Making Codes of Ethics 'Real'

Peter J. Dean

ABSTRACT. This article outlines a training activity that can enable both business and governmental professionals to translate the principles in a code of ethics to a specific list of company-related behaviors ranging from highly ethical to highly unethical. It also explores how this list can become a concrete model to follow in making ethical decisions. The article begins with a discussion as to what will improve ethical decision making in business and government. This leads us to explore the factors that can most easily lead to improvement, namely a comprehensive code of conduct and employee training. From there we look at the Critical Incident Technique as a training strategy that has the potential for identifying those behaviors that distinguish really outstanding behaviors from those that go "by the book", and can be used to encourage more independent thinking and to set expectations for future decisions. If employees are given the skills and examples that will enable them to make better decisions, they can apply them to any situation.

"Ethics" has appeared in the media as one of THE issues of the nineties. This is not without reason. Lack of sound decision making is being vividly portrayed in regard to issues such as the environment, the U.S. national deficit, hiring and promotion practices, medical issues, conflicts of interest within business, and insider trading scandals. The list goes on and on (Welliver, 1989).

As a result, both government and business are being forced to take a hard look at their decisions of the past in preparation for dealing with the decisions of the future. Public pressure is demanding this. But improving business ethics is not a simple process. Though in some cases there are clear "rights" and "wrongs", as with many environmental issues; most often the nature of a problem forestalls an easy answer. This is when the quality of the decision making process itself is most important. At the risk of sounding simplistic and redundant, it is necessary to address the question of how to improve ethical decision making.

To set the stage, let's review some of the elements of this process. The question of motivation clearly comes into play. Fear of sanctions is not enough to assure ethical decision making, there must be a personal commitment to finding out what is best and seeing that it is done. This requires time and energy. It also requires an understanding of what constitues ethical behavior in the areas in which a person is responsible for making decisions.

To ease this process, many professional groups such as legal, medical, financial, and engineering societies have established their own codes of ethics to which all members are supposed to subscribe and to which they can be held accountable. These codes are meant to translate the more formal philosophical theories of ethics into a set of guidelines that can be applied to the day to day decision making that business managers and government officials engage in.

Ethical theories provide a framework for analyzing and understanding problems, but on a daily basis, we sometimes need more specific and direct guidelines in order to keep ethical responsibilities at the forefront. A list of fundamental principles or a code of business ethics can

Peter Dean has 20 years experience in business and academic arenas designing, implementing and evaluating programs in communication skills, leadership, team building, interpersonal ethics, decision making, train-the-trainer and organizational change. Peter conducts courses on applied ethics at Penn State University.

provide this immediate link between ethical theory and daily decision making. (Dunfey and Robertson, 1988).

Individual companies have been following the lead of professional organizations with the formation of committees to study the ethical questions they encounter in their workplace and develop a code of ethics that can drive company decision making. All around the country this scene is being repeated, with employees meeting together, looking at codes from other companies, identifying the issues they face, and eventually devising a list or principles that frequently look like the models they began with. Although this participatory process is certainly consistent with the teachings of behavior change experts who say that people accept and assimilate ideas they developed themselves more readily than those given to them from someone else, it may not be the most effective use of company resources. As Dunfey has found in his review of the codes of ethics in Fortune 500 companies (1988), there is great variation and some codes even fail to address some unethical behaviors. Further, although codes of ethics do establish expectations for behavior and serve as criteria for evaluating the decision making of corporate and governmental officials, they do not necessarily result in consistently improved ethical behavior.

> Statements of ethics do not guarantee ethical behaviors . . . they merely inform. If executives do not demonstrate the company's values in every decision they make, the values become meaningless. An executive who cuts a corner to secure a contract sends a resounding message throughout the organization: "In this shop, profits come before principles." If this message is reaffirmed over time, dishonesty becomes the norm. (Chenoweth, 1985, p. 474),

> Strategies for maintaining high ethical standards are only as effective as those who implement them. (*Business Ethics*, 1988, p. 4).

> The integrity of the corporation rests on the integrity of its individual employees. (*Industry Week*, 1987, p. 33).

Research has shown that the majority of employees are committed to standards of high ethics (*Business Ethics*, 1988), but even with a code of ethics to guide them, they may not be confident about making the right decisions. A study reported in *The Nation's Values - Still Alive* (Cavanagh, 1984), con-

cluded that the values of many of today's adults seem to be largely inherited and absorbed passively from the surrounding culture. These adults have very little in the way of thought-out, internalized values, the kind that would help them apply a code of ethics to business problems which may have numerous wrong solutions but seldom an obvious right one.

Perhaps this is the reason that The Wharton School of Business has listed employee training as the second strategy firms should employ, after establishing a code of ethics, to make ethical analysis an integral part of a company's decision making process. Like many other institutions, they have added courses in ethics to their curriculum and offer workshops to those who are no longer students. One of the goals of these courses and workshops is to provide "the opportunity to identify, evaluate, and propose solutions to ethical issues. The process sensitizes managers to ethical issues and develops their abilities to recognize key variables" (*Business Ethics*, 1988, p. 17). These thinking skills are necessary for appropriately applying ethical standards to the work place.

> To gain anything by having a code of ethics, management must relentlessly emphasize that codes are merely guidelines, that rules have exceptions, and that the essence of ethics is independent thinking and question (Pastin, 1988, p. 474).

What does all of this mean? First, there's an obvious need for a comprehensive code of ethics that can establish expectations for behavior and serve as criteria for evaluating the decision making of corporate and governmental officials. Second, these officials must not only have their awareness of the ethical issues heightened by a code of ethics, they must be trained in how to think ethically. The question becomes: how to achieve both ends most effectively and efficiently.

As mentioned previously, the time and energy spent in developing codes of ethics may not be the most effective use of company resources. Although there is not a universally accepted code that applies to all work places, there are many that can be easily adopted, leaving resources free for what seems to be the crucial issue in the establishment of consistent business ethics: training.

What then would this training be? I would like to suggest that, in addition to the case study method

which provides practice in ethical decision making, governmental agencies and corporations alike utilize the Critical Incident Technique, a strategy developed by the Air Force during World War II. This power approach has been used to identify essential job competencies and consists of "a set of procedures for collecting direct observations of human behavior in such a way as to facilitate their usefulness in solving practical problems and developing broad psychological principles" (Flanagan, 1954, p. 327).

The case study approach presents predetermined scenarios against which participants practice decision making. With the Critical Incident Technique, however, the participants actually generate information to improve decision making. In its simplest form, the technique involves bringing together professionals familiar enough with the job area under study to be able to share "real life" examples of both effective and ineffective job performance, or in this case ethical and unethical decisions. Participants are asked to record events and the effects they produced. These events can be sorted to represent a continuum ranging from the most effective to the most ineffective behaviors or from the most ethical to the most unethical decisions. Events can also be sorted into categories representing all of the different kinds of behaviors associated with effective decision making.

The technique has been used in research by federal agencies, university personnel and corporate consultants to gather data for such things as the development of selection tests and proficiency measures: identification of the critical requirements for school board membership; evaluation of teacher performance; and the study of personality. It is tailor made for anyone who has ever wished for a list of competencies or behaviors to illustrate the difference between outstanding and average performance or has had to make a business decision he/she wasn't too keen about for concern that personal feelings might get in the way.

One common denominator in each of these situations is the identification of *discrete* behaviors that are essential to the achievement of desired job results. Once identified, these behaviors provide the performance based information necessary for: creating job expectations, conducting objective performance appraisals, establishing training needs or conducting a needs assessment that is relatively free from experimenter or design bias.

Let's take a simple example to illustrate the technique. A consultant has been called in to help a sales company develop procedures for screening prospective employees. This company must know the competencies that represent the best sales people so that they can identify those competencies in their job applicants. By using the Critical Incident Technique with the champion sales people of the company, the consultant may discover that one of the behaviors that differentiates between champion sellers and the average salesperson is the nature of their close. Rather than sell anything to anybody, the champions help buyers make decisions that are in their own best interests buy showing them the benefits of the purchase. This builds trust in the salesperson that keeps the customers coming back. Identification of this specific behavior enables the consultant to suggest interview questions and role plays, as well as criteria for evaluating the results of the interviews. This knowledge can also be used in developing job expectations, personnel evaluations and performance appraisals.

How is all of this accomplished? The persons who will be sharing their experiences in the form of critical incidents are selected on the basis of their familiarity with the issues in question, as well as their ability to differentiate between effective and average or ineffective behaviors. As the critical incidents provide the data for the development of a continuum that will serve as a model for decision making, it is necessary that they be both valid and specific. By orienting the persons who will be supplying the incidents, it is possible to increase their validity and quality/usefulness. This orientation must begin with a clearly defined goal for the gathering of the incidents. In our example of ethics training, the principles of the code of ethics would serve to focus the experts, as would the identification of the context in which the principles were being applied. It is important for the contributors to understand what the incidents will be used for, so they are better able to draw from their experience and observations those incidents that are appropriate.

One need only read between the lines to see the application of the Critical Incident Technique to ethics training. We have agreed that the existence of an ethical code of conduct does not assure ethical behavior. Thus, it would seem that a training activity that can enable participants to translate the princi-

ples in a code of ethics to a specific list of company related behaviors ranging from highly ethical to unethical, would provide a more concrete model to follow in making ethical decisions.

For instance, a company could adopt a "generic" code of ethics with the idea of putting their time and money into training managers to apply it. Such a code might include:

1. Exercise due care
2. Confidentiality
3. Fidelity to special responsibilities
4. Avoidance of the appearance of a conflict of interest
5. Willing compliance to the law
6. Acting in good faith in negotiations
7. Respect for human well-being
8. Respect for the liberty and constitutional rights of others.
     (*Business Ethics*, 1988, p. 14)

With the Critical Incident Technique, training groups would take each principle, one at a time, and identify the specific behaviors relevant to their own work culture that would represent the continuum of ethical to unethical decisions for that principle. By involving the employees of a company in this process, the ownership of ideas that leads to assimilation of ideas is maintained. Participants know the range of behaviors and can better assess where a decision that is not clearly ethical or unethical falls on the continuum. The goal of such an activity is not to define all of the ethical and unethical behaviors that one might encounter relative to a principle, rather to translate an abstract code of ethics into job specific accomplishments that serve as models of ethical decision making. By having several groups working simultaneously to identify critical incidents and then presenting their results to the large group for discussion, an entire code of ethics can be addressed in one day of training. Later the resulting guidelines or decision making models can be refined by selected members of the group, printed and distributed as a job aid for future reference.

Some might argue that the kind of guidelines that result from this technique discourage decision making by providing the "answers." Their purpose, however, is quite the opposite. The Critical Incident Technique facilitates the identification of those behaviors that distinguish really outstanding accom-

plishments, from those that achieve minimum standards only. Exemplary decisions provide a vision for what is possible, beyond the merely expected, and in doing so encourage the kind of independent thinking referred to earlier. Further, if outstanding decisions are labeled as such, they are more likely to be emulated.

The identification of outstanding performance is accomplished by examining what an outstanding performer does, as opposed to someone who just "gets the job done." For instance, many of the tasks that bank tellers perform are routine. Dealing with customer complaints can even be handled in a routine manner by following the manual. Handling complaints well, therefore, may not distinguish a teller as an outstanding performer. However, those tellers who communicate bank policy or suggest simplifications in a customer's banking procedures may be taking the initiative to do a task that is not a routine part of their job. Initiative, then, becomes a competency that can be distinguished from routine tasks by a specific set of performances.

Taking this into the arena of ethics and the environment, for example, let's examine the principle of "acting in good faith" that is found in many codes of ethics. If a chemical company must, by law, provide information regarding the gases that are released into the atmosphere as a result of plant operations, complying with the law is indeed acting in good faith, but it might fall in the middle of a continuum of behaviors established with the Critical Incident Technique. This would provide a new perspective on standards of conduct.

This is an important distinction. Most commonly a person functioning in a particular job knows what he must do to complete all the tasks associated with the position. Yet educational research has shown that in order to encourage maximum performance in students, you must set high expectations. It would follow that to improve job performance, descriptions indicating the critical attributes or behaviors that are common to the *most effective performance levels* would be desirable as a model for others in the same position.

> Exemplary performance is the most sustained worthy performance that we can reasonably expect to attain. This need not be the performance of the historically best performer, because we may have reason to believe that

we can improve on the exemplar. But, if not, we should take exemplary performance as the standard, *because it usually is reasonable to expect that others can be brought to achieve that standard. (Gilbert,* 1978, p. 40).

The implications for ethical decision making are enormous. In addition to the continuum described above which would allow business and government officials to see a decision in the perspective of other decisions, the Critical Incident Technique can identify numerous examples of outstanding or exemplar behavior that encourage more independent thinking and set expectations for future decisions by serving as a road map for getting to the best decisions possible. These comparisons of worth yield a measure of potential for the improvement of performance.

There is an additional benefit of using the CIT. Traditionally, persons highly knowledgeable about the characteristics of a particular job are relied on to identify the competencies necessary to do the job well. That's true in business, government and academics. The pronouncements of a few experts establish guidelines for us all. Yet despite their expertise, research has shown that they are frequently wrong in the competencies they suggest and the standards they set (Flanagan, 1954).

What separates the Critical Incident Technique out from "expert opinion," and, thereby, increases its validity, is that it is entirely reliant on actual events that have been observed within a company and reported by people familiar with the setting from which the incidents are collected. Some of us might think such an approach would water down standards. Actually, the opposite is true. The data are freer of subjective bias than they would have been had experts been asked to brainstorm a list of behaviors and represent the best actions of some of the people actually doing the job (Flanagan, 1954).

We have talked about the need for more ethical business and government conduct. This led us to explore what factors can most easily lead to improvement, namely a comprehensive code of conduct and employee training. From there we looked at the Critical Incident Technique as a training strategy that has the potential for identifying exemplary performance that can be used to encourage more independent thinking and set expectations for future decisions. Employees who are given the skills and examples that will enable them to make better

decisions can apply them to any situation. Finding and training for those skills will make the difference between a code of ethics that sits on the shelf and one that becomes a real part of an organization's culture.

> Solutions to the problems facing modern society demand a widespread, qualitative improvement in thinking and understanding. We are slowly and painfully becoming aware that such diverse contemporary challenges as energy, population, the environment, employment, health, psychological well-being of individuals and meaningful education of our youth are not being met by the mere accumulation of more data or expenditure of more time, energy, or money. In view of the increasing pressures imposed on our society by these problems, many responsible thinkers have realized that we cannot sit back and hope for some technological invention to cure our social ills. We need a breakthrough in the quality of thinking employed both by decision-makers at all levels of society and by each of us in our daily affairs. (Ornstein, 1980).

By incorporating the Critical Incident Technique and the concept of exemplary performance into training on ethics, we can better assure the quality of thinking that occurs in ethical decision making.

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