

Ethics and HRM: The Contribution of Stakeholder Theory

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Abstract: The development of an ethical perspective of HRM that is both employee centered and explicitly normative and, as such, distinct from dominant and critical perspectives of HRM has progressed in recent years. Reliance on the traditional “threesome” of rights/justice theories, deontology and consequentialism, however, has limited debate to micro-level issues and the search for a “solution.” By understanding the employment relationship as a stakeholder relationship, we open the ethical analysis of HRM to the pluralism and pragmatism that stakeholder theory has to offer. In doing this, we can address both the broader need for HRM to offer a more comprehensive account of our humanity and the specific requisite for HRM to treat employees as moral persons with “names and faces.”

Key Words: stakeholder theory, HRM, ethics and HRM, stakeholder engagement, pluralism

Introduction

Human resource management (HRM) involves the effective management of people to achieve organizational goals. The word “management” in this context is a euphemism for “use.” Indeed, HRM is commonly defined as the “productive use of people in achieving the organization’s strategic business objectives and the satisfaction of individual employee needs” (Stone 1998, 4). Whether HRM is “hard” or “soft,” or some combination of the two, it is only the nature and extent of this “use” which varies. HRM implicitly accepts such “use.” This raises a number of ethical concerns. On the face of it, HRM violates any number of ethical proscriptions against using people. To call a person a resource is already to tread

dangerously close to placing that human in the same category with office furniture and computers. In the words of social theorist Kathy Ferguson (personal communication, 1996); “The problem with ‘human resources’ is that you cannot use it as the subject of a sentence, *viz.*, ‘The human resources went for a walk.’” It is also hazardous to justify HRM on the basis that it maximizes positive outcomes for those affected. Who is to say what is good and who should be included? A developing literature on the ethical dimensions of HRM has begun to examine these issues.

There are, however, a number of gaps in the ethical analysis of HRM to date. Firstly, the assumptions underlying ethical analyses are not made explicit. Even to begin to apply ethical stances to HRM is to make significant assumptions about the purpose of the organization, the roles and responsibilities of managers, and the rights and obligations of employees (and other stakeholders). Secondly, the ethical analysis of HRM has tended to be at a micro level (i.e., ethical implications of HR practices such as recruitment, downsizing) to the exclusion of macro analysis (i.e., the ethical implications of the role and practice of HR within the organization and society). Related to these two points is the third problem, the fact that the role of stakeholder theory in this debate has been overlooked. Stakeholder theory represents a significant part of the debate in business ethics and has many obvious connections to HRM.

This paper seeks to further ethical analysis of HRM and considers the manner in which stakeholder theory can inform such an analysis. Drawing from three main sources (Greenwood 2002; Greenwood 2007; Greenwood and De Cieri 2007),¹ we argue for macro level analysis of HRM that goes beyond application of traditional ethical theory and embraces the pluralism and pragmatism of stakeholder theory. First, we identify and examine theoretical perspectives of HRM, considering the pervasiveness of the “mainstream” paradigm of HRM, the substance of the alternative critical perspective and the development of an ethical perspective. The next sections seek to further the ethical analysis of HRM by examining the manner in which stakeholder theory can be applied to HRM, and developing a model for the conceptualization of responsible and irresponsible treatment of employees. Finally a comment will be made on future research implications for the field of ethics and HRM.

Perspectives of HRM

The Dominant View of HRM

A “mainstream” perspective of HRM The existence of a “mainstream” perspective of HRM, though rarely acknowledged, has been alluded to recently by several authors

(Kamoche and Mueller 1998; Warren 1999). It is contended in this discussion that there is a common paradigm that is pervasive throughout research and practice in HRM. The features of this mainstream viewpoint are that it tends to be U.S. based (Legge 1995) and practitioner focused, its content is prescriptive and often relies on naïve generalizations that assume the value of HRM. Much of the writing has been concerned with either the offer of practical advice or the presentation of empirical data (Wright and McMahan 1992). It takes a systems maintenance or functionalist approach, viewing HRM as a mechanism for the attainment of organizational goals, and thus reflects concerns with improvement in efficiency that derive from classical management theory (Townley 1993). It also tends to assume an individualistic (focuses in the individual employee as a unit) and unitarist (assumes singularity of purpose and goals) perspective of the employment relationship.

The values and practices of this mainstream view of HRM developed within the individualistic enterprise ideology of the 1980s and continue to reflect this ideological climate. This perspective continues to be dominant and pervasive for a number of reasons for this managerialist orientation of HRM. Firstly, there is the strategic focus of HRM. The link between strategy and HRM developed from a need to establish importance and distinctiveness for what was then a new discipline in the 1980s. One implication of this focus is that HRM is primarily concerned with those who determine and implement strategy, namely senior managers (Clark, Mabey, and Skinner 1998). Secondly, in countries like the U.K., Australia and New Zealand, a shift from centralized, union negotiated, award-based industrial relations to enterprise based individual employment agreements has resulted in a significant change in the employment (Morehead et al. 1997). Managers now have greater control over employment relations, employees are more likely to be employed on staff (or to be on contract), and there is less likelihood of a union involved as a third party. The result is a more individualistic and unitarist environment.

Thirdly, positivism is the dominant epistemological approach in HRM (Legge 1995). Positivism “seeks to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements” (Legge, 1995, 308). The sorts of questions asked in HRM research tend to reinforce the status quo rather than question it. Wright and McMahan (1992) express concern regarding the lack of a theoretical framework in HRM. Kamoche and Mueller (1998) find the “apparent reluctance of many HR scholars, practitioners, and consultants to acknowledge the rationale underpinning of the practice of HRM” to be “remarkable.” Alvesson and Willmott (1996) speak of a silence about issues such as inequality, conflict, domination and subordination, and manipulation within both

orthodox and more progressive accounts of management and organizational theory. At the very least, the problem with “how-to” models of HRM is that, without theoretical underpinning, guidelines alone can be ambiguous. Rules without reasons can be interpreted and applied in a variety of ways. For example, the rationale for the practice of drug testing can be explained in a number of possibly contradictory ways specific to the theoretical perspective adopted: employer control over employees, employer concern for employee welfare, employer protection of their capital, etc., or a combination of these. Wright and McMahan (1992) argue that a strong theoretical model is of great value to both researchers and practitioners. For practitioners a cogent theoretical model will provide better predictions for better decision-making. For researchers strong theoretical models provide greater depth and understanding, and thus potential for further development in the discipline.

The Critical View of HRM—An Alternative Perspective

A greater degree of critique of HRM has mostly arisen from U.K. authors writing from a “critical perspective” (Guest 1997; Legge 1996). Development of an alternative and critical perspective of HRM was inevitable and necessary for the evolution of the field. Writers from the disciplines of sociology, political economy and labor relations have distinct and important perspectives on the workplace. In general, the critical perspective sees HRM as rhetorical and manipulative, and thus, as a tool of management to control the workers. Rather than being a way for employees to fully develop and contribute in organization, HRM practices are a way of intervening in an employee’s life in order to get employees to sacrifice more of themselves to the needs of the organization. HRM is accused of redefining the meaning of work and the organization-employee relationship in order to gain the acceptance of such intolerable actions.

HRM was cleverly depicted by Keenoy as “a sheep in wolf’s clothing” as early as 1990 (as cited in Legge 1995). Storey (as noted in Guest 1987) distinguished “soft” people-focused HRM from “hard” production-focused policies and practices. Many skeptical commentators have suggested that “soft HRM” is just a “hard HRM” in disguise.

Several theorists identify mainstream HRM’s employment of a unitarist framework (Guest 1987; Kamoche 1994; Legge 1995). Kamoche (1994) identifies a revival of the unitarist ethos of the organization, in order to achieve congruence of purpose within the organization. He claims that the ideology of unitarism is being used to control any divergence of interest between managers and subordinates in order to achieve economic goals.

In contrast to “mainstream” writers, “critical” theorists tend to assume a pluralist (multiple purposes and goals) and collectivist (employees as a group or groups) nature to the workplace. They assume that the various parties involved in the workplace have differing views, and thus potentially, goals. This view of the workplace resonates with the stakeholder perspective of the organization which will be discussed later.

In a significant example of this type of analysis Townley (1993) presents an interpretation of HRM based on the work of Michel Foucault. She argues that HRM techniques are a means of measuring and evaluating individuals in order to render them calculable and therefore manageable. Individuals can be “known” through the two processes of examination and confession. Examination is a method of observing in order to measure, rank and classify. External features such as skill, performance, behavior are commonly measured in the workplace. Increasingly, the internal dimensions of the individual such as attitudes and sentiments are also being objectified. An individual’s confession or exposure of self-knowledge allows for them to be “known” in two ways. The technique of confession is identifiable in survey and application blanks and, particularly, in performance appraisals. Firstly, the confession requires that the individual breaks the bounds of discretion and secondly, the confession produces information that becomes part of the individual’s self-understanding. Thus, HRM practices function to constitute the individual in a particular manner (Townley 1993). According to Townley (1993, 538), HRM practices are examples of procedures that constitute the subject with varying degrees in individual engagement and participation. There is the inculcation of required habits, rules, and behavior and socially constructed definitions of the norm. However, the status of the individual, that is, the individual’s right to be different and everything that makes the individual truly individual tends to get lost in the process.

An Ethical View of HRM—A Developing Perspective

The introduction of ethical theory and stakeholder theory in the discussion of HRM is a fairly rare and nascent occurrence. Whilst the aforementioned writers ruthlessly expose HRM practices as objectifying individuals (Townley 1993), as suppressing resistance and confrontation (Sennett 1999), in short, as manipulating employees, they take a critical rather than an explicitly normative stance. Questions such as “is this right or wrong” or “how should organizations behave” do not seem to be addressed by HRM researchers. The fact that the way employees are managed may invite ethical scrutiny appears to have been overlooked (Winstanley and Woodall 2000). In their lengthy review of eighty years of HRM science and practice Ferris,

Hochwarter, Buckley, Harrell-Cook, and Frink (1999) identify the issue of justice and HRM as an interesting and potentially important direction for future work in HRM. The focus of the research cited in this review is at the micro-level of procedural fairness of selection, performance evaluation and compensation systems. Broader ethical issues are ignored, or mentioned in passing, when they are arguably central to the discussion. This is illustrated in the discussion of accountability and HRM where the authors note “the presence of multiple audiences,” “accountability perceptions” and the “moderating effects of context and personality differences” (Ferris et al. 1999, 402–403) yet fail to introduce theories of ethical development, corporate social responsibility or stakeholder management. Such theories can offer insight into HRM which is different from, yet equally important to, other theories of the organization. It is this area which will be the focus of the remainder of this discussion.

To date only a few theorists have attempted to apply ethical theory directly to HRM. Legge (1996, for example) uses both teleological (consequentialist) and deontological (non-consequentialist) ethical theories to evaluate “hard” and “soft” HRM. She arrives at the predictable conclusion that the outcome of any evaluation of a particular form of HRM will depend upon which ethical principles are applied. In contrast, Miller (1996) provides a micro-level analysis of HRM systems, procedures and outcomes based on a framework of procedural justice. He argues ethical HRM can be achieved by applying principles of fairness and equality. He concludes that ethical or “good” HRM depends on good employment conditions, which in turn depends on good organizational strategy. This conclusion would come as no surprise to many HRM researchers or practitioners.

Debate in the ethics of HRM has tended to extremes: either the macro-level (is the totality of HR “ethical”?) or the micro-level (is the individual HR practice “ethical”?) (Winstanley and Woodall 2000). At the micro-end of the scale, the ethical assessment of individual practices has limited value as this tells us very little about either what drives HRM or how HRM is experienced. HRM research has moved well beyond the exploration of individual practices (see for example Guest 1997) with HRM being best understood as bundles of processes and practices, and in relation to underpinning policies and philosophies. Mere lists of employees’ rights can be ambiguous and, as such, open to a variety of interpretations and applications (Rowan 2000). At the macro end of the scale, an attempt has been made to draw ethical theory into HRM theory. This analysis, in the main limited to the “typical threesome” of rights/justice theories, deontology and consequentialism, is at an early stage, has many gaps and requires significant development.

Firstly, the assumptions underlying the acceptance of these ethical theories are not made explicit. Even to begin to apply these ethical stances to HRM is to make significant assumptions about the purpose of the organization, the roles and responsibilities of managers, and the rights and obligations of employees (and other stakeholders). Most ethical analysis, based on ideas of rights and duties, at a minimum assumes that employers have positive moral obligations towards their employees. Secondly, the treatment of ethical theory is at times overly simplistic. Furthermore, the application of a range of philosophical and ethical ideas beyond action-based theories—such as actor and relational theories—needs much greater attention.

Related to these two points is the third problem, the fact that the role of stakeholder theory in this debate has been overlooked. Stakeholder theory represents a significant part of the debate in business ethics and has many obvious connections to HRM. Using stakeholder theory does not “solve” the problem of which normative framework is most suitable. As Freeman (1994) and others have suggested, stakeholder theory is compatible with multiple normative frameworks. What may well be suspect here is the attempt to “solve the normative problem.” Using stakeholder theory ensures that HRM cannot duck the normative problem, and must come to grips with theoretical and practical solutions.

The Need for Stakeholder Theory

Stakeholder theory is conspicuously absent from many discussions regarding the theoretical underpinning of HRM (see Wright and McMahan 1992; Ferris et al. 1999). This is despite the fact that the “stakeholder” term is used widely and frequently in the employment context and that it is taken for granted that employees are legitimate stakeholders in the organization (see for example Handy 1991; Legge 1998). The stakeholder concept has grown in prominence over recent years due to increased coverage in the media, public interest and concern about corporate governance, and its adoption by “third-way” politics (Metcalf 1998). The examination of practices at the level of social transactions and interactions between organizational members (managers, employees and other stakeholders) could help bridge the gap between academic theory and practice (Cornelius and Gagnon 1999). The stakeholder perspective is in keeping with a pluralist view of employment relations which assumes that there are distinct groups with their own valid needs and interests with respect to the organization. Credit is due to Winstanley and Woodall (2000) for beginning a dialogue on the employee as a stakeholder.

Stakeholder theory is important for a number of reasons. First, of all employees in their attribution as stakeholders are human beings. Stakeholder theory does

not separate the business logic from ethical/human logic making a “value-free” analysis of business impossible. As such, its integration within HRM would fill important normative gaps. Second, employees often form the core meaning of any business model. Stakeholder theory defines business models as how an organization makes customers, suppliers, employees, communities and financiers better off, and how making one better off makes the others better off. Finally stakeholder theory suggests that purpose, principles and the relationship of the organization to society, needs to be a shared process where employees are at the center and engaged.

Stakeholder Theory and Employee Engagement

The engagement of stakeholders does not ensure the responsible treatment of stakeholders. The responsible treatment of stakeholders is defined in here as the organization acting in the interests of legitimate stakeholders. This definition, however, is necessarily restricted by two notions fundamental to normative stakeholder theory (Donaldson and Preston 1995). First, there is the issue of who is a legitimate stakeholder and what makes them such. Second, there is the issue of how the company balances inevitable conflicts between stakeholder claims. Without these limitations on the responsible treatment of stakeholders, the demands upon the organization would be so great as to render such responsibility meaningless (Phillips 2003).

Identifying Legitimate Stakeholders

The issue of which groups or individuals are identified as organizational stakeholders is central to debate in stakeholder theory (Mitchell, Agle, and Wood 1997). Rigid identification of the exact persons who qualify as stakeholders may be misplaced (Buchholz and Rosenthal 2005), but identification of what counts as a stakeholder claim is vital because of its implied assumptions about the moral relationship, or lack thereof, between an organization and its stakeholders.

From a theoretical point of view, stakeholder identification is fundamental to any debate about the nature of the relationships between organizations and stakeholders. From a practical point of view, it is an immediate and observable way of ascertaining the broader posture of an organization towards its stakeholder relationships (Miles and Friedman 2002).

Stakeholder theory offers a “maddening list of signals” on how the questions of stakeholder identification can be answered (Mitchell et al. 1997, 853). These include stakeholders identified as primary or secondary; as owners and non owners of the firm; as owners of capital or owners of less tangible assets; as actors or those

acted upon; as those existing in a voluntary or an involuntary relationship with the firm; as right holders, contractors or moral claimants; as resource providers to or dependents of the firm; as risk-takers or influencers; and as legal principles to whom agent-managers bear a fiduciary duty (Mitchell et al. 1997). The methods by which stakeholders are defined reflect particular views of the stakeholder conception. For example, a classic definition of a stakeholder as “having something at risk on the firm” is both derived from Clarkson’s risk-based stakeholder model (Phillips 1999, 33) is firm-centred and based on an implicit normative consequentialist structure of avoiding risk and maximizing profit.

In a bid to make sense of this assortment of ideas regarding stakeholder identification, the various definitions have been categorized. Freeman (1984) suggested that definitions of stakeholders could be described as narrow or broad. The narrow definitions included groups who are vital to the survival and success of the organization (Freeman 1984). The broad definition included any group or individual that can affect or is affected by the corporation (Freeman 1984). It is tempting to see the broad definition of stakeholders as the more moral or responsible definition. The inclusion of the category of stakeholders who are affected (as opposed to those who merely affect) the organization suggests a moral relationship absent in the narrow definition. However, Phillips (1999, 32) holds that that “stakeholder theory is meaningless unless it is usefully delineated.” Demarcation of stakeholders is necessary to allow for a moral relationship between the organization and its stakeholders by excluding those stakeholders without a moral stake.

Rather than conceive of stakeholders in either a narrow or broad sense, it may be more useful to consider definitions as depicting the stakeholder as either moral or strategic. Kaler (2002, 91) argues that, by dividing definitions of stakeholders into “claimant” definitions and “influencer” definitions, the moral duties of the organization can be greatly clarified.

Definitions of stakeholders as claimants tend to be rights-based and imply that the business owes perfect or imperfect duties to these stakeholders and, as such, are seen as “moral” definitions. In the terminology used in the landmark model of stakeholder salience (Mitchell et al. 1997) claimant stakeholders are high on attribute of legitimacy rather than power or urgency. In contrast, influencer stakeholders have the attribute of power and/or urgency rather than legitimacy. Definitions of stakeholders as having an influence on the organization, as being influenced by the organization, or as mutually influential, hold only strategic considerations and thus are considered as morally neutral (Mitchell et al. 1997). Here the implicit normative claim is that a simplistic consequentialism is not enough

as a moral basis for stakeholder theory. Yet teleological approaches remain the most prevalent within the business realm. It should be noted that according to this classification, Freeman's original definition of stakeholders as being "any group or individual who can affect or is affected by the achievement of organization objectives" (Freeman 1984, 46) is clearly an influencer definition. Slinger (2000, 68) asserts that this definition is "does not say all he (Freeman) would like to say" and is "simply not strong enough." Freeman et al. (2010) suggest that the search for a "singular solution" to the problem of stakeholder identification is in fact misplaced. Different solutions may well be appropriate for different kinds of problems.

Adjudicating Stakeholder Claims

Following the Phillips (1997) principle of fairness, acceptance of the contribution of a stakeholder imparts upon the organization a moral duty towards that stakeholder. This raises the fundamental challenge of stakeholder theory; how do the myriad of stakeholder claims (and corresponding organizational duties) interact with each other and how should they be managed. Instrumental models of stakeholder salience (Mitchell et al. 1997), no matter how convincing, do not help (Moore 2004). It has been noted earlier that the ability to affect the firm is not a sufficient condition for a moral claim. The fact that managers do pay attention to more powerful stakeholders does not necessarily mean that they should.

Several writers have given plausible responses to this problem. Phillips (1997) uses the principle of fairness to determine that obligations should be in proportion to the benefit accrued. Gibson (2000) suggests that the organization shows ethical partiality to stakeholders in the same manner that individuals show partiality to others, that is based on reciprocity, reparation and gratitude (Moore 2004). Rowan (2000) holds that where duties conflict, the organization should fulfill the duty that will show the greatest respect for persons, treats them as rational, with dignity and where possible as end in and of themselves.

Whichever principles are used to manage and integrate stakeholder claims, many have suggested that there exists a hierarchy of claims and corresponding duties. Kaler (2003) and Gibson (2000) differentiate between general and specific duties, and perfect and imperfect duties, whereby stakeholders owed perfect general duties take precedence over others. Any priority given to the owner stakeholders over non-owner stakeholders could only be justified on these grounds. The extension of fiduciary duties to "all others engaged in a joint endeavor or economic exchange" (Hosmer 1995, 393) was once a hallmark of stakeholder theory. More

recently, theorists have begun to suggest that focusing on conflicting claims of stakeholders is not always the best way to proceed. It privileges the language of “rights” which is not always useful. There is more to stakeholders than their rights claims. Being a “person” even a Kantian “person” is more than having a bundle of rights. For starters it is about being enmeshed in a past and a set of relationships, and the language of rights does not always capture this aspect of persons. Freeman et al. (2007) suggest that we take a value creation approach to stakeholder theory, whereby we see the interconnection and jointness of stakeholder interests. Where there appear to be trade-offs, we invoke our moral imaginations (Werhane 1998) to find ways to make all sides better off. “Moral” is an important caveat here, since abuse of power has historically been a problem.

Employees As Stakeholders

Employees are identified as primary stakeholders in the firm from both normative (Phillips 1999) and instrumental (Mitchell et al. 1997) perspectives. The employment relationship is readily recognizable as a co-operative scheme in which obligations of fairness are created in proportion to the benefits accepted (Phillips 1997) in which employees are primary participants. Of particular note is that employees² may be relatively highly salient stakeholders (i.e., high power and high legitimacy) to whom the firm owes a perfect duty.

Employees have significant influence on the firm and therefore can be identified as high power (Mitchell et al. 1997) “influencer” (Kaler 2002) stakeholders. Employees are closely integrated with the firm, giving them a “peculiar role among stakeholders” (Crane and Matten 2004, 224). They contribute to the firm in the most fundamental ways. The employees actually “constitute” the firm: they are a “resource of the corporation, they represent the company towards other stakeholders, and they act in the name of the corporation” (Crane and Matten 2004, 224).

In addition, employees are greatly affected by the success or failure of the firm. Employees have a continuing investment in the firm; an investment of experience and specialized skills (Maltby and Wilkinson 1998), accrued resources and personal relationships. Employees often make a considerable investment in taking a job that may include a geographical move, change in relationships or additional training. Employees may become financial dependent on organizations. The company is likely to form the basis of their economic livelihood through their income or share ownership. Given the investment in time and effort individuals often place in their jobs and careers, they may also depend on their work for social relationships, self-identity and self-actualization (Crane and Matten 2004). Hence,

even according to the narrowest of definitions, employees can be identified as high legitimacy (Mitchell et al. 1997), “claimant” stakeholders (Kaler 2002) to whom the company has perfect duties (Gibson 2000; Kaler 2003).

More subtly, employees are persons with names and faces. As we argued above they are much more than a set of outcomes, useful in some sense to company goals. They have their own projects, some of which intersect with organizational projects (Freeman and Gilbert 1987). The highly stylized philosophical language of “duties, perfect duties, utility, and rights” simply misses much of what it means to be a person, and misses much of the role of language (Crary 2009).

Employee Engagement

Employee engagement practices are a significant feature of many organizational approaches to HRM (Effron, Gandossy, and Goldsmith 2003). For example, Luthans and Peterson (2002) report the example of the Gallup Organization’s research in over 2,500 units, using the Gallup Workplace Audit (GWA) to measure employee engagement. It is often implied that these practices are of benefit, indeed in the best interests of, employees (Effron, Gandossy, and Goldsmith 2003; cf. Rothschild 2000). Employee engagement is taken to mean the intention and actions on behalf the organization to include employees in various aspects of the workplace whereby the employees respond by becoming involved. Hence, employee engagement as seen as a reciprocal activity, albeit one that is, to a large extent, initiated and controlled to the organization. This definition follows that of stakeholder engagement (Beckett and Jonker 2002) and is somewhat different to the employee centered definition derived from HRM, whereby employee engagement is seen as the extent to which employees are cognitively and psychologically connected with others and how this affects their involvement in task performances in the organization (Kahn 1990).

Employee engagement practices can include a range of activities which vary as to the amount of employee control (Blyton and Turnbull 1998), from employee participation (low control) to employee empowerment (high control). Generally, these practices imply an increased employee input into decision making, increased employee control over resources, increased employee self-regulation and authority—in short, increased employee discretionary power (Claydon and Doyle 1996). There is, however, skepticism as to the amount of true power afforded employees, even at the “empowerment” end of the spectrum (Wilkinson 1998).

There is an apparent soundness of logic to the supposition that the more an organization engages with its employees, the more responsible and accountable

that organization is likely to be towards these employees. Indeed, there is a “moralistic theme” in the employee empowerment literature (Claydon and Doyle 1996, 13). The suggestion, however, that engaging with employees is an inherently responsible action on the part of the firm is fallacious. Just because an organization attends to employees does not mean it is responsible towards them. Likewise, just because an organization does not engage with employees does not mean that the organization is not responsible towards them. Such assumptions do not account for the propensity of the organization to act in self-interest, particularly where there is a large power imbalance in the favor of the organization. Claydon and Doyle (1996, 16) note that: “The language of empowerment, like the HRM discourse more widely, slides between deontology and ethical egoism.” Hence, it is posited that employee engagement does not equate with moral responsibility and that in many cases the normative frameworks guiding engagement policies and practices are unacknowledged and incorrectly assumed.

As such, to suggest that employee engagement is amoral is somewhat simplistic. There are moral elements to employee engagement, predominately the attribution of some free will and respect to the workers and existence of some element of procedural justice of the process (Rothschild 2000). Clearly, unless employees are to some extent voluntary and active in the process, and the process is seen as fair and just by them, then engagement cannot be said to occur (the process would be more akin to manipulation or indoctrination). However, there are other “moral” elements that may be assumed or implied as part of engagement process (employee involvement as being necessarily “good” for employees) that are not necessarily present. The intent of the actors may be taken for granted erroneously. Just because someone communicates or consults with another does not mean that they have any interest in fulfilling the other’s desires or wants. In the organizational setting, employee participation in decision making is rarely undertaken to achieve the goals of the employees, but rather done to further the objectives of the organization. Likewise the virtue of the actors may be incorrectly assumed. Just because a manager acts in a fair and respectful manner in an engagement process does not mean that these are virtues that they value or nurture. Finally, it is often incorrectly assumed that the outcome sought is that which will provide the best utility for all parties involved. A conflation between the justness of the process (procedural justice) and the justness of the outcome (distributive justice) may occur indicates the limitations of a justice approach. Once more, the power differential between the parties, and the potential for abuse of power under such circumstances, has not been taken into account. Thus it is claimed that the

engagement process per se should be considered as independent of the intentions of the actors, the virtue of the actors and the fairness of the outcomes and, as such (with the qualification identified earlier), can be depicted as largely morally neutral or unaligned (as opposed to amoral or value-free).

If employee engagement is considered as independent of the moral treatment of employees then the questions arises: how are the engagement of employees and the moral treatment of employees related, and what is the influence of power on the relationship? The issue of what constitutes moral treatment of employees is of course central to “ethical” HRM and will be addressed at some length in the following section.

A Model of Employee Engagement and “Ethical” HRM

By separating engagement from moral treatment we allow for a number of diverse relationships between the organization and its employees. There is the possibility that an organization has no concern in either engaging with its employees or acting in the interests of its employees. Next, there is the possibility that an organization may act in what it believes to be the interests of the employees without consulting its employees. Also, there is the possibility that an organization may engage with its employees with the intent of acting in these employees’ interests, and the counter possibility that the organization may engage with its employees without the intention of acting in the employees’ interests.

Employment at Will

First, there is the scenario of neither engagement nor moral treatment (see quadrant 1, Figure 1 [page 288]). This is in keeping with the narrow conceptualization of the firm as a nexus of economic exchanges and is consistent with unitarist ideology. It is the view of Duska (2004) that the company should not be seen as an object of loyalty or having any moral status. Given that the goal of profit is the reason that the company is brought into existence, loyalty to a corporation is not only not required, but likely to be misguided. The company’s only concern is to manage its assets to obtain the goals of its owners and the workers’ only concern is to get the best working conditions they can. An employer will release an employee and an employee will walk away from an employer when it is profitable for either one to do so (Duska 2004). Under these conditions “hard”³ HRM would seem ideal. This would involve a clear and voluntary contract involving exchange of labor for payment and minimal work conditions. The implications of such a contract are that the organization would have no moral obligation distinct from its legal obligations

to the employee. Likewise the employee would have no moral obligation to the employer, for example, in a case of breaking confidentiality or whistleblowing. Clearly, in this situation, HRM practice and policy would be entirely strategic in nature. The possibility of an entirely voluntary exchange, however, makes a number of assumptions about the employee's free will. Some employees may themselves be strategic and voluntarily choose to be "mere means" and to not invest in the firm: what Freeman and Gilbert (1988) refer to as a "personal project enterprise strategy." However, many employees have significant investments in their employment relationship. Freedom to enter and exit from an employment contract would be dependent upon a number of personal and environmental contingencies, such as the marketability of the employee's skills, the rate of unemployment, and the employee's financial circumstances. Employees who take care of themselves by having a diverse set of skills that are tradable in the open market are the atypical elite (Jacoby 1998). Likewise, the company may face encumbrances that would limit its freedom in such an economic exchange. Given the resource differential between the parties, however, it is far less likely for employees to be acting in a truly voluntary manner. Absence of full voluntary interaction in many employment relationships elucidates the limitations of a rights-based approach to HRM.

Paternalism

Next, we allow for the possibility for a company to act in the interests of employees without necessarily engaging with them (see quadrant 2, Figure 1). This traditional version of social responsibility may take the form of paternalistic management practices towards employees or philanthropic donations to the community. Paternalism in the employment relationship is hardly a new or radical concept. Its roots lie deep in the past when employers provided for the welfare of their employees (Jacoby 1998). Whilst HRM may be seen in part as a replacement of traditional paternalism, we are cautioned that employer paternalism is not dead; it is just changing in nature (Jacoby 1998). Sennett (1999) encourages us to see virtue in the dependency of the employee on the employer, and suggests that moves away from social inclusion in the workplace are detrimental to employees. Reliance on a paternalistic style of employee management has significant risks. According to Purcell (1987), such paternalism restricts the freedom of individuals by imposing well-intended regulation and is midway between treating an employee as a commodity and treating an employee as a resource. Whether the company can know or will respond to the interests of employees without the employees' involvement is highly questionable. If the employer can choose to be

benevolent, they may also choose not to be, as has been suggested to be often the case in times of economic downturn (Jacoby 1998). There are, of course, scores of temporary and casual workers whose work is typically beyond the reach of paternalist management. Thus, it is contended that voluntary acts of benevolence alone cannot ensure the moral treatment of many types of employees in many types of employment arrangements and that ethical management practices must go beyond these alone.

“Ethical” Human Resource Management

When employee engagement combines with moral treatment of employees, we have a scenario of “ethical” HRM (see quadrant 3, Figure 1). It is this combination of stakeholder engagement together with ‘moral’ treatment of stakeholders that often is implied by “ethical HRM.” According to stakeholder theory it is incumbent on the organization to treat its employees as an end in their own right and to bear the consequences of its behavior toward employees, and to see employees as full moral persons. This stance is consistent with pluralist assumptions of the employment relationship, and a pluralistic approach to questions of ethics. One way to see this is in contrast to the employment-at-will scenario described earlier, that parties have entered into a contract with consent and voluntary action. The organization has positive obligations by virtue of its acceptance of the benefits of employees’ contribution (and vice versa). However, as we have repeatedly suggested this question of consent and voluntariness only goes so far. These concepts themselves need further elaboration and defense.

The main application of ethics to HRM has continued to be rights theory. Werhane et al. (2004) have detailed how such a theory can be developed under the rubric of employee rights. Employees have the fundamental rights to liberty and safety within the work place including: freedom of association, the right to organize, collective bargaining, abolition of forced labor, equality of opportunity and treatment, and other standards regulating conditions across the entire spectrum of work related issues (ILO 2004). Bowie (1998) argues beyond this, suggesting that employees also have the right to meaningful work. In addition, Rowan (2000) argues the employee has the right to respect, in which he includes the rights to freedom, well-being and equality. This view of ethical HRM implies that the organization will not only act in the interests of its employees and do so with the intent of furthering those interests, but also involve employees in decisions regarding those interests. In the light of these claims it is clear that demands on the organization of ethical HRM are very high. The essential questions of why the company

would undertake such morally demanding and economically costly practices and, indeed, whether a company should the company undertake such practices remain unanswered.⁴

Rights-based approaches are important especially when basic rights have been ignored, and one party has misused its power to prevent the joint satisfaction of both parties. However the language of rights has limitations especially when it is extended to try and cover areas such as engagement, the discovery and fulfillment of human purpose, and work-life balance or integration. Here we need a more comprehensive account of our humanity and what that means when the majority of our lives is spent inside organizations. We can all have our rights respected, and not live a very fulfilling life.

“Unethical” Human Resource Management

Finally there is the likelihood that organizations will engage employees not with the purpose of furthering the interests of the employee group but rather with the intention of furthering the interests of another group, that of the shareholders (see quadrant 4, Figure 1). Similar to employment at will scenario of no engagement/no responsibility, employees would be treated entirely strategically. However, unlike the earlier instance, this would not be necessarily clear and unambiguous. Similar to the “ethical” scenario of engagement/ moral treatment there may be the suggestion of moral treatment. The employee empowerment literature abounds with apparent moral rightness for both organization and employees (Claydon and Doyle 1996). However, unlike the earlier instance, the consent of the employee and voluntary nature of the contract cannot be assumed. (Claydon and Doyle 1996, 23) found that: “empowerment is voluntary but not optional,” meaning that it demands the voluntary exercise of employees’ capacities, but there is no option to refuse this demand. Grave doubts are thrown on the purported nature of such practices with Wilkinson suggesting that “management have defined the redistribution of power in very narrow terms . . . strictly within an agenda set by management” (Wilkinson 1998, 49). Thus, there is an apparent conflict between the pluralist overtones of employee engagement practices and the unitarist reality of powerful corporations acting in self interest. This ‘double-edged sword of soft HRM practices has been noted (Greenwood 2002). In the words of Claydon and Doyle (1996, 15), “labor is required more than ever to be both committed as a productive subject and disposable as a commodified object”

The gap between the rhetoric and reality of HRM has been well documented and explored (see Legge 1995). The possibility that this gap is an indication of

manipulation misleading deceptive behavior is raised. Decades ago, Friedman (1970) noted what he saw as potential fraud on behalf of the company:

There is a strong temptation to rationalize actions as an exercise of 'social responsibility' . . . for a corporation to generate good-will as a by-product of expenditures that are entirely justified in its own self-interest. . . . I can express admiration for those (corporations) who disdain such tactics as approaching fraud.

In purporting to care for the interests of employees, with the true intent of furthering the interests of the shareholders, the organization risks acting in a deceitful and manipulative manner. Such action would violate the basic principles on which stakeholder theory has been developed: the right of the stakeholder to pursue their own interests, and the responsibility of the corporation to ensure that the outcomes of corporate action benefit the stakeholders.

There is within the business ethics literature a tendency to attribute unethical behavior to failure or absence of moral perception or reasoning (Seabright and Schminke 2002), that is, a passive act of omission. Seabright and Schminke (2002) argue the antithetical view that malevolence can be an active, creative or resourceful act. They posit that unethical behavior could be based on an *immoral imagination* reasoning process that includes sensitivity, judgment, intention and implementation and as such be an action of commission. Given the power base of most organizations, and the sophisticated resources available to them, the likelihood that stakeholder engagement practices are actively employed to control and manipulate stakeholders must exist. Hence this form of HRM would not necessarily be amoral but may well be considered immoral or unethical. Thus, there is a concern that employee engagement, rather than reflecting moral treatment of employees, may signify *unethical* management of employees.

Conclusion and Implications for Ethical Analyses of HRM

Ethical analysis of HRM is developing as an important area of inquiry for both the research and practice of HRM. An ethical perspective HRM differs from dominate HRM philosophies and practices in that it places ethical considerations at the forefront and, in doing so, offers valuable critique of extant HR research and practices. Moreover, an ethical perspective differs from critical analysis of HRM in that it definitively addressed normative questions and concerns.

Theoretical rigid application of ethical principles to isolated HR philosophies and practices have been of limited value. It has been argued that a pluralist, pragmatic heuristic is needed. Stakeholder theory offers the potential to conceptualize the organization-employee relationship as a moral relationship and the employee as a moral person. As moral persons, employees have the right to pursue their own interest, and to be engaged in decisions that affect these interests, and we need to come to see employees with the same moral urgency as we see our children and family members. As with those thick moral connections, the language of “rights” does not capture all the necessary ingredients, though it is a good starting point for building models of more ethically sensitive HRM practices. It has been established, however, that engaging with, or attending to, the need of employees is not a sufficient condition for the relationship between the organization and its employees to be considered moral. A model showing the relationship between employee engagement and “ethical” HRM allows for greater understanding of HRM and is applicable to both HR theory and practice.

Further developments in ethical analyses of HRM are imminent with many questions and concerns ripe for exploration. Such areas include, but are not limited to, the language and rhetoric of HRM; the objectification and commodification of the human in HRM; corporate appropriation of people through HRM practices such as employee engagement and employee empowerment; the social legitimacy of the HR function and practitioners; and, the implication for the employee of the shift in institutional and political power to the firm. Stakeholder theory takes its place alongside a number of philosophical lenses pertinent to such examination.

Endnotes

1. Excerpts from these papers have been reproduced with permission from the publishers. We thank Springer for permission to use Greenwood (2002) and (2007), and Oxford University Press for permission to use Greenwood and De Cieri (2007).

2. Employees are considered, in the context of this discussion on human resource management, to be people employed legally in unskilled, semi-skilled, and skilled jobs. We recognise that many people work under duress in precarious, standard and/or illegal jobs but this “employment” is not the focus of this paper.

3. This follows the classic “ideal types” of “hard” and “soft” HRM as depicted by Storey (1987).

4. Are these correct demands to make of a corporation? This raises the question of whether or not ethical HRM is in fact an appropriate responsibility of business. Comprehensive debate over the purpose of the organisation is beyond the scope of this essay; however, for comprehensive coverage of the “no” argument, see Sternberg (1997).

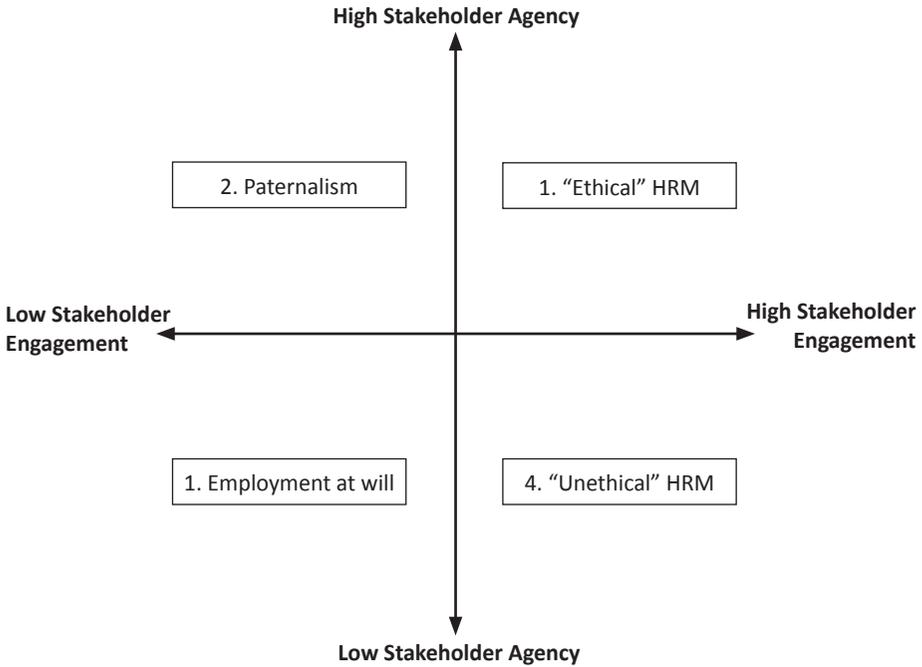


Figure 1: Model Conceptualising Employee Engagement and "Ethical" HRM

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