Employee Background Verification Systems: Implementation Challenges

Kajari Mukherjee

The world of business is undergoing tectonic shifts triggered by fast changing customer preferences and fiercely competitive market dynamics fuelled by progress in information and communication technology and globalisation. To compete well, organisations are beset with expectations of increasing productivity as well as progressive cutbacks in "flab". Thus it is not surprising that employees take recourse to cutting corners, breaking rules, engaging in questionable practices and choosing decisions that skirt the grey area between what is legally right and what is normatively right. The present case illustrates the challenges of an organisation aspiring to do what is right without compromising its agency responsibility.

Ethics is a sense of right and wrong; it consists of those unwritten standards of conduct expected to guide our decisions and behaviours; and obviously they change across time and culture. Dilemma evolves when more than one approach to decide seems to be right. Various ethical theories are but a means to apply logic and analysis to ethical dilemmas and provide a way forward. The present case provides an interesting and increasingly commonplace occurrence in corporate India, and forces us to think of various ways in which we can approach the issue, ruminate to see if we have missed some key points, think of all stakeholders who are implicated and impacted, and lay bare why we think as we do; as also find out if there are other points of view that require further analysis (Jennings, 2008).

In the present case, the HR Manager has been advised to handle involuntary termination of two employees whose verification report has "red" flags. One is Shabnum, a junior employee, whose entire career will disintegrate as well as personal life spoiled if she is terminated on grounds of fudging relieving letter. The other is Padmanabhan, a stellar and senior ranking performer of the company, who fudged his high school report, even though he had exceptional graduate and post graduate degrees. A key deal to be signed by the company depends on presence of Padmanabhan to deliver the project. The HR Manager is wondering that despite the company's profess pronouncements in all its ethical standard related messages that "There are NO shades of Grey!"should there be some shades of grey in exceptional cases.

The said HR Manager finds himself perplexed as he is being forced to choose between competing sets of right versus right, leading to ethical dilemma, or as Badaracco (1992) says, clashes among different, even conflicting moralities of a person as an individual, an economic agent, a leader and a network partner of external stakeholders. Such "spheres of responsibility" that have the potential to "pull (leaders) in different directions" (ibid: 66) is creating ethical dilemma for the said HR Manager.

One way of handling such situations could be applying various ethical theories, principles and guidelines (Jennings, 2008). The HR Manager can apply various commonly known ethical theories - both deontological and teleological perspectives to analyse his dilemma. Eg, ethical egoism, utilitarian theory, categorical imperative theory, justice theory and rights theory may provide him with one set of answer whereas moral relativism may provide him with another set of answer. Such an approach helps a person to consciously look into an ethical dilemma from various perspectives. Eg, in this case, the HR Manager is extremely uncomfortable for the price that will be extracted from two employees caught in a maelstrom created under circumstances beyond their control. However, if he thinks through the issue using various ethical theories, it is likely that he would understand that stakes in this dilemma is much beyond what he is focussing on now. Thinking through then becomes a process that can be learnt. Every ethical dilemma may not have a right solution, but managers may agree on a process to deal with such dilemmas such that their decisions hold up to the scrutiny of various stakeholders, as well as manager's own moral compass (Wicks, & Parmar, 2008).

Similarly, many business professors and philosophers have suggested models and tests to use in resolving ethical dilemmas. A detailed decision-making model has been suggested by Laura Nash (1981) which starts with the question "Have you defined the problem accurately?" Her questions are a way to articulate the responsibilities involved, and examining each of them. Consulting with appropriate experts (eg, ethics scholars) may also be of help to managers grappling with challenges to ethical decision making.

The contingency framework developed by Ferrell & Gresham (1985) to understand ethical decision making in an organisation may of use to the HR Manager; though it was initially developed for marketing ethics. It is based on the assumption that outcome of an ethical dilemma is based on nature of ethical situation, and individual characteristics of person taking the decision, organisational factors/setting and opportunity to make a difference. In context of present case, as the HR Managerbattles with his conscience to handle the involuntary separations on grounds of integrity, he can work through his sense of right and wrong, as well as realities of organisational imperatives, and his opportunity to act. Sometimes, silver lining can be created even when decisions seem to be all black. Badaracco (1992) puts it even better by stating that ethical dilemmas must be resolved through balancing acts of decisions and actions that best meet the demands of four spheres of moral responsibility (as discussed above); though there is no certainty that it will provide a win-win solution or even help to keep hands and/ or conscience clean.

By the time each individual joins the workforce, his individual standards of ethics would have been hardwired to a great extent; however, it is the company's responsibility to set clear standards of ethical behaviour and constantly strive to live up to it. Ethics is about right conduct, and conduct gets cemented in the DNA of the organisation through constant practice and reiteration. The present case throws up interesting avenues of whether leeway can be allowed under exceptional circumstances (Question 12 of Laura Nash: Under what circumstances would you allow exceptions to your stand?), and if so, who will decide where and how the boundary can be drawn.

Good ethics is good business, and there are evidence that ethical pay offs in the long run accrues via good financial performance (Verschoor, 1998). Ethical dividend needs to be earned through initial set-up and recurring costs and effort (eg, in present case, via creation of 'code of business ethics', and periodic reinforcement of the same) over a period of time, and may entail lost opportunities as well.In this context, it may not be misplaced to reminiscea personal experience about a financial services company belonging to a large and highly respected business group in India. A complaint reached the corporate office that the Branch Manager of the Indore branch was making amorous advances to the secretary-cum-sales coordinator of the said office. The aggrieved party had written that after trying to live down the objectionable conduct, she had to take recourse to this drastic step. The grapevine anyway knew about it; but the top management got formally informed through this letter. An experienced top functionary was sent to the branch. The muted expectation in the warrens of the corporate office, where grapevine is most potent was that either the said Branch Manager will lose his job or be shunted to an insignificant branch. It may be added that he was one of the best performers and was well liked across the company.

Well, the said honcho had a meeting with aggrieved parties, and declared that let past be forgotten and peace reign. The top management did consider this as an amicable solution. Within a month or so, the said lady sent across a tearful letter stating that she can't leave this job because of economic reasons and it is tough to cope up with a romantically inclined boss.The discussion at the Corporateto resolve the issue went on for almost two months; afterall Indore was the top-performing branch of the company in that year. Thankfully, the husband of the lady got a transfer to Chennai, she immediately left the job, and peace did reign in Indore.

In less than couple of years, the company was close to bankruptcy because of larceny by the Managing Director. He went to jail, the business group took a severe beating to its reputation and finances, the concerned Partner of the audit firm was dismissed, most employees lost job as the company wound down, and all eminent members of the Board came under intense scrutiny for their combined somnolence.

The company had perfected its preference to keep eyes closed on unpalatable going-on so as not to rock the boat; it kept itself solely concerned about counting profit and not about how it is accruing. This side stepping the call to be righteous to live up to the (misplaced) agency expectation percolated from top and showed up in various forms; my little reminisce being an example. And end result was folding up of an extremely promising business that was on a meteoric growth curve. The business group is still trying to recoup that particular space. Retribution of bad ethics seems to be certain; they may grind slowly, yet they grind exceeding small.

References

Badaracco, J. L. 1992. Business ethics: Four spheres of executive responsibility. *California Management Review.* 34: 64-79.

Jennings, M. M. 2008. Cases in business ethics. Cengage Learning: New Delhi.

Nash, L. L. 1981. Ethics without the sermon. *Harvard Business Review,* Nov-Dec.

Verschoor, C. C. 1998. A study of the link between a corporation's financial performance and its commitment to ethics. *Journal of Business Ethics.* 17(13), 1509-1516.

Wicks, A. C. &Parmar, B. 2009. An introduction to ethics. Technical note. *Darden Case Collection*, UV1040.

Kajari Mukherjee is an Associate Professor in Indian Institute of Management – Indore. Her research interest is in organizational design, compensation management and corporate social responsibility; she uses complexity paradigm to examine theoretical perspectives of these disciplines. She is MSc (Mathematics), PGDRM (IRMA, Anand), PhD (TISS). Prior to joining academics, she spent two decades in corporate, both public and private sector. She brings in a unique combination of experience, having handled both line as well as consultant roles. She was head of department, Human Resources for significant number of years, and also spent many years in consultancy as Principal Consultant, which helped her gain insights into different types of industries.