Literature Review on Good Governance in the Organizations through Human Resource Management: A Corporate Level Analysis

Anthonypillai Anton Arulrajah

Correspondence: Anthonypillai Anton Arulrajah, Department of Management, Faculty of Commerce and Management, Eastern University, Batticaloa, Sri Lanka. E-mail: aantonarulrajah@yahoo.com

Received: December 23, 2015 Accepted: December 28, 2015 Online Published: June 7, 2016
doi:10.5539/ibr.v9n8p14 URL: http://dx.doi.org/10.5539/ibr.v9n8p14

Abstract

The objective of this review is to analyze the contribution of human resource management (HRM) in creating good governance in the organizations. A theoretical framework concerning the characteristics of good governance and the contribution of human resource management based on those characteristics were developed. The relationship between human resource management and creating good governance in the organizations, which is based on social, ethical, democratic, and economic basis, involves some important aspects concerning people management aspects such as participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness, and following the laws and regulations. The integration of characteristics of good governance with possible approaches and practices of HRM leads to developing a model which underpins the contribution of HRM to create and practice good governance in the organizations. Based on this model, propositions and recommendations for future research on this theme are presented.

Keywords: characteristics, good governance, human resource management, organization

JEL Classification: M12 and M14

1. Introduction

Over time, the field of HRM and its concepts have changed from originally having their focus on welfare and administration to an emphasis on employee motivation and job satisfaction (Shen, 2011). Nowadays, HRM system has become more socially responsible and it addresses both internal and external stakeholders’ interest and satisfaction (Shen & Jiuhua Zhu, 2011). According to Jabbour & Santos (2008), HRM is playing a central role in organizational sustainability by contributing economic, social and environmental performance of the organizations. In general, prevalence of good governance is also important for organizational sustainability. If HRM of an organization can play a central role in organizational sustainability, it is also possible to search and review on how HRM can contribute to create good governance in the organizations. The concepts related to good governance are broad and little has been presented in terms of concepts and association between good governance and HRM in the existing literature. However, exploring the contribution of HRM to create good governance in the organizations is a significant area of organizational research that will help organizations to become as sustainable organizations. It will further enhance the scope and depth of the field of human resource management.

According to UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific) (2009), good governance has eight major characteristics. These characteristics are: (1) participatory, (2) consensus oriented, (3) accountable, (4) transparent, (5) responsible, (6) effective and efficient, (7) equitable and inclusive, and (8) follows the rule of law. In general, these characteristics are highly related to the human resource management of an organization. Even though these characteristics are highly related to the people management aspects of the organizations, it is very difficult to find the empirical as well as theoretical studies reflecting these phenomena in practice. Hence, it is necessary to analyze and explore the contribution of HRM in creating good governance in the organizations. This paper also argues that there is a gap in establishing a relationship between HRM and good governance in the organizations even though both have implicit and explicit connections. Hence, the author believes this review helps readers to gain insights into how both aspects are highly related to each other and to understand the central role of HRM in the organizations.

By examining literature relating to HRM and good governance in the organizational level, this paper concludes that HRM can contribute to establish good governance in the organization by promoting participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness, and following rule of laws. This review also argues that establishment of good governance in the organization is possible.
through relevant HRM practices which are supporting the above mentioned eight characteristics of good governance. The rest of this paper is organised with methodology, literature review on characteristics of good governance and HRM, discussion and conclusion.

2. Methodology

This review analyzes the contribution of human resource management in creating good governance in the organizations. In order to achieve the intended review objective an archival research method was used. The archival research method facilitates the author to organize a reliable knowledge base in this research area. This review uses publications from the relevant text books, journal articles, edited works, and other research materials to achieve the objective of this review. The main databases such as Sage, Taylor and Francis Online, Springerlink, ScienceDirect, JSTOR, Wiley Online Library, and Emerald are used for this review purpose.

Tranfield et al., (2003) indicate how to conduct a systematic review of literature to produce evidence-informed contents in the field of management. In considering the objective of this review, methodology proposed by the Tranfield et al., (2003) is considered as the most appropriate, since they suggest how to conduct a literature review systematically by using an archival method with three stages. The three stages are: planning the review, conducting a review, and reporting and dissemination. This review follows these three stages in order to achieve the review objective.

3. Literature Review on Characteristics of Good Governance and HRM

3.1 Participation and HRM

Participation by both men and women is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand (UNESCAP, 2009).

The new developments in HRM (e.g. strategic HRM, electronic human resource management: e-HRM, HR Diversity Management, HR Ethics and Green HRM) gradually increase the contribution and influence of HRM in the strategic level of corporate management. This trend increases the participation rate of HRM in the corporate level decisions and also allows to listen bottom level issues of the workforce by the top management of the organizations (e.g., making labour laws to be practiced in the organization and etc.).

There are many HRM policies and practices which are promoting participation of organizational members and employees in the workplace activities and decision making. These policies and practices are team working, diversity management, stock-ownership plan, employee suggestion scheme, work-family balance practices, benefit sharing programs, family-friendly work practices or HRM (Bagraim & Axis, 2007), equal employment opportunities, affirmative action, empowering employee, open book management, and etc. These commitment orientated HR practices, provide evidences for good governance in the organizations through HRM.

Team working encourages employee involvement and sharing but also allows the avoidance of managerial responsibility and suppresses resistance and confrontation (Sennett, 1998). Team works really improve the participation rate of organizational members in corporate level decisions making and their implementation and also improve the participation rates of female employees in the organizational activities and functions. To encourage and motivate female employees and to increase their participation, an organization should combine family-friendly organizational programs with supervisor support (Kima et al., 2013). In general, opportunities for women in employment have increased, and they have taken up careers once considered the exclusive prerogative of men (International Labour Organization-ILO, 2007).

According to Kleiman (1997), employee ownership, if properly implemented, can align the interest of employees with those of other shareholders. Such employees will likely take a long-term view of the organization, its strategy and its investment policies.

The stakeholder perspective suggests that organizations build up a system of employee involvement and participation in decision-making through formal and informal consultation processes (Winstanley et al., 1996; Legge, 1998). Moreover, freedom of association and collective bargaining are the core labour standards that exercise employees’ autonomy (ILO, 1998). Encouraging the decentralization of decision making and broader worker participation and empowerment through HRM practices will improve the participatory elements of good governance in the organizations. Based on these literature evidences and supports, this review proposes following proposition:

Proposition 1: The extent to which HRM practices are perceived to be participatory is positively related to participatory element of good governance in the organizations.
3.2 Consensus Orientation

There are several actors and as many viewpoints in a given society. Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved. It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community (UNESCAP, 2009).

The human resource development and other practices of HRM in the organizations highly related to consensus orientation dimension of good governance in the corporate level. Nowadays in many countries, HRM is approached with a context specific nature (Brewster & Mayrhofer, 2012). HR professionals design and implement HRM system and practices by considering the context. This means they consider the historical, cultural, and social context of a given society/community or country in designing and implementing HRM policies and practices. In practicing international HRM, HR professionals have to consider labour and employment laws relating to a particular country as well as social and cultural differences and uniqueness in designing and implementing HR policies and practices. This is a good example to show consensus orientation dimension of good governance through HRM. Because multi-national companies operate in diverse cultural and economic environments, it is important for multi-national companies to provide equal opportunity in all international HRM activities to employees, regardless of their gender, race, age and cultural background (Grover & Crooker, 1995; Thomas & Ely, 1996). If HR policies and practices of an organization do not effectively reflect workplace equality, then employees will create a bad image and perception about the entire processes of the organization (Richard & Kirby, 1999).

Employee-oriented or centered HRM practices contribute to create good governance in an organization. Employee centered HRM practices address personal and family needs of employees that are beyond the minimum legal requirements. These HRM practices focus on organizational justice, support, and employee need for personal development. For example, mentoring, coaching, career development and workplace democracy, employee participation and empowerment, involvement and sharing powers etc. (Warning & Lewer, 2004).

In general, HRM is dealing with people and relational dimensions of workplace aspects. Hence, in making decisions or implementing policies and practices, it has to achieve consensus orientation dimension of good governance by considering various stakeholders, otherwise it is very difficult to practice HR policies in the organizations. Based on these literature evidences and supports, this review proposes following proposition:

Proposition 2: The extent to which HRM practices are perceived to be consensus orientation is positively related to consensus orientation element of good governance in the organizations.

3.3 Accountability

Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organization or institution. In general an organization or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and the rule of law (UNESCAP, 2009).

In an organizational level, HRM has accountability towards its stakeholders such as owners, employees, unions and society and etc. In managing workforce ethically and safely, healthy, and wellbeing manner, HRM is exercising its accountability in the organization in several ways through HRM policies and practices. HRM practices in an organization must follow employee related national and international laws and legal aspects.

The emerging concepts and practices of HRM such as ‘socially responsibly HRM’ (Shen & Jiuhua Zhu, 2011) and ‘socially responsible international HRM’ (Shen, 2011), reflect accountability element of good governance through HRM. Based on these available literature evidences and supports, this review proposes following proposition:

Proposition 3: The extent to which HRM practices are perceived to be accountable is positively related to accountability element of good governance in the organizations.

3.4 Transparency

Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that enough information is provided and that it is provided in easily understandable forms and media (UNESCAP, 2009).

According to Greenwood (2002), socially appropriate human resource management has to: (a) treat employees following the principles of respect, transparency, honesty and long-term nature of changes; and (b) respect employee’s
The dissemination of information throughout the organization is critical to providing high-quality service and products to the organization’s customers. Information dissemination involves making information available to decision makers, wherever they are located. Employees who have access to abundant information in a transparent manner are more likely to feel empowered and are better able to participate in decision making. Information dissemination also helps managers adopt more participative leadership styles and work configurations, leading to greater employee involvement and, ultimately, to better employee relations (Gomez-Mejia et al., 2003).

Employee handbook is a most important and transparent source of information that the HR department can provide (Gomez-Mejia et al., 2003). In addition, e-HRM is playing a key role in creating transparency in the workplace (Lepak & Snell, 1998; Ruel et al., 2006).

Lepak & Snell (1998) also pointed out that e-HRM can affect the relationship element of HRM by providing managers and employees with remote access to HR information and increasing their capacity to link with other areas of the organization. Therefore, they can perform HRM functions and activities themselves. Bondarouk & Ruel (2013) found that e-HRM provides unexpected benefits to the organizations including an improved image of the HR department, the professionalization of HR specialists, easier workforce overviews, greater transparency and information sharing, a more efficient HRM functions and etc. Based on these available literature evidences and supports, this review proposes following proposition:

Proposition 4: The extent to which HRM practices are perceived to be transparent is positively related to transparency element of good governance in the organizations.

3.5 Responsiveness

Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe (UNESCAP, 2009).

Through HRM, an organization can take action to promote the ‘good’ for employees as well as other stakeholders. These kind of initiatives of HRM definitely improve its responsiveness. Gradually responsiveness of HRM is increasing over time. In the field of HRM, all modifications and call for changes, new developments, emerging concepts and practices basically reflect responsive nature of this field. HRM is dealing with people or human resources which is a more dynamic and an active resource (Kleiman, 1997) in this world. Within the organizations, e-HRM provides required services to the employees and employee related information to the management within a reasonable timeframe or quickly (Lepak & Snell, 1998; Ruel et al., 2006; Parry, 2011; Pratheepan & Anton Arulrajah, 2012). Moreover, according to Marler (2009) and Bondarouk & Ruel (2013), e-HRM enhances the operational aspects of HRM functions by simplifying administrative processes, and reducing the time required for HR transactions in considering its stakeholders. Based on these available literature evidences and supports, this review proposes following proposition:

Proposition 5: The extent to which HRM practices are perceived to be responsive is positively related to responsiveness element of good governance in the organizations.

3.6 Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment (UNESCAP, 2009). In an organizational level, the ultimate meaning of human resource management is also reflecting the same view.

According to Stone (2005, p.4), the definition of HRM is: “the productive use of people for achieving the organization’s strategic objectives and satisfaction of individual employee needs”. This definition of HRM reflects and balances effectiveness and efficiency aspects of people management in the organizations. According to Opatha (2010), the efficient and effective utilization of human resources (HR) to achieve goals of an organization can be defined as human resource management (HRM). This definition also covers the effectiveness and efficiency elements of good governance. Hence, the effectiveness and efficiency elements of good governance are already embedded in HRM and its practices.

Currently, the field of HRM extends its scope towards the sustainable use of natural resources and the protection of the environment by practicing ‘Green HRM’ or ‘Environmental HRM’ (Shrivastava, 1994; Shrivastava, 1995; Wehrmeyer, 1996; Wehrmeyer, 1997; Jabbour et al., 2010; Jackson et al., 2011; Rangarajan & Rahn, 2011, Renwick et al., 2013; Opatha & Anton Arulrajah, 2014; Anton Arulrajah et al., 2015; Ahmad, 2015). Today, Green HRM has become a new trend and business strategy for many organizations where HR departments play an active role in sustainable use of natural resources and the protection of the natural environment (Ahmad, 2015). Moreover, in accordance with the literature, e-HRM helps to improve the efficiency and reduce the costs associated with HRM (Buckley et al., 2004).
Based on these available literature evidences and supports, this paper proposes following proposition:

Proposition 6: The extent to which HRM practices are perceived to be efficient and effective are positively related to efficiency and effectiveness elements of good governance in the organizations.

3.7 Equity and Inclusiveness

A society’s well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly the most vulnerable, have opportunities to improve or maintain their well-being (UNESCAP, 2009).

According to Greenwood (2002), socially appropriate HRM has to: (a) create reward systems based on the concepts of equity, distributive justice, autonomy and respect; (b) ensure safety in the workplace in order to avoid accidents and respect employees’ health. Miller (1996) argues that ethical HRM can be achieved by applying principles of fairness and equality. He concludes that ‘good’ HRM depends on good employment conditions, which in turn depends on good organizational strategy.

Recruitment and selection functions of HRM can provide ‘equal opportunity’ to all when appointing candidates for job vacancies. Equal employment opportunity means providing all applicants and employees equal treatment regardless of their race, color, sex, religion, national origin, age, or disability (Kleiman, 1997). HRM systems and policies can help to practice ‘egalitarianism’ in the workplace. Moreover, pay and reward management systems and polices of an organization can foster equity and distributive justice in the workplace.

According to Kleiman (1997), equality of treatment among employees established by such actions as eliminating executive dining rooms and reserve parking spaces that enhance competitive advantage of an organization. The reduction in the number of social categories tends to diminish the ‘us’ versus ‘them’ thinking, and provides a sense of everyone working toward a common goal. Establishing these kinds of good practices through HRM definitely will create good governance in the organizations.

A diverse workforce means organizations need to make diversity management an essential element of their HR policies and practices. HRM has potential to practice effective diversity management in an organization. According to Charles and Nick (1996), one of the goals of reforming HRM is to make the composition of the public service more representative of social diversity, both as an end in itself and to deliver greater equity in the treatment of different social groups.

Nyambegera (2002) argues that, if the ethnic diversity found in African organizations is well managed, this could enhance organizational harmony and effectiveness. Moreover, if organizations in Africa deliberately embrace approaches of ‘inclusion’ rather than ‘exclusion’ in managing their human resource and appreciate the inherent employee ‘difference’, it could improve the image and effectiveness of organizations operating there. According to the ILO Report (2007), in establishing pay equity, job evaluation methods are very useful and free from gender bias. Accordingly, HRM can play a major, particularly in removing gender bias in establishing pay equity.

Cassell and Biswas (2000) indicate that the differences and diversity in HR have implications for the design and implementation of equality policies within human resource departments in the organizations. HRM can clearly offer significant opportunities for narrowing or eliminating inequalities and discriminations in the workplace. Diversity training of HRM attempts to make employees aware of their biases or stereotyped views regarding various minority groups and then shows them ways to overcome these biases in their day-to-day dealing with such individuals. The number of organizations offering diversity training is growing rapidly (Kleiman, 1997). Organizations must also take steps to help minorities and women reach their career goals, by providing them with training, career counseling, and mentoring through HRM.

Hence, it is clear that HRM can support equity and inclusiveness in an organization which is also linked to diversity management within the organizations. Diversity management continues to be an area of significant interest for many organizational researchers, organizational leaders and members of diverse social groups and government organizations (Wimbush, 2006). However, in developing organizational theory, the concept of diversity management of HRs is highlighted as one of the key areas and at the same time it is scarce (Pless & Maak, 2004). The HRM functions can perform a central role in establishing equity and inclusiveness in an organization and it can also contribute to create good governance in the organizations by integrating dimension of good governance into its functions such as recruitment and selection, performance evaluation, training and development, reward management and labour relations management. Based on these available literature evidences and supports, this review proposes following proposition:

Proposition 7: The extent to which HRM practices are perceived to be equitable and inclusive are positively related to equity and inclusiveness elements of good governance in the organizations.
3.8 Following the Rule of Law

Good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force (UNESCAP, 2009).

Legal issues fill almost all aspects of HRM, from the recruitment and selection of candidates to their discharge, retirement, or layoff (Kleiman, 1997). HRM has to respond to the modern social changes which are concerned with employees’ rights and their personal and developmental needs (Hartel et al., 2007). Legal compliance is a key aspect of HRM. In terms of legal compliance, HRM policies and practices consider both the local/national laws, international laws and the labour standards established by the ILO. These labour laws and standards include equality and affirmative actions, health, safety and environmental rules and regulations, working hours, pay and wages, and evidences to ensure that there is no child and forced labours (Jennings, 1996; Amestoy & Crosbie, 2000; Rhoades & Eisenberger, 2002; Rowan, 2000; Shen et al., 2010).

Following the ‘Rule of law’ dimension of good governance is covered by the labour law-related legal compliance of HRM. It is one of the three key aspects of socially responsible HRM. According to Shen & Jiuhua Zhu (2011), the socially responsible HRM system consists of three major components. They are labour law-related legal compliance HRM, employee-oriented HRM and general corporate social responsibility (CSR) facilitation HRM. Based on these available literature evidences and supports, this paper proposes following proposition:

Proposition 8: The extent to which HRM practices are perceived to be legal compliance is positively related to following rule of law element of good governance in the organizations.

4. Discussion

Critical view of HRM or critical perspective of HRM (Legge, 1996; Guest, 1997) is needed in this review context. Development of an alternative and critical perspective of HRM is inevitable and necessary for the evolvement of good governance in the organizations through HRM. The critical perspective views HRM practices as a way of life for employees to fully develop and contribute to the organizations as well as to establish good governance rather than as a tool of management to control the employees. Creating good governance through HRM promotes employees to fully develop and contribute to organization. HRM practices are a way of intervening in an employee’s life in order to make employees to sacrifice more of themselves to the needs of the organization and society.

Nowadays, all organizations design and implement several HRM practices which are based on ethical, social, democratic, and economic principles with the support and contribution of HR professionals. For example, workplace family policies and practices are needed for both men and women in order to help and overcome the problems of workers with family responsibilities in smooth balancing work-family issues in the world of work. Participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness, and following the rule of laws promoting HRM system, policies and practices are needed for organizations. Following the rule of law and providing welfare and employee services beyond the legal compliance are also required for organizations. Hence, when design and implement such HRM system, policies and practices, managers and supervisors are key players and can help to build a culture that value and respect good governance across the organization.

Based on the above review, a conceptual framework of good governance through HRM is proposed and shown in Figure 1. This model indicates that how HRM can contribute to create good governance in the organizations by generally or specifically aligning itself with the characteristics of good governance such as participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness, and following rule of laws. This model further indicates the necessity of good governance oriented and embedded HRM system and practices in the organizations. Moreover, the good governance oriented HRM should occur at the strategic, tactical and operational levels through a range of different activities involving managers at all levels. The model also highlights the ultimate objective of good governance in the organization. This is ensuring organizational sustainability. Hart and Milstein (2003, p.56) view organizational sustainability as the capability of an organization to contribute to “sustainable development delivering simultaneously economical, social, and environmental benefits-the so-called triple bottom line”. It is a balanced organizational approach that considers economic, environmental, and social aspects in holistic and enduring ways (Florea et al., 2013). This objective provides benefits to the organizations, individuals and society which can result from good governance through HRM. A strong HRM system which is based on social, ethical, democratic, and economic dimensions, can establish and maintain good governance in the organization by developing appropriate attitudes, behaviours and cultures that support for the survival of good governance. This is important for organizational survival and sustainability. At the same time organizational sustainability may be the outcome from the implementation of good governance oriented HRM practices of the organizations.
5. Conclusion

In general, HRM policies and practices have a greater potential and opportunities to exercise an influence on the governance and management (good or bad). However, based on this review, author concludes that by having good HRM policies and practices and by following basic ethical, social, democratic and economic principles, organizations can create and maintain good governance through human resource management. The good governance in the organization ultimately leads to organizational sustainability.

In considering the nature of the review theme and concepts, research propositions are related to the relationship between human resource management and good governance (characteristics of good governance) in an organizational level. Investigations in this area are recommended to test the proposed research propositions and developed conceptual model (see Figure 1) by using quantitative mixed method (Creswell, 2009) in order to obtain more robust and reliable results. Hence, research works are needed to establish and confirm the relationship between HRM and good governance in the organizations.

Moreover, propositions of research should include an analysis of the influence of a company’s size, ownership, organizational and national culture, the industry where it operates and the country of origin, because these factors directly influence good governance and good governance oriented HRM policies and practices.

References


W. Mayrhofer (Eds.), Handbook of research on comparative human resource management (pp. 1–23), Cheltenham: Edward Elgar. http://dx.doi.org/10.4337/9780857938718.00005


International Labour Organization (ILO). (2007). Equality at work: Tackling the challenges, Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, INTERNATIONAL LABOUR CONFERENCE, 96th Session, Report I (B) INTERNATIONAL LABOUR OFFICE, GENEVA.


http://dx.doi.org/10.1111/1467-8551.00375


**Copyrights**

Copyright for this article is retained by the author(s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (http://creativecommons.org/licenses/by/3.0/).