

TOWARDS SUSTAINABLE ORGANIZATIONS

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Abstract. *Organizations proceed towards a sustainable development rediscovering ethics as value driving management and human resource choices for building sustainable organizations. Human resource systems drive organizations to follow ethical approaches, values, and culture in starting entrepreneurial ventures and doing business for building and developing sustainable organizations encouraging ethical behaviors at work, creating organizational environments ethics-oriented, by managing, valuing people and developing the human resources capabilities. Designing sustainable organizations relies on: defining the employment relationships ranging from the psychological contract to designing contractual architectures; governing and managing human resources; promoting ethics by sustaining organizational culture ethics oriented.*

Keywords: *ethics; sustainability; organizations; culture; human resources; psychological contracts.*

Introduction

Organizations proceeding towards a sustainable development have to rediscover ethics as value driving management and human resource choices, building an organizational culture ethics-oriented. Human resource systems lead organizations to follow ethical approaches, values, and culture in doing business. The human factor is able to drive organizations as communities of people to build sustainable organizations (Pfeffer, 2010).

Rediscovering ethics in designing organizations is leading to new entrepreneurial ventures socially responsible and to design the organizational structure and human resource governance and management choices coherently with the development of society by enhancing both the value and the capabilities of human capital by managing the psychological growth of the employees as individuals. Considering ethics is becoming more and more an opportunity to improve economic and social performances of organizations by achieving financial and economic gains, realizing positive issues for communities within society. Organizations aiming to promote sustainable behaviors and actions should pay attention to their performance on three dimensions: by ensuring economic performance, social equity, and ecological preservation. Organizations tend to follow and embrace a business approach to sustainability that refers to economic, environmental and social long-terms issues that benefit for future generations (de Lange, Busch & Delgado-Ceballos, 2012).

The aim of the study is to identify the dimensions driving organizations to proceed towards sustainability. Rediscovering ethics is leading the organizations to value human resources capabilities and strengthen the potential of the human capital. Three

areas of investigation for building sustainable organizations ethics oriented are elucidated: defining the employment relationship ranging from the psychological contract to designing contractual architectures; governing and managing human resources; promoting ethics by sustaining a corporate culture. The study relies on analysis and review of literature in the field of the relationships between ethics, organization, individuals and human resource management.

Building sustainable organizations: the role of the human side and the task of human resource management

Sustainable organizations should pay attention to their performance on three dimensions: by ensuring economic performance, social equity, and ecological preservation. Organizations tend to follow and embrace a business approach to sustainability that refers to economic, environmental and social long-terms issues that benefit for future generations. (de Lange, Busch & Delgado-Ceballos, 2012).

According to Jabbour and Santos (2008), sustainable organizations contribute to development by investing in human capital and valuing human resource management practices and strategies. Sustainability within organizations as integrated into corporate strategy, processes, and products requires organizations ready for change significantly redesigning business. Sustainable organizations should support and enact enduring and good relationships with present and future stakeholders ensuring economic, social and environmental performances, providing innovation in developing environmentally friendly products, managing and strengthening diverse human resources (Jabbour & Santos, 2008).

Sustainability is an emerging and evolving construct; a broad theme of research. Human resources contribute to developing sustainability. Building sustainable organizations rely on paying attention to human resources (Pfeffer, 2010). Human resource management practices contribute to build sustainable organizations as communities of people that develop over time structures and behaviors and the way to make the entrepreneur as a sustainable employer (Aggerholm, Esmann Andersen & Thomsen, 2011) valuing the human capital of people by creating collaborative relationships and helping all the processes for engendering learning and innovation within work units, developing the involvement of employees by sustaining dialogue by communication and collegiality. Sustainability implies to pay attention to people as human resources for creating value within organizations, internal stakeholders and useful actors for creating sustainable behaviors and enabling values for ethics and sustainability (Colombo & Gazzola, 2013).

Organizations integrating sustainability into their processes and products tend to adapt and re-design business and structures selecting policies that embody principles of economic, social and environmental sustainability (Haugh & Talwar, 2010). Organizations behave as sustainable organizations keeping the responsibility in order to support social justice and ensure environmental protection, to produce benefits and maintain the quality of human resources in a long time (Leon, 2013).

Rediscovering the ethical dimension for identifying the areas of investigation leading to sustainable organizations

Ethics relates to the distinction between what is right and wrong. The ethical climate within an organization tends to evolve as a new venture develops and grows with the entrepreneur actively playing an important role in defining the ethical climate in the early stages of the life cycle. The nature of entrepreneur and venture, the stage of business development tend to influence the introduction of mechanisms guiding the ethical environment of the firm (Morris, Schindehutte, Walton & Allen, 2002).

Building the working relationship between individuals and organizations is an ethical task and the first stage for constructing a path for introducing and affirming sustainability and ethical values within organizations. Building an ethical culture relies on having at disposal an ethical leadership driving the employees to recognize ethical issues in their work and to develop cognitive capacities to make the right choice and be supported by the organizational environment (Treviño & Brown, 2004). Corporate leaders should influence the organizational outcomes in order to support and reward ethical behaviors and the organizational ethics for sustaining favorable job attitudes and behaviors (Koh & El'Fred, 2001). Investing in ethics for doing business and entrepreneurial ventures help the design and the building of sustainable organizations as institutions following and applying principles of ethics in managing and structuring processes.

Three areas of investigation and critical potential for building ethical organizations as organizations are elucidated: defining the employment relationship ranging from the psychological contract to designing contractual architectures; managing human resources; promoting ethics by sustaining a corporate culture.

Managing the relationship between the employer and employees building work relationships: from the psychological contract to designing contractual architectures human capital was driven

Building the working relationship between individuals and organizations is an ethical task and the first stage for constructing a path for introducing and affirming sustainability and ethical values within organizations. Organizations seeking flexible ways for managing work force have to select different and alternative 'new' and 'traditional' forms of designing work relationships for structuring the modes of collaboration with employees: sub-contracting and dual internal market as traditional forms for managing flexible work force; new forms of structuring work relationships: agency relationships based on a triangular relationships between employer, employee and the company providing work force; work relationships ICTs-enabled and driven (Ferrara, 1996; Ferrara, 2008).

Organizing and defining work relationships between enterprise and employees tends to emerge as an ethical activity that implies to consider the future expectations of both contractual actors stipulating an employment agreement: the future expectations of enterprise about commitment and efforts employees decide to sustain the interest of the organization; the expectations of the individual about what kind of benefits and rewarding the enterprise could and should decide to give to the individual for

rewarding the inputs and contributions for ensuring a satisfying organizational performance.

The formal-legal and juridical contract signed between the enterprise and the individual implies that the evaluation of the expectations in terms of benefits and constraints occurred between the parts stipulating the agreement. Benefits and constraints on the part of the employee about the future work relationships are related to the concept of a psychological contract.

The psychological contract can be defined as a set of unwritten reciprocal expectations between the employee and the organization. The employment is based on an implicit exchange of beliefs and expectations about the actions of the individuals vis-à-vis the organization and the organization vis-à-vis the individual. The psychological contract is based on an exchange of contributions and inducements (Sims, 1991). «A psychological contract is an individual's belief in mutual obligations between that person and another party such as an employer (either a firm or another person). This belief is predicated on the perception that a promise has been made (e.g., of employment or career opportunities) and a consideration offered in exchange for it (e.g., accepting a position, foregoing other job offers), binding the parties to some set of reciprocal obligations» (Rousseau & Tijoriwala, 1998, p.679).

Psychological contracts differ from other types of contracts and may contain thousands of items. The parties may be aware of only some or few items. The balance of the psychological contract depends on the degree to which the employee expectation of what the organization will provide and what is owed in return match the organization's expectation of what it will give and get; on the agreement on what is actually to be exchanged. A balanced psychological contract is necessary for a harmonious relationship between the employee and the organization. Violating the psychological contract can signal to the participants that the parties no longer or never share a common set of values or goals (Sims, 1994).

The psychological contract as what employees and employer want and expect from each other is changing. Organizations need to develop a new kind of commitment through the creation of meanings and values by individuals and groups (Hiltrop, 1995).

The notion of the psychological contract requires understanding how the relationship between the individual and the organization is forming and being built over time. Thereby, organizations should govern the psychological contracts of their employees by designing and structuring appropriate contractual architectures relying on both short or long term relationships and the value and skills provided from human resources to the organizational performance.

While the transactional approach to organizational economics tends to emphasize the best size and the one best way as based on the economic value of the organizational arrangements considering more the price and cost of people as productive factor than the value of people as human resources, the organizations selecting strategic choices based on human resources and human capital tend to follow ethics and equity as guidelines and principles driving the choice about contractual and organizational architectures.

Lepak and Snell (1999) provide a theoretical framework explaining how the companies have to strategically design different contractual architectures and human resource configurations (commitment, market based, compliance and collaborative) with regard to characteristics of human capital (value and uniqueness), employment modes (develop and acquire internal; contract and alliance vs external), to employment relationships (organizational, symbiotic, transactional and partnership). Organizations tend to select different quadrants in relation to the low or high uniqueness of human capital and with regard to the high and low value of human capital. Organizations tend to select internal development as employment mode having to manage high uniqueness and value of human capital, by building employment relationships organization-focused and relational by encouraging significant investments on the part of employers and employees in developing critical firm skills, by strengthening the organizational commitment of employees. The strategic choice of the internal development tends to reinforce the mutual exchange between individual and organization reinforcing the expectations deriving from the psychological contract as relational framework leading to an enduring work relationship between the employee and the organization.

The strategic choice of companies about the contractual and organizational architectures is leading the individual to make the right decision with regard to the dilemma of entering or not in a relationship. Different forms of human capital can emerge as a source of competitive advantage today and in the future. Employee training and education contribute to preserve the integrity and quality of human capital driving the employees to move from transactional and contracting modes and relationships that lead to compliance towards more organization and relation focused modes of employment encouraging and stimulating the search of commitment, loyalty and trust between the employee and the organization (Lepak & Snell, 1999).

Developing and aligning human resources management practices with ethics

Achieving competitive advantages relies on the legs of people and on capabilities of human resources involved to contribute for entrepreneurial and organizational projects. Human resources management practices contribute to building an environment encouraging cooperation and human and social capital development. Human resource policies and practices should help sustain human resources capabilities (Kamoche, 1996).

Human resource systems may be a means for promulgating an ethical culture in that ethics pervade selection and staffing, performance appraisal, compensation, and retention decisions (Buckley et al., 2001).

According to Schumann (2001), five complementary moral principles tend to emerge. «First, the results of the action must be ethical in terms of doing the best and the last harm for everyone who is affected by the action. Second, the person performing the action must have a moral right to take the action. Third, the action must produce a fair distribution of good and harm for all the people who are affected by the action. Fourth, the action must show care for the web of people who are affected by the action and must nurture the relationship among the affected people. Finally, the action must be describable as virtues and not vices» (Schumann, 2001, p.96).

Ethical duties are related to strategic human resource management. Caldwell, Truong, Link, and Tuan (2011) state that the task of human resource professionals as ethical stewards is to help organizations to sustain the building of trust and commitment in long-terms. Human resource professionals strategically and ethically provide a contribution to organizations. Human resource function should play an important role in integrating ethics programs into the design of performance appraisal systems and management training (Weaver & Treviño, 2001). «HR staff are more likely to be viewed as representing employees' concerns and treating them fairly. In addition, HR functions can play a key role in developing ethics programs with a proper balance of values and compliance orientations, and in integrating ethics programs into important organizational activities, such as the design of performance appraisal systems, management training, and disciplinary processes» (Weaver & Treviño, 2001, p.130). HR staff and departments need to play a more central role in ethics management initiatives if those initiatives are to provide real benefits for both organizations and their members (Weaver & Treviño, 2001, p.131). «HR plays a crucial role in determining an organization's overall ability to treat people fairly» (Weaver & Treviño, 2001, p.131).

Human resource management practices as selection, organizational socialization, training and mentoring seem to ensure the continuity of a strong ethical culture existent within the organization (Sims, 1991).

Organizations integrating principles of ethical leadership with a strategic approach to human resource management tend to achieve results in terms of values and outcome in long term. Institutionalizing the ethics within organizations implies to influence or change behaviors introducing ethics into daily business life (Weber, 1993) by helping to positively influence the job satisfaction, organizational commitment and the esprit de corps leading to a more positive organizational climate (Vitell & Singhapakdi, 2008).

Developing an ethical culture within organizations

Organizations should solve internal conflicts between business and higher levels of morality (Carroll, 1984). Integrating ethics formally and explicitly into daily business life, decision-making and work practices for all employees should appear as a useful mission and task of entrepreneurs building both new business and organization (Weber, 1993).

The ethical climate of an organization is defined as a shared set of norms, values, and practices of organizational members regarding appropriate behavior in the workplace. Building an ethical culture relies on having at disposal an ethical leadership driving the employees to recognize ethical issues in their work and develop cognitive capacities to make the right choice and be supported by the organizational environment (Treviño & Brown, 2004). «Executives should manage the ethical conduct of their employees as they manage any important behavior» (Treviño & Brown, 2004, p.80). The role of executive leaders is crucial in managing ethics and human resources within organizations. Building a strong ethical culture relies on strong ethical leadership. The executive leaders should provide ethical guidance and prescribe some guidelines for effectively managing ethics: let employees understand the existing ethical culture transmitting culture within organization; to communicate and explain the importance of ethical standards because the employees need messages about the ethics is really

important and linked to the business model and the long-term success of the business training employees to know the ethical issues and about ethical conduct; the reward and compensation system should influence behaviors of employees and communicate messages about the expected ethical behaviors. «In the longer term, ethical behavior can be rewarded by promoting and compensating people who are not only good at what they do, but who have also developed a reputation with customers, peers, subordinates, and managers as being of the highest integrity. The best way to hold employees accountable for ethical conduct is to incorporate evaluation of it into 360-degree performance management systems and to make this evaluation an explicit part of compensation and promotion decisions» (Treviño & Brown, 2004, p.79); to promote ethical leadership in terms of making ethical values visible and showing how decisions tend to affect many stakeholders «making transparent the struggles about how to balance competing interests» (Treviño & Brown, 2004, p.79)

The organizational ethics is the capacity for an organization to reflect on values in the corporate decision-making process as to establish how managers tend to use these observations in the management of the organization (Carroll, 1987). Organizations tend to enhance the institutionalization of ethics by managing the psychological contract between employees and the organization, reinforcing the organizational commitment of employees and encouraging an ethically-oriented organizational culture seeking employees that aspire their own career compatible with the desire to eliminate unethical behaviors (Sims, 1991).

Organizations can utilize different means and policies to foster and encourage ethical standards (Sims, 1991): avoiding to employ people with personalities prone to unethical behavior blocking unethical tendencies; making public statements that ethical behavior is important; develop organizational policies that specify ethical objectives and a code of ethics describing the general value system of the organization, defining the organizational purposes. Human resource systems help organizations move toward an ethical approach to conducting business coherently with most successful organizations following a culture embracing necessarily ethical values.

Organizations effectively facing the challenge of survival and competitiveness have to promote behaviors of employees able to deal with ethical issues in daily working. Organizations facing the challenge of integrating ethics within daily behaviors of employees and corporate culture should not promise what cannot be delivered, choose values that represent the views of employees, open up to understanding of diversity and dissent, encouraging whistle-blowing behaviors, provide ethics training programs, integrate ethical decision-making in processes of performance appraisal (Sims, 1992).

«Ethical cultures and ethical leaders go hand in hand. Building an ethical culture can't be delegated» (Treviño & Brown, 2004, p.80). Leaders should represent a key resource in order to drive organizations towards ethical ends and provide ethical guidance for employees. Ethical leadership is related to honesty, trust in leader, interactional fairness and socialized charismatic leadership (Brown, Treviño & Harrison, 2005). Transformational leaders exert influence on the ethical performance of organizations as to develop the organizational mission and policies, reward systems for encouraging ethical behaviors (Carlson & Perrewé, 1995). Ethical values and awareness should be institutionalized at individual, subunit, organization, industry levels of analysis. Ethical training, codes of ethics grounded in specific role-based situations, can foster the

awareness of ethical issues. The individual should be accountable for means and ends. Effective sanctions should occur in order to encourage ethical behavior and contrast corruptive behaviors (Ashforth & Anand, 2003).

Managing ethics in business organizations implies to behave ethically, develop and reinforce the ethical behavior by providing ethical training, by developing a meaningful code of ethics as the most visible sign of a company's ethical philosophy accepted by the employees who are required to implement it (Stead, Worrell & Stead, 1990). Organizations prescribing clear ethical norms and having a strong ethical climate tend to successfully deal with ethical problems and issues (Bartels, Harrick, Martell & Strickland, 1998)

Organizations creating ethical values at the corporate level lead to higher levels of ethical behaviors of the employees. Organizations should develop and communicate their ethics codes because the ethics code awareness is believed to exert influence on the level of organizational commitment of employees (Valentine & Barnett, 2003). High levels of ethical behavior seem to be positively associated with more organizational citizenship behaviors desired by organizations playing a critical role in leading to higher levels of ethical behavior (Baker, Hunt & Andrews, 2006).

Conclusions

Organizations surviving by maintaining economic and social performances have to proceed towards sustainability. Today, rediscovering the importance of ethics in doing business and starting new entrepreneurial ventures for building competitive organizations creating value for market and society is strictly related to issues and questions about shaping the organization as a community of individuals based on equilibrium among inputs and incentives for developing effective and positive cooperation. Rediscovering ethics tends to emerge as a core capability guiding principles and source for creating economic, social and public value. Organizations proceeding towards sustainability and ethics tend to build and design appropriate work relationships developing fitting human resource management practices and policies for building and maintaining a corporate and organizational culture helping individuals adopt ethical and sustainable behaviors coherently with values and ideals emerging in the development of the relationship between employees and companies, between individuals and organizations.

The re-appreciation of the concept of sustainability as applied to the organizational dynamics tends to emerge as a necessary means of gaining and sustaining competitive advantages, realizing profitable financial and economic results by valuing and rewarding the human dimension of business activity and seed for designing and implementing an organizational renewal.

Sustainability within organizations should refer to the design of organizational structures in order to improve processes and implement human resource management systems and policies. Sustainable organizations contribute to enhancing sustainable, economic, financial, social and environmental development creating organizational and work environments valuing the institutionalization of ethics at all levels of the organization. Sustainability implies to design the organizational architecture relying on

valuing the psychological contract between parties to developing and managing human resources systems rewarding ethical behaviors and sanctioning unethical behaviors, on fostering the development of the community as value, sustaining corporate or organizational citizenship within company independently of the exchange between incentives, input, and inducements.

Organizations proceeding towards sustainability should pay attention to a strategic approach looking at jointly rediscovering the importance of human relationships, the task and role of human resource management practices and policies, reconsidering ideas, values of the organizational and corporate culture relying on principles of ethics or organizational culture ethics-driven.

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