Implications of Organizational Ethics to Healthcare

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Abstract

Organizational ethics is an emerging field concerned with the study and practice of the ethical behaviour of organizations. For effective application to healthcare settings, we argue that organizational ethics requires attention to organizations' special characteristics combined with tools borrowed from the fields of business ethics and bioethics. We identify and discuss several implications of this burgeoning field to healthcare organizations, showing how organizational ethics can facilitate policy making, accountability, self-evaluation, and patient and business perspectives. In our conclusion, we suggest an action plan for healthcare organizations to help them respond appropriately to their ethical responsibilities.

The emerging field of organizational ethics promises to make important contributions to healthcare. With its focus on the ethical organization, this burgeoning field shifts our attention from reacting to ethical problems that arise in the care of particular patients to preventing many kinds of ethical problems through various organizational strategies.

Our approach in this article is fourfold. First, we draw attention to the special characteristics that organizations have that ought to be relevant to any ethical analysis of their behaviour. Second, we describe what is meant by "organizational ethics," what it involves, and its goals. Third, we show that organizational ethics involves more than either bioethics or business ethics alone; it requires tools from both fields. (We have consciously omitted inclusion of professional ethics as a separate ingredient of organizational ethics. In this we differ from Spencer, Mills, Rorty and Werhane.[1] We believe this omission is justifiable, given that so much of bioethics has traditionally focused on the professional ethics of healthcare providers.) Fourth, we identify several implications for healthcare organizations. We show that organizational ethics can provide a set of tools to be used, among other things, for drafting and assessing health policy, establishing transparent values and fostering accountability.

The Uniqueness of Organizations

The development of organizational ethics as a discipline requires the recognition that organizations constitute a unique unit of ethical analysis. As Phillips and Margolis put it,[2(p. 619)] "The organization is importantly different from both the nation-state

and the individual and hence needs its own ethical models and theories, distinct from political and moral theory." Moral theories developed to describe the obligations of human individuals are typically grounded in some understanding of human nature. Likewise, theories of the state and of political obligation are typically grounded in an understanding of the characteristics and function of political states. If we are to develop a framework for understanding the ethical obligations of organizations, we must similarly ground this framework in an understanding of the characteristics of organizations.

We see organizations as having several special characteristics. Both the scale of most organizations and the role they play mean that they often have an enormous impact on the lives of individual people. In healthcare, for example, policies, practices and allocation decisions of organizations bear directly on the length and quality of people's lives.

Organizations are, by definition, complex composite entities. As a result, the moral agency of organizations is complex; that is, organizations do not manifest simple, tidy loci of decision-making authority. Therefore, in terms of evaluating the actions of organizations from the outside, it can often be challenging to attribute responsibility — whether in the form of blame or praise — for actions taken by, or in the name of, an organization.[3,4]

Further, the values and beliefs of organizations are often explicit. A great deal of attention has been paid, particularly in recent years, to the formal ways in which organizations — whether in healthcare, the corporate world or public service — choose to give voice to the values that drive them. Most large corporations now have codes of ethics, and many make explicit promises about how they will conduct themselves. Similarly in healthcare, most professionals who work in hospitals, including healthcare administrators, have professional codes of ethics that they are obliged to follow, and most hospitals have mission, vision and values statements, which are often posted in their lobbies.

Finally, organizations can be restructured in ways that permit values-driven reform. Mission statements and strategic plans can be revised. Policies can be rewritten. Practices can be changed. Lines of decision-making authority can be restructured. Historically this happened, for example, when charity hospitals (governed by the values of religious orders) were transformed into public hospitals (governed by public values and the values of their dominant professional groups).

Attention to these special characteristics is crucial for creating and sustaining ethical healthcare organizations. The goals and methods of organizational ethics require attention to such features of organizations.

What is "Organizational Ethics"?

The term organizational ethics has had currency within the business domain for roughly a decade and, since 1994, has found its way into healthcare domains where it has steadily gained prominence and influence. (Changes to hospital accreditation standards in the United States in 1994 helped to launch the significant recent attention to organizational ethics in healthcare.[5,6]) Simply expressed, *organizational ethics* is the study and practice of the ethical behaviour of organizations. It involves clarifying and evaluating the values embedded in organizational policies and practices, and seeking mechanisms for establishing morally acceptable values-based practices and policies. While organizational ethics can apply broadly to a variety of organizational contexts, our analysis remains focused on its application in healthcare. Accordingly, in our discussion, organizational ethics means the study and practice of the ethical behaviour of healthcare organizations. This involves clarifying and evaluating healthcare organizations' values and creating a climate within them that reflects and supports those values.[6(p. 171)] According to Spencer, Mills, Rorty and Werhane[1(pg. 6)] the goal of organizational ethics is "to produce a positive ethical climate where the organizational policies, activities, and self-evaluation mechanisms integrate patient, business, and professional perspectives in consistent and positive value-creating activities that articulate, apply, and reinforce [the organization's] mission."

Achieving this goal requires drawing on several tools already at hand in other fields of ethics. We examine some of the tools from business ethics and bioethics to evaluate their applicability to the ethics of healthcare organizations, and to help situate organizational ethics within the larger ethics arena.

Bioethics and business ethics constitute two well-developed, but largely distinct bodies of literature within the larger domain of applied

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ethics. The reason these two sets of literature have overlapped so little is unclear, given that it is becoming increasingly appropriate — particularly within the American context and the contexts it influences — to think of healthcare delivery itself as a business. If healthcare delivery has a significant business component or is, in some sense, accurately described as a business, then it seems that the fields of bioethics and business ethics ought to overlap. Thus, there is good reason to work toward greater integration of these two generally distinct fields, at least in the area of overlap. The emerging domain of organizational ethics may provide a means to foster this integration. There is also good reason to think that business ethics and bioethics can each contribute important tools to organizational ethics. We look to each of these domains to identify those tools.

What Does the Field of Business Ethics Contribute?

First, in what sense is healthcare delivery properly thought of as a business, such that the tools of business ethics might seem to be an appropriate resource for healthcare organizations and organizational ethics? Within the Canadian context (or, indeed, within the context of any industrialized country other than perhaps the United States), healthcare might be described instead as a social institution, a set of professions, a calling, a sacred trust, a right,[7] or the responsibility of a caring community. Although healthcare may properly be thought of as any one of, or a combination of, these things, it seems hard to deny that, whatever else it is, healthcare is also a business. Indeed, healthcare constitutes one of the largest industries in Canada.[8] Even though healthcare in Canada is generally not subject to the same sorts of profit-making imperatives to which much of American healthcare is subject, administrators within Canadian healthcare institutions still have as their fundamental abstract goal the provision of a certain range of services. In this, they are often constrained by issues of budget, physical and human resources, and demand.

On the ethical front, many dilemmas facing hospital administrators fall within the scope of issues traditionally dealt with in the business ethics literature. Downsizing, labour relations, sexual harassment, conflict of interest and employee safety, for example, are widely discussed in the business ethics literature, but are increasingly posing significant challenges in healthcare settings.[9-12]

Accepting that significant aspects of healthcare organizations (and issues relating to them) fall under the purviews of business and business ethics, it is useful to consider the current state-of-the-art in business ethics to assess what business ethics can contribute to organizational ethics. At the most general level of description, business ethics over the last two decades has had as its focus the denial of the oft-repeated claim (appearing in various guises) that the only appropriate goal of business is to make money. Almost all the celebrated case studies upon which the field of business ethics is based involve a conflict between the profit motive and some other value. The famous Ford Pinto case,[13] for example, highlighted the conflict between corporate profit and product safety. The Exxon Valdez oil spill focused attention on the tension between corporate cost cutting and the value of our natural environment.[14] Recent controversies involving The Gap, Nike, and other clothing manufacturers have concerned the permissibility of taking advantage of lax labour standards in foreign countries to maximize profits.[15] And so the list proceeds.

Some of the values and strategies that emerge from business ethics' attention to these sorts of cases can contribute tools with which healthcare organizations can identify and address issues of ethical significance. Four such tools stand out. First, through its willingness to grapple with the financial imperatives involved in sustaining the operation of healthcare institutions, business ethics can provide organizational ethics with realistic attention to the business aspects of healthcare. Second, through its application of "stakeholder analysis,"[16] business ethics can provide organizational ethics with a lens through which to pay attention to the full range of interested parties. Stakeholder theory suggests that we should pay attention to the interests of any group or individual who can affect, or is affected by, a decision or policy. Third, the emphasis in business ethics on *corporate* responsibility can be a model for organizational ethics likewise to develop strategies to promote *collective* responsibility. Fourth, business ethics contributes an explicit focus on the roles and values of organizations (as opposed to those of individual people).

What Does the Field of Bioethics Contribute?

Bioethics grew out of concerns about the disproportionate power that

physicians have relative to patients in therapeutic decision making and physician research practices involving human subjects. Thus, what we now think of as "bioethics" was originally conceived of more narrowly as "medical ethics" and limited in scope to ethical considerations involving individual medical practice. From medical ethics evolved "clinical ethics" (now sometimes referred to as "healthcare ethics"), which expanded somewhat the scope of concern to reflect diversification in healthcare to include a healthcare *team*. Bioethics extends the scope of ethical analysis more broadly to include whatever comes to bear on matters of health. However, in practice, ethical concern within the domain of healthcare continues to be limited to questions of interaction between healthcare professionals and patients, and indeed usually between physicians and patients.

An important exception to this trend is attention to allocation of resources. Yet allocation of resources emphasizes micro-allocation (i.e., How should particular healthcare professionals distribute resources — beds, kidneys, etc.?). To a lesser degree, bioethics has addressed macro-allocation (i.e., How should the state distribute resources: to healthcare, defence, education, environment?). But even here, questions of social decision making regarding spending on healthcare have often been focused on concerns about the impact of such decisions upon the relationship between individuals and their physicians.

Bioethics stands to make several important contributions to organizational ethics. We mention three notable contributions. First, bioethics

can provide organizational ethics with an emphasis on responsibilities toward individual patients. Attention to corporate responsibility cannot be exclusive of the need to attend to the needs and vulnerabilities of individual patients. Both are important. Second, bioethics can contribute a well-developed range of tools with which ethical dilemmas can be identified, assessed and resolved. These include, for example, theories, decision frameworks and professional codes of ethical conduct. Third, bioethics contributes a familiarity with the extensive and diverse values associated with healthcare (beginning with priority to the interests and well-being of patients). Within bioethics, much work has been done to articulate the values at stake and how they interact. Addressing matters of organizational ethics within the healthcare context requires that we begin with a firm understanding of these values.

Both Business Ethics and Bioethics Are Necessary

To be effective, the field of organizational ethics needs to address decision making and problem solving that involve individuals, the organization and the community it serves. To do this effectively, the contributions of both business ethics and bioethics are necessary. The difference in the level at which the problems driving business ethics and bioethics have occurred highlights the different contributions to be made by each of these fields to organizational ethics. The field of business ethics has been driven largely by concern about the behaviour of corporations themselves, through the behaviour of senior

corporate management. Bioethics, on the other hand, has been driven primarily by concerns about the nature of interactions between individuals, specifically interactions between individual healthcare professionals (for the most part, physicians) and individual patients. Thus, bioethics has focused on protecting the autonomy of particular patients to determine the course of treatment, the responsibilities that particular healthcare professionals have to maintain confidentiality, and so on.

Implications for Healthcare Organizations

Having suggested that contributions from business ethics and bioethics need to be integrated in order to tackle ethical issues that arise in healthcare at the organizational level, we now consider some implications that this understanding of organizational ethics has for healthcare organizations. Organizational ethics suggests several ways to focus an organization's thinking and activities to create and nurture a culture that is conducive to ethical performance. We noted above that we agree with Spencer, Mills, Rorty and Werhane[1] [(pg. 6)] that the goal of organizational ethics should be "to produce a positive ethical climate where the organizational policies, activities, and self-evaluation mechanisms integrate patient, business, and professional perspectives in consistent and positive value-creating activities that articulate, apply, and reinforce [the organization's] mission." This statement, although attractive and rich, is also broad and programmatic. We focus on its following aspects to illustrate the use of the tools to which we have alluded. Focusing on these should give

healthcare organizations a good start toward achieving a positive ethical culture and ethically appropriate organizational behaviour.

Policies That Articulate, Apply and Reinforce the Organization's Mission

We believe that attention to organizational ethics holds the potential to improve policy making and accountability. Attention to organizational ethics shifts our focus to the *shared values* that drive policy (and practices). At times, the diverse values that drive policies will conflict. For example, at times fiscal responsibility may conflict with respect for patient autonomy. Explicit values (e.g., those found in codes of ethics and mission, vision and values statements) may conflict with implicit values (e.g., the beliefs and biases of particular individuals or groups within the organization). An example of such a conflict is often seen in healthcare organizations' response to clinical error. Not infrequently, staff members are faced with a situation in which *written* policies may encourage a systemic view of adverse events and candor about the making of errors, while at the same time, the *unwritten* values of the organization are widely known to focus on individual blame and to promote secrecy and protectionism in the face of error. Efforts should be made to make implicit values explicit. When implicit values are made explicit, they can then be compared with already-explicit values for compatibility and signs of conflict. This can make clear the actual values driving policy by including, for example, guiding principles or values in the preamble section of policies.

Transparency about the values that drive particular policies can have at least two positive effects.

First, transparency about the values that drive policies helps to bring together what organizations (and the people within them) say and do. For example, a clear statement in a policy document of the values that drive the policy helps to make clear that a given policy reflects values that the organization supports. If a new circumstance arises that is not covered explicitly in the policy document, reference to the policies' guiding principles and values may help to determine an appropriate course of action. Whether making or referring to policies, transparency of values will help people to use a shared set of values to guide behaviour within the organization.

Second, a clear and coherent set of values, laid out at the beginning of a policy document, provides a metric against which the success of the policy can be measured. If a policy fails to meet the expectations of some individual or group, we can look to the values behind the policy to help assess whether there is a true policy failure resulting from ineffectual policy making (e.g., poor design) or poor implementation, or whether there is instead a disagreement over what the appropriate goals for the policy at hand should be.

Providing Self-Evaluation Mechanisms

Healthcare organizations and health administrators have at their disposal a wide range of organizational self-evaluation tools for application to a range of issues. A wide range of tools exists for quality assessment activities,

evaluation of clinical performance and internal audit. A number of such tools have been described in the healthcare management literature.[17,18] We believe that organizational ethics provides appropriate tools for the *ethical* self-evaluation of healthcare organizations.

Two sets of tools from the field of business ethics warrant mention here. First is stakeholder analysis. Stakeholder analysis comes in various forms (including, according to Donaldson and Preston,[19] normative, instrumental and descriptive/empirical forms). Most relevant here are the normative forms, which attempt to enunciate the moral obligations that managers have to various stakeholders. We suggest that normative frameworks for stakeholder analysis provide a basis for organizational self-evaluation that may be used by healthcare organizations to begin to ensure that they are living up to their obligations.

A second set of tools from the field of business ethics is associated with an ethics audit.[20,9(p. 33)] The term ethics audit is often used nearly interchangeably with terms like social audit and social and ethical accounting. An ethics audit is a process by which an organization endeavours to measure its performance on a number of ethically significant issues such as environmental practices, hiring procedures, number of women in upper management, sourcing practices and so on. Such audits may be carried out internally, or by external experts. Methodology varies, but typically includes some combination of benchmarking, document revue and stakeholder interviews. Some such audits are kept private and are used strictly for organiza-

tional self-evaluation; others are made public as a way of demonstrating accountability either to shareholders or to the broader public. Some work has already been done to bring the ethics audit model to bear within healthcare.[21] We suggest that this tool from business ethics, enriched by the use of healthcare-related values as benchmarks, holds great potential as a means of ethical self-evaluation for healthcare organizations.

Integrating Patient and Business Perspectives

Integrating patient and business perspectives into policies, activities and organizational self-evaluation in an ethically acceptable manner has posed challenges for healthcare organizations. Organizational behaviour that seems merely prudently frugal from a business perspective can seem insensitive and uncaring from the perspective of patients and their advocates. In the United States, the very term managed care has summed up for many the seeming paradox of trying to maximize simultaneously two goals (excellence in financial management and patient care) that are often, if not always, in tension with one another. Admittedly, examining this problem from an explicitly ethical point of view will not make the problem any less complex. Indeed, ethical reflection often reveals greater complexity in situations where key human values conflict. The healthcare manager's business perspective (a perspective that is likely too narrow to be integrative) will generally focus on the business aspects of organizational practice and policy. The patient-centred perspective of physicians and nurses (whose codes of ethics call upon

them to be patient advocates) will likewise be too narrow to guide organizational behaviour.

Only a framework of analysis focused explicitly on the actions of the organization as a whole, including the actions of its parts, can succeed in integrating the patient and business perspectives that must occur if healthcare organizations are to satisfy their obligations to their full range of stakeholders. As a start, ethical analysis can help to begin to prioritize the general and specific obligations that are so often seen to be in tension.

Conclusion

Healthcare organizations have some catching up to do. They lag behind private industry in their attention to the ethical aspects of organizational life. Drawing on the unique features of organizations, the goals of organizational ethics, and the potential contributions of both business ethics and bioethics, we suggest the following action plan for healthcare organizations.[22]

First, identify what values drive decisions and actions within the organization, and how they do so. What an organization *does* tells us what its values are. It is to organizational behaviour that one must look to identify the core values that mark the ethical life of the organization. Its stated values, printed on the boardroom wall or in its strategic plan, may not actually drive practice. Using tools from the field of business ethics and combining them with tools from bioethics, healthcare organizations might perform an ethics audit, which compares actual with desired

practice and may determine how values drive decisions and actions within an organization.

Second, identify what values *ought* to drive decisions and actions within the organization, and how they should do so. The core values of healthcare organizations should be relevant to the particular mission of those organizations. For instance, the values of Nova Scotia's Capital District Health Authority include compassion, collaboration, accountability, respect and excellence. These values are used to guide decisions and actions corresponding to the Authority's mission to improve the health of individuals and communities.[23] Core values should also express the ethical standards by which the organization wants to be judged (e.g., as a compassionate organization). The values can be assessed for appropriateness; for example, by comparison to principles and values defended in the bioethics literature.[24] They are also a benchmark for measuring accountability; for example, an organization that claims to value responsiveness to the community it serves, yet which is insular in its decision making, might fairly be accused of having strayed from one of its core values. By shifting the focus to values, organizational ethics requires that all values bearing on policy decisions and practices be identified and assessed. Values that are morally unacceptable must be revised, or discarded and expunged from the policy process. Values that are morally acceptable must be used to guide policy decisions (and practices). The shift in focus to organizational values should help organizations assess both how their

values *drive* policy and how they *should drive* policy.

Third, develop mechanisms that ensure that the values that ought to drive decisions and actions actually do so. Once the organization is confident that it has identified the right core set of values, it must enable those values to shape and support the life of the organization. The mission, vision and values of the organization must be used to guide organizational behaviour; for example, explicit, focused discussion of mission, vision and values should be part of all policy-making activities. Core values must be reflected in organizational policies and practices and in the organization's relationships with patients, staff, the community and the healthcare system as a whole.

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