

A Comparative Study of Codes of Ethics in Health Care Facilities and Energy Companies

Isaac D. Montoya
Alan J. Richard

ABSTRACT. Though written corporate codes of ethics have been touted as a panacea for the embarrassments and uncertainties of the past two decades, the absence of clear evaluation procedures severely compromises their usefulness. An ethnographic study comparing development processes and compliance outcomes in large health care facilities and energy companies shows that neither of the two industries has encountered much success with a codes of ethics program. Companies that distribute copies of their code of ethics seldom ensure the process is completed or that employees understand the purpose of the document, and staff responsible for the code give it a low priority relative to their overall responsibilities. Contrary to expectations, health care facilities are no more likely to develop or implement codes of ethics effectively than are energy companies. More extensive research is needed in order to generate the data necessary for the development of realistic standards for the evaluation of codes of ethics.

The notion that a corporation should have a written "code of ethics" seems to be gathering steam in American business circles. Of course, corporate ethics

codes are hardly new. Some companies have used them for decades. However, a renewed preoccupation with business ethics has arisen since the 1970s, in response to a series of business and political scandals. Encouraged by panels like the Blue Ribbon Committee on Defense Management, corporations and professional organizations have continued to focus on ethics, and further improprieties within both public and private sectors have propelled the issue into the 1990's. As a result, the "code of ethics" has become an increasingly important element in the communication of clear expectations to company employees and to the public. A 1989–90 Survey conducted by the Center for Business Ethics (1992) found that 93% of the businesses responding had written codes of ethics, as compared to 75% in 1985.

Ideally, a code of ethics serves three general purposes: (1) to establish the moral values recognized by a company; (2) to communicate the company's expectations to employees; and (3) to demonstrate to employees and the public that the company in fact operates within specific ethical parameters. But despite today's heightened level of concern, most corporations still lack a means for evaluating the effectiveness of written codes (Kaye, 1992). Unless such means are developed, the "code of ethics" risks becoming a costly and time-consuming abstraction.

Components in the evaluation of codes

A code of ethics is initially drafted by an organization to clarify expectations and as a guideline to appropriate behavior. Explicit guidelines, once established, may be used to prevent violations of the company's values, and may serve as a touchstone for direction and clarification if violations occur.

However, development and implementation of

Isaac D. Montoya, is President of Affiliated Systems Corporation, a management and research consulting practice specializing in the health care industry. He has worked with numerous hospitals, medical schools, and government entities in developing health care systems around the world. He has developed training programs for health care personnel, administrators, and Boards of Directors as well as taught at the University of Texas Health Science Center at Houston. He serves on a number of Boards of Directors and Federal grant review committees.

Alan J. Richard, is a Research Assistant for Affiliated Systems Corporation. Recently, he helped prepare a statistical analysis of Ryan White funding priorities for Harris County HIV Services. He is currently engaged in an evaluation of cocaine abuse treatment modalities at Riverside Hospital in Houston, Texas.

ethics codes can be viewed as two parts of an ongoing process of ethical reflection and practice. Issues may arise in the course of a code's everyday use which may force management to consider alterations in the content of the code itself, generating a new development process. Thus, an effective code requires feedback from personnel at all levels and a sensitivity to the current business environment if it is to reflect the true values held by the company. Evaluation of a written code must measure both a company's strategies for ensuring compliance and its system for incorporating new information into its code. In other words, evaluation must focus on "process" and "outcome." Though both components are often acknowledged, only the outcome has hitherto generated much discussion.

Arndt (1990), reviewing the literature on the process component, identifies the need to include personnel on all levels in discussions about ethics. She suggests that a code of ethics must represent the views of both management and employees in order to generate the sense of ownership necessary for its effectiveness. Additional literature on the development process suggests that the Chief Executive Officer must demonstrate leadership and a personal commitment to ethical conduct. Corporate leadership, coupled with an explicit company philosophy, can assure effectiveness in an entrepreneurial setting. Oliverio (1989) has shown that the entrepreneur J.C. Penney introduced a code of ethics in 1913 and personally supported the Code through a variety of actions and discussions, thus encouraging maximum compliance. Other studies support the view that the development of a code must begin with and be supported by the CEO, but must also expose itself to employee input, particularly in unionized settings (Brooks, 1989).

Studies on the outcome of ethics codes far outnumber those focusing on process. Methods which have been used to monitor compliance with standards of conduct include surveys and auditing procedures. Scales of performance improvement have also been used as surrogate measures (i.e., The Business Roundtable).

Some investigators evaluate the effectiveness of ethics codes by measuring how clearly they differentiate "right" and "wrong." Numerous observers, however, have noted the difficulty in identifying a unanimous right and wrong for inclusion in the

code (McDonald and Zepp, 1990). The age-old question of whether "ought" can be derived from "is" becomes particularly troubling in a multinational business environment where some ethical judgments must be balanced against diverse regional customs. Thus, Robin *et al.* (1989), appeal to deontology in order to start with universal statements of right and wrong, but follow this with a second utilitarian step, which stresses "the greatest good for the greatest number." Outcome studies such as these have been conducted in various environments including the teaching profession, the international food trade industry, government agencies, judicial agencies, and social work. However, confusion regarding the precise role of the written code discourages the development of evaluation standards.

Parameters of study

Existing data are limited for both process and outcome components, but particularly for the process component. To supplement the available information, an ethnographic study was undertaken, comparing corporate codes of ethics within oil producing companies and large metropolitan health care facilities. Oil producing companies and health care facilities were selected because both are labor intensive, utilize sophisticated technology, involve diverse specialized subsystems, and have contributed to an increased public concern over business ethics.

The health care industry represents a rapidly growing segment of the private sector. While the many for-profit health care institutions account for much of this growth, a number of not-for-profit institutions also compete in the for-profit world through for-profit subsidiaries. Within the health care market, the for-profit and not-for-profits are often separated by a very thin line.

The health care system contains diverse specialty disciplines. Physicians, nurses, medical technologists, pharmacists, and physical therapists all purport to adhere to ethics codes specific to their profession. Due to our society's perception that health care is linked to an absolute, "inalienable" right (that of life), health care providers and institutions are subject to more intense ethical scrutiny than are many other businesses. These considerations may contribute to a perception that health care institutions possess a high

degree of concern over ethics. It would be reasonable to expect that they would possess some of the first and most developed ethics codes. It might even be assumed that these institutions would lead to the business world in the area of corporate ethics.

Unlike health care facilities, energy companies, though also subject to regulation from numerous sources, are not required to seek and maintain accreditation status. The types of regulations facing energy companies, and the regulatory agencies which generate them, are usually tied to business trade (i.e., OPEC, EPA). Energy companies extend their operators further into the international marketplace than do health care facilities. Common sense perception may attribute any production of ethics codes in the energy industry to economic needs, in contrast to the "categorical imperative" apparently governing the health care industry.

The ten (10) energy companies and ten (10) health care facilities included in the study are all located in a large metropolitan area in the Southwest, USA. The energy companies are quite large, producing from 30,000 to over 800,000 barrels of oil per day, based on reports from four of the companies. The volume of natural gas produced per day ranges from approximately 300,000 to 5,000,000 cubic feet, based on reports from five of the companies. These companies are involved in worldwide operations, and each has a workforce of several thousand. The health care facilities are also large to intermediate-sized institutions. Many are teaching hospitals, employing over 2,500 full-time equivalents. These facilities represent for-profit, non-profit, and public hospitals, and are licensed to operate from 250 to over 1,000 beds.

Data were collected over a four-week period. Informal group and individual ethnographic interviews were conducted. The first was a landscape-style interview, designed to isolate those institutions which had written codes. The second was a "focus group" interview, consisting of four senior managers who had helped develop or implement codes of ethics for their respective institutions, and who offered their perspectives on the development process and final content of their codes. Next, 20 structured individual interviews were conducted. These interviews focused on both process and outcome components. This triangulated approach was designed to generate data from several different

positions, which could then be compared and evaluated.

Subject participation was voluntary and non-compensated. All participants were aware that this was a research project. It should be noted that all names used in this article are pseudonyms.

Results

Five of the ten oil companies surveyed had formalized codes of ethics as compared to three of the ten hospitals surveyed. In each industry, the larger organizations were the ones most likely to have formalized codes.

Focus group participants were aware that some companies had developed codes of ethics, but acknowledged that such documents were not a high priority for themselves. They were open and receptive to the concept of written ethics codes, but they could not see an immediate economic reward, and indicated that the driving force for establishing and monitoring the codes would have to come from upper management. One of the participants expressed the general feeling toward these codes when he observed that "developing a code of ethics is one of those things like dusting your office — you know you should do it but never quite get around to it."

Individual structural interviews included representatives from each of the companies or hospitals. The following questions guided the discussions: (1) Does your organization have a code of ethics?; (2) If so, how was the code developed and disseminated?; and (3) How was the code used? If an organization did not have a written code of ethics, questions asked were as follows: (1) Are you aware of existing business codes of ethics?; and (2) Do you think such a code is needed in your organization? Why or why not?

Interviews with the individuals from the three hospitals with existing codes of ethics yielded some important information on the development process. Two of these individuals know how their institutions had developed the codes. "John" described the process as follows:

The process was hell. We got together in a meeting that no one was sure what we were supposed to do, let alone how to do it. We got to talking and, of course, one person

in the group started talking and soon it turned into preaching. After we quieted him down everyone joined in. However, let me tell you that everyone contributed only what made a difference in their department. For example, the medical records people wanted our code of ethics to talk about how to write in the medical record and the blood bank lady wanted it to talk about how to identify patients.

According to "John," the committee appointed to draft the document had difficulty moving from the concrete concerns expressed in the meeting to the more abstract level required to produce a code of ethics broad enough to cover the entire facility.

The written document produced by one of the other hospitals was drafted by the administration, with no input from employees. "Alberta" recalled that:

We experienced tremendous difficulties in bringing our department heads together to draft and review documents for our accreditation. When we decided to undertake this project, John (the hospital administrator) decided to have the administrative staff do it because our department heads are too technical and spend more time crossing t's and dotting i's than dealing with the project. It wasn't that easy for our staff to do it . . . I can't imagine what it would have been like if clinical staff was involved.

Dissemination of the document was similar at all three hospitals. New employees were given a copy upon hire, and the code was reviewed at new employee orientation. In addition, one hospital had the code printed on the back of all photo identification badges.

When discussion turned to the actual use of the code, respondents reported an absence of articulation procedures which could link its expressed ideals to the everyday decision faced by employees. One of the hospitals had recently drafted a code but had not yet considered how it would be used. Management at another hospital referred to their code of ethics often, but a respondent employed at that hospital described the code as "more of a mission statement" than a working document. According to another participant from that hospital, "It's one of those things you have but is not a part of day to day operations."

Respondents from hospitals without codes of ethics generally agree that written codes were un-

necessary, due to the monitoring procedures of outside bodies such as the Joint Commission on Accreditation of Health Organizations. Most of these hospitals had a "patient's bill of rights," conflict of interest policies, and quality assurance programs. One of the respondents asserted that hospitals differed from businesses, since "they have many governing and accrediting bodies that monitor such activities. In addition, most health care providers belong to professional associations that have codes of ethics." A few of the respondents were not receptive to the interview, indicating that they were unfamiliar with the concept of formalized institutional codes of ethics and that they were not interested. These individuals either provided no information or were very guarded and gave limited information.

Respondents from the five (5) oil companies that had codes of ethics generally offered little on the subject of code development, with only two indicating they had some knowledge of the process. One of these stressed that the company's code was only recently developed and that disagreements had arisen during the development process regarding specificity. The end result had been a "catch-all" document that addressed a number of issues in addition to ethical behavior. Another respondent noted that this company's code was still in draft form and was being developed by senior management (the CEO and Vice-Presidents) without input from other employees. No further information regarding this process was available.

Dissemination procedures appeared to be haphazard. One company had not yet addressed the issue. According to "Armando,"

When new people come to work we give them a lot of information. Mostly paperwork. One of the things we give them is the code of ethics, but it is just given out. I doubt anyone needs it or knows what it means or what it is for. I'm not sure what it says and I read it a long time ago . . . I think.

"Andy's" remarks are even more revealing:

We used to give out copies of the paper to new employees, but one day we ran out. I called to see if they could send me more. They said yes, but I never got any, so for about the past two years we haven't given any out. Guess it must not be too important because no one noticed.

A third respondent said that employees were each given a copy of the code which had to be returned upon termination of employment but refused to discuss any details. A fourth said the code was distributed to employees and redistributed after an incident involving an employee under the influence of alcohol. The other respondents, representing two additional companies with existing codes of ethics, offered no information on this question.

Questions regarding use of the code generated responses similar to those given by our health care respondents. Energy company respondents indicated they had not yet thought out how the codes will be used. One respondent noted the difficulty of monitoring compliance with an ethics code in such a large company, adding that this was compounded by the size of the blue collar work force. Another said that he was unaware of compliance issues regarding the code of ethics. Both respondents agree, however, that compliance could be monitored using personnel and operating procedures.

For all the energy companies, detailed information regarding codes of ethics was limited by our respondents' inability or unwillingness to discuss them in depth. Additionally, one respondent was defensive and uncooperative, and another was cooperative but quite guarded.

Respondents from the four companies without written codes were unanimous in their opinion that such codes were unnecessary. These individuals were not interested in the concept, and indicated that they did not wish to take time to discuss the topic. Perhaps "Paul" said it best:

What do we need one of those for? As far as I figure, it is only one of those things that makes more paperwork. Who the hell needs that? Besides, we follow the ten commandments.

Discussion and conclusion

Despite relatively recent media attention focused on codes of ethics, our study indicates that the adoption of such codes is rarely accompanied by either a thorough development process or a system for assuring that the codes are known and used. As is indicated by existing literature, the absence of clear evaluation standards reflects a situation within

which neither management nor employees know what to expect from a code of ethics. This situation holds from widely different sectors of the economy: contrary to what might be expected, our health care facilities were less likely to develop or effectively implement ethics codes than were our energy companies. Neither the energy companies nor the hospitals with codes of ethics made their content or purpose clear to their employees, who often could not provide detailed information regarding them. Respondents from hospitals and energy companies without codes of ethics did not perceive the need to develop them, and most were uninterested in the concept. Participants in this study have not been convinced that such codes can benefit their organizations.

This was a very small study, and individuals interviewed may not have accurately represented the views of the organizations to which they belong. However, survey research on a larger scale, targeting top and middle management in the industries of interest, could help clarify the issues raised by our respondents regarding application and purpose. The data gleaned from such research would aid in the development of clear evaluation standards, which could in turn help senior management in the development and implementation of more effective ethics policies for their organizations.

References

- Arndt, S.: 'Discussion of Ethics Needed', *National Underwriter (Life/Health/Financial Services)* **93**(43), 3–13.
- Brooks, L. J., Jr.: 'Corporate Codes of Ethics', *Journal of Business Ethics* **8**(2, 3), 117–129.
- Center for Business Ethics: 'Instilling Ethical Values in Large Corporations', *Journal of Business Ethics* **11**, 863–867.
- Kaye, B. N.: 'Codes of Ethics in Australian Business Corporations', *Journal of Business Ethics* **11**, 857–862.
- McDonald, G. M. and R. A. Zepp: 'Business Ethics: Practical Proposals', *Journal of Management Development* **8**(1), 55–66.
- Oliverio, M. E.: 'The Implementation of Code of Ethics: The Early Efforts of One Entrepreneur', *Journal of Business Ethics* **8**(5), 367–374.
- Robin, D., M. Giallourakis, F. David, R. Moritz and E. A. Thomas: 'A Different Look at Codes of Ethics', *Business Horizons* **32**(1), 66–73.