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Ethics and governance

Expanding the HR curriculum to meet scrutiny in the new world order

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Introduction

- As we carefully survey the topic before us today, we observe that that it can be broken up into at least five significant parts:
- **First**, ethics, not in the broader sense perhaps, but more particularly, **business** ethics – for which we must find an acceptable definition
- **Second**, governance – both governmental and corporate
- **Third**, the HR curriculum and the role of ethics
- **Fourth**, scrutiny and its many manifestations
- **And finally**, the new world order
- My objective is to look at each of these in turn so as to set an overarching framework for the deliberations which are to follow

Ethics in the context of business

- Ethics has come to occupy centre-stage in the discourse on governmental administration and corporate governance because in the realm of both, in recent years, there have been just too many scams, scandals, and malpractices
- In America, in Europe, in the UK and all across South Asia, instances of fraud, deceit and unfair practices have not only abounded, but have shown an ever increasing trend
- If ethics refers to those values that help in making a choice of right over wrong, then in the context of business, ethics would mean those values that govern the business transactions of organizations and persons within organizations
- The debate on ethics in corporate governance has come to the fore owing to the decline in moral values, the weakening of institutional mechanisms and the poor enforcement of laws, or, as in the case of the US, the absence of laws themselves for some sectors (such as investment banking)

Ethics, corporate governance and the causal factors

- The primary characteristics of ethical corporate governance:

<ul style="list-style-type: none">1. Discipline2. Transparency3. Independence4. Accountability	<ul style="list-style-type: none">5. Responsibility6. Fairness7. Social responsibility
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- Effective corporate governance requires a pro-active focused state of mind on the part of the directors, the CEO and the entire senior management team – all need to be committed to business success through demonstration of highest standards of ethical behavior
- It is the collective ethical values of people within the organization that reflect the ethical values of the organization as a whole – which is why HR has such a crucial role to play
- The prevailing legal system and the governmental environment also play a significant role in determining the ethical benchmarks

Ethics and the HR curriculum

- Ethical issues abound in HR activities:

- | | |
|---|------------------------------------|
| 1. Performance appraisal | 7. Safety and health |
| 2. Race, gender, caste, community, religion, age, disability... | 8. Restructuring and layoffs |
| 3. Executive perquisites | 9. Corporate social responsibility |
| 4. Job discrimination | 10. Respect for employee rights |
| 5. Working conditions and job satisfaction | 11. Participation in management |
| 6. Privacy issues | 12. Wage administration |
| | 13. And so on... |

How ethics affects the HR function

- Ethics is important to businesses in general; but for several reasons strongly affects the HR function:
 - ➔ Ethics corresponds to basic human needs
 - ➔ Values create credibility with the public
 - ➔ Values give the management credibility with its employees
 - ➔ Values lead to higher level and quality of decision making
 - ➔ Ethics and profits can and do go together – although generally over the longer term
 - ➔ Laws alone do not safeguard society – Adherence to ethical principals can play a significant role

Managing ethics

- It used to be that in most firms, ethics was a matter of individual conscience. Not any longer. The scenario has rapidly changed
- Today many businesses are using managerial techniques that are designed to encourage ethical behavior:
 - ★ Top management playing an exemplary role
 - ★ Installing a Code of Ethics
 - ★ Ethics committees
 - ★ Ethics hot lines
 - ★ Ethics training programs
 - ★ Creating a culture of ethical action

Scrutiny

- ➔ By governments
- ➔ By watchdog bodies (e.g. SEBI of India)
- ➔ By the media
- ➔ By civil society organizations
- ➔ By activists (those who belong to no NGO but band together for a common cause)
- ➔ The whistleblower system
- ➔ HR auditors
- ➔ Consultants

The new world order

- ➔ Globalization
- ➔ The rise of the multinational corporations
- ➔ Business ethics and cultural differences – The concept of ethical relativism
- ➔ Technology and business ethics
- ➔ Corporate social responsibility – The Ethical Code

Conclusion

- ➔ Taking HR policies and programs to the next ethical level
- ➔ Bringing ethics to the centre stage of HR management
- ➔ Inspiring, anchoring and imbedding ethical values in the culture of the organization
- ➔ Installing ethics as an integral part of governance
- ➔ Towards global ethical governance



Thank you

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