# Ethics and Values: A Link between Human Resource and Governance

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***Abstract:*** The buzz word in the corporate circle since many decades is the term 'Governance' which has made many corporates hold their breath to comply with its rules. Enormous downfalls of big corporate houses had swallowed the wealth and trust of the common man. Academia could not resist themselves to explore for a relating key factor between the most upsurge topic in globe i.e. Governance and the function most closely related to human behaviour i.e. Human Resource Function. The research was carried out to understand the relationship between 'HR Policies and Practices' and 'Governance'. It is part of the doctoral research work from 2013 to till date. The present research attempts an exploratory research design through case study and descriptive research design through survey method to verify the results collected from exploratory study. Well established and matured multinational organization operating in Delhi NCR region is considered to explore and understand the key factors responsible for the relationship between 'HR Policies and Practices' and 'Governance'. The study outcome concludes that Ethics and Values are the key factors responsible for the relationship.

***Keywords:*** HR Policies and Practice, Governance, Ethics, Values.

## INTRODUCTION

> *"Action indeed is the sole medium of expression for ethics."*
> *— Jane Addams*

The buzz word in the corporate circle since many decades is the term 'governance' which has made many corporates hold their breath to comply with its rules. Governance as a topic has gained global upsurge both in academia as well as in the corporate level. This has been the answer to many financial debacles in the big corporate houses which swallowed the savings and wealth of the common man. Corporate are now shifting their objectives from profit maximization to value maximization through transparent, fair, efficient and

effective policies of the organization. Financial crisis in the US economy in September 2008, led to the failure of big corporate giants like Lehman Brothers Ltd. and AIG Insurance Ltd. Failure of these corporates has made it more essential to realize the importance of governance and the crisis of trust created by them. The issues of governance have attracted the attention of scholars on a broad scale over the last three decades, and realized that Human Resource Function has also failed to play a leadership role in maintaining governance in organizations.

## CONCEPT OF GOVERNANCE

Governance can be defined as all practices of governing, whether taken by the government, market or network, whether over a domestic operations of family, tribe, formal, informal business or territory and whether through laws, norms or power. It connects to the operations of dealings and decision-making among the members involved in a problem that lead to the formation, reinforcement, or generation of social rules and policies.

Governance is an all-purpose concept that can refer to all types of corporations. A specific 'discipline' of governance is associated with a type of operations that includes environmental, IT governance etc., or a particular 'model' of governance. It is often derived as an empirical or normative theory which includes regulatory, participatory, and multilevel, meta or collaborative governance.

## DEFINITIONS OF GOVERNANCE

Governance is such a broad term that there is no accepted definition of governance. There are different perspectives on the meaning of governance.

Governance[1] is defined as "the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences". This definition was endorsed by the Secretary-General's inter-agency sub-task force to promote integrated responses to United Nations conferences and summits. Some other definitions are:

1. Governance[2] is defined as the method through which power is exercised in the management of a country's political, economic and social resources for development. Governance is defined as synonyms to sound development management, central to creating and sustaining an environment which fosters strong and equitable development and an essential component of sound economic policies.

2. Good governance is defined as focusing on legitimacy, accountability (ensuring transparency, being answerable to actions and media freedom), competence (effective policy making, implementation and service delivery) and respect for law and human rights (World Bank)[3].

Good governance establishes an environment where selected members and board ask themselves 'what is the correct thing to do?' when taking decisions. Making choices and having accountable for their work in an open and transparent way boosts honest consideration of the alternatives coming in the governance process. Therefore, it can be said that ethics and values are utmost important ingredients to sustain in long race. This culture can only be created and maintained with the governed policies and

employees. As a matter of fact "HRM is the personnel function which is concerned with procurement, development, compensation, integration and maintenance of the personnel of an organization for the purpose of contributing towards the accomplishments of the organization's objectives. Hence, HR function should become strategic partner in organization and put wide eyed efforts in inculcating and maintaining ethical culture.

Literature is available in scattered form on governance in global and Indian context –its success and failure stories, evolutions, challenges, and corporate scams. However, little work has been done on Human Resource policies and practices relating to governance that how HR policies and practices can help in building governance in organizations. Human resource department is the one which closely deals with behavioural aspect of human resources of organization. They work on sensitive issues like selection, compensation, maintenance, retention and exit of an employee. This study is conducted to understand the relations between the Human Resource functions with implementation of good governance. After the conduction of exploratory study of establishing a relationship between human resource function and building good governance came out to be strong ethics, values and culture of an organization.

## REVIEW OF LITERATURE

The significance of HRM is gaining competitive advantage. Many researchers are aggressively working on this subject from long time like Fombrum, Tichy and Devana, (1982), Schuler and Jackson (1987). Researcher has extensively worked on this concept and successfully proven that HR practices and policies are successful in extending organizational abilities that confirms the enhanced capacity of an organization to adapt the dynamic environment as stated by Youndt, Snell, Dean, and Lepak, (1996)[4]. HRM practices propose the framework that is essential for the organization to craft maximum value (Becker, Huselid, Pickus, and Spratt, 1997)[5]. Authors also state that Human Resource Managers necessarily have a position in strategy formulation with strategy implementation in organizations.(Tichy and Devana, 1982; Schuler, 1990)[6]. However, research studies have also stated that strategy formulation and its implementation is not sufficient for the organization to create value and have sustainability in having competitive edge. It cannot be assumed clearly that managers hold the vision and skills to head the organization performing their duties with discipline and without any outward control (Collis and Montgomery, 1998)[7]. Therefore, it is necessary to track backward and concentrate on governance. Failure of governance can take place in many forms. Some are too barefaced to be unseen, such as contaminating environment, falling in wrong and illegal practices. However, some issues are very critical and such as upper management malfunctioning and not able to cope up with worldwide dynamic competition and challenges, falling into wrong business practices and unfair approaches and working in self-centred actions that result into loss of the stakeholders (Collis and Montgomery, 1998)[8].

Literature has proven that it is beneficiary that HR should become a strategic partner in organizations and there is a direct relationship between HR practices and organizational performance (Supangco, 2003, 2001a, Youndt, Snell, Dean, and Lepak, 1996; Delaney and Huselid, 1996; Huselid, 1995; Martell and Carroll, 1995a; Arthur, 1994). In early years of 2000 researchers have started taking Governance and Human Resource in account as well. The study of Patrick M Wright (2003) states that Governance acts at international, national, local and corporate level. The absence of HR as an integral part of the senior management is partly a reason of the scandals. HR Function has failed to play a leadership role in maintaining

governance in organizations. The key reason of crisis of trust in system is because of employees with selfish intentions, wrong practices and policies and people working under scanty controls. HR function is not the cause of loss but they can't escape from the situation. Strong HR policies and practices can bring change in the behaviour and attitude of human resources so that good governance can be practiced. Executive compensations and incentive plans is the another area which has been widely researched from the perspective of governance. These are obvious roles of HR domain and they are the best knowledge holders who can understand the functional and dysfunctional impacts of compensation and incentives. HR can guide and decide on the training programs given to board of directors, top executives and employees to enhance their skills and knowledge. HR should also get involved to improve the condition by giving counselling or by imparting the training of ethics. If HR is an integral portion of the structure then it can act as a whistle blower for the organization and counsel the top executives to work on the path of morals and ethics.

Suzanne J. Konzelmann, Neil Conway, Linda Trenberth, Frank Wilkinson (2005)[9] has done an empirical analysis by UK Work and Employment Relations Survey (WERS98) on Corporate Governance, stake-holding and the nature of internal relationship of employees. This study investigates the effect of various forms of governance on the design and nature of stakeholder association and the resulting impact on employ relations within the firm. HRM assumes a dual role in delivering improvements in productivity and in nurturing employee commitment. However, various forms of governance priorities stakeholder interests in ways that may bring these two goals into conflict. To address these issues, examining the relationship between governance, HRM practices and HRM outcomes in a comparative analysis of organizations operating under different forms of governance, including private, public sector and family-owned organizations is done.

Vivien T. Supangco (2006)[10], study had explored the liaison between the involvement of the human resource management function in mounting governance mechanisms, the worth of implementation by HR function and impact of effective governance mechanisms on performance. In the study of Supangco, he had stated two utmost important governance mechanisms, one is strategic planning elements which includes organization's mission, vision, goals, objectives, strategies and value system) and behavioural control practices which includes code of conduct as per ethics, employees working in disciplined and structured processes and performance management of employees were considered important. The organization includes the functions, systems and people. HR has a major role to play as the "Humans" are the most important resource in an organization. Any system or function can be best in the world but people who are driving it can make it a success or failure.

Richard W. Beatty, Jeffrey R. Ewing et. all (2003)[11] had researched on current and future HR's role in governance. The survey was improved with focus groups and taken the perspective of HR professionals who attended the Human Resources Forum. The purpose of the study was to understand the legal standards and professional and ethical codes from the standpoint of present behaviours, practices and attitudes of employees. They also explored the roles of the CEO, HR leadership, and the HR function in minimizing unethical practices that have shattered investor and public trust. They hope to shed light on the actions, responsibilities and risks of the HR function and its leadership now and in the future.

Hossam Zeitoun, Paolo Pamini (2011)[12] has done a study using fuzzy logic Qualitative Comparative Analysis (fsQCA) on Governance, Human Resource Practices and established level outcomes. This study

is empirically investigated and examined relation of high-involvement human resource practices and governance characteristics about the presence of relational shareholders, owner-managers, union recognition, and collective disputes procedures contribute to the effectiveness of high-involvement of human resource practices. It is noteworthy to conclude that HR has a remarkable role in policy formulation and implementation to support governance. Now a days the stress by corporates and academicians is on "people" (and people management systems), as they are considered as source of competitive advantage. It is anticipated that the subject of HRM is supposed to be the "coming of age" due to its strategic directions for corporate success. Academicians are giving lot of attention to this field, but it is still untapped as very few studies have addressed the subject in banks and other corporates as well.

Verbos, Gerard, Forshey, Harding and Miller (2007)[13] argue that to achieve a positive ethical organisation, attention needs to be paid to aligning these processes and systems with authentic leadership and the development of an ethical culture. It also requires HR department to get actively engaged so that an organization can be facilitated by the environment of learning and develop sensitivity towards ethics and values.

Academician and corporate has not thought of HR Governance in a structured way. HR policies can be related to governance through ethics and values and can definitely build up the environment of 'good governance'.

## RESEARCH METHODOLOGY

This research methodology is sub-divided into the following sections: -

- Motivation of Research
- Research Design
- Sampling
- Data Collection

### Motivation of Research

It is observed that there is a shortage of work done on HR policies and practices and its effect on Governance. This investigation was planned to investigate and understand unexplored relationship of above mentioned factors with each other.

### Research Question

To study the relationship between 'HR Policies and Practices' and 'Governance'

### Research Design

Adopted research design has Qualitative and Quantitative research method. Study was conducted by exploratory research technique and descriptive.

**Exploratory Research:** Interview method was adopted to understand in-depth relationship that exists. The present research was an attempt to gather data from Line managers and HR mangers to understand the relationship of Human Resource policies and practices with governance. The reviewed literature has

given the picture that HR policies and practices can build good governance in organizations by practicing ethics, values and culture.

## Descriptive Research

Survey method was adopted to understand the perspective of employees on the factor extracted from exploratory research.

## Sampling

The population for the present study was HR managers of multinational organizations. National Capital Region (NCR) was taken purposively. The district Gurgaon out of 4 districts namely Ghaziabad, Faridabad, Noida and Gurgaon was taken purposively as it has the maximum concentration of Multi-National Companies. Further present study was carried out in one organization which is multinational. From organization 5 managers were randomly selected to carry out the qualitative research. A sample of 330 employees was taken to understand employee perspective.

## Data Collection

Structured Interviews were held to fetch the qualitative data from HR managers. Based on these interviews, it was seen that how Human Resource practices and policies help to build governance in organizations. For study, a multinational organization (names have been changed to maintain the confidentiality of the company) was selected which is operating in Delhi NCR region. Chosen organization is not young so to have matured over years in processes, and expected to have good laid policy & procedure for HR and overall governance.

Structured survey was taken from employees of same organization to understand their perspective on the same concept.

## ANALYSIS

## Exploratory Analysis

ZXR is a global business services, technology and document management company helping organizations transform the way they manage their business processes and information. ZXR Company is headquartered in US and have more than 100,000 employees and do business in almost all part of the world. Overall, more than 30 percent of revenue is generated by customers outside the U.S. Together, they provide business process services, equipment, hardware equipment and software technology for managing information from data to documents to enable their customers - from small businesses to large global enterprises.

ZXR strategy is to apply technology and innovation to transform the way people work and live, and to create sustained shareholder value through growth in business services and continued leadership in document technology. They also create value through expanding margins and profits as well as a balanced capital allocation strategy that returns cash to shareholders, while investing for growth and competitive advantage.

HR practices include recruitment, selection, time spent in the organization and exit of an employee, HR plays an important role to make an employee a governed employee. Each of these practices is further

explored to evaluate in detail about the challenges faced by the HR managers and their suggested solution to these challenges.

## 1.1. Recruitment and Selection Function

ZXR strongly believes and follows the concept of workforce diversity, as an essential part of the corporate culture. Discrimination on the basis of employee's age, cast, creed, religion, gender, disability, military status, pregnancy, national origin, sexual orientation and any other unlawful characteristics and legal basis is strictly avoided. ZXR believes to hire, promote and retain the best talent who are suitable for business.

Organization has defined global KRAs (Key Responsibility Area) to maintain governance in recruitment and selection. First KRA is strategic workforce planning (SWP) and second is talent development. In talent acquisition candidate should be duly tested on his technical knowledge and culture fitment of the organization. In Acquisition process, firstly the source through which the employees are referred is checked like search firms, portals, employee referral etc. and secondly interview is taken.

Majorly ZXR prefers two avenues for acquisition: employee referrals and search firms. Both areas are very critical in terms of governance. Organization has all the rights to tie up with any third party for searching and arranging the right candidate, but at times the managers of the organization start taking commission from the third party for hiring the candidates which is against governance. So to control that Organization has an audit process taking place once in a year where they review all search partners takes place. Next is employee referral in which employees receive bonus which becomes an attraction. Organizations have a very strict policy for the referral system so as to maintain governance. For instance, referral policy includes clauses like that the person refereed by an employees should not be in blood relation with him or her, person reporting to the referring employee can't be referred, if the referred person is a friend of the employee, it has to be disclosed first and if an employee himself is the decision maker in hiring panel, he can't refer anyone and lastly two people from same family can't work in the same function of an organization. Organization has strong policies on penalties if they catch hold of favouritism taking place.

Governance is followed in interview or selection process by having multiple level checks. Number of checks increases as rise in the level of grade of post. For senior level selections a functional panel which is known as 'Senior Management Council Committee (SNCC)' consisting of MDs and Directors or either one of them mandatorily evaluates the candidate and approve him. Also, finance controller and internal control team members meets the person to understand his candidature for the organization. Finance Controller also evaluates the payments of the third party.

Candidate can easily be evaluated on their technical knowledge, communication, overall experience for role but the biggest challenge faced is to evaluate the behavioural fitment. Organization fit can't be completely checked at the time of interview. Comprehensive test of a Person's attitude fitment takes place only after selection. Psychometric test have a limitation that it can't evaluate person's being ethical. So once the candidate is finally selected, it becomes important for an organization to do his reference check to clarify that he was not involved in any kind of crime, fraudulent activities, showing unethical behaviour etc. in his previous organization.

Second way to evaluate is a visual compliance with an agency, where name is typed of a candidate selected and the complete record of the candidate can be retrieved. India is still in a infant stage of this technology. Organization also demand relieving letter from the previous organization so that there is an assurance the person is not terminated because of wrong act. Hence, referral checks, visual compliance which is portal based, documents like education certificates and reliving letter must be submitted to have governance.

## 1.2. Development function (Training, Performance Appraisal)

ZXR provides various learning and continuing education opportunities for the development of employees to enhance personal and professional development. Strategic leaders heads for the development forums and mentoring that provide opportunities for employees to enhance their management and leadership abilities for shifting into upper-level roles. ZXR built a culture of learning in contrast of simply 'delivering training'. Organization believes to have learning into day-to-day work. Employees have access to a library of learning tools aligned with corporate vision, values and business direction. Organization believes in the expertise of their employees' capabilities to compete and flourish their careers and organization's goals.

HR executive believe that organization doesn't have very effective performance appraisal system. Managers give higher ratings and promote their subordinates who are sharing good relationship with them. Personnel biasness of manager prevails and at times less competent people go high up in the ladder and competent employees have to suffer. HR suggests to have a robust system of appraising employees. Primary concern is to have a proper documentation so that even if the reporting manager moves somewhere else the interest of an individual is safeguarded. Proper documentation also gives an advantage to a new manager that from the past records he can easily be able to have a true and fast flavour of the whole team. Ideal method is 360 degree appraisal but at least 180 degree appraisal method should be followed. It should be mandated for every candidate to have a feedback of all the stakeholders with whom he is working - both internal and external stakeholders and equal percentage of both should be considered. With their feedback artefacts should also be attached.

Artefacts like appreciation of clients or some kinds of remarks and feedback for an employee. Complete documentation should be presented in front of panel comprising of people who have ample working experience with the candidate. For this the organization has to come up with lot of employee engagement activities and cross functional projects otherwise the other committee members won't know that candidate. Appraisal of the employee should be discussed in the forum and then ranking of employee should be done.

## 1.3. Compensation Function

ZXR believes to have and retain a healthy and efficient workforce to have success. They offer handsome compensation and incentive bundles that offers value to employees which includes competitive salary, healthcare benefits for employees and their family, wellness resources and recognition in organization for working successfully. Organization gives employee assistance programs, healthcare guidance, adoption assistance and education & learning assistance. Organization also offers paid holiday and vacation benefits.

ZXR gives merit based compensation, responsibility of their own work, the impact the role has on the company and other work-related criteria. Organization abide by all laws concerning fair employment and labour practices.

Policies are evolving process and it is a constantly changing process as well so whenever there is a need to change the policy then organization should do it. So it is like educating people who are new and re-educating people who are old but have forgotten on the policies should be done. Re-educating people is more difficult than educating them. It becomes a challenge for HR to convince them to do it again and again.

Policies should be clarified and well documented so to avoid obstacle to govern people in the right way and govern their behaviour. This can be related to incentives and reimbursement policies, compensation structure.

From the above study three propositions can be drawn

**Proposition 1:** Ethical recruitment and selection practices build governance in organizations.

An effective approach to recruitment and selection can help an organization to maximize the competitive advantages by choosing the best pool of candidates quickly and cost efficiently (Kleiman, 2005)[14]. But successful recruitment and selection can be costly and time- consuming. Still, recruitment and selection is crucial for a business, because unsuccessful recruitment and selection can be responsible for the failure of the business (Ahmed, Tabassum & Hossain, 2006)[15].

The fundamental idea in selection process is to gather maximum information about the candidates to discover their suitability for employment (Bell Graham, 1996)[16]. Armstrong (2009)[17] studied that prospective candidates can be judged using various methods in order to evaluate their suitability for a specific role. These methods include; individual interviews, panel interviews, selection boards, assessment centres etc.. Despite of an effective plan on recruitment and selection, processes adopted by organizations can face significant obstacles in implementation. Researches of HR function had provided insights on the best approaches needs to be followed through recruitment processes.

Patrick M Wright had conducted interviews of 21 HR leaders working with Fortune 200 companies as CAHRS research assistance to understand their leadership development processes (Sovina, Wherry, & Stepp, 2003). Organizations had participated on their own will as they believe that they have best possible leadership development system. 19 organizations shared their leadership competency development model. It was been thought that selection of right leaders can avoid scandals, but for a surprise only two out of nineteen companies had mentioned "Honesty" or "Integrity" as leadership competencies. One organization offered defence confronted with these results that honesty/integrity were not really competencies to be selected for, but part of the firms' core values.

In fact, in response to Bill Pollard's address (Pollard, 2003), one HR stated "In today's global world, how can anyone be so naive as to think that there is one right and wrong." Second, as noted above, excessive selfishness and greed often form the foundational motivation underlying dishonesty and a lack of integrity. Gordon Gecko in the movie "Wall Street" gives an impassioned defense of greed, arguing that "greed is good" because it motivates individuals toward progress, and organizations toward competitive success.

**Proposition 2:** Rigorous ethics training build governance in organization.

According to Sean (2010), training helps to identify and grow the personality and performance strengths that will make the organization's employees better and getting right person in the right job. Continuous training keeps employees at the cutting edge of industry developments.

Several surveys on teaching of business ethics, CSR and environment (Cornelius, Wallace & Tasabehji, 2007; Matten & Moon 2004; Enderle, 1996; Cowton & Dunfee, 1995; Schoenfeldt, McDonald & Youngblood, 1991; Van Lujik, 1990: De George, 1987; Hoffman & Moore, 1982) have been conducted mainly in the context of North America and Europe. Worldwide surveys by Enderle (1997) show an increasing prevalence of business ethics teaching across the different regions of the world.

**Proposition 3:** Fair compensation processes build governance in organizations.

The size of executive compensation packages became an issue in the late 1980s and early 1990s as the increases in the level of compensation for executives started to dramatically outpace the increases for other employees (e.g., Murphy (1999)[18]). Moving beyond the levels of compensation, executive compensation has recently returned to the headlines because of the apparent relationships between failures in governance at firms and executive compensation (i.e., Fannie Mae, Freddie Mac, Parmalat and One World).

Patrick M Wright stated that HR executive should be able to identify the pressures facing top executives, see the impact of these pressures on decision making. HR should inform this to the stakeholders as well so that they can understand these pressures which may undermine the effectiveness of their decision making. Finally utmost importance should be given to honest and consistent earnings, or simply being the support for the CEO who takes a responsibility of an integrity system.

Executives may manipulate the earnings with the assumption that they will make it up the next quarter. However, if the next quarter falters, and the quarter after that, soon these reports are not innocent manipulations, but fraud. Note that the executives may never have meant to engage in fraud, but the system has inoculated them from seeing the problems, and continued engagement in minor manipulations then inadvertently leads to illegality. Also, Daniel Vasella stated, "Once you get under the domination of making the quarter – even unwittingly – you start to compromise in the grey area of the business, that wide swath of terrain between the top and bottom lines." (Vasella & Leaf, 2002)[19].

HR department have a no say on the choice of board members. However, these scandals had provided enough reasons for HR function to expand its view, and get involved in the board. As this function can best understands incentives, and their impact. In addition, HR certainly needs to be more involved in the selection of board members. Their centre of attention for the future should not only be the competence of the members, but also their attitude for integrity and honesty. Finally, HR can play a lead role in leading the processes for board. Many firms had evaluated their board's members and understanding the requirement of training and making it available for them. Again, the competencies of top HR executives such as team building, group processes, selection, training, performance management, etc. are all critical to an effectively functioning board. Consequently, HR's role must expand to include these activities at the board, not just at the organization level.

## QUANTITATIVE ANALYSIS

**Table 1**
**Demographic Analysis**

**PROFILE OF THE RESPONDENTS (EMPLOYEES)**

| *Gender* | *Frequency* | *Percentage* |
| --- | --- | --- |
| Male | 215 | 65.15 |
| Female | 115 | 34.85 |
| Age(Years) | | |
| Less Than 30 | 68 | 20.61 |
| 30 TO 39 | 206 | 62.42 |
| 40 TO 49 | 34 | 10.3 |
| Greater Than 50 | 22 | 6.67 |
| Marital Status | | |
| Married | 275 | 83.33 |
| Single | 55 | 16.67 |
| Qualification | | |
| Graduate | 98 | 29.7 |
| Post-Graduate | 232 | 70.3 |
| Annual Income (In Lacs) | | |
| Less Than 5 | 38 | 11.52 |
| 5 To 10 | 85 | 25.76 |
| 10 To 15 | 66 | 20 |
| More Than 15 | 141 | 42.73 |
| Department | | |
| HR | 50 | 15.15 |
| IT | 99 | 30 |
| Others | 181 | 54.85 |
| Experience (Years) | | |
| Less Than 2 | 10 | 3.03 |
| 2 to 6 | 45 | 13.64 |
| 6 to 10 | 100 | 30.3 |
| More than 10 | 175 | 53.03 |
| Association with Present Organization(Years) | | |
| Less than 1 | 46 | 13.94 |
| 1 To 3 | 102 | 30.91 |
| 3 To 6 | 103 | 31.21 |
| Greater than 6 | 79 | 23.94 |
| Total | 330 | 100 |

Table 1 elucidates the general background characteristics of the respondents (Employees). The data presented in the table shows that 65.15 per cent were males and 34.85 per cent were females. Majority of the employees (62.42 per cent) were in the age range of 30-39 years, followed by 20.61 per cent in the age range of less than 30 years, 10.3 per cent in 40-49 years of age while 6.67 per cent were above 50 years of age. As far as marital status is concerned, 83.33 per cent were married and rest 16.67 per cent were single.

A large proportion of the sample (70.3 per cent) was postgraduates, only 29.7 per cent were graduates. Further, it is also obvious from the table that 42.73 per cent of the employees were earning more than 15 lakhs, 20 per cent were in the category of 10-15 lakhs, 25.76 per cent were earning 5-10 lakhs and 11.52 per cent respondents were in the category who were earning less than 5 lakhs per annum. The data in the Table, regarding the departments of the employees reflect that 30 per cent were in IT, 15.15 were in HR and 54.85 per cent were in other departments. It is also evident from the table that out of 330 employees 53.03 per cent were having more than 10 years of experience, followed by 30.3 per cent who were having 6-10 years' experience while 13.64 per cent were in the category who had 2 to 6 years of experience and only 3.03 per cent were having less than 2 years of experience. When association of the employees with the present organization was taken into consideration, it was found that 31.21 per cent were having 3 to 6 years of association, almost equal percentage (30.91) of the employees were in the category of 1 to 3 years, while 23.94 per cent employees were in the present organization since more than 6 years, only 13.94 per cent had less than 1 year of association with the present organization.

## Cronbach's Alpha Test

**Table 2**
**Cronbach's Alpha Test**

**Reliability Statistics**

| *Cronbach's Alpha* | *Cronbach's Alpha Based on Standardized Items* | *N of Items* |
|---|---|---|
| .928 | .930 | 7 |

Internal Consistency Reliability. It is the most appropriate method to test the homogeneity of the tool. Coefficient Cronbach's alpha (1951)[20] was calculated to estimate the internal consistency of the tool. Alpha values of 'Ethics, Value and Culture' and was 0.928 and which show that tool has high internal consistency. The obtained value for above tool is indicative of high degree of internal consistency among respondents answer to the constituent's items of the tool.

## DESCRIPTIVE ANALYSIS

**Table 4**
**Mean/SD/SE/Covariance/Ranking of Variables of Employee Perception on Ethics and Values**

| S.No. | Variables | Mean | Standard Deviation | Standard Error | Covariance | Ranking |
|---|---|---|---|---|---|---|
| **Observations: 330** | | | | | | |
| 1 | Honesty is practiced all the time in organization's daily operations. | 2.85 | 0.72 | 0.04 | 1.945 | 2 |
| 2 | Organisation has written standards of ethical business conduct that provide guidelines for job (for example a code of ethics, a policy statement on ethics or guidance on proper business conduct). | 3.25 | 0.63 | 0.03 | 1.761 | 1 |

*contd. table 4*

| S.No. | Variables | Mean | Standard Deviation | Standard Error | Covariance | Ranking |
|-------|-----------|------|--------------------|----------------|-----------|---------|
| 3 | Organisation provision a process to report anonymously misconduct in behaviour. | 3.14 | 0.73 | 0.04 | 2.158 | 5 |
| 4 | Managers set a good example of ethical business behaviour & company values. | 2.92 | 0.74 | 0.04 | 2.171 | 6 |
| 5 | Strict actions are taken against anyone who violates the law or company laid ethical standards. | 3.13 | 0.73 | 0.04 | 2.19 | 7 |
| 6 | Organisation offers advice or an information helpline where employee can get advice about behaving ethically at work. | 2.92 | 0.79 | 0.04 | 2.098 | 4 |
| 7 | Organization binds itself together through integrity and mutual trust. | 3.06 | 0.67 | 0.04 | 2.013 | 3 |

This part of the section deals with the information regarding Ethics and Values. Mean, Standard Deviation, Covariance and Ranking test has been used to measure the level of agreement employee have with ethics and values in the organization follow to implement governance.

Following table 4 depicts the result of the employee's agreement with corresponding Ethics and values practices followed in their respective organization:

The table 4 and the figure 1 show employee perception on Ethics and Values.

- The highest mean (3.25) states that organization has 'written standards of ethical business conduct' that provides guidelines for job,

- Organization has a provision to report anonymously misconduct in behaviour with a mean value of 3.14 which means that majority of employees strongly agree with the fact.

- On the next level a mean value of 3.13 which says that a strong action is taken against anyone who violates the law or company laid ethical standards.

- Other important statement which employee tend to agree for their organization are that their organization offers advice or an information helpline where employee can get advice about behaving ethically at work,

Thus, from the above table, it can be interpreted that successful organizations via business ethics represents more than a declaration to do the right thing. It has become an integral part of the way organizations do business by written standards of ethical business conduct, employees can anonymously report misconduct, organization take strong actions against employees who violates the rules and fall into unethical activities, All these aspects expresses and strengthens commitment to integrity and supports people to resolve ethics and compliance concerns consistent with core values and legal and policy controls and therefore helps in implementation of governance in the organization.

## FACTOR ANALYSIS

### Table 7
### Kaiser-Meyer-Olkin Test

| Kaiser-meyer-olkin Measure of Sampling Adequacy | | 0.893 |
|---|---|---|
| BARTLETT'S TEST OF SPHERCITY | APPROX. CHI-SQUARE | 3440.087 |
| | DF | 136 |
| | SIG. | 0 |

The KMO value of the table was .893 which says that factor analysis was appropriate in the selected parameters. Through factor analysis from the rotated component matrix, 2 major components were extracted from the 7 parameters.

### Table 8
### Factor Analysis of Ethics, Values and Culture
### Ethics Values Culture Component Matrix
### Component

| | 1 | 2 |
|---|---|---|
| Honesty is practiced all the time in organization's daily operations. | 0.670 | - 0.0927 |
| Organization has written standards of ethical business conduct that provide guidelines for job (for example a code of ethics, a policy statement on ethics or guidance on proper business conduct). | 0.621 | - 0.443 |
| Organization provision a process to report anonymously misconduct in behaviour. | 0.676 | - 0.403 |
| Managers set a good example of ethical business behaviour & company values. | 0.744 | - 0.0636 |
| Strict actions are taken against anyone who violates the law or company laid ethical standards. | 0.685 | - 0.390 |
| Organization offers advice or an information helpline where employee can get advice about behaving ethically at work. | 0.617 | - 0.354 |
| Organization binds itself together through integrity and mutual trust. | 0.761 | - 0.195 |

There is only one component defined as "Ethics, Values and Culture" for all the statements as per analysis as Honesty is practiced all the time in organization's daily operations, Organization has written standards of ethical business conduct that provide guidelines for job (for example a code of ethics, a policy statement on ethics or guidance on proper business conduct), provision a process to report anonymously a misconduct in behaviour, Managers set a good example of ethical business behaviour & company values, Strict actions are taken against anyone who violates the law or company laid ethical standards, Organization offers advice or an information helpline where employee can get advice about behaving ethically at work, Organization binds itself together through integrity and mutual trust.

The above analysis reveals employees' perception as to categorize all the statements under one components name as 'Ethics and Values'. This category can also be accepted because Ethics & Values has a direct impact on an organization, and therefore they are closely knit together. Ralf Müller, Erling S. Andersen, Øvind Kvalnes, Jingting Shao, Shankar Sankaran, J. Rodney Turner, Christopher Biesenthal, Derek Walker and Siegfried Gudergan had stated that Trust is an unavoidable element to fulfil the personal

goals of employees within a given governance structure. Crisis of trust that's why can only be avoided if an organization has a strong values and ethical culture to support it. HR system efficient and effective working supports organization competitiveness and sustainability in long term which is also confirmed by academicians in the strategic management and literature on ethics (Kim & Miller, 2008; Leung, 2008). Climate that is characterized by strong bond with organizational and professional codes of ethics that might increase legitimacy in the senses of various stakeholders and thus contribute to a holistic and more enduring positive reputation of an organization. (Buckley et al., 2001). The strategic value or resource-worthiness of ethical climates( pivots upon the uniqueness and( nature of HR system( (Lado & Wilson, 1994)[21]( to relay unmistakable and enduring communications to organization members (cf. Bowen & Ostroff, 2004) but highly indefinite and complex messages to competitors. Hence HR has a strong role to build a strong value based ethical culture to have a governed organization.

Becker and Huselid (1999) note that the strategic impacts of HR systems grow through unique historical paths and sustain interdependence and synergy amongst elements within the system that competitors cannot easily replicate. Additionally, HR system elements must also be associated with the appropriate strategic objectives of the firm (Lado & Wilson, 1994). Schminke, Arnaud, and Kuenzi (2007)[22] expressly state that developing and promoting ethical climates require ample managerial devotion, and HR systems should be taking the initiative in creating and supporting desired ethical norms. Doing so may generate a significant benefit because, as Hosmer (1994a)[23] so eloquently argued, organizations that embrace ethical principles are considerably more successful than organizations that do not. Jay Liebowitz (2010)[24] had researched on organization's Human Resource function concluded that HR functions can facilitate a comprehensive approach for creating an environment of sustainability and cultural stewardship. So the past researchers have independently concluded that HR has a huge role in creating ethics and value culture in the organization which in turn governs the organization and gives a long term sustainability and competitiveness to organization.

## CONCLUSIONS

It can be concluded from the above research that fair and effective recruitment selection process leads to the hiring of right leaders and right people. Fair and constructive attitude of people can make organization productive and such people build and follow governance thoroughly which can make the organization sustain for a longer time.

It is important for the organization to teach and reteach their employees the right code of conduct. As per the result of analysis, it can be concluded that 'Ethics and Values' is a connecting link between HR functions and good governance. Qualitative analysis reveals that ethics and values is a link for tying the two massive blocks namely Human Resources and implementation of governance in organization. The same framework was reconfirmed by quantitative method by getting the survey filled up by the employees. A detailed analysis of questionnaire was done by applying Descriptive, and factor analysis on Ethics and values which revealed that organization believes to promote successful organizations via business ethics which represents more than a declaration to do the right thing.

## FUTURE SCOPE

In this study organizations that are successful were taken but similar framework can be applied on the organizations that had faced the failures in the corporate world. The recommended study of failed

organizations could focus on the practices which have led to the failure and practices to overcome that. This concept has not been explored widely by academicians and by exploring the above recommended aspects more researchers can contribute towards making a model organization. Additionally, similar study could be expanded to other Geography and could be focused on any industry.

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