

QUESTIONING 'ETHICAL' HRM

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Abstract

The development of an ethical perspective of Human Resource Management 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. This paper adds to the debate by highlighting the often-overlooked yet fundamental distinction between engaging employees and acting in the interests of employees. The assumption of a direct and positive relationship between engagement of employees through soft HRM practices and the ethical treatment of employees within mainstream HRM literature is a dilemma. It is problematic not just because it may be inaccurate but, more importantly, because it may be misleading. The concern is that, rather than being necessarily ethical, soft HRM may in fact be unethical.

The following paper is divided into four sections. First there is a brief overview of the various perspectives of HRM and the development of an ethical perspective of HRM. Next the depiction of HRM policy and practices as either 'soft' or 'hard' is established. The dual nature of HRM in modern organisations is explored and concerns about soft HRM practices are identified. Subsequent, the fundamental problem within the HRM literature of the conflation of employee engagement and ethical treatment of these stakeholders is identified. The need for the separation of these two constructs is established. Finally the potential implications for HRM as an ethical practice are raised.

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QUESTIONING 'ETHICAL' HRM

INTRODUCTION

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. This paper adds to the debate by highlighting the often-overlooked yet fundamental distinction between engaging employees and acting in the interests of employees. There is an implicit assumption within much HRM literature of a direct and positive relationship between engagement of employees through soft HRM practices and ethical treatment of employees. There is an apparent soundness of logic to the presumption that the more an organisation engages with its employees the more responsible and accountable the organisation is likely to be towards these employees. The mechanism seems apparent. Through soft HRM practices such as employee consultation, training and development, and valuing each other the organisation and the employees are more likely to understand, to accept and to act in each other best interests. This occurrence could exist, and perhaps we believe it should exist, but to assume it necessarily does exist is highly problematic. It is problematic not just because it may be inaccurate but, more importantly, because it may be misleading. The concern is that, rather than being necessarily ethical, soft HRM may in fact be unethical.

The following paper is divided into four sections. First there is a brief overview of the various perspectives of HRM and the development of an ethical perspective of HRM. Next the depiction of HRM policy and practices as either 'soft' or 'hard' is established. The dual nature of HRM in modern organisations is explored and concerns about soft HRM practices are identified. Subsequent, the fundamental problem within the HRM literature of the conflation of employee engagement (or stakeholder engagement¹) and ethical treatment of these employees is identified. The need for the separation of these two constructs is established. Finally the potential implications for HRM as an ethical practice are raised.

HRM WITHOUT ETHICS

The domination of human resource management (HRM) research and practice by a pervasive "mainstream" perspective of HRM has been alluded to only recently and rarely (Greenwood 2002). (Kamoche and Mueller 1998) find the "apparent reluctance of many HR scholars, practitioners, and consultants to acknowledge the rationale underpinning the practice of HRM" to be "remarkable". It is contended that a common paradigm pervades research and practice in HRM (Greenwood 2002). The features of this mainstream viewpoint are that it tends to be US based (Legge 2000) and practitioner focused, its content is prescriptive and often relies on naïve generalisations 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 organisational 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 on 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 1980's and continue to reflect this ideological climate. This perspective continues to be dominant and pervasive for a number of reasons including the influence of popular management writers and theories, the focus on positivism in HRM research, and the decline of unionisation resulting in a shift to enterprise based negotiation (Greenwood 2002).

Criticism of mainstream HRM research has arisen from within its own ranks and from outside. (Wright and McMahan 1992) express concern regarding the lack of a theoretical framework in HRM. (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 organisational

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. (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.

Further strident criticism of HRM has been voiced by "critical" writers (Legge 1996; Guest 1997). 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 labour relations have distinct and important perspectives on the workplace. In general, the critical perspective sees HRM as a social constructed phenomenon that is used by the powerful for their own ends. 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. HRM is identified as rhetorical and manipulative, as a tool of management to control the workers. (Kamoche 1994) claims that the unitarist ideology of HRM is used to control any divergence of interest between managers and subordinates in order to achieve economic goals. Rather than being a way for employees to fully develop and contribute in organisation, 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 organisation. HRM is accused of redefining the meaning of work and the organisation-employee relationship in order to gain the acceptance of such intolerable actions. Many sceptical commentators have suggested that 'soft' HRM is just a 'hard' HRM in disguise, as a 'a sheep in wolf's clothing' (Keeney 1990, as cited in (Legge 1995).

HRM WITH ETHICS

The introduction of ethical theory and stakeholder theory in the discussion of HRM is a fairly rare and nascent occurrence. Whilst writers have 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 a normative stance. Questions such as "is this right or wrong" or "how should organisations 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 80 years of HRM science and practice (Ferris, Hochwarter, Buckley, Harrell-Cook and Frink 1999) identify the issues of justice and accountability 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 and theories of moral development, corporate social responsibility or stakeholder management have generally been ignored.

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. HRM research has moved well beyond the exploration of individual practices (see for example (Guest 1997). 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.

Legge (1995, 1996) is recognised for introducing ethical analysis to debate on the *gestalt* of HRM. She uses both teleological (consequentialist) and deontological (non-consequentialist) ethical theories to evaluate various forms of HRM. A perceived need to be more practitioner focussed has led (Winstanley, Woodall and Heery 1996a) to reconceive these ethical theories in more user-friendly ethical frameworks for HRM. (Rowan 2000) also offers managers a set of more user-friendly guidelines for the moral foundation of employees' rights. Whilst these frameworks are less abstract and more accessible than the doctrines of philosophic ethics employed by (Legge 1996), they still represent a set of ideals to which individuals and organisations may aspire, and imply businesses have affirmative obligations to society. Such analysis is still

at an early stage and requires significant development (Greenwood 2002). This paper focuses on furthering the macro-level discussion of specific forms of HRM.

‘HARD’ AND ‘SOFT’ HUMAN RESOURCE MANAGEMENT

The distinction between ‘hard’ and ‘soft’ models of HRM policies and practices was first made by Storey (Guest 1987; Guest 1999) The ‘hard’ version of HRM explicitly presents workers as a key resource for managers to exploit, thus reflecting the capitalist view of the worker as a commodity. Under this view the employment relationship is seen as an economic exchange to be terminated when no longer required. In contrast, the ‘soft’ version of HRM views employees as means rather than objects. Nevertheless, this view sees HRM as a way of gaining the commitment of employees in order to achieve organisational goals. The focus of soft HRM is on winning the ‘hearts and minds’ of the workers in order to further the interest of the corporation.

These models should be understood as ‘ideal’ types which are unlikely to be seen in their pure form. The soft–hard dichotomy has been well established in normative models of HRM, and this distinction needs to be taken into account in conceptualisations of HRM (Truss, Gratton, Hope-Hailey, McGovern and Stiles 1997). However, a study by (Truss et al. 1997) showed that no pure example of either form of HRM existed. (Legge 1995) notes that most normative statements of HRM contain elements of both soft and hard models.

In considering definitions and descriptions of soft human resource management, it can be seen that there is little ambiguity as to whose interests are being served. Walton told us as early as 1985 that “it should come as no surprise that eliciting worker commitment- and providing us the environment in which it can flourish- pays tangible dividends for the individual and the company” (Walton 1985). Literature that discusses the link between soft HRM practices and the achievement of organisation goals abounds (Guest 1990; Huselid 1995; Purcell 1999). Nevertheless there is a pervasive rhetoric that soft HRM is somehow better for employees than hard HRM, a suggestion that soft practices are at least in part undertaken for the benefit of the employees. Soft human resource management “while still emphasizing the importance of integrating HR policy with business objectives, sees this as involving treating employees as valued, a source of commitment, adaptability and high quality” (Guest 1987; Legge 1995). Soft HRM “is an approach that acknowledges the importance of HRM to the aims of the business, whilst reflecting attempts by management to create a work environment that emphasises employee development, through practices such as training, participation and communication, and the importance of having innovative, flexible, committed employees who are valued resources (Kane, Crawford and Grant 1999): 496. (Kamoche 1991) comments that soft HRM creates an understanding of the employee as having active and creative role and “sees him (sic) as an actor whose commitment is no longer taken for granted, but must be one.”

Modern organisations are characterised by human resource management practices such as training and development, flexibility, teamwork and cultural management. The rhetoric of soft human resource management suggests that these practices provide employees with the opportunity to participate, gain greater skills, perform a wider range of tasks and have more control over their work. The suggestion is that the organisation feels an obligation to care for its employees. Measured against the Kantian dicta of seeing employees as an end in themselves and respecting the rights of the individual, soft HRM appears to score well. In contrast, hard HRM practices are seen as unethical from the same perspective since they treat employees only as a means to an end.

THE DUAL NATURE OF SOFT HRM

The suggestion that the ‘soft’ HRM promoted by the popular theorists is just a ‘hard’ HRM in disguise has been pursued by many skeptical commentators. Critical theorists have identified the other side of a double-edged sword. An absence of clear lines of authority, for example, encourages greater contribution and cross-skilling, but also frees management to shift and adapt and rationalise without the need to justify its actions (Sennett 1998; Warren 2000). Team working encourages employee involvement and sharing but also allows the avoidance of managerial responsibility and suppresses resistance and confrontation (Sennett 1998). In

general, the critical perspective sees HRM as rhetorical and manipulative and, thus, a tool of management control over workers. Rather than being a way for employees to fully develop and contribute within the organisation, HRM practices are a way of intervening in employees' lives in order to ensure they make a greater sacrifice to the needs of the organisation. HRM is accused of redefining the meaning of work and the organisation–employee relationship in order to gain the acceptance of such intolerable actions. As early as 1990 HRM was cleverly depicted by Keenoy as 'a sheep in wolf's clothing' (cited in (Legge 1995)). Even if the rhetoric is soft, the reality is almost always hard. If the potential duality of these practices is accepted and we are no longer assured that individuals' rights are being respected, then their approval under the conditions of Kantian ethics must come under scrutiny.

It appears that increasingly individual soft HRM practices are coupled with hard HRM systems. The transformation of the Australian economy in the last few decades has meant a transformation in conditions for Australian workers. Among developed countries, Australia, together with the US, has the highest rates of casualisation in the labour force (Steketee 2003). There is no such thing as traditional working week (only 7% of workers complete their work between 9am and 5pm) (Watson, Buchanan, Campbell and Briggs 2003). Many of those on longer hours would like to work less while many part-time and casual workers would like to work more. Businesses can now have exactly the right labour at the right time in the right place, (no more, no less) to maximise productivity and efficiency. In such a workplace can there be such a thing as soft HRM? Despite the existence of employee assistance schemes of life skill training or family friendly practices, the overriding nature of the management of employees is as that of a commodity that can be cut to just the right size to match the demand. Soft HRM practices at the micro-level cannot only be considered soft if the corresponding macro practices are not. According to the Business Council of Australia, "We have a few more tricks in our bag that provide us with a lot more flexibility but a bit more humanity" (Steketee 2003). The concern is that we get our lot of flexibility without our bit of humanity, let alone our lot of humanity.

Another central issue in HRM is the split between 'core and 'periphery' employees Those who receive special treatment, including fringe benefits and management 'core', in return for professional competence and commitment to the organisation, are considered 'core' employees, and contrasted with 'periphery' employees, who are not incorporated into the organisation and may or may not participate in these benefits (Kamoche 1991). Changes in the Australian job market in the 1990s have resulted in a large reduction in middle income occupations producing a job market more polarised between professional jobs at the top and low income, casual and part time jobs at the bottom (Watson et al. 2003). (Kamoche 1991) suggests that there are different rules for different workers: Soft HRM for core employees which may be expressed through a "caring-commitment" dialogue and a rigid, hard HRM system which consists of periphery workers with systematically eroded skills and depressed earnings.

Thus, it is the soft model of HRM, the version that purports to care for the employee, that is of greatest concern from an ethical standpoint because it is viewed as more subtle and potentially insidious (Guest 1997; Warren 2000). If we cannot be assured of the soft nature of HRM practices (whether we are dealing with a wolf in sheep's clothing), then it is more hazardous for employees to be exposed to such practices than for them to face blatant hard HRM practices. We *know* to approach a wolf with caution.

THE SEPARATION OF EMPLOYEE ENGAGEMENT AND RESPONSIBILITY

There is an apparent soundness of logic to the supposition that the more an organisation engages with its employees the more responsible and accountable that organisation is likely to be towards these employees. The suggestion, however, that engaging with employees is an inherently responsible action on the part of the firm is fallacious. Just because an organisation attends to employees does not mean they are responsible towards them. Likewise, just because an organisation does not engage with employees does not mean that the organisation is not responsible towards them. The mitigating factor in the relationship is the reason or reasons why the organisation engages employees. Is the company engaging with the employee to further the interests of the employee or to further its own interests? These questions are fundamentally linked to a debate on the relationship between business and society, the purpose of the firm and corporate social responsibility. Evoking the quintessential stakeholder Kantian dictum², it is clear that employees can be treated either in a

strategic manner, that is, as a means to an (organisational) end, or as a responsible manner, that is, as an end in themselves.

Stakeholder analysis, for instance, involves the identification of parties affected and the determination of positive and negative impacts on these parties. For what purpose this engagement is taken cannot be assumed. (Goodpaster 1991: 57) correctly states that decision making involving stakeholder analysis can be “for different underlying reasons, not always having to do with ethics”. Thus stakeholder engagement, in and of itself, is morally neutral and should not be seen automatically as responsible thinking. Management may be careful to consider positive and negative stakeholder effects in order to minimise potential stakeholder resistance or retaliation. This is precisely what is meant by the often-banded term ‘stakeholder management’. Rather than being driven by ethical concern for stakeholders, management may be concerned about potential aids or impediments to the achievement of strategic objectives. Hence, this model of stakeholder decision making is referred to as ‘strategic stakeholder management’³ (Goodpaster 1991: 57; Berman, Wicks, Kotha and Jones 1999) where the organisation engages with stakeholders in order to further the interests of the organisation rather than out of concern for stakeholders interest.

IMPLICATIONS FOR ‘ETHICAL’ HRM

By separating engagement from responsibility we allow for a number of diverse relationships between the organisation and its employees. There is the possibility that an organisation has no concern in either engaging with its employees nor acting in the interest of its employees. Next, there is the possibility that an organisation may act in what it believes to be the interest of the employees without consulting its employees. Also, there is the possibility that an organisation may engage with its employees with the intent of acting in these employees interest, and the counter possibility that the organisation may engage with its employees with the without the intention of acting in the employees interest.

First, there is the scenario of neither engagement nor responsibility. This is in keeping with the narrow conceptualisation of the firm as a nexus of economic exchanges. It is the view of (Duska 2001) 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 2001). Under these conditions ‘hard’ human resource management would seem ideal. This would involve a clear and voluntary contract involving exchange of labour for payment and minimal work conditions. The implications of such a ‘contract’ are that the organisation would have no moral obligation as distinct from its legal obligations to the employee. Likewise the employee would have no moral obligation to the employer in, for example, a case of breaking confidentiality or whistleblowing. Clearly, in this situation, HRM practice and policy would be entirely strategic in nature.

Next, we allow for the possibility for a company to act in the interests of employees without necessarily engaging with them. 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). According to (Purcell 1987) paternalism is ‘limiting the freedom of the individual by well-meaning regulation’ and is midway between treating an employee as a commodity and treating an employee as a resource. 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. Whether the company can know or respond to the interests of employees without the employees’ involvement is highly questionable. It is commonly believed that responsible management practices should incorporate employee consultation and go beyond acts of benevolence.

When employee engagement combines with responsibility towards employees we can refer to the ‘moral’ treatment of employees. It is this ‘moral’ treatment of stakeholders that often is implied by writers when they use the term corporate social responsibility. This responsibility forms the foundations of moral stakeholder theory. According to (Evan and Freeman 1993) it is incumbent on the organisation to treat its employees as an end in their own right and to bear the consequences of its behaviour toward employees². 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 labour, equality of opportunity and treatment, and other standards regulating conditions across the entire spectrum of work related issues (ILO 1944). (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. The practice and policies of soft human resource management (in its true form) implies that the organisation will not only act in the interests of its employees but do so with the intent of furthering those interests. In the light of these claims it is clear that demands on the organisation of moral treatment of employees are very high. But are these correct demands to make of a corporation? This raises the question of whether or not the moral treatment of stakeholders indeed is the appropriate manner in which business should fulfil its responsibility towards society. This debate is beyond the scope of this paper however, see (Sternberg 1999) for a comprehensive the ‘no’ argument.

Finally there is the likelihood that organisations 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. Similar to earlier 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. Soft human resource management policies and practices are clearly depicted as strategic in nature and their effectiveness in achieving organisational goals as highly desirable. As discussed earlier, definitions and descriptions of soft HRM contain a mixture of appeals to organisation outcomes and employee outcomes. This conflation of normative inferences is of concern. If one assumes that employees have discrete interests that diverge from those of the organisation (i.e. assumes pluralism) then these should be recognised separately. By mixing them together it is implied that this pluralism does not exist and the assumption defaults to unitarism. Further, it makes it easy to pursue the organisational goals at the neglect of the employee goals. (Legge 1995) identifies a corresponding problem in the use of language of soft HRM. She notes, for example flexibility can “express values of employee upskilling, development and initiative or the numerical and financial flexibility to be achieved by treating labour as a variable cost” (Legge 1995). It is likely that this conflation of concepts and objectives serves the purposes of the organisation at the expense of the employee. It is also likely that this is no accident but deliberately the case.

Thus, there is the concern that strategic management of employees does not remain responsibility-neutral practice but becomes an *ir*responsible practice. 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 organisation 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. (Vallance 1995) suggests that any practice not ‘productive of the business aim’ is unjustifiable on the grounds that it may interfere with an individual’s liberty. She asks whether, in fact, the removal of soft HRM rhetoric could have an empowering and liberating effect on employees. Thus, ‘soft’ human resource management may signify *ir*responsible treatment of employees.

CONCLUSION AND RESEARCH IMPLICATIONS

This paper has addressed the uncritical acceptance of soft HRM as ‘ethical’ based on the supposition that greater employee engagement is related to more responsible treatment of employees. It has shown that this assumption, evident in the HRM literature, is erroneous, and that it is potentially misleading. The counter suggestion, that greater employee engagement may not be related to greater organisational responsibility, has been made. This leaves open the possibility that responsibility towards employees may be intended or achieved without employee engagement is also present. Significantly, it also allows for the prospect that engagement may not be associated with responsibility towards employees but associated with a lack of such responsibility or indeed irresponsibility. The implications of these possibilities for HRM is worthy of further theoretical and empirical consideration.

The discussion has been founded on two organisational constructs: stakeholder engagement and responsibility towards stakeholders. Although these constructs were briefly described early in the paper, they are worthy of much greater attention. The notion of stakeholder engagement is fairly straight forward in that it can be either a descriptive or instrumental concept. On that account it may be fairly readily operationalised and ‘measured’. In contrast, the responsibility construct is less knowable. It may be instrumental or normative, and may be far more subjective. What it ‘looks like’ and how it may be investigated is less certain and as such necessitates further consideration.

Further more, the development of the constructs as ‘one-way’ needs to be addressed. This inquiry has focused on the organisational engagement of employees, and the responsibility of the organisation towards its employees, with no mention of the reverse. This is despite the fact that the notion of employee engagement has an inherent two-way connotation. Setting the discussion in this manner may be justified by its descriptive validity. It is the organisation that sets the agenda. It cannot be assumed that engagement involves an equal dialogue between partners. The ground rules for engagement are more likely to be set by the dominant player (in the absence of an independent referee). It is the behaviour of the organisation that is, in general, the focus of the organisation and its stakeholders. The development of the constructs as descriptive, however, has obvious limitations. In addition, we are cautioned against putting the organisation at the centre of analysis as it discourages consideration of the stakeholders in their own right (Friedman and Miles 2002) and thus can be accused of colluding in the misdeed we are attempting to expose. The need for research that gives weight to stakeholder voice is manifest.

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ENDNOTES

¹ This discussion regarding employees applies similarly to other stakeholder groups and draws from heavily from stakeholder theory. Almost all of the various definitions and models of stakeholder theory view employees as a primary stakeholder group. As such this discussion will refer at times to stakeholders generally, and imply employees specifically, where appropriate.

² Stakeholder theory is based on the notion that organisations consist of various stakeholders and that they should be managed with these stakeholders in mind. For Evan and Freeman (1993) this concept entailed two significant principles. The first is the principle of not harming the rights of an individual. The second is the principle of being responsible for the effects of the organisation's actions. Hence, stakeholder theory is cast as a form of Kantian capitalism (i.e. based on the principle that no individual should be used as a means to an end).

³ The strategic stakeholder model holds the belief, in common with the classical view, that the purpose of the corporation is to act in the interests of its shareholders. Whether or not the process by which this outcome is achieved includes stakeholder engagement, the intentions are the same. Whilst in the 1970s Friedman firmly believed that any direct concern for stakeholders was unnecessary, redundant and inefficient (Goodpaster 1991) nevertheless the ultimate goal was the same as that of modern stakeholder management. One could surmise that in today's complex business environment, where external groups external are far more influential than thirty years ago, Friedman also would advocate a form of strategic stakeholder theory that upheld the agency role of management and the profit goal of the organisation.