

Ethics and Human Resource Management Practices: Insights from Indian Unicorn Startups

Debasish Biswas

Assistant Professor, Department of Business Administration,
Vidyasagar University, WB
(Corresponding author)

&

Chanchal Dey

Research Scholar, Department of Business Administration,
Vidyasagar University, WB

Abstract

In the dynamic landscape of the corporate world, ethical dimensions of human resource management (HRM) practices have emerged as a critical focus of interest. As the unicorn startups in India continue to flourish, the ethical considerations within HRM practices have gained significant relevance. Ethical HRM practices have become an integral part of their identity as they set new benchmarks for innovation and corporate culture. This research seeks to understand the interaction between ethics and HRM practices prevalent in the Indian unicorn startups. It investigates the ethical frameworks comprising recruitment, decision-making, retention, and corporate culture within these startups. This research aims to act as a reference and guide unicorn startups toward a future where ethics are not just a part of their HRM practices but an integral part of their existence and success. The study highlights the impact of ethical HRM on organizational performance, employee engagement, and job satisfaction. This research contributes significantly to the ongoing discussion on ethics in HRM in the context of Indian Unicorn startups and the broader business community. It establishes that ethical HRM practices foster sustainable growth, and help to retain talent. In essence, this study sheds light on the ethical dimension of the HRM landscape within Indian Unicorn startups. Its findings not only provide actionable insights for these startups but also serve as a foundation for future research. The ethical dimensions explored here will certainly shape the future of HRM practices.

Keywords: Ethics, Unicorns, startups, HRM, India.

Introduction

Ethics is regarded as the philosophical study of what is right and wrong. In other words, ethics are the principles and values that guide human behavior. It is a fundamental aspect of human existence that shapes our decisions, actions, and interactions with others (Floridi et al., 2021). Ethics in a profession are the moral principles and guidelines that govern the conduct and behavior of individuals working within that particular occupation. It sets the standards for what is considered acceptable and responsible behavior within a specific profession. Moreover, they often go beyond these general moral principles to address the unique ethical dilemmas and responsibilities associated with that profession. According to Hosmer (1995), ethics explores questions about morality, fairness, and justice. It plays a pivotal role in various facets of life, from personal decisions to professional conduct and the development of laws and social norms. Ethical considerations are essential for both individuals as well as organizations. It helps to establish trust, promote accountability, and foster a sense of responsibility towards others (Avey et al., 2012). According to Ammirato et al. (2023), HRM, is a crucial function in organizations that deals with managing and optimizing the most valuable asset of a company which means its employees. The basic objective of HRM is fostering a positive workplace culture, ensuring compliance with employment laws, and aligning their individual goals with the organization's objectives (Stahl et al., 2020). It involves various functions, including recruitment and selection, training and development, performance management, compensation and benefits, and employee relations (Faisal, 2023). Effective HRM practices are critical for attracting top talent, enhancing employee engagement, and job satisfaction. Am et al. (2020), considered that in today's dynamic business landscape, HRM has evolved to address emerging challenges such as diversity and inclusion, remote work, and the increasing importance of employee well-being. HRM ensures that the organization has the right people in the right places with the right skills and knowledge to do the job. This is essential for achieving the organization's goals and objectives, improving their performance, and gaining a competitive advantage.

In recent years, India has witnessed a remarkable and transformative phenomenon in the rise of Unicorn startups. These are high-growth technology-driven companies that have achieved a valuation of over one billion dollars (Lee, 2013). The Indian Unicorn startup ecosystem has garnered global attention and played a pivotal role in the country's emergence as a hub for innovation and entrepreneurship (Hillemane, 2020). Unicorn startups in India comprise e-commerce, fintech, healthtech, edtech, and more. They are characterized by their disruptive business models, innovative technologies, and their ability to scale rapidly in a diverse and competitive market (Trabucchi et al., 2019). Indian Unicorns have not only reshaped industries but have also attracted significant investments, both from domestic and international sources (David et al., 2021).

According to Kapturkiewicz (2022), the success of these startups is often attributed to a combination of factors, including a large and tech-savvy population, access to venture capital funding, a growing middle class, and a favorable regulatory environment. Moreover, they have demonstrated the capacity to adapt to unique challenges and market conditions, making them agile and resilient in the face of change. Indian Unicorn startups have not only contributed to economic growth but have also generated substantial employment opportunities, fostered innovation, and inspired a new generation of entrepreneurs (Chillakuri et al., 2020).

The role of ethics in HRM has emerged as a critical and evolving dimension (Keegan & Francis, 2010). According to Gomes and Santos, (2022), the presence of ethical considerations in HRM practices reflects the commitment of unicorn startups towards responsible business conduct alongside shaping their organizational culture and long-term sustainability. As Indian Unicorn startups continue to gain prominence on the global stage, they face increasing scrutiny not only for their business models and financial performance but also for their treatment of employees, stakeholders, and societal impact (Ahsan, 2020). Ethical considerations are fundamental in HRM functions. It influences decisions, policies, and practices related to employees and the workplace. Ethical HRM practices are essential for creating a positive and ethical organizational culture, attracting and retaining talent. It ensures that employees are treated fairly and with respect. Ethical HRM also helps organizations to avoid legal complications and contributes to their long-term success. This has highlighted the important role that ethics plays in HRM, influencing everything from recruitment and employee development to workplace diversity, inclusion, and corporate social responsibility. This study aims to examine the approaches taken to address workplace diversity, equity, and inclusion while adhering to ethical principles.

Study Objectives

1. To understand the role of ethics in HRM within the context of Indian Unicorn startups.
2. To offer valuable insights and best practices that can guide these startups in fostering ethical HRM practices that align with their growth objectives.

Methodology

Our research paper has been written with a strong emphasis on utilizing secondary data resources as the foundation of our study. In pursuit of comprehensive and reliable information, we have referred to diverse sources comprising peer-reviewed research papers, authoritative websites, and reputable databases. Through systematic gathering of information, we attempted to construct a scholarly work that contributes to the existing body of knowledge.

Discussion

Ethics, rooted in the Greek word "Ethikos" and the Latin word "Ethicus," is an essential concept that has its foundation in human behavior and social science (Beyer, 2022). According to Trevino (1986), ethics is a branch of philosophy and is often regarded as a normative science, guiding individuals and organizations on what constitutes right and wrong actions in their interactions with others and society as a whole. Management guru Peter F. Drucker noted, ethics is primarily concerned with the moral compass that guides the actions of individuals (Malcolm & Hartley, 2009). It serves as a beacon of principles and values that should govern human behavior, both on a personal and professional level. Morris et al. (2002), opined that ethics provides a framework of well-established norms that define what is considered morally acceptable and unacceptable behavior. It offers a set of guidelines that individuals and organizations should adhere to in their conduct. Ethical norms are not static that are subject to continuous study, development, and refinement. The field of ethics evolves in response to changing societal norms, technological advancements, and ethical dilemmas that emerge over time (Wartick & Cochran, 1985). When it comes to managerial roles and responsibilities, ethics assumes a particularly crucial role. According to Barbazzeni (2022), managers are entrusted with planning, directing, and overseeing the work of a group of individuals within an organization. While it is essential for managers to be well-versed in the technical aspects of their teams' work, it is equally important for them to possess a deep understanding of ethical considerations (Floridi et al., 2021). Managers often find it challenging when it comes to the process of decision-making (Trevino, 1986). They must not only be aware of the ethical standards of their organization but also be capable of making decisions that align with these standards (Halbusi et al., 2022). In essence, managers serve as ethical custodians, ensuring that the actions and decisions of their teams and themselves uphold the ethical values and principles of the company.

It is a multifaceted and proactive endeavor to create an ethical organization that can shape a commitment to core values, and a strong organizational culture (Avey et al., 2012). In the unicorn startups of India where innovation and growth are paramount, nurturing an ethical environment is of utmost importance. The ethical behavior of employees within these startups is influenced by a combination of personal moral development and the prevailing organizational ethos (Bag et al., 2022). Colleagues have significant influence on an individual's behavior. Yang et al. (2022), found that social dynamics and peer pressure can either encourage or discourage ethical conduct. The startup environment which is characterized by close-knit teams. This gives a strong emphasis on the social dynamics that can either reinforce ethical conduct or pose challenges due to peer pressure (Morris et al., 2002). Leadership within the organization sets the tone for

ethical behavior. The behavior and values demonstrated by supervisors and superiors serve as role models for employees (Halbusi et al., 2022). The startup culture is focused towards performance and innovation (Lee, 2013). The way these startups reward and recognize employees can impact their behavior. A well-structured reward system that acknowledges ethical behavior can reinforce a culture of ethics (Fürst, 2022). In startups, team dynamics and workgroup norms shape the individual behavior. The process of aligning these norms with ethical standards is essential for fostering a culture of ethics (Halbusi et al., 2022). According to Morris et al. (2002), the core values and principles articulated by the organization define the ethical framework within which employees operate. These values help employees understand what is expected of them in terms of ethical conduct. The policies and the manner in which they are enforced play a critical role in promoting ethical behavior. The consistent enforcement mechanisms are vital for promoting ethical behavior that must be effectively communicated (Ahsan, 2020). Also, startups must ensure that their policies reflect their commitment to ethical conduct.

The responsibility for developing and managing ethical behavior within these startups rests with the Human Resource (HR) department (Keegan & Francis, 2010). HR departments in these startups play a central role in fostering an ethical climate through various strategic approaches. Halvorsen et al. (2023) opined that conduction of training programs based on ethics can educate employees about the organization's ethical expectations, values, and requisite legal regulations. The presence of open communication channels encourages employees to voice ethical concerns, seek guidance, and report unethical behavior without fear (Shipton et al., 2023). The implementation of a fair and transparent disciplinary process for addressing ethical violations is important in this regard (Ahsan, 2020). The unicorn startups that are around for some time are deeply committed to ethical practices where the HR department takes the lead in managing and monitoring ethical behavior (Keegan & Francis, 2010). They oversee personal development initiatives for employees and are instrumental in the recruitment of individuals who align with the organization's ethical values (Stahl et al., 2020). The authors found that there are some startups in India that also appoint ethics officers and establish ethics committees to ensure ethical standards are upheld across all departments. These officers work to promote a culture of ethics, provide guidance, and address ethical concerns as they arise. For startups, to be an ethical organization, it is imperative that every aspect of its operations, from hiring and training to routine decision-making, reflects a commitment to ethical conduct (Ahsan, 2020). The goal is to create an environment where ethical behavior becomes ingrained in the organization that will foster trust, integrity, and a sense of responsibility among employees at all levels.

The imbibing of ethical practices in the HRM practices of Indian unicorn startups offers numerous advantages that contribute to the organization's success and

societal well-being. According to Schwepker and Dimitriou (2022), ethical management positively impacts society by preventing unethical practices such as price fixing, employee harassment, and employee job dissatisfaction. With the help of ethical principles, startups can play a crucial role in promoting social progress (Gomes & Santos, 2022). Ethics help to align employee behavior with the organization's values. This alignment fosters openness, integrity, and a sense of unity among team members (Avey et al., 2012). Employees who perceive strong alignment between their personal values and those of the organization tend to be highly motivated that leads to improved performance (Bag et al., 2022). Ethical HRM encourages employees to see both the strengths and weaknesses of the organization and themselves. This increased awareness boosts employees' confidence and equips them with better decision-making skills, contributing to their personal and professional growth (Trevino, 1986). Ethics help to ensure that organizational policies are legally compliant and serve as a foundation for new legislation (Halvorsen et al., 2023). Ethical programs enable early identification of issues and violations. This proactive approach helps startups address and rectify ethical breaches before they escalate into legal or reputational problems. Am et al. (2020) opined that ethical values in HRM are intrinsically linked to strategic planning, quality management, and diversity management. This not only promotes ethical behavior but also supports long-term growth and success (Gomes & Santos, 2022). According to Ahsan (2020) by embracing and effectively managing ethics in the company's HRM practices, unicorn startups can contribute to the betterment of society. Ethical HRM practices also inspire a culture of integrity, cooperation, and continuous improvement, ultimately strengthening the startup's position in the market and its positive impact on the world.

Recommendations

Indian unicorn startups looking to implement ethical HRM practices should encompass a holistic approach that gives priority to transparency, and the well-being of employees. These startups should have a comprehensive code of ethics in place that outlines the organization's values, principles, and expectations related to ethical conduct. The startups should ensure that this code is communicated and understood at all levels of the organization. It's important to integrate ethics into the HRM practices, from recruitment and performance evaluations to disciplinary actions. It should align with the organization's ethical standards. The unicorn startups should have provisions for ethics training for employees at all levels that should focus on decision-making and ethical reasoning. This training will help employees recognize and address ethical dilemmas at the workplace. There should be encouragement to the managers and leaders within the organization to serve as ethical role models. They should demonstrate ethical behavior in their actions and decisions. This will result in fostering a culture of ethics from the top down. The startups should try to

establish mechanisms for employees to report ethical concerns or violations without any fear of retaliation. It should be ensured that these reports are taken seriously and investigated thoroughly. The compensation structures in these startups need to be fair and equitable. They should also address wage gaps and disparities to promote a culture of fairness. The startups should also prioritize diversity and inclusion in all the HRM practices. They should strive to create a diverse workforce and an inclusive work environment that values and respects differences.

External experts and consultants specializing in ethics and HRM to ensure the implementation of best practices. There should be regular monitoring and assessment of the organization's adherence to ethical standards. The ethics audits need to be conducted regularly to identify and rectify any deviations. The startups should look to benchmark their ethical HRM practices with organizations known for their ethical leadership and best HRM practices. This will help to identify areas where improvements can be made. The unicorn startups should look to stay up-to-date with evolving ethical HRM trends and best practices. They should participate in industry conferences, seminars, and training programs to enhance their ethical competencies. These startups should also ensure that senior leadership is committed to ethical HRM practices and is actively involved in their implementation. In other words, leaders should set the tone for ethical conduct.

Conclusion

Our study underscores the fundamental role of ethics in HRM practices in the context of unicorn startups of India. It emphasizes that ethics is not just a philosophical concept but a normative science that guides individuals and organizations in their interactions with others and society at large. We highlight the critical role of managers in upholding and promoting ethical behavior within startups. Managers are not only responsible for technical aspects but also for fostering an ethical culture that aligns with the organization's values and principles. Our study emphasizes how the organizational environment, particularly in Indian Unicorn startups, significantly influences ethical behavior. The key factors such as leadership, peer dynamics, reward systems, and group norms play pivotal roles in shaping employee conduct.

The Human Resource (HR) department is instrumental in creating an ethical climate through training, communication, and disciplinary processes in these startups. Our study emphasizes the need for ethical practices to align with an organization's core values. The ethical HRM practices not only benefit the organization but also contribute to societal well-being. This enhances employee growth and motivation. The ethical practices in HRM aid in ensuring legal compliance and makes it essential for startups to prioritize ethical treatment of employees. Ethical practices in HRM are linked to quality management, diversity management, and strategic planning that supports long-term growth and success.

In conclusion, our study demonstrates that ethics is not just a theoretical concept but a practical and essential component of organizational success. For Indian unicorn startups, effectively managing ethics within the HRM practices can foster a culture of integrity, cooperation, and continuous improvement.

References

1. Ahsan, M. (2020). Entrepreneurship and Ethics in the Sharing Economy: A Critical Perspective. *Journal of Business Ethics*, 161(1), 19–33. <https://doi.org/10.1007/s10551-018-3975-2>
2. Am, E. N., Affandi, A., Udobong, A., Sarwani, S., & Hernawan, H. (2020). Implementation of Human Resource Management in the Adaptation Period for New Habits. *International Journal of Educational Administration, Management, and Leadership*, 19–26. <https://doi.org/10.51629/ijeamal.v1i1.4>
3. Ammirato, S., Felicetti, A. M., Linzalone, R., Corvello, V., & Kumar, S. (2023). Still our most important asset: A systematic review on human resource management in the midst of the fourth industrial revolution. *Journal of Innovation & Knowledge*, 8(3), 100403. <https://doi.org/10.1016/j.jik.2023.100403>
4. Avey, J. B., Wernsing, T. S., & Palanski, M. E. (2012). Exploring the Process of Ethical Leadership: The Mediating Role of Employee Voice and Psychological Ownership. *Journal of Business Ethics*, 107(1), 21–34. <https://doi.org/10.1007/s10551-012-1298-2>
5. Bag, S., Gupta, S., Srivastava, G., Sivarajah, U., & Kumar, A. (2022). Impact of ethics training and audits on the relationship quality of business-to-business partners in sharing economy. *Industrial Marketing Management*, 107, 120–133. <https://doi.org/10.1016/j.indmarman.2022.08.019>
6. Barbazzeni, B. (2022). Leadership in Healthcare: A Novel Approach. Healthcare Executives' Traits, Styles, and Approaches. In M. Friebe (Ed.), *Novel Innovation Design for the Future of Health* (pp. 369–380). Springer International Publishing. https://doi.org/10.1007/978-3-031-08191-0_29
7. Beyer, P. (2022). *Globalization/Glocalization: Developments in Theory and Application: Essays in Honour of Roland Robertson*. BRILL. <https://doi.org/10.1163/9789004500365>
8. Chillakuri, B., Vanka, S., & Mogili, R. (2020). Linking sustainable development to startup ecosystem in India—A conceptual framework. *International Journal of Business and Globalisation*, 25(2), 139. <https://doi.org/10.1504/IJBG.2020.107884>
9. David, D., Gopalan, S., & Ramachandran, S. (2021). The Startup Environment and Funding Activity in India. In F. Taghizadeh-Hesary, N. Yoshino, C. J. Kim, P. J. Morgan, & D. Yoon, *World Scientific Series in Finance* (Vol. 17, pp. 193–232). WORLD SCIENTIFIC. https://doi.org/10.1142/9789811235825_0007
10. Faisal, S. (2023). Green Human Resource Management—A Synthesis.

- Sustainability*, 15(3), 2259. <https://doi.org/10.3390/su15032259>
11. Floridi, L., Cowls, J., Beltrametti, M., Chatila, R., Chazerand, P., Dignum, V., Luetge, C., Madelin, R., Pagallo, U., Rossi, F., Schafer, B., Valcke, P., & Vayena, E. (2021). An Ethical Framework for a Good AI Society: Opportunities, Risks, Principles, and Recommendations. In L. Floridi (Ed.), *Ethics, Governance, and Policies in Artificial Intelligence* (Vol. 144, pp. 19–39). Springer International Publishing. https://doi.org/10.1007/978-3-030-81907-1_3
 12. Fürst, M. (2022). “A Corporate’s Character Is its Fate”: Character and Ethical Leadership in Multicultural Systems. In I. Stolz & S. Oldenziel Scherrer (Eds.), *International Leadership* (pp. 321–343). Springer Fachmedien Wiesbaden. https://doi.org/10.1007/978-3-658-37306-1_15
 13. Gomes, D. R., & Santos, M. J. (2022). Designing an Interactionist Approach for Sustainable HRM: Might the Borders and Overlaps with Internal Communication Lead to a Common End? In C. Machado & J. P. Davim (Eds.), *Sustainability and Intelligent Management* (pp. 21–39). Springer International Publishing. https://doi.org/10.1007/978-3-030-98036-8_2
 14. Halbusi, H., Tang, T. L.-P., Williams, K. A., & Ramayah, T. (2022). Do ethical leaders enhance employee ethical behaviors?: Organizational justice and ethical climate as dual mediators and leader moral attentiveness as a moderator—Evidence from Iraq’s emerging market. *Asian Journal of Business Ethics*, 11(1), 105–135. <https://doi.org/10.1007/s13520-022-00143-4>
 15. Halvorsen, B., Bartram, T., Kia, N., & Cavanagh, J. (2023). Meeting customer needs through ethical leadership and training: Examining Australian bank employees. *Asia Pacific Journal of Human Resources*, 61(1), 79–100. <https://doi.org/10.1111/1744-7941.12329>
 16. Hosmer, L. T. (1995). Trust: The Connecting Link between Organizational Theory and Philosophical Ethics. *The Academy of Management Review*, 20(2), 379. <https://doi.org/10.2307/258851>
 17. Kapturkiewicz, A. (2022). Varieties of Entrepreneurial Ecosystems: A comparative study of Tokyo and Bangalore. *Research Policy*, 51(9), 104377. <https://doi.org/10.1016/j.respol.2021.104377>
 18. Keegan, A., & Francis, H. (2010). Practitioner talk: The changing textscape of HRM and emergence of HR business partnership. *The International Journal of Human Resource Management*, 21(6), 873–898. <https://doi.org/10.1080/09585191003729341>
 19. Lee, A. (2013, November 2). Welcome To The Unicorn Club: Learning From Billion-Dollar Startups. *TechCrunch*. <https://techcrunch.com/2013/11/02/welcome-to-the-unicorn-club/>
 20. Malcolm, S. B., & Hartley, N. (2009). Peter F. Drucker: Ethics scholar *par excellence*. *Journal of Management History*, 15(4), 375–387. <https://doi.org/10.1108/17511340910987301>

21. Morris, M. H., Schindehutte, M., Walton, J., & Allen, J. (2002). The Ethical Context of Entrepreneurship: Proposing and Testing a Developmental Framework. *Journal of Business Ethics*, 40(4), 331–361. <https://doi.org/10.1023/A:1020822329030>
22. Mungila Hillemane, B. S. (2020). Entrepreneurial ecosystem for tech start-ups in Bangalore: An exploration of structure and gap. *Journal of Small Business and Enterprise Development*, 27(7), 1167–1185. <https://doi.org/10.1108/JSBED-07-2019-0233>
23. Schwepker, C. H., & Dimitriou, C. K. (2022). Reducing service sabotage: The influence of supervisor social undermining, job stress, turnover intention and ethical conflict. *Journal of Marketing Theory and Practice*, 1–20. <https://doi.org/10.1080/10696679.2022.2080713>
24. Shipton, H., Kougiannou, N., Do, H., Minbashian, A., Pautz, N., & King, D. (2023). Organisational voice and employee-focused voice: Two distinct voice forms and their effects on burnout and innovative behavior. *Human Resource Management Journal*, 1748-8583.12518. <https://doi.org/10.1111/1748-8583.12518>
25. Stahl, G. K., Brewster, C. J., Collings, D. G., & Hajro, A. (2020). Enhancing the role of human resource management in corporate sustainability and social responsibility: A multi-stakeholder, multidimensional approach to HRM. *Human Resource Management Review*, 30(3), 100708. <https://doi.org/10.1016/j.hrmr.2019.100708>
26. Trabucchi, D., Talenti, L., & Buganza, T. (2019). How do Big Bang Disruptors look like? A Business Model perspective. *Technological Forecasting and Social Change*, 141, 330–340. <https://doi.org/10.1016/j.techfore.2019.01.009>
27. Trevino, L. K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model. *The Academy of Management Review*, 11(3), 601. <https://doi.org/10.2307/258313>
28. Wartick, S. L., & Cochran, P. L. (1985). The Evolution of the Corporate Social Performance Model. *The Academy of Management Review*, 10(4), 758. <https://doi.org/10.2307/258044>
29. Yang, J., Li, S., Gao, L., & Wang, X. (2022). Longitudinal associations among peer pressure, moral disengagement and cyberbullying perpetration in adolescents. *Computers in Human Behavior*, 137, 107420. <https://doi.org/10.1016/j.chb.2022.107420>