, for example, relying primarily on natural wastage and voluntary redundancy or, if people have to go unwillingly, doing whatever they can to help them find other positions (outplacement). Acting within a support function that is a hard nosed entrepreneurial environment is difficult for HR specialists and may often find that they can remain unconcerned about developing and helping to maintain the core values of the organisation in line with their own values on how individuals should be managed. If this is strongly the case the HR professional may have to make a decision on whether he or she can remain with the organisation as it is not always reconcilable (Armstrong, 2006).

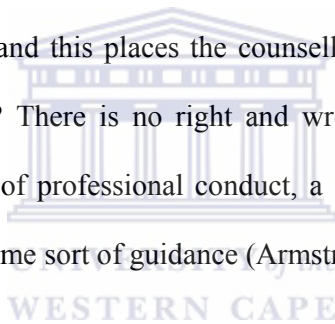
It seems to be quite clear cut that the activities and roles of HR specialists and the demands made upon them as described above are unavoidable, in Thurley's (1981 as cited in Armstrong, 2006) words, HR practitioners are often seen as 'specialists in ambiguity'. This may arise due to the fact that their roles are ill-defined (they are unsure of where they stand), their positions are not fully recognised, or top management and line managers have vague views about their value to the organisation (Armstrong, 2006). Uncertainty in the role of HR people can result in uncertainty between ideals and reality. According to Tyson and Fell (1986 as cited in Armstrong, 2006) a disparity exists between the ideologies and definite realities of organisational life to which HR managers, 'as organisation men or women', have to conform (Armstrong, 2006).

The ongoing debate between HRM versus personnel management has been caused by, but has also supplied to this ambiguity. HRM sees people as a key resource to be utilised in order to further the objectives of the business, thus is management-oriented. Customary personnel management, on the other hand, has tended to be more people-oriented, taking the stance that if their needs are fulfilled, the organisation as well as its members will profit

from this. It does not make the HR professionals life any easier as they often find themselves being pulled in both directions (Armstrong, 2006).

#### **2.16.4. Conflict in the HR contribution**

Sometimes HR practitioners have to ask themselves, ‘Who is the client – the company or the employee?’ There is a fine line that they have to walk in order to serve the company that pays their salary and serving the company’s employees. Another aspect that they may be involved in, is counselling employees over work problems. In order for this relationship to work there needs to be complete trust between the employee and the HR practitioner thus maintaining confidentiality. The dilemma occurs when something might be revealed which is of importance to management and this places the counsellor in an awkward place – to betray or not to betray the trust? There is no right and wrong answer to this question, although the existence of a code of professional conduct, a set of values and a company ethical code can assist in giving some sort of guidance (Armstrong, 2006).



HR specialists, as Thurley (1981 as cited in Armstrong, 2006) comments ‘work against the grain’. As values may differ from those of line managers can cause potential conflict. On other hand conflict is seen as inevitable in organisations that are pluralistic societies, the members of which have diverse frames of reference and interests, predominantly self-interest. Management may have their own priorities: ‘Increase shareholder value’, ‘Keep the City happy’, ‘Innovate’, ‘Get the work done’. Employees might have a completely different set: ‘Pay me well and equitably’, ‘Give me security’, ‘Provide good working conditions’, ‘Treat me fairly’. HR specialists, as noted above, may find themselves somewhere in the middle (Armstrong, 2006).

**2.16.5. Conflicts in the HR contribution can arise in the following ways** (Armstrong, 2006):

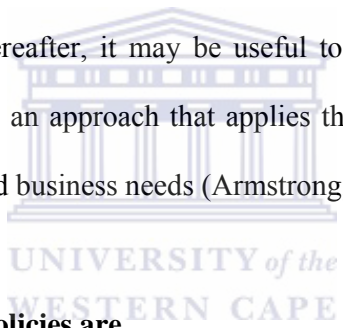
- A clash of values – line managers may only consider their workers as factors of production to be used, exploited and dispensed with in accordance with organisational imperatives.
- Different priorities – management’s priority may be to add value – make more out of less – and if this involves getting rid of people, that is too bad. HR people may recognise the need to add value but not at the cost of employees.
- Freedom versus control – line managers may want the independence to get on with things their own way, interpreting company policies to meet their needs; the thrust for transference has encouraged such feelings. Nevertheless HR specialists will be concerned about the accomplishment of a dependable and equitable approach to managing people and implementing HR policies. They will also be concerned with the achievement of a proper degree of compliance to employment and health and safety law. They may be given the accountability for exercising control, and conflict is likely if they use this authority too rigidly.
- Disputes – if unions are recognised, HR specialists may be occupied in conflict during the progression of resolution. Even when there are no unions, there may be conflict with individuals or groups of employees about the resolution of grievances.

#### **2.16.6. The best fit approach**

This approach emphasises the significance of ensuring that HR strategies are suitable to the circumstances of the organisation, including its culture, operational processes and external environment, as HR strategies have exacting needs of both the organisation and its people. For the reasons given above, most commentators accept that ‘best fit’ is more crucial than



‘best practice’. There can be no widespread prescriptions for HRM policies and practices. This is not to say that ‘good practice’, or ‘leading edge practice’ method that does well in one successful environment, should be disregarded. ‘Benchmarking’ (comparing what the organisation does with what is done elsewhere) is also a valuable way of identifying areas for improvement or expansion that are practised to good effect elsewhere by leading companies. But having learnt about what works and, ideally, what does not work in comparable organisations, it is up to the firm to decide what may be relevant in general terms and what lessons can be learnt that can be adapted to fit its particular strategic and operational requirements. The starting point should be an analysis of the business needs of the firm within its context (culture, structure, technology and processes). This may indicate clearly what has to be done. Thereafter, it may be useful to pick and mix various ‘best practice’ ingredients, and develop an approach that applies those that are appropriate in a way that is aligned to the identified business needs (Armstrong, 2006).



#### **2.16.7. What human Resource policies are**

HR policies are continuing guidelines on the approach the organisation intends to adopt in managing its people. They define the philosophies and values of the organisation on how people should be treated, and from these are derived the principles upon which managers are expected to act when dealing with HR matters. HR policies therefore serve as reference points when employment practices are being developed, and when decisions are being made about people. They help to define ‘the way things are done around here’. HR policies should be distinguished from procedures. A policy provides generalized guidance on the approach adopted by the organisation, and therefore its employees, concerning various aspects of employment. A procedure spells out precisely what action should be taken in line with the policy (Armstrong, 2006).

### **2.16.8. Why have HR policies**

HR or employment policies help to ensure that when dealing with matters concerning people, an approach in line with corporate values is adopted throughout the organization. They serve as the basis for enacting values – converting espoused values into values in use. They provide frameworks within which consistent decisions are made, and promote equity in the way in which people are treated. Because they provide guidance on what managers should do in particular circumstances they facilitate empowerment, devolution and delegation. While they should fit the corporate culture, they can also help to shape it (Armstrong, 2006).

### **2.16.9. Overall policy**

The overall policy defines how the organisation fulfils its social responsibilities for its employees and sets out its attitudes towards them. It is an expression of its values or beliefs about how people should be treated. Peters and Waterman (1982) wrote that if they were asked for one all-purpose bit of advice for management, one truth that they could distil from all their research on what makes an organization excellent, it would be, 'Figure out your value system. Decide what the organisation stands for.' Selznick (1957 as cited in Armstrong, 2006 p. 149) emphasized the key role of values in organizations, when he wrote 'The formation of an institution is marked by the making of value commitments, that is, choices which fix the assumptions of policy makers as to the nature of the enterprise, its distinctive aims, methods and roles.' (Armstrong, 2006 p. 149).

## 2.17 CONCLUSION

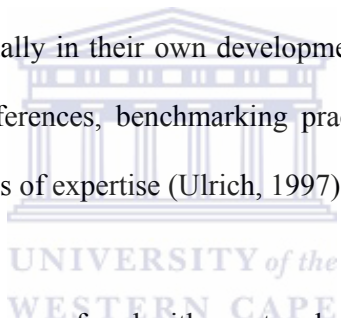
Within organisations today HR managers need to focus on what it means to make ethical decisions, as well as to decide on which ethical perspective they will use as a moral compass to make decisions. The development of a professional code of ethics is most likely the next step in the evolution of HR managers as professionals and should arguably bind HR practitioners, consultants, and their associations. HR managers have many conflicting demands which influence their decision making.

Such demands include the conflicts in the HR role, the demands on HR managers by their directors and their own ethical standpoints. Another fact that was revealed was that there was a reticence in the research for key staff to report unethical conduct for fear of reprisal and the future of their own careers in the organisation. According to international research, results indicated that HR managers are likely to be ethical egoists, and will most likely make decisions that are within their own self-interest, however, can also be decisions within the interests of the organisation, as long as those interests are properly associated and agency problems are reduced (Van Gramberg & Menzies, 2006).

A substantial amount of influence needs to be assumed by the HR function with regards to ethical organisational behaviour seeing that human behaviour is closely linked to ethical behaviour, which is an area that practitioners are assumed to be experts on. Hence it is for this reason that professional HR associations and their members (HR practitioners) should embrace their ethics management accountability. The nature and extent of this accountability should, however, be elucidated and specific ethics management roles within this broader conscientiousness should be identified and clearly demarcated. For instance,

HR tertiary education and professional training need to include business ethics knowledge and an ethics management competence (Van Vuuren & Eiselen, 2006).

Managers should not only be made aware of corporate ethical values through ethics codes, but should also recognize managers' ethical ideologies when formulating ethics codes as this could avoid misinterpretation and misapplication of organisational values and intentions (Fernando et al., 2007). In order for HR professionals to unlearn old and be open to learn new skills there needs to be an ongoing process where HR professionals are audited, thus it should not be a single event, a regular occurrence which will help ensure consistency. To create a learning environment for HR professionals it has been evidenced that HR professionals invest annually in their own development by soliciting feedback on their performance, attending conferences, benchmarking practices, reading, and keeping abreast of innovations in their areas of expertise (Ulrich, 1997).



Due to the fact that HR practitioners are faced with overt and covert ethical dilemmas, there are constant tensions that need to be resolved (Kaschak & Hill, 1999). Hence turning to the ethical code may not always provide clear cut solutions to these dilemmas, and can intermittently add to the confusion. It has been argued that current training practices may not equip practitioners adequately to solve ethical dilemmas (Burke et al., 2007). This, in turn, provides even more cause to involve HR in the ethics management effort, as HR plays a crucial role in determining an organisation's overall ability to treat people fairly (Weaver & Trevino, 2001).

This indicates that ethical conduct means much more than abiding by a letter of a rule. It means assuming a responsibility to do what is right and honourable at all times to

encourage the greatest good of the greatest number of people even if some inconveniences have to be endured in the process (Iyaoha & Kingsley, 2007).



## **CHAPTER 3**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. INTRODUCTION**

The present chapter provides an outline of the research design and the investigative procedures used in this study. The sample is described with reference to the selection procedure adopted and the characteristics of the sample. The measuring instruments used are introduced and their aims, nature and composition briefly discussed. Finally, the objectives of the study are stated briefly and the data analysis techniques are presented,.

#### **3.2. OBJECTIVES OF THE STUDY**

The main objectives addressed in this study will be:

- To determine if HR has the potential to influence ethical judgment within the workplace.
- To ascertain how Ethical Ideology amongst HR employees affects ethical judgment with an organisation.
- How promoting an ethical culture can have a positive effect on the workforce of an organisation.
- To determine gender differences in ethical judgment.
- To determine which factors are most influential in ethical judgment

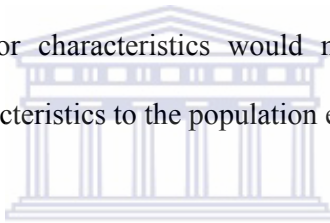
#### **3.3 SAMPLING DESIGN**

A total of one hundred and fifty (150) HR staff formed the sample for this study. The respondents were drawn from a major retail organisation in Cape Town.

### 3.3.1. Population and Sample

According to Babbie and Mouton (2001), a population can be defined as a specified aggregation of a study of elements. Hence, a population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. Studying a sample rather than an entire population has its benefits, since, it leads to outcomes which are more reliable because there will be fewer errors in data collection than if the entire population were tested (Nkosi, 1999).

In agreement Sekaran, (2003, p. 266) maintains that sampling is “the process of selecting a sufficient number of elements from the population, so that a study of the sample and an understanding of its properties or characteristics would make it possible for one to generalise such properties or characteristics to the population elements.”



The research population that used for this study consisted of a major retail business within the Western Cape. A sample can be seen as a set of elements or that element which can be considered for selection in some stage of sampling (Babbie & Mouton, 2001). Sekaran (2003) specifies that a sample size of between 30 and 500 is sufficient for most research studies. Given a population of 150 HR employees in the retail organisation, Sekaran (2003) suggests that a sample of 80 would constitute an acceptable sample size. This, moreover, should enable the researcher to be more confident of the findings as a large sample is argued to counteract the fact that a convenience or non-probability sample is envisaged to be used (Sekaran, 2003).

### **3.3.2. Sampling Technique**

Information can be gathered from various sources, for example, individuals, groups, company records, media and publications. Sekaran (1992) indicated that interviewing, questionnaires and observing people are the three popular methods in terms of obtaining information for research. The research instrument used in this study was a questionnaire which Sekaran (1992, p. 200) defines as “a preformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives.”

### **3.3.3. Sampling Method**

Research is conducted in order to determine the acceptability of hypotheses that have been derived from theories of behaviour. Samples can be divided into two categories, namely probability samples and non-probability samples (Babbie & Mouton, 2001).

For this research study a non-probability sample will be used. A non-probability sample is appropriate with the use of convenience sampling; this will allow the most accessible members to be chosen as research subjects. The advantage of this approach is that it is quick, convenient as well as is known to be one of the less expensive methods to administer. However, the drawback that is experienced with this method is that the findings are not generalizable, as the subjects are not chosen randomly (Babbie & Mouton, 2001).

To overcome these drawbacks Sekaran (2003) maintains that it is advisable to use larger samples, hence the use of a sample size of 150 which exceeds the minimum acceptable for the purposes of the generalisibility.

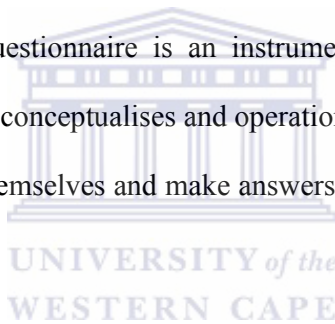


### **3.4. CHARACTERISTICS OF THE SAMPLE**

The sample consisted of the HR staff within the specific retail organisation used. As the company is separated into various divisions, due to the fact that there are various trading companies, all aspects will be covered - for instance Recruitment, Training and Development, Salaries, Industrial Relations and General Administration.

### **3.5. DATA COLLECTION METHOD**

Data can be collected in a variety of ways in different settings and from different sources. Data collection methods include face to face interviews, telephonic interviews, questionnaires, and observation (Sekaran, 1992). The data collection method used for this study was a questionnaire. A questionnaire is an instrument that a researcher uses to measure variables. The researcher conceptualises and operationalises variables as questions. Respondents read the questions themselves and make answers on a questionnaire (Neuman, 1997).



### **3.6 PROCEDURE**

A cross sectional research method was utilised. One hundred and fifty HR staff were targeted.

The questionnaire that was used consists of an adapted version of multiple studies that have been undertaken to determine ethical judgment as well as be based on the comprehensive literature review.

Respondents for this research comprised all HR staff within a retail organisation in the Western Cape. The researcher approached top management to obtain permission for the

research and to assist in the distribution of the questionnaires. A cover letter was attached to each questionnaire and handed to respondents, this was to assure respondents that their information would be kept anonymous and confidential. They were made aware of their important role and the requirement of honesty when responding to help to ensure the accuracy of the results.

### **3.7 BIOGRAPHICAL QUESTIONNAIRE**

A biographical questionnaire soliciting information respondent gender, race, age, income, tenure, salary, and educational level was compiled. The data with respect to these biographical questions was graphically presented and discussed to provide an indication of the most salient findings with respect to these variables.

#### **A QUESTIONNAIRE DEVELOPED BY THE SOUTH AFRICAN BOARD FOR PEOPLE PRACTICES**

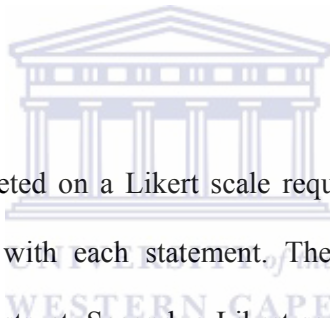
The questions elicited specific information regarding ethics. These questions related to the adequacy of training in ethics during formal education. In addition 20 opinion related questions, each measured on a 3-point ordinal scale (small extent/moderate extent/ large extent), elicited information regarding the role of HR dealing with ethical issues.

An ordinal scale is defined as a total pre-order of objects; the scale values, themselves have a total order of names that maybe used like “bad”, “medium”, “good.” If numbers are used they are only relevant up to two strictly monotonically increasing transformations (order isomorphism). Thus the data is shown in order of magnitude since there is no standard on measurement differences (Sekaran, 2003).

Finally 12 yes or no questions elicited specific information about exposure to a context where ethics is managed within the organisation.

### **ETHICAL POSITION QUESTIONNAIRE**

Items from the Ethical Position Questionnaire (EPQ) were originally published in Forsyth (1980). A taxonomy of ethical ideologies. *Journal of Personality and Social Psychology*, 39, 175-184. The original response scale used was a 9-point scale, although the version presented uses only a 5-point scale. Idealism scores are calculated by summing responses from items 1 to 10. Relativism scores are calculated by summing responses from items 11 to 20. As this scale is used for research purposes primarily, normative data are not available.



The EPQ Questionnaire is completed on a Likert scale requiring respondents to indicate whether they agree or disagree with each statement. The Likert scale has numerous advantages. First, it is easy to construct. Second, a Likert scale yields precise and reliable information. Third, the Likert scales can be utilised to measure multidimensional domains. Finally, the responses permitted with the Likert items make subjects feel at ease in indicating their position. The Likert scale being used, where, 1-represents disagree strongly, 2-disagree, 3-neutral, 4-agree, 5 agree strongly.

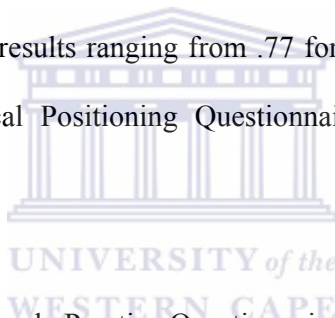
### **3.8 RATIONALE FOR THE UTILISATION OF THE QUESTIONNAIRE**

#### **Psychometric properties of the measuring instrument**

The rationale for the use of this questionnaire is that no other questionnaire suited the exact need of this research as well as the fact that there was a limited amount of questionnaires

relating to this particular topic; and even then the questions were not all suitable to this particular topic. Questions used were based on a similar study conducted by Forsyth (1980) who used the Ethical Position Questionnaire to help determine ethical ideologies with regard to relativism and idealism, and lastly by Van Vuuren and Eiselen (2006), A role in corporate ethics, a South African practitioners perspective who measured the adequacy of training in ethics during formal education.

According to Babbie and Mouton (2001), test-retest is where individuals are tested and are thus re-tested with the same instrument after a period of time. With regard to coefficient alpha it is the utilization of a single administration of a single form (Anastasi & Ubrina, 1997). Previous research showed results ranging from .77 for test-retest and .82 to .85 for coefficient alpha's for the Ethical Positioning Questionnaire, hence showing that the questionnaire is reliable and valid.



For the south African board for People Practice Questionnaire, dimensionality was reduced, the questions were factor analysed to determine the underlying constructs. Principal factor analysis was used and the number of factors extracted were based on the Kaiser criterion. In addition the reliability coefficient alpha showed scores ranging from 0,707 and 0,769 each containing four items that were extracted.

### **3.9 DATA ANALYSIS TECHNIQUES**

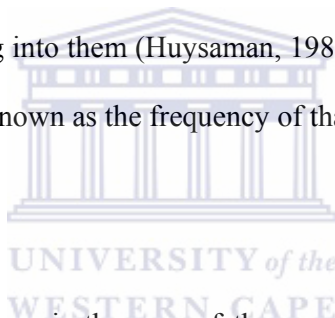
Analysis involves reducing data to a form in which it can be interpreted. For this purpose, descriptive and inferential statistical methods were used.

### **3.10 DESCRIPTIVE STATISTICS**

Frequently, descriptive studies are undertaken in organisations in order to learn about and describe the characteristics of groups of employees, for example, the age, employment, marital status and gender. Hence, “the aim of a descriptive study is to summarise long lists of data so that an overall impression of the distribution involved can be formed more easily, that is, presenting data in a meaningful form” (Kerlinger, 1986 p. 96). In this study the quantitative data in terms of frequencies depict the descriptive statistics utilised.

#### **3.10.1. Frequencies**

A frequency distribution is a table displaying various possible measurement categories, as well as the number of cases falling into them (Huysaman, 1987). Thus the number of cases falling in a particular category is known as the frequency of that category.



#### **3.10.2. Mean**

“The mean of a collection of scores is the sum of the scores divided by the number of scores” (Huysamen, 1987, p. 39). This is one measure of central tendency that provides a general idea of the entire data.

#### **3.10.3. Mode**

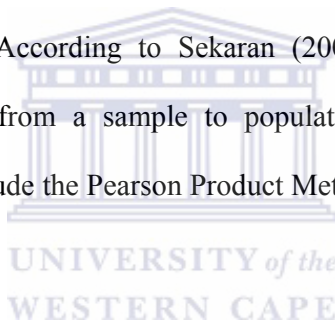
According to Babbie and Mouton (2001), this is a way of presenting data in the form of summary averages or measures of central tendency. It is also seen as the most frequent attribute either grouped or ungrouped.

#### **3.10.4. Standard deviation**

In addition to a measure of central tendency, it is a desirable to have a measure of dispersion of data. The standard deviation is a measure amongst scores (Sekaran, 1992). It measures the amount by which the values in the data distribution differ from the mean (Moodley, 1998).

### **3.11 INFERENTIAL STATISTICS**

This type of statistics allows the researcher to draw inferences from the sample to the population. Here the emphasis is in the relationship between two variables, differences in a variable amongst different sub-groups, and how several independent variables might explain the different variables. According to Sekaran (2003), inferential statistics are employed when generalisations from a sample to population are made. The statistical methods used in this research include the Pearson Product Method, t-test as well as multiple regression analysis.



#### **3.11.1. The Pearson Product Correlation**

For the purpose of establishing whether a statistically significant relationship exists between Ethical decision-making and Human Resources employees within the workplace, the Pearson correlation method was used.

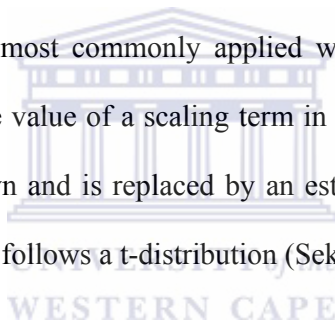
This method provides an index of the strength, magnitude and direction of the relationship between variables (Sekaran, 2003). Thus this method is suitable as this study attempted to describe the relationship between ethical decision making and HR.

### **3.11.2. Multiple Regression Analysis**

This is a multivariate practice that is used for studying the relationship between a single dependant variable and a number of independent variables. Thus it provides a method to envisage the changes in the dependent variable in response to changes in more than one independent variable. Hence it allows the researcher to establish the relative importance of each predictor as well as to ascertain the collective contribution on the independent variables (Sekaran, 2003).

### **3.11.3. t- Test**

A t-Test is any statistical hypothesis test in which the test statistic follows a t-distribution if the null hypothesis is true. It is most commonly applied when the test structure would follow a normal distribution if the value of a scaling term in the test statistic were known. When the scaling term is unknown and is replaced by an estimate based on data, the test statistic (under certain conditions) follows a t-distribution (Sekaran, 2003).



## **3.12 ETHICAL CONSIDERATIONS**

The purpose of the research was communicated to all participants and they were informed that their participation is voluntary, anonymous and that all information would be treated confidentially. Their rights to confidentiality and anonymity were explained in a cover letter outlining who would have access to the research data. The choice of not answering questions as well as to not participate in the study were also respected.

### **3.13 CONCLUSION**

The research methodology depicted the objectives of the study, the sampling technique utilised and the description of the sample. The data collection method used was the questionnaire. Data was captured on a disk and processed utilising the SPSS system and analysed. In addition, statistical tests were utilised to analyse the data. In the next chapter analysis of the most salient results of the research study will be presented and discussed.





## CHAPTER FOUR

### RESULTS

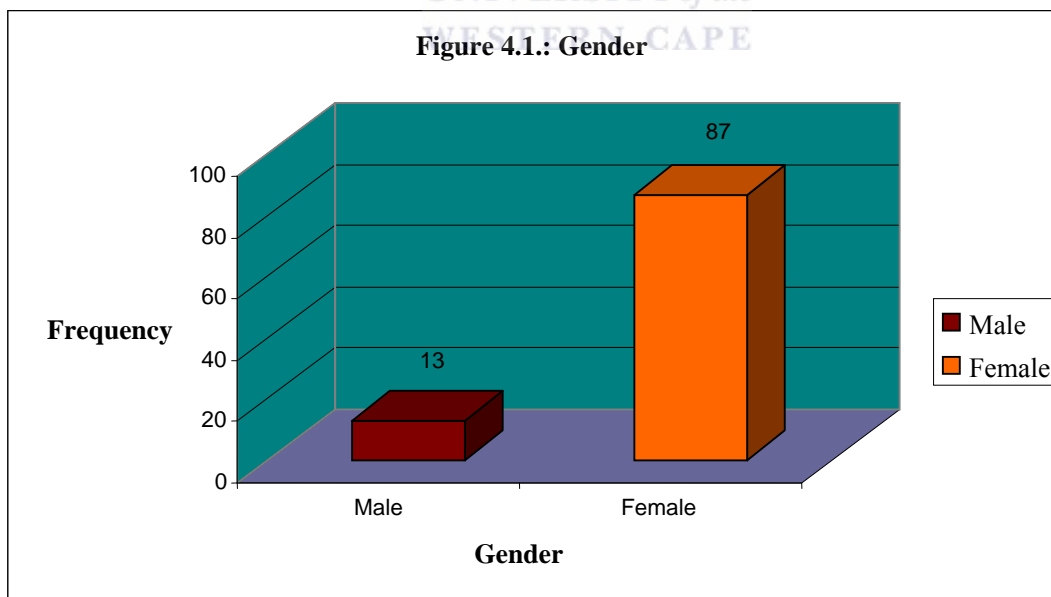
#### 4.1 INTRODUCTION

This chapter focuses on the results obtained based on the empirical analyses conducted to test the hypotheses. The descriptive statistics calculated for the sample are provided in the sections to follow. The second part of the chapter focuses on the inferential statistics, which consists of T-tests, correlations, regressions as well as Anova. The descriptive and inferential statistics generated for the conjectured relationships are presented and discussed.

#### 4.2 DESCRIPTIVE STATISTICS

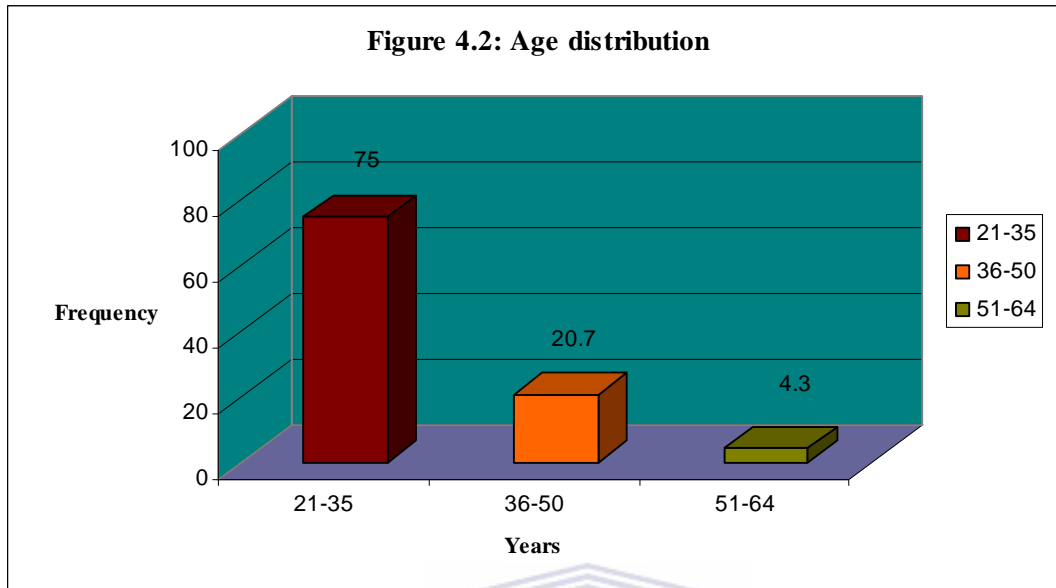
The biographical information of 92 employees of the 150 HR staff members who completed their questionnaires in the research is graphically illustrated.

**Figure 4.1: The Gender of the Respondents**

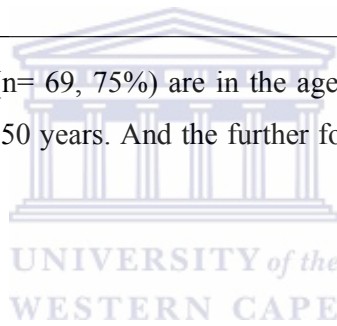


In terms of Figure 1, it may be seen that the majority of the respondents were female (n=80, that is 87%) while the remaining were male (n =12, that is 13%).

**Figure 4.2: Age distribution of the respondents**



The majority of the respondents (n= 69, 75%) are in the age group of 21-35 years, while 20.7% are in the age group of 26-50 years. And the further four respondents (4.3%) fall in the age category of 51-64.



**Figure 4.3: Marital Status of the respondents**

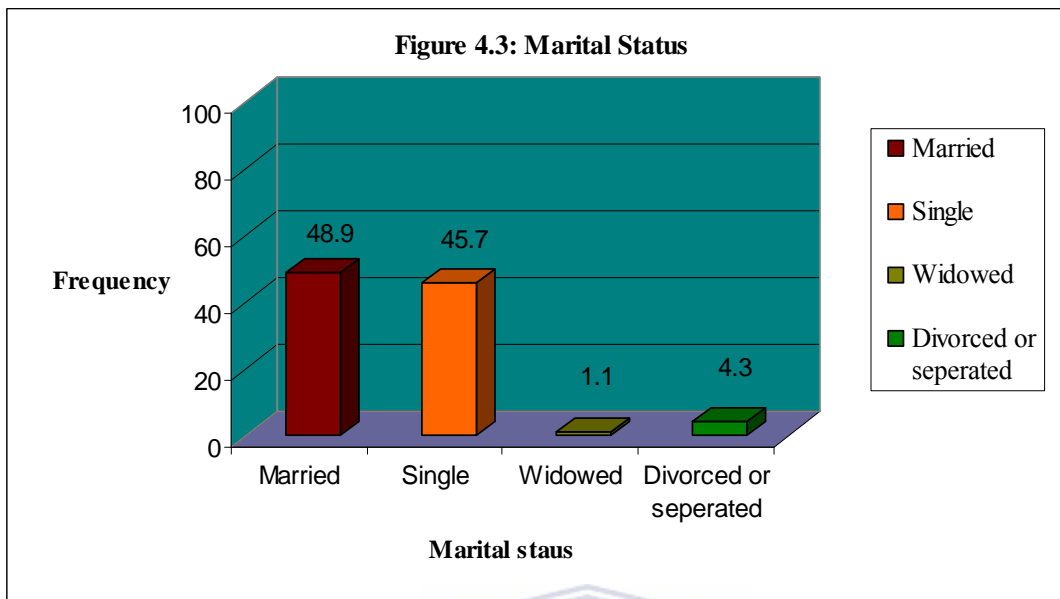
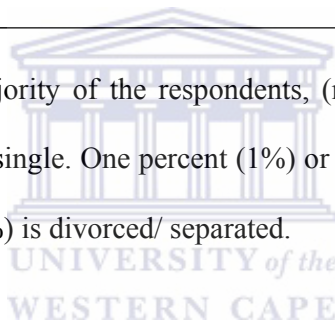


Figure 4.3 illustrates that the majority of the respondents, (n=45) or 48.9% are married, while a further 45.7% (n=42) are single. One percent (1%) or 1 respondent is widowed and the remaining 4 respondents (4.3%) is divorced/ separated.



**Figure 4.4: Language**

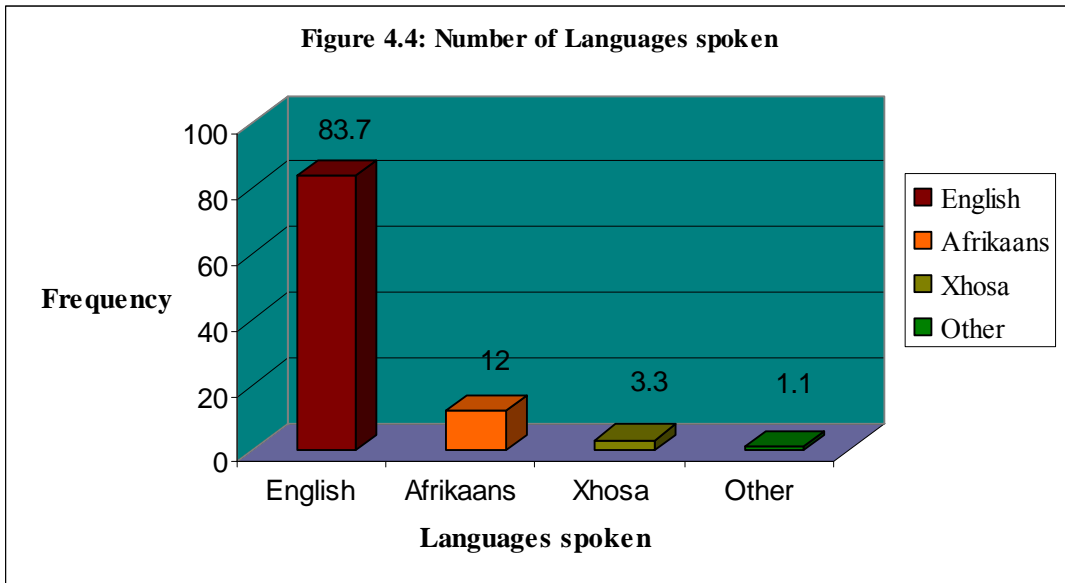
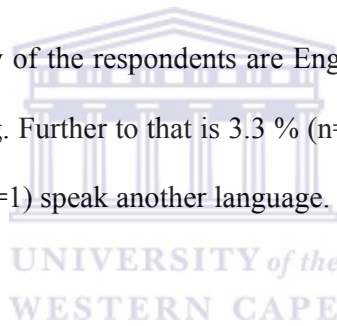
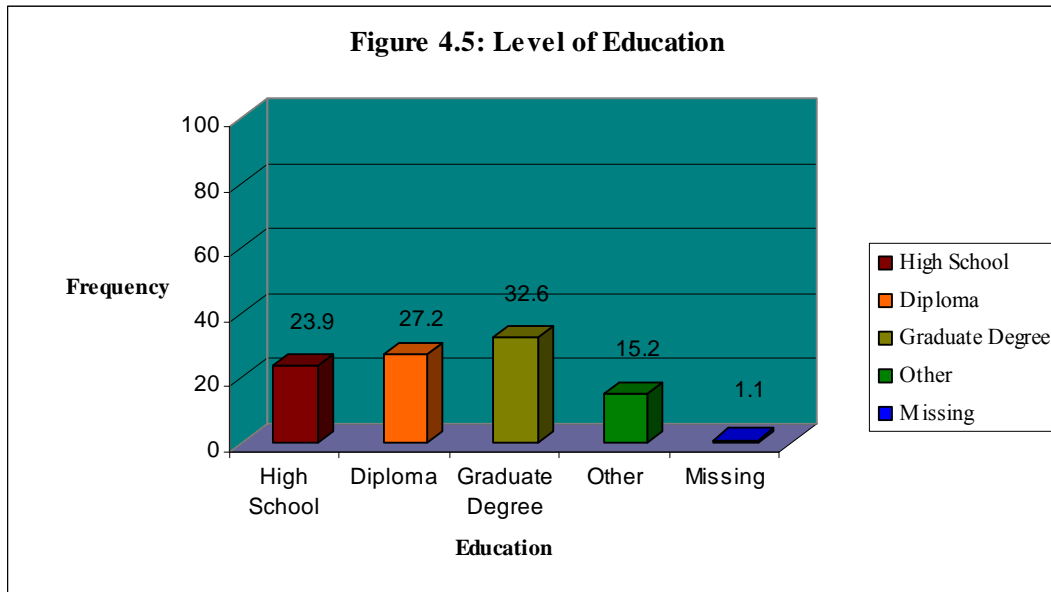


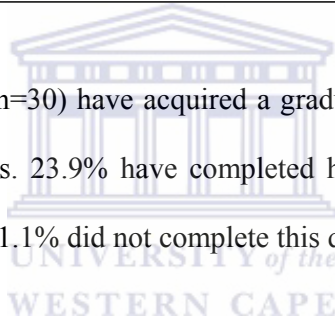
Figure 4.4 illustrates that majority of the respondents are English speaking (n=77), 83.7%, while 12% are Afrikaans speaking. Further to that is 3.3 % (n=3) are Xhosa speaking while the remaining respondents, 1% (n=1) speak another language.



**Figure 4.5: Level of Education**



Most of the respondents, 32.6% (n=30) have acquired a graduate degree, second to that is 27.2% (n=25) who have diplomas. 23.9% have completed high school while a 15.2% (n=14) have indicated other and a 1.1% did not complete this question.



**Figure 4.6: Amount of years worked in organisation**

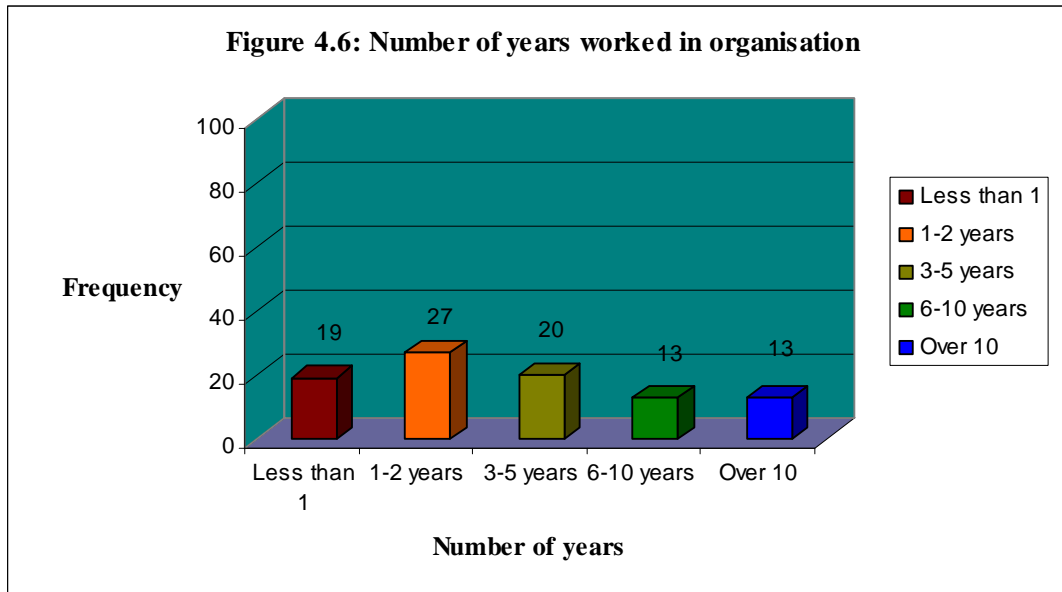
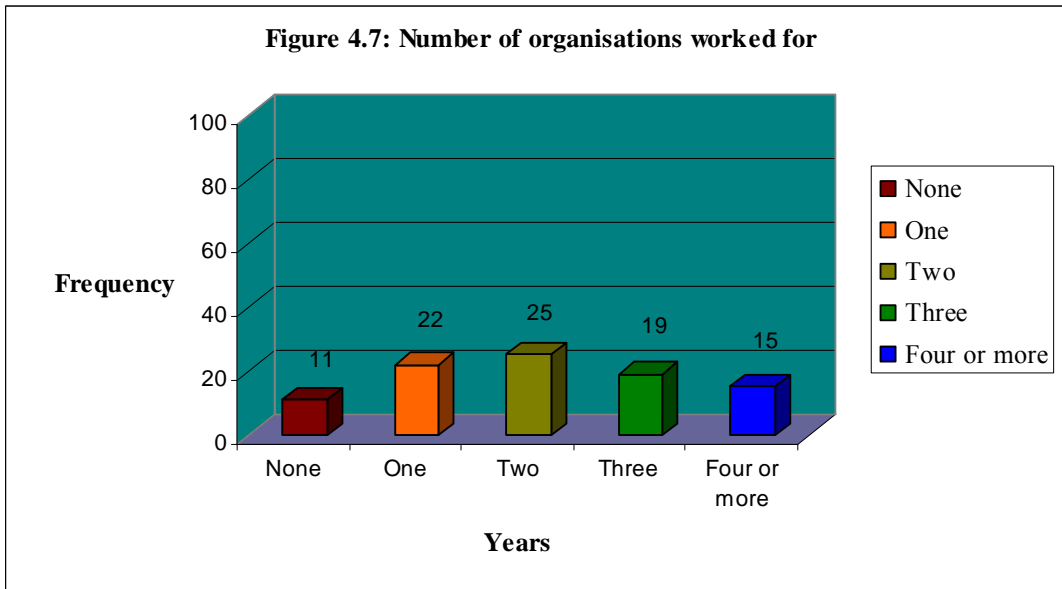


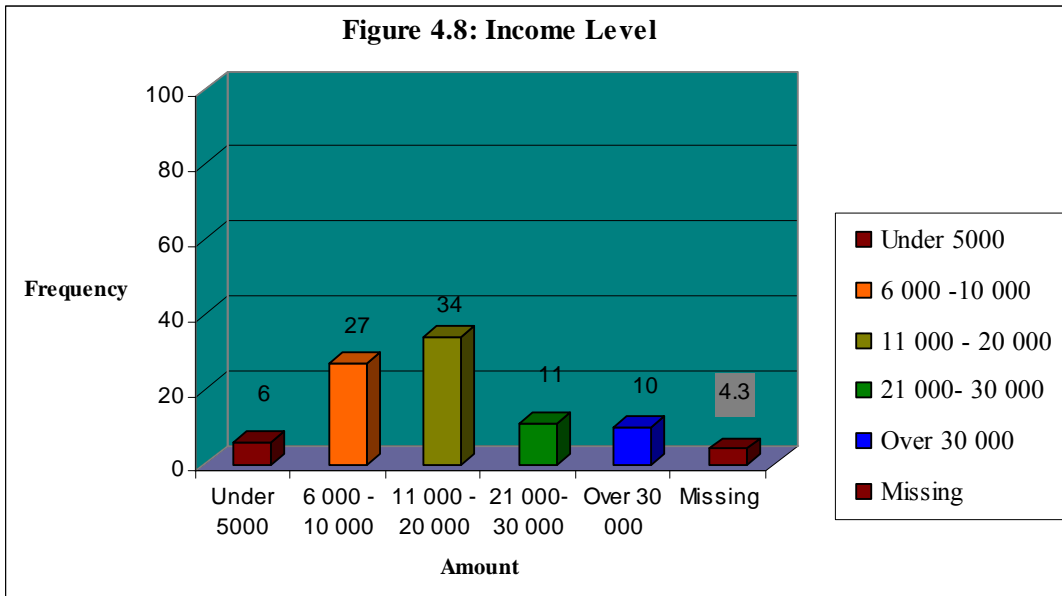
Figure 4.6, illustrates that majority (29.3%, n=27) of the respondents have been with the company for 1- 2 years, while a further 21.7% (n=20) have been employed by the company for 3-5 years. 20.7% have been with the company for less that a year, and scores for the respondents for 6-10 as well as over 10 years show 14.1% (n=13).

**Figure 4.7: Number of organisations worked for**

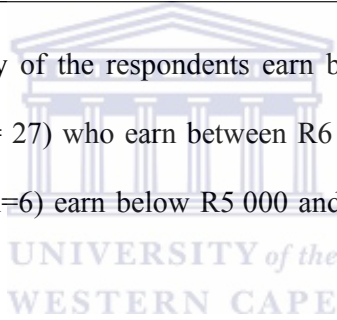


For figure 4.7, 27.2% (n= 25) indicate that majority of the respondents have worked for at least two other companies. Only 23.9% (n=22) of the respondents have worked with for one other organisation, further to that is 20.7 % who have worked for three organisations while the remaining 16.3%, of the respondents have worked for four or more organisations as well as 12% (n=11) have worked only for this organisations.

**Figure 4.8: Level of Income**



According to Figure 4.8, majority of the respondents earn between R11 000 –R 20 000 (n=34), further to that is 27% (n= 27) who earn between R6 000 – R10 000. Ten percent earn over R30 000 and a 6.5% (n=6) earn below R5 000 and the remaining 4.3% did not answer this question.





**Table 4.1. T-Test for ethical decision-making amongst males and females**

\*SABPTot (South African Board for People practice Total)

**Group Statistics**

Gender	N	Mean	Std. Deviation	Std. Error Mean
SABPPTot Male	12	41.42	6.626	1.913
Female	80	37.69	9.010	1.007

**Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means	
	F	Sig.	t	df
SABPPTot Equal variances assumed	.606	.438	1.376	90
Equal variances not assumed			1.725	17.758

These scores indicate that there is no significance with regards to the men and women and ethical decision-making, hence ( $F= 0.606, p > 0.05$ ). However, it is important to note that there were more female respondents ( $n=80$ ) than male respondents ( $n=12$ ).

\*RITot (Relativism and Idealism Total)

**Group Statistics**

Gender	N	Mean	Std. Deviation	Std. Error Mean
RITot Male	12	66.75	11.435	3.301
Female	80	66.18	17.083	1.910

**Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means	
	F	Sig.	t	df
RITot Equal variances assumed	.056	.813	.113	90
Equal variances not assumed			.151	19.298

These scores are for the Ethical Position Questionnaire, the results also indicate that there is no significance difference between males and females and their thinking with regards to relativism and idealism ( $F=0.056$ ,  $p > 0.05$ ).

*Hence the null hypothesis is accepted.*

**Table 4.2. Pearson Correlation between Ethical ideology and Ethical decision-making**

\*RITot (Relativism and Idealism Total)

\*SABPTot (South African Board for People Practice Total)

**Correlations**

		RITot	SABPPTot
RITot	Pearson Correlation	1	.550**
	Sig. (2-tailed)		.000
	N	92	92
SABPPTot	Pearson Correlation	.550**	1
	Sig. (2-tailed)	.000	
	N	92	92

\*\* . Correlation is significant at the 0.01 level (2-tailed).



As noted in the table above there is significance between ethical ideology and ethical decision making. The scores are significant at the 0.01 level.

Therefore, there is a significant relationship between the Ethical Position Questionnaire (ethical ideology) and the questionnaire used to measure ethical decision-making for the South African Board for People Practice.

( $r = 0.55$ ,  $p < 0.01$ )

*Hence the null hypothesis is rejected.*

**Table 4.3. Pearson Correlation between Moral Awareness and Ethical decision-making**

	Pearson	Value	Difference	Significance
Moral Awareness 1	.194	20.927 <sup>a</sup>	27	.790
Moral Awareness 2	.200	29.022a	27	.360
Moral Awareness 3	.113	20.491a	26	.768
Moral Awareness 4	.087	21.648a	27	.755
Moral Awareness 5	.096	31.088a	26	.225
Moral Awareness 6	.071	14.614a	27	.975
Moral Awareness 7	.180	32.921a	27	.200
Moral Awareness 8	-.007	46.571a	27	.011
Moral Awareness 9	-.226	30.149a	26	.262
Moral Awareness 10	-.041	23.173a	27	.676
Moral Awareness 11	-.149	39.441a	28	.074
Moral Awareness 12	-.132	22.470a	28	.759

Table 4.3 indicates the relationship between the respondents' moral awareness/development and the impact it has on their decision-making. The results indicate that the lowest significant relationship is between question number six "Does your company report on business ethics in its annual report?"

The highest significance was for question number eight (sig-0.011) "Does your company have a code of ethics?"

Hence the null hypothesis is accepted. However, Moral Awareness for question number eight was the only variable found to be statistically significantly related to ethical decision-making.

**Table 4.4. Multiple Regression: Gender, Moral awareness and Ethical Ideology**

Multiple R	R Square	Adjusted R Square		Std. Error of the Estimate			
.453 <sup>a</sup>	.206	.035		6.428			
		Sum of Squares	df	Mean Square	F	Sig.	
1		Regression	599.068	12	49.922	1.208	.301 <sup>a</sup>
		Residual	2314.178	56	41.325		
		Total	2913.246	68			
		B	Std. Error	Beta	t	Sig.	
		(Constant)	43.459	8.540		5.089	.000**
		Knowledge 1	.810	3.564	.046	.227	.821
		Knowledge 2	3.572	2.830	.227	1.262	.212
		Knowledge 3	2.195	1.835	.169	1.196	.237
		Knowledge 4	-1.278	2.413	-.079	-.530	.598
		Knowledge 5	-.654	1.740	-.050	-.376	.709
		Knowledge 6	-2.804	2.408	-.193	-1.165	.249
		Knowledge 7	1.564	2.233	.113	.700	.487
		Knowledge 8	4.045	3.133	.175	1.291	.202
		Knowledge 9	-2.231	1.796	-.166	-1.242	.219
		Knowledge 10	1.090	1.915	.076	.569	.572
		Knowledge 11	-3.130	2.837	-.154	-1.103	.275
		Knowledge 12	-4.515	2.494	-.272	-1.811	.076

\* p < 0.05

\*\* p > 0.01

Table 4.4 presents the results of the regression analysis, regressing the decision-making variables against ethics. Results indicate that the multiple R- value is 0.453, as indicated by the Multiple R. The R-Square value of 0.206 indicates that approximately 21% of the variance in ethical decision-making can be accounted for by these 12 decision making variables.

The F-statistic of 1.208 is statistically insignificant at the 0.05 level. Hence, it may be concluded that the 12 variables explain 21% of the variance in ethical decision-making and that other factors, unaccounted for in the model could impact on ethical decision-making above and beyond those considered.

*Hence the null hypothesis is accepted.*

### **4.3. INFERENTIAL STATISTICS**

#### **CRONBACH'S ALPHA**

Reliability refers to consistency, stability and freedom for error (Sekaran, 2003). One way to establish reliability of a questionnaire is to calculate Cronbach's Coefficient Alpha.

**Table 4.5. Reliability scores for the questionnaire utilised in this study**

<b>Reliability Statistics</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
SABP Questionnaire	.722	21
EPQ Questionnaire	.737	21

In the social sciences, a Cronbach's Coefficient Alpha of 0.7 and higher reflects the internal consistency of the instrument (Sekaran, 2003). The results for the Ethical Decision-Making Questionnaire of the SABP is 0.722, while that for the Ethical Position Questionnaire is 0.737. As these both exceed 0.7 they can be regarded as sufficiently reliable.

#### 4.4. INFERENCE STATISTICS

**FACTOR ANALYSIS: Questionnaire used to measure ethical decision-making amongst the South African Board for People Practice.**

**Table 4.6. Validity scores**

**Communalities**

	Initial	Extraction
sabpp1	1.000	.711
sabpp2	1.000	.695
sabpp3	1.000	.737
sabpp4	1.000	.562
sabpp5	1.000	.779
sabpp6	1.000	.598
sabpp7	1.000	.549
sabpp8	1.000	.694
sabpp9	1.000	.685
sabpp10	1.000	.670
sabpp11	1.000	.732
sabpp12	1.000	.771
sabpp13	1.000	.696
sabpp14	1.000	.746
sabpp15	1.000	.790
sabpp16	1.000	.600
sabpp17	1.000	.692
sabpp18	1.000	.795
sabpp19	1.000	.767
sabpp20	1.000	.665



Extraction Method: Principal Component Analysis.

In the table above all scores are above 0.05 indicating that the questionnaire is valid. The lowest score (0.549) is for question number seven, “The current South African Board for Personal Practice Code of ethics is an adequate guideline for the HR practitioner”. This score is still above 0.05 indicating that it is still valid. The highest score (0.795) is for question number eighteen, “Managing ethics should be a key competence of HR practitioners”. Hence indicating that the questionnaire is measuring what it supposed to be measuring.

**Table 4.7. Factor Analysis: Ethical Position Questionnaire**

**Communalities**

	Initial	Extraction
EP1	1.000	.583
EP2	1.000	.701
EP3	1.000	.622
EP4	1.000	.674
EP5	1.000	.665
EP6	1.000	.646
EP7	1.000	.596
EP8	1.000	.674
EP9	1.000	.381
EP10	1.000	.469
EP11	1.000	.713
EP12	1.000	.459
EP13	1.000	.765
EP14	1.000	.699
EP15	1.000	.802
EP16	1.000	.700
EP17	1.000	.594
EP18	1.000	.633
EP19	1.000	.772
EP20	1.000	.765



Extraction Method: Principal Component Analysis.

The results for this questionnaire indicate that the questionnaire is valid. The lowest score for this questionnaire was for question number nine (0.381), “It is never necessary to sacrifice the welfare of others”. Whereas the highest score was (0.82) for question number fifteen, “Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual”.

#### **4.5. CONCLUSION**

This chapter has provided an overview of the most salient findings obtained based on empirical analysis of the data. Chapter five presents a discussion of the findings obtained and contextualises the research findings based on previous research on ethics and ethical decision-making within the workplace.



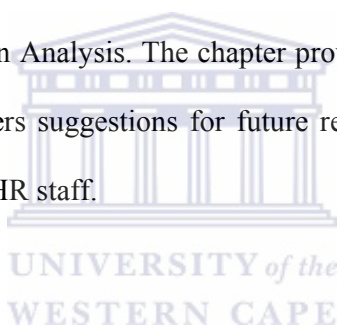


## CHAPTER 5

### DISCUSSION OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. INTRODUCTION

This chapter provides an overview of the salient research findings emanating from the research. In order to contextualise the research, comparisons are drawn with available literature on ethics and decision-making amongst HR staff. The discussion includes significant statistical differences between gender differences and perceptions of ethics, statistical significant differences in the causes of decision-making and the factors that affect HR as well as Multiple Regression Analysis. The chapter provides conclusions that can be drawn from the research and offers suggestions for future research into ethical decision-making that can happen amongst HR staff.



#### 5.2 DISCUSSION

##### 5.2.1. Descriptive Statistics

The sample consisted of 150 HR staff. As viewed in Figure 4.1 the majority of respondents were female [(N=80) (87%)]. The majority of respondents as observed in Figure 4.2 were in the age group 21-35 years [(N=69) (75%)]. The majority of respondents as seen in Figure 4.3 married [(N= 49) (49%)]. In terms of Figure 4.4, their language ability majority of the respondents spoke English [(N= 77) (88%)].

With regards to the educational level majority of the respondents were seen to have a graduate degree [(N=30) (33%)]. From Figure 4.6 it can be observed that the majority of respondents have been with the company for about 1-2 years (29.3%). As observed in

Figure 4.7 the majority of respondents have worked for at least two other organisations [(N=25) (27.2%)]. The majority of respondents as observed in Figure 4.8 earn between R11 000 – 20 000 [(N=34) (37%)].

### 5.2.2. Gender and ethical decision-making

- There is no significant gender difference in ethical decision-making amongst HR employees

The results of the current research indicate there is no statistically significant gender difference in ethical decision-making amongst HR staff within a retail environment. **The null hypothesis is therefore accepted.**

In a similar study conducted by Van Vurren and Eiselen (2006) consisting of a sample of members of the South African Board for People Practice where a total of 410 practitioners participated, results indicated that as far as background variables are concerned, none of the variables such as; gender, age group and experience of practitioners in the HR field were found to moderate these perceptions ( $p$ -values  $> 0,05$  in both cases). The same held true for their actual levels of formal education.

Research on gender differences to evaluate ethical perceptions and judgments has frequently produced mixed results. According to the theory of Roxas and Stoneback (2004 cited in Sadler & Barac, 2005), inconsistency is inevitable because ethical attitudes and behaviour are situation specific, thus they feel it is not entirely up to gender but instead the situation in which someone is placed. Thus either males or females can make the right or the wrong decision.

One needs to take into consideration that at times evidence gathered may run the risk of being inconclusive, there are various indications that ethical views and perceptions may be impacted by the gender of respondents (Luthar, DiBattista & Gautschi cited in Sadler & Barac, 2005). In a study done to assess the gender differences in ethical decision-making amongst accounting students, evidence showed that females are more moral and more ethical than males has become the general view (Sikula & Costa, 1994 cited in Sadler & Barac, 2005).

In another study done in Nigeria amongst female police officers, Borkowski and Ugras (cited in Adebayo, 2005) reported the findings of a meta-analysis of 47 studies showing that female students consistently held stronger ethical values than their males counterparts.

Weeks et al., (1999) report on a study to determine differences in ethical judgment between males and females. A multivariate analysis (MANOVA) was run using gender as the independent variable and nineteen ethical judgments as dependent measures in order to test this hypothesis. The results indicated that there was a significant difference ( $p = 0.000$ ), Wilk's Lambda of 0.908 indicating that there is a difference between males and females regarding ethical judgment. A series of T-tests were conducted on the individual dependent variables. Out of nineteen variables used, a significance difference was found ( $p < 0.01$ ) between males and females on 9 ethical judgment items (Weeks et al., 1999).

In a study of American marketers, Singhapakdi et al. (1999 cited in Fernando et al., 2008) found even though women were found to be more idealistic and less relativistic than men, the gender effect was non-significant and small, and therefore makes an investigation into this issue more important.

Robin and Laurie (1996 cited in Weeks et al., 1999) reported on 14 studies that measured gender differences with regards to ethical judgment. The results indicated 7 studies out of the 14 that women were more ethical than men. A further 2 studies showed that males were more ethical whilst the remaining studies indicated that there was no significance.

It is noted that out of 14 studies, only six have focused strictly on a practitioner sample, with the remaining eight using student respondents. The sample sizes range from 100 to 420 for practitioners and 86 to 2,196 for students. Overall, there are inconclusive findings regarding gender differences and ethical judgment. However, when differences have been found, typically females appeared to be more ethical. Betz, O'Connell and Shepard (1989 cited in Weeks et al., 1999) have argued the lack of gender differences may be explained by the possibility that women might become more like men under similar occupational conditions. Another possible explanation is that respondents may indicate decisions they believe to be socially desirable, or perhaps "politically correct" (Dawson, 1995 cited in Weeks et al., 1999).

Based on the respondents used, it was found that females demonstrated higher ethical judgment than their male counterparts in numerous situations. This finding contradicts those studies that have detected no gender differences regarding ethical judgment (Davis & Welton, 1991; Jones and Hildebeital, 1995; Kidwell et al., 1987; McNichols & Zimmerer, 1985; Tsalikis & Ortiz-Buonafina, 1990 cited in Weeks et al., 1999). However, the findings are consistent with other studies that have detected gender differences (Akaah, 1989; Poorsoltan et al., 1991; Ruegger & King, 1992; Whipple & Wolf, 1991) and also strongly support the contention of gender socialisation theory that men and women bring different ethical standards to the work environment (Weeks et al., 1999).

Further to this was a study done by Fernando et al. (2008) where gender had been identified as an important demographic variable influencing an individual's ethical decisions (Fernando et al., 2008; Karande et al.; 2002; Henle et al., 2005). What was found in a meta analysis conducted by using data from more than 20,000 respondents in 66 samples, Franke et al. (1999 cited in Fernando et al., 2008) that women are more likely than men to recognise that a business practice involves a moral issue.

Thus with relation to several earlier ethical studies it can be seen that men proved to be less ethical than females. For instance results of the accounting study indicated that males were apt to act less ethically than females and were four times as likely as female respondents to accept a bribe (Sadler & Barac, 2005).

### 5.2.3. Moral awareness and ethical decision-making

- There is a significant correlation between moral awareness and ethical decision-making amongst HR employees within a retail organisation

The results of the current research indicate that there is a statistically significant relationship between moral awareness and ethical decision-making amongst HR staff within a retail environment. **The null hypothesis is therefore rejected.**

Moral awareness is seen as “a person's recognition that his or her potential decision or action could affect the interests, welfare, or expectations of the self or others in a fashion that may conflict with one or more ethical standards” (Butterfield, Treviño, & Weaver (2000, p. 982 cited in Reynolds, 2006).

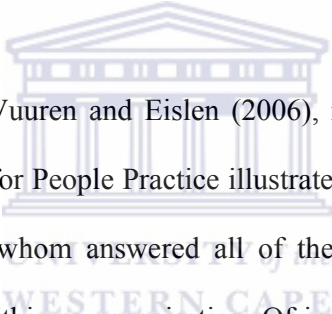
In a study done by Van Zyl and Wordsworth (2004) about ethical behaviour and understanding it was found that the majority (76,80%) of the respondents stated that there were ethical standards in place within their organisations, while 21,24 percent of them specified that they did not have written standards of ethical business conduct, while a further two percent of the respondents did not know if their business had any written standards. Their paper put forward several significant reasons why businesses should have written ethical standards, for instance, standards such as this not only set the standard of service delivery but also serve as a guide to managers in exercising their leadership. Therefore, the absence of written standards direct top management's unawareness or ignorance of its responsibility regarding the management of ethical issues within the organisation.



Respondents that reported their awareness of ethical standards ranged between (60-68%), and that they used the standards on a frequent basis; 38,03 percent of the respondents made use of them either intermittently or seldom. According to Miller (2004 cited in Van Zyl & Wordsworth, 2004), simply writing and distributing a code of ethics is not sufficient enough to reap the benefits that an organisation could gain by rolling out a code in a thoughtful and effective manner. Thus availability of the written standards alone does not guarantee ethical business practices. One of the ways to combat this is to ensure that there is a constant use of these standards and control over their effectiveness. From responses it appears that too little emphasis is placed on the successful implementation and control of ethics in the organisations surveyed.

Further to that just over half of the respondents (54,25%) indicated that their organisations did put forward some form of training in ethical business conduct. Nearly 44 percent of

organisations did not provide any training. It would emerge as if the organisations reflected in the survey do not value training as a pre-emptive measure to avoid unethical conduct and misconduct or do value training, however have not introduced it as yet. This should be a sign of the importance attached to the management of ethics. Ethics training, not being the core business of an organisation, is sometimes viewed as “nice to have” and minimum effort and resources are spent on it. The lack of training, inter alia, can create a culture in which unethical conduct could burgeon and misconduct such as theft, fraud and corruption is likely to be frequent. In turn this will not only impact on the organisation’s image but also fails to motivate employees to be part of the organisation in efforts to accomplish its objectives (Van Zyl & Wordsworth, 2004).



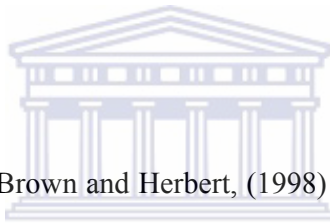
In a similar study done by Van Vuuren and Eislen (2006), results of their questionnaire used on the South African Board for People Practice illustrated that of the 363 respondents (88,5% of the 410 respondents) whom answered all of the yes/no questions related to exposure to ethics management within an organisation. Of importance is that only 47,93% of the 363 respondents reported that their organisations have codes of ethics and only 57,3% reported being familiar with the King Report on Corporate Governance. In contrast, 83,2% reported that cases of fraud or corruption occurred within their organisations.

#### **5.2.4. Ethical Ideology and Ethical decision-making**

- There is a significant correlation between ethical ideology and ethical decision-making amongst HR employees within a retail organisation.

The present study supported the findings that there is a partial statistical relationship between ethical ideology and HR employees. **The null hypothesis is therefore rejected.**

According to Forsyth (1980 cited in Chonko, Wotruba & Loe, 2003) and Schlenker and Forsyth (1977 cited in Chonko et al., 2003) ethical judgments can be based on two dimensions – relativism and idealism. Idealism represents the inclination to avoid harming others when making moral judgments. Relativism on the other hand, represents the tendency to avoid harming others when making moral judgments, thus relativism, represents the tendency to disregard universal moral rules when making moral judgments. Tansey et al. (1994) assert that the traits of idealism and relativism should be assessed to ethical models. This contention was made in conjunction with that of Stead et al. (1990) who stressed the importance of understanding of ethical behaviour. Several of the same ethics models also refer to the environment as a factor that impacts ethical decision making (Chonko et al., 2003).



In a study done by Barnett, Bass, Brown and Herbert, (1998) to determine ethical ideology amongst marketing individuals, means and standard deviations for the ethical ideologies of idealism and relativism were looked at, and showed the correlations between the constructs and ethical judgments for each of the three vignettes used. It was found that Idealism was significantly and negatively correlated with judgments that the actions in the three vignettes were ethical ( $p < 0.01$ ). Relativism was significantly and positively correlated with judgments that the actions in the three vignettes were ethical ( $p < 0.01$ ).

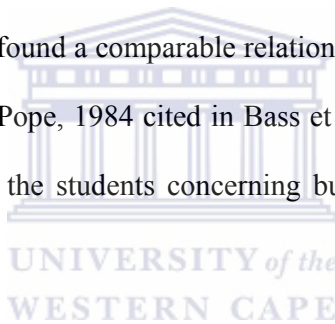
The findings corroborate those of Forsythe et al. (1988 cited in Chonko et al., 2003) who report that relativists and idealists have divergent viewpoints regarding ethics codes.

In a second study conducted, the lack of support for the direct link between relativism and the ethical decision-making process contradicted expectations but was not totally



inconsistent with previous research concerning ethical ideologies. In several studies, the idealism dimension demonstrated a stronger correlation to ethical judgments than did the relativism dimension (Barnett et al., 1994; Forsyth, 1981; Forsyth & Pope, 1984 cited in Bass, Barnett & Brown, 1999). This proposes that an individual's concern for the consequences of actions may be more influential than their philosophy concerning the universality of moral principles when attempting to judge the acceptability of questionable actions.

With regards to idealism and ethical judgements was such that highly idealistic managers regarded the questionable acts as more unethical. This was also consistent with the conclusions of earlier studies that found a comparable relationship concerning non-business issues (Forsyth, 1980; Forsyth & Pope, 1984 cited in Bass et al., 1999) and one study that found such a relationship among the students concerning business issues (Barnett et al., 1994 cited in Bass et al., 1999).



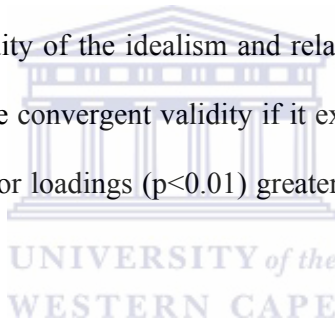
#### **5.2.5. Reliability and Validity for this study**

The results of the current research indicate that the validity and reliability scores are consistent with other research findings.

In a similar study conducted by Van Vuuren and Eiselen, (2006), with regards to measuring who should assume ethics responsibility amongst the South African Board for People Practice, results indicated at least two reliable factors (Cronbach Alpha values exceeding 0,7 (Hair, Anderson, Tatham & Black, 1998) were obtained, each containing at least 4 items that were extracted. These related to the extent to which HR practitioners have an ethics management competence and the extent to which HR has a role in managing ethics.

To reduce the dimensionality, these questions were also factor analysed in determining the underlying constructs.

Further to that in a study conducted by Karande et al.'s (2002 cited in Fernando et al., 2008) an adaptive version of Forsyth's (1980 cited in Fernando et al., 2008) Ethics Position Questionnaire (EPQ) was used to measure the levels of idealism and relativism. The EPQ follows Forsyth's view that individual differences as predictors of moral judgment may be described most parsimoniously by taking into account two basic dimensions of personal moral philosophies, idealism and relativism. The EPQ consists of two scales to measure idealism and relativism. Karande et al. (2002 cited in Fernando et al., 2008) assessed the convergent and discriminant validity of the idealism and relativism measures. They found that each scale was judged to have convergent validity if it exhibited unidimensional factor structures and had significant factor loadings ( $p < 0.01$ ) greater than 0.5 for all indicators of the construct.



Another study that utilised the EPQ had consistently demonstrated acceptable levels of reliability, and its items have been shown to have a two-factor solution corresponding to the a priori dimensions of idealism and relativism (Forsyth, 1980; Barnett et al., 1994; Tansey et al., 1994). Factor analysis also revealed a similar two-factor solution, and Cronbach's alpha was 0.86 for idealism and 0.84 for relativism (Barnett et al., 1994)

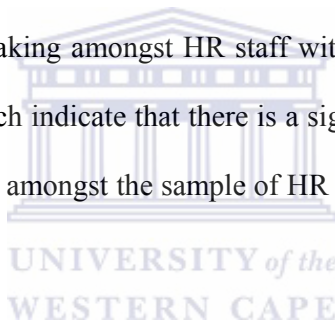
With regards to the EPQ that was used for Bass's et al., (1999) study, higher scores on the two dimensions indicated higher levels of relativism and idealism, respectively. Values for Cronbach's alpha in the study were .81 for the relativism scales and .86 for the idealism

scale, however for their study a 9-point scale was used as opposed to this present study where a 5- point scale was used (Bass et al., 1999).

In relation to all the factors that were measured in this study, results showed that there was only 21% that accounted for gender, moral awareness and ethical ideology. One has to take into account that there were other factors that played a role with regards to HR staff and ethical decision-making.

### **5.3 CONCLUSION**

The aim of this research was primarily to determine the relationship between ethical awareness and ethical decision-making amongst HR staff within a retail organisation. The results emanating from this research indicate that there is a significant relationship between certain factors that were measured amongst the sample of HR staff selected to participate in this study



Moreover, there was not a statistically significant relationship between gender and ethical decision-making contrary to what other literature reported.

While the ethical ideologies conceptualised by Forsyth (1980 cited in Barnett et al., 1994) have not received a remarkable amount of attention in the business ethics literature, they appear to be potentially important explanatory variables in models of individual ethical decision making, thus future research should concentrate on the relative importance of idealism and relativism to ethical judgments and ethical behaviours (Barnett et al., 1994).

Also additional support for the relevance of ethical ideology to the field of business ethics should be taken into consideration; the ethical ideology of business practitioners appears to be a potentially significant factor that influences their ethical judgments about difficult ethical issues. Therefore, more magnitude should be brought about concerning individual ethical decision-making which should attempt to incorporate the ethical ideology construct (Barnett et al., 1994).

Further steps should be taken by business executives who are interested in improving the ethical climate in their firms, to ensure that sensitivity to ethical concerns on the part of their employees. If not, the ethical standards of the less sensitive may come to prevail to the long term detriment of the firm and the business system as a whole (Weeks et al., 1999).

In sum, ethical behaviour in business organisations is a complex, multi-faceted problem with considerable individual and situational dimensions. Effective management of ethical behaviour requires that organisations advocate ethics, expect ethical behaviour from managers, screen potential employees effectively, provide meaningful ethics training for employees, create ethics units, measure ethics, report ethics, reward ethics and finally be able to make tough decisions when none of this works (Stead, Worrelle & Stead, 1990).

Simply having a code of ethics in place does not guarantee ethical business practices. There are standards that need to be disseminated and understood throughout the organisation. Certain ethics training initiatives need to be instilled in order to accomplish this, especially during the induction of new employees. This could also be seen as a way to improve a low level of commitment towards ethical business conduct (Van Vuuren & Eislen, 2006).

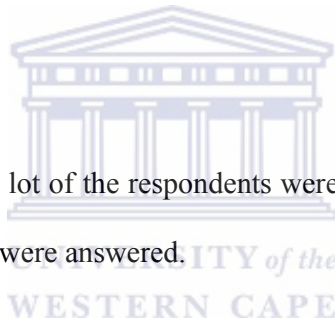
Thus organisations should strive to institute and enforce a set of written ethical standards that are appropriate for their organisation (Van Vuuren & Eislen, 2006).

One can conclude that business ethics as a management discipline does not emerge to form part of the strategic management plans of a number of organisations and that written standards might only be put into place as a form of “window dressing” (Erasmus & Wordsworth, 2004).

#### **5.4 RECOMMENDATIONS**

The findings of this research indicate that there are a number of things that can be improved for future research.

For instance, due to the fact that a lot of the respondents were on maternity leave impacted on the number questionnaires that were answered.



Some of the respondents also mentioned that it was difficult to answer the questionnaire as they found that it was difficult to distinguish between the company’s values and their own. Some of the respondents left out certain questions as they were not sure how they felt or where the organisation stands.

A larger group of respondents could have been used for this research study, and instead of only using questionnaires, interviews should be something that could be utilised as a lot of the respondents wrote on the questionnaires providing feedback that could have helped when spoken to on a face to face basis.

There are a number of possible directions for future research that would help better understand and explain gender differences in ethical decision-making. One of the factors to look at might be to study potential influences of regional differences in order to determine to what degree ethnicity influences ethical judgment. There also should be more than one organisation used in the Western Cape, the study would have benefited if there was more than one retail organisation and if it was not confined to the Western Cape.

Another factor to take into consideration was that most of the respondents were female due to the nature of the business (it being a retail/fashion company), which could have impacted the results of the study. Finally, it may be beneficial to replicate the current study when using a sample that is comprised of a larger proportion of males in relation to females.



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