Organizations, Ethics, and Health Care: Building an Ethics Infrastructure for a New Era
David O. Renz and William B. Eddy

The changes occurring in today's health care environment, especially as driven by the emphasis on managed care strategies, focus attention on ethical questions, practices, and implications for all those involved in health care, including health care professionals, patients, administrators, and governing boards. These implications need to be studied and strategies developed to build an ethical infrastructure that will support health care organizations in this changing environment.

Organizations in all sectors have struggled with questions of ethics for a longtime: Are there core standards of behavior for the institution and for the individual members? If so, how are these standards determined, how are they validated and enforced? Further, how do existing standards fare when the external environment or the internal culture change, bringing about changes in the roles of individual members?

The fundamental changes and redefinition underway in the health care field, especially those driven by the growing emphasis on managed care strategies, reopen questions about ethics, ethical practices, and ethical implications of the roles of physicians, physician-executives, governing boards, and patients. Long-held values, norms, and expectations are experiencing major transition, and people and organizations are breaking new ground as they reexamine these fundamental guides to their behavior. Concurrently, there is less consensus on the part of an increasingly heterogeneous and diverse community on the values and standards to be honored by medical professionals and organizations.

This article reviews various perspectives on organizational values as an avenue to discussing the impacts that the transition underway in health care has on professionals and organizations as they reorder their roles to reflect the new economic, political, social, and technological realities. The ethical implications of the new environment for governing boards, physicians, and executives will be explored, and suggestions made for proactive strategies to understand and address the ethical dimensions of this new era.

Organizational Ethics
Over the course of history, organizations in government, business, and community sectors have struggled to arrive at ethical standards by which they can control and judge the behavior of members and uphold their responsibilities to clients, customers, or citizens. Some ethical standards have evolved from religious principles, some from common law, some from arbitrary edicts from rulers, and some have been invented in response to pressing social and political issues.

David O. Renz is associate professor of nonprofit management, and director, Midwest Center for Nonprofit Leadership, the Henry W. Bloch School of Business and Public Administration, University of Missouri-Kansas City, Kansas City, Missouri. William B. Eddy is dean of the Bloch School of Business and Public Administration and Harzfeld Professor of Administration, University of Missouri-Kansas City, Kansas City, Missouri.
Writings about organizational ethics and specific ethical standards in contemporary organizations are numerous and diverse. Clearly, there is no single standard for what is ethical in organizations. To develop a set of ethical standards that would fit both a professional basketball team and a scientific laboratory would be awkward and difficult. However, it depends upon the level of generality that one is willing to use. Many individuals would accept the Golden Rule or the Ten Commandments as valid and useful guidelines. It is more difficult to find consensus around questions of whether a chief executive’s salary is unfairly high, whether a salesperson should reveal problematic aspects of a product, or whether a ninety-year-old person should receive an expensive medical treatment.

One question is whether business or government organizations, having faced ethical issues for hundreds of years, have something to say to health care organizations. Are codes or standards developed to help deal with ethical dilemmas in commerce transferrable to situations involving such nonfinancial matters as quality of life or business organization. A reasonably complete and thoughtful exploration of this question is beyond the scope of this paper. Fortunately, the appropriateness of our recommendations is not dependent upon one or another of the potential answers to this question.

It is clear that there is no single set of standards in bioethics on which all can agree unless one is willing to operate at an extremely high level of generality, (e.g., thou shalt not steal). Many business administration texts treat ethics, many executives write about their own philosophies, and scholars have explored ethical issues and the difficulty in finding a single standard.

In our experience, it is not at all uncommon to find executives in business and government who are highly concerned about the ethics and values of their organizations and who develop and promulgate them. One example is William O’Brien, who, as president of Hanover insurance, worked in a participatory fashion with employees to develop a statement of ethics and values for the company.

Further, as a management technique for improving the effectiveness of his company, O’Brien held discussions about ethics and values in many of the firm’s offices. He concluded that defining the firm from the perspective of its values and ethics is good business, the hope of many managers as they struggle to balance doing what is “right” with making the right financial decision.

The following summary of O’Brien’s evolving value system for Hanover Life and the resulting perceptions of doing business illustrates this organization’s effort to apply general values to its own specific situation.

Many organizations have their own statements of values and ethics, some simple, some elaborate. Some are humanistic like the Hanover document, others more legalistic. In most cases, however, the organization seeks to extrapolate general views on values and ethics to specific applications relevant to that organization. Health care
Values

Hanover values the full potential of its people

Hanover values responsible customers and treats them responsibly

Hanover values quality agents and treats them responsibly

Hanover values openness

Hanover values decisions based on merit

Hanover values leanness

Hanover values localness

(Drawn from Hanover Insurance Company, 1979-1980. Some perceptions that deal specifically with the insurance industry have been left out.)

Perceptions

Hanover is a teaching company

- The environment stimulates growth
- The company brings out the best in people
- It's a demanding but rewarding environment
- Our people are among the best in the industry

- Hanover is an effective competitor for good business
- We won't touch poor business
- Hanover goes the extra mile to satisfy customers
- We settle claims promptly and fairly

- Hanover is very careful in making appointments
- We're very slow to terminate, exhausting all means to rehabilitate
- We offer a consistently high level of service
- We're dependable; we're helpful

- We know what has happened, what is going on, where the company intends to go
- We know about the company's aspirations and beliefs
- We discuss issues with those involved

- We're a thoughtful company that thinks clearly on important issues and strategies
- If you make a sensible case, it prevails considerations

- We run a tight ship
- We pay well and make possible steady advancement
- We don't spend money on appearance and show
- Every dollar works for the company

- We know our territory
- We know our agents
- We can move quickly to correct problems or take advantage of opportunities

organizations face a significant challenge in adapting general and accepted values and ethical positions to their specific situations because of the dramatic shifts in the economic, technological, socio-political, and organizational realities they face.

The shift in decision making from a professional-based system to an institution-based system in which training and socialization of the professional is no longer the locus of control is one of the changes in the health care model that makes the application of previously evolved ethical standards difficult. A complex interaction of economic, social, technological, and political pressures requires greater reliance on organizational guidance and control systems and structures, rather than upon individual professionalism. This is a departure from the ethical system that has long guided medical care delivery. In this environment, individual practitioners, patients, or staff members have substantially less power and
influence because the new setting — the organization — enmeshes them in a complex set of countervailing forces and pressures. Many pressures arise by design; others are incidental by-products of the fact that most health care today happens in an organizational setting. Managed care intensifies this dynamic since these organizations are intended to insert checks and balances into the decision processes that were once the exclusive domain of the practitioner and patient. When the “system” becomes the decisional locus, where do the values come from that guide the decisions, and which needs influence the organization most forcefully?

As O’Brien realized, there is a need to involve several constituencies in shaping the values of his organization, so health care organizations need to think about the various internal and external sub-groups and constituencies who must share in the ownership of the value system if they are to be guided by it. Thus, governing boards, physicians, executives, staff, patients, community groups, and regulators find themselves in a situation in which standards must be explored and negotiated across divergent roles and points of view, rather than simply extrapolated from medical ethics.

A related challenge in managed care organizations occurs with the shift from clinical-based decision making to organizational based, in which what is best for the patient is not the only consideration. Once questions of priority are opened up, the business assumption that the welfare of the organization may take precedence over the interests of individual members or clients becomes an issue (“What’s good for GM is good for the country”). Health care managers find themselves in a balancing act not unlike their nonhealth care business counterparts. How does one maximize operating ratio so that the organization can attract and pay competent employees and remain solvent, and at the same time maximize the quality of the service? If compromises have to be made on either side of the equation, who is to decide, and upon what basis? Although these issues are not unique to managed care organizations, they are exacerbated by strong competition, government regulation, and high levels of customer and community scrutiny.

Developing strategies will assist health care organizations to meet changes in the health care environment in a way that is consistent with the ethics of the organization.

Organizational Strategies
What do we know about making lasting and substantial change in organizations? Change is more successful when the process to achieve it is strategic (that is, grounded in the goal) and systemic. It realigns the internal systems of the organization — the structural and technical, the political and the socio-cultural — so they are consistent with and reinforce the new design and goal. In other words, the organization is building a new “ethics infrastructure” to support its culture of integrity. We also know that such efforts are most likely to succeed if they are designed and implemented in a participatory process that involves those who have a stake in its operation. We have learned that ad hoc, reactive, autocratic approaches are much less likely to work. The development of this culture and infrastructure and the process to implement it is a fundamental responsibility of the organization’s leaders, especially its top executives. The governing board also has a key role. It needs to ensure that the infrastructure is in place, that it reflects the interests and values of the broader community, and that it is working well.

Organizational ethics in a health care enterprise
will operate at a broader level of focus than the typical clinical ethics committee, although there must be a strong linkage. Clinical ethics committees, as a matter of design and practice, operate at a level less global than the entire organization and usually are not designed so that they will have organization-wide impact. Indeed, the American Hospital Association warns hospitals to keep their ethics committees' focus on patient care and directly related issues, lest these committees become "overburdened with broader institutional dilemmas" (American Hospital Association 1990). Given the new organizational context, conventional ethics committees are necessary but not sufficient.

The table below summarizes the characteristics of these two levels of organizational ethics infrastructure. It describes an approach that goes beyond the shorter term, case-driven focus of most ethics committees to implement a comprehensive ethics strategy. The ethics infrastructure characteristics summarize innovative approaches such as those used by Unisys, US West, 3M, and other corporations.

Practically speaking, how might this be implemented? Based on the successful change processes used in many organizations, we suggest four strategies:

1) Conduct a formal process to clarify and articulate the organization's values and link them to the mission and vision.

2) Facilitate communication and learning about ethics and ethical issues, including values clarification and reflection on their link to practice.

3) Create structures that encourage and support the culture, and

4) Create processes to monitor and offer feedback on ethical performance.

**Integrative Values and Vision Statements**

Building an organizational culture and ethical perspective often involves a process that results in a statement of values and vision. The initial value of this process lies in sorting and clearly articulating the values of greatest importance to the organization. The process will be especially valuable as a foundation for ethical organizational action if it is used as a point of reference, promoting dialogue among those whose work should be guided by the statement, and encouraging reflection and growth by understanding the implications that the vision and values statement have for everyday practice.

<table>
<thead>
<tr>
<th>Characteristics of an Ethics Committee</th>
<th>Characteristics of an Ethics Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ is one structure, usually a committee</td>
<td>■ has organizational systems orientation: a linked set of structures and processes</td>
</tr>
<tr>
<td>■ primary focus is on case-level ethical issues and decisions</td>
<td>■ primary focus is on entire range of ethical issues and decisions: individual, professional, and institutional</td>
</tr>
<tr>
<td>■ responsive to the moral and ethical standards of the parties to the case or issue (e.g., the patient, health care professionals, family)</td>
<td>■ responsive to the moral and ethical standards of all stakeholders to the institution, including the community and its diverse constituencies</td>
</tr>
<tr>
<td>■ incident or event-driven</td>
<td>■ time perspective is long term</td>
</tr>
<tr>
<td>■ time perspective is relatively immediate</td>
<td>■ all levels of organization are involved, including board members, health care professionals, patients and families, executives, and representatives of the broader community (via board or other)</td>
</tr>
</tbody>
</table>
has for their work. In practice, the power of this element derives as much from the learning experience of the dialogue as it does from the resulting formal statement.

Organizations have employed several different ways to develop integrative vision and values statements. Some conduct free-standing, self-contained processes. Others integrate the identification and articulation of values into the development of a vision statement as an early part of their strategic planning processes. In either case, the process is designed to create a statement of values and a vision that people will agree should guide the future decisions and actions of individuals and the organization. A high level of buy-in is essential for these statements to become guides for action. An important benefit of building the values and vision element into the front end of the strategic planning process is that the agreed-upon values are much more likely to be reflected in the resulting plan’s goals and strategies. This is a useful level of integration by itself.

Designs for vision and values processes range from closed discussion among a small group of top management and trustees to a high-involvement, organization-wide approach that involves representatives of all key stakeholders. Some organizations involve all staff, professionals, and consumers in the process on the premise that involvement leads to a stronger understanding shared among all who participate. Typically, vision and values statements will be generated via a facilitated group dialogue in a retreat or workshop held off the premises at a location that limits intrusions. It also may be combined with teambuilding activities designed to help people work together more effectively. To the extent that less-inclusive approaches are used, more resources must later be allocated to communication and related activities to ensure that people learn of and begin to apply the vision and values of the organization. However, since the process of reflection and reconciliation of personal and organizational values and ethics is essential to a meaningful process, it often is most effective to create opportunities for greater organization-wide involvement at earlier stages. The design of the process is important because it models and communicates certain organizational values.

The vision and values statement process is important because it focuses attention, facilitates shared understanding, and provides a basis for assessing future performance. Yet, the shared understanding achieved by the development of mission, vision, and values statements is limited and its utility wanes quickly unless vehicles exist to encourage, structure, and help people to apply these values and ethics. Communication and learning, organizational structures, and monitoring and feedback loops all help to create and sustain an organizational environment that encourages people to apply these values to their plans and actions.

Communication and Learning Strategies

The process of developing a culture of integrity will be advanced through the use of multiple communication and learning strategies. The focus of these strategies is to help individuals to understand, internalize, and act upon the vision and values of the organization. Research on the diffusion of innovations in organizations generally identifies four types of stages in the process by which the people of an organization adopt a new perspective:

- awareness
- trial and experimentation
- adoption
- institutionalization

Since later stages are achieved by progressing through prior stages, the effective organization will create learning processes that enable people to work together to move through these stages. Communication and learning are especially important through the first two stages, since these become the basis for the individual’s decision to adopt new concepts. The organization’s goal is to encourage people to move beyond their “espoused theory,” in which they voice but do not act on the principles they espouse, to achieve the level of “theory-in-use,” action in which they behave consistently with the ethical standards
they espouse (Argyris 1993).

Adult learning studies indicate that to support learning, any system will have to offer opportunities for experiential learning, coupled with opportunities for observation and reflection on the experiences (Schon 1993). Different approaches are appropriate to each stage. For example, at the awareness-building stage, many large health care institutions have mission/vision/values statements printed on plaques and placed in prominent locations throughout their facilities. Many also conduct introductory training or orientations. The most successful of these engage participants' interest by using multiple media and involving communicators and vehicles, coupled with participant opportunities for inquiry and introductory dialogue (for example, see O'Toole 1987; Dudrow and Wallace 1983).

---

**Structures should exist at each level of the organization to serve as forums and vehicles for addressing ethics issues and policies.**

---

At the trial and experimentation stage, many approaches have been combined to encourage learning and a shared understanding of the vision, values, and ethical standards of practice for the organization. For example, case studies and role-playing experiences offer opportunities for dialogue, practice, and interaction. A variation on this may be a “grand rounds” approach, with an explicit focus on organizational values and ethical perspectives. Some organizations have created or assigned teams to engage in projects to apply or refine the mission, vision, and values statements to more local-level units or needs (e.g., values statements for the radiology department or for the pre-op ward). There are exercises available to support individual-level values clarification, as well, but they will be of greatest value when the learning from these experiences is linked with organization-level clarification and dialogue.4

To achieve the desired impact, these learning situations will be designed to encourage participants to go beyond mere case-level application. Structured opportunities for people to examine their experiences and reflect upon the implications for their work and roles are essential elements for this is where some of the most sophisticated learning will occur. It is essential to encourage connections with organization-level issues and systems.

**Create or Reinforce Structures that Support Ethical Inquiry and Action**

The organization also must create and refine a set of structures to support its culture of ethical integrity. One common structure, as discussed earlier, is the ethics committee. Other common structures include committees such as those on professional standing or utilization review. It will be important for the organization to link other structures with ethics committees, but care should be taken to be clear about the purview of each and not to blur lines of responsibility and accountability.

Structures should exist at each level of the organization to serve as forums and vehicles for addressing ethics issues and policies. For example, at the board level, a committee or similar entity must be responsible for the ethical infrastructure of the organization and its performance. There also should be top management structures or roles that focus specifically on organizational ethics.

An organizational ethics focus is promoted through the designation of a formal “champion” among the upper management of the organization. Some private sector organizations have designed executive positions with specific responsibilities for the organization’s ethical infrastructure, reporting directly to the chief executive. (O'Toole 1985; Wallace and Dudrow 1982). The more institutionalized and “permanent” the position, the greater likelihood that members of the
organization will take seriously its commitment to organizational ethics and a culture of integrity.

Structures may be more temporary and issue oriented. Some organizations have created task forces or short-term ethical issues committees to examine specific ethical dilemmas and develop recommendations. In addition to addressing ethical matters identified by top executives or the board, some examine issues identified in surveys of staff or other key stakeholders. Some, such as Norwest Bancorporation of Minneapolis, have created or sponsored surveys of the community and other key stakeholders to assess the organization's ethical standing. Such surveys also are often conducted by an organization's public affairs or corporate philanthropy unit. Norwest regularly conducted and published the results of a "social audit" to complement its financial reports. Where the issues involve complex organizational policy issues, separate cross-functional task forces may be convened to analyze issues and develop proposals that can go to executive management or board for review and action. Committees and task forces need to be facilitated and staffed, yet they must not be controlled or dominated by management. Nonetheless, they must have a clear purpose (specified by the board or a key executive) and a clear way to feed their recommendations into the formal decision systems of the organization.

There is a distinction between using temporary structures for proactive policy analysis and planning purposes versus waiting until problems arise to convene a problem-solving group. It is nearly always true that the organization's options for managing or resolving an ethical issue will be fewer if the issue is allowed to reach urgent or crisis proportions.

It is important to link the ethical infrastructure with the other organizational structures whose functions overlap with the ethics and quality issues. For example, it will be important to integrate with the systems and standards developed and monitored as a part of a continuous quality improvement (CQI) or total quality management (TQM) system. The values and ethical standards of the organization are a critical basis for defining quality, and the quality assurance systems of the health care organization will be most effective when linked with the organization's ethical infrastructure. Implicitly, they already embody organizational values — but the organizational question is whether the vision, values, and ethics are aligned with those of the quality system.

The performance management system of the organization (e.g., annual performance communication and appraisal processes for staff) is another important structure in this category. This is one system whose design is explicitly focused in most organizations to reward and shape behavior, and any other infrastructure that deserves recognition must have input into the performance management system. This system will have its own unique and pervasive influences on any bureaucratized and systematized organization, especially if the performance management system also is linked to annual compensation. The performance management and ethics systems of the organization must be integrated. We know that the ethical culture and infrastructure will be strongest and regularly reinforced when its values guide and are incorporated into the performance system.

These structures will support an ongoing dialogue that will position the organization and those within it to respond effectively to fast-approaching and urgent ethical challenges and dilemmas. Nonetheless, a final element is essential to building and sustaining a culture of integrity. There must be institutionalized processes for monitoring, assessing, and providing feedback on the effectiveness of this infrastructure, especially at the top executive and board levels. In actual practice, this has been the least implemented of the suggested elements for an effective ethics infrastructure.

**Develop Processes to Monitor and Evaluate Ethical Performance**

Effective organizations understand the need to go beyond building an infrastructure and
articulating vision, values, and goals. Their leaders recognize the need to create monitoring and feedback systems to assess how well the organization is doing. This information identifies strengths and shortcomings and becomes the basis for refining internal systems to strengthen ethical performance. This process is especially significant around ethical issues since problems in this domain are less likely to become obvious before severe problems take hold and derail the organization.

If an ethical code is to remain viable, it must be regularly reevaluated and refined based on feedback and input about how well it is working.

Public and private sector organizations engage in monitoring and evaluation in several ways, but all are grounded in a core understanding: the organization must know the results it seeks in order to assess how well it is doing. Such a consensus on the benchmarks and standards for ethical performance and how it will be judged is essential to a fair and productive feedback process. Monitoring and evaluation strategies must be built into the previously described elements of the ethical infrastructure from the outset.

Several approaches can be used to help monitor and assess ethical performance. Some overlap into other areas. For example, gaining patient feedback from market research (e.g., surveys, focus groups) often is available and useful. Its interpretation, however, should be handled by those responsible for monitoring ethical performance, since the frame of reference guiding the analysis should be different from that of the marketers.

Other strategies are more specialized. Ethics audits and integrity audits assess whether the organization has lived up to its ethical standards and behaved consistent with its vision and values (e.g., Bell-White and Wallace 1988). Such reviews may be the work of internal executives or staff, unit-level or cross-functional staff teams, external analysts, or members of the governing board. They may be free-standing or part of a long-term initiative to assess ethical performance from multiple perspectives.

The assessment also should be clear at the outset as to whether it will examine processes, outcomes, or both. Since specific outcomes of ethical decision making often cannot be specified, especially at the organization-level discussed in this paper, it is essential that all parties to the process develop a shared understanding of what will be monitored, to what use the information will be put, and how much weight the information should carry. Typically, evaluators will need to examine whether the appropriate process has been used and whether all appropriate parties were involved. This is not to suggest that outcomes cannot be identified, but they are less universally recognized than benchmarks set for financial performance, for example. They are more open to interpretation and, therefore, call for a higher level of clarity among the stakeholders of the evaluation and feedback process.

This feedback process is essential as an organizational learning and renewal strategy. If an ethical code is to remain viable, it must be regularly reevaluated and refined based on feedback and input about how well it is working. In fact, once the information has been gathered and reported, it becomes part of the organization’s learning process, using strategies such as those discussed in this paper: communication, dialogue, learning, and decision making, supported by appropriate structures and an ongoing culture of integrity.

Conclusion
The fundamental changes underway in the health care field are creating many ethical issues and challenges for organizations and for the people who work within them. We suggest that the most successful health care organizations will be those that develop an institutional capacity for ethical
judgment at both the professional and organizational levels before particular crises or issues demand an immediate response. These organizations will move beyond sole reliance upon the ethical judgments of individuals to develop an organizational culture of integrity and a supporting "ethical infrastructure" — a framework and set of processes that will enable the organization and its people to articulate, internalize, monitor, and sustain their commitment to a shared code of ethics, so that its values and priorities will be reflected in all aspects of its operations.

We have discussed the ethical implications of this new environment for health care organizations and professionals and suggested four strategies to build the organization’s ethical infrastructure and support a culture of integrity. Tailored and refined in collaboration with the people of the organization and the community they serve, these strategies will help the organization and its people understand and begin to address the ethical dimensions of this new era.

Endnotes


2. Additional information about approaches employed by corporations such as 3M, Unisys, ITT Financial, Norwest Bancorporation, and Honeywell may be found in the work of O'Toole 1985, Wallace 1985, and Jones 1982.

3. A substantial literature has emerged around the topic of organizational innovation and the diffusion of innovations. Some key resources for further reading include Walton 1987, Rogers 1995, Tushman and Moore 1988, and Perri 6 1993.

4. One example is "The Integrity Audit," a research-based tool developed by the staff of the Center for Ethics, Responsibility and Values at the College of St. Catherine in St. Paul, Minnesota, and used by 3M, Unisys, and US West, among other corporations (see Bell-White and Wallace 1988; Peters 1990).


6. Important insights on the design and use of evaluation strategies may be gained from the work of Patton (e.g., Patton 1986).

References


