Catholic Health Association

"Beyond Corporate Compliance:
Touching the Source of Our Integrity"
An Address by William J. Byron, S.J., Interim President,
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Our topic this morning is organizational ethics. The program planners have asked us to think "beyond corporate compliance" as we examine the "source of our integrity."

I think of integrity in terms of wholeness, solidity of character, honesty, trustworthiness, responsibility. And when I think of organizational ethics, two notions come immediately to mind. One is culture; the other is trust, and I'll comment on both in just a moment. But it will interest you first to learn about a recent conversation I had about organizational ethics with James E. Burke, former chairman of the board of Johnson & Johnson, who is admired worldwide as a model of integrity for his 1982 decision to pull Tylenol from drug store shelves everywhere because several Tylenol capsules were found to be laced with cyanide that caused seven deaths here in the Chicago area.

When I asked Mr. Burke to tell me how he understands integrity, he summarized it all in one word: Trust. "Tylenol was driven by a belief I had," he said. "There was no question as to what I had to do, and what the company had to do. There were people in the company who questioned me, and there were those who disagreed with me. But there was no question in my mind. You can't put a product on the market that killed seven people and not take responsibility for it. And the best way to take responsibility for it is to get rid of it and give the public what they should have had in the first place. The Tylenol case is a classic example of where trust worked.

"People felt that the company could be trusted when I took that product off the market. I think it was a $56 million business then. That was an enormous sacrifice to make. I think the business now is $1.8 billion. It couldn't have happened, of course, without the fact that the public trusted us and trusted Tylenol. My whole claim in these areas is that trust is not only the only way, but it also works." And Jim Burke added: "The reason I stick with the trust thing is that it simplifies it all."

With that as preamble, let me turn to the notions of culture and trust.

Bernard Lonergan defines or describes culture as "a set of shared meanings and values," and "there are as many different cultures," says Lonergan, "as there are different sets of shared meanings and values."

Think then of organizational culture before you get to the specifics of organizational ethics. What is the culture that characterizes the organization? You should be able to find a clue to this in the organization's mission statement. Cultures are defined by dominant values, so it is important to identify the dominant value that defines the culture of the organization before examining the ethics of the organization. And, of course, that dominant value should find expression in the organization's mission statement. (In his conversation with me, James Burke made repeated references to the famous Johnson & Johnson "Credo.")

For a simple, down-to-earth, practical illustration of articulating a dominant value, I would refer you to a summer camp for boys in Westport, in upstate New York, on the shore of Lake Champlain. Camp Dudley has been there since 1885. Founded by the YMCA, it is now an independent corporation, governed by a board of trustees, and operates as a non-denominational Christian camp for boys, ages 7 to 15, under a motto that expresses the dominant value and thus defines the culture of this camp. That motto is: "The Other Fellow First."

I spend a long weekend at Dudley every summer as a guest chaplain—one of a number of guest clergy, male and female, of different Christian denominations—to lead a noon Sunday interfaith chapel service in an outdoor "chapel" of long-log "benches" on a tree-lined slope running down to a bluff that overlooks the lake. There is a platform there equipped with lectern, microphone, organ, and chairs for readers, cantors, and the leader of prayer who is also the "chapel speaker."

Some years ago my visit to Dudley coincided with Parents' Weekend. Soon after arriving on Friday afternoon, I happened to meet a couple from New York City who had come to visit their eight-year-old son, He was experiencing his first extended absence from home. His parents mentioned that their boy had been experiencing a few adjustment problems in his Upper East Side private elementary school and they were anxious to see how he was getting along at camp. A few minutes later the youngster, a bit overweight, came waddling up to greet his parents. He was introduced to me and just to make a bit of ice-breaking conversation I asked, "What do you like best about Camp Dudley?" His immediate response: "Nobody here makes fun of you."

That response says a lot about culture shaping behavior. It also suggests the wisdom of encapsulating the organization's central value in a motto that conveys the organization's culture. Jesuit prep schools say they are educating "men and women for others." The U.S. Army invites you to "be all that you can be." Hewlett-Packard does things "the H-P way." "Cornellcares.com" is one medical center's Web address offering innovative tools, strategies, and advice related to geriatric mental health. The Web address expresses a value wrapped in a slogan: "Cornell cares." And so it goes throughout the world of slogan communication here on earth and out in Cyberspace.

Much more could be said about culture and capturing values in mottos, but let me move on to the notion of trust.

The Journal of the Public Relations Society of America is called "The Public Relations Strategist." The cover of its Fall 2003 issue calls attention to "Corporate America's New Secret Weapon: Trust." The cover story, written by Joanne DeLavan Reichardt, vice president of corporate communications and public affairs for Ranstad North America, opens as follows: “Trust has seldom been more top of mind in America’s break rooms, board rooms and corner offices than it is now. In fact, we are in the midst of a crisis of confidence when it come to trust, one that has profound implications for us as social human beings and as professional communicators.” The article goes on to say that mistrust is pervasive. “We’ve seen it in politics, with special favors exchanged for political contributions. We’ve seen it in sports, with investigations of cheating or lying by university coaches and Little League teams that falsify birth certificates of star players. We’ve certainly seen it in business, with accounting fraud scandals.”

The author omitted any reference to scandals in the Catholic church or church-related institutions. But those of us who serve in church-related institutions or in any form of church administration know that we have an enormous organizational ethics problem on our hands and that we have to learn, as this article puts it, that “the building blocks of trust are consistency, clarity, courage, and a willingness to handle difficult issues.”

There were in the business press in 2002, headlines, news stories, and editorials that might just as easily found a place in the Catholic press.

“Stop Stonewalling on Reform," reads the scolding June 17, 2002 editorial. "Each day brings news of yet another ... scandal."

"A Ripe Time for Reform," was the headline over an editorial in an earlier issue of the same magazine. It opened with the words, "The ground is shifting beneath the foundations of ..." and I’ll leave it to you to complete that sentence.

You may think you can complete it, but you would probably be wrong. This is Business Week, not America or Commonweal that I'm citing. American business, not the Catholic Church in America, is the object of this editorial criticism of stonewalling and the absence of reform.

Consider the front cover of Business Week May 6, 2002: "The Crisis in Corporate Governance: Excessive Pay. Weak Leadership. Corrupt Analysts. Complacent Boards. Questionable Accounting. How to Fix the System."

One week later the same magazine had this on its cover: "Wall Street: How Corrupt Is It?" On Feb. 25, 2002 Business Week's cover story pointed to "betrayed" investors who have been "misled by Wall Street, corporations, accountants and the government. The strength of the recovery hinges on winning back their confidence."

Finally, the Business Week cover June 24, 2002 highlighted a "Special Report" on "Restoring Trust in Corporate America: Why CEOs Must Speak Up; How Institutional Investors Are Pushing Reform."

The church can learn a lot from what analysts say about corporate corruption. Religious commentators call the clergy sex abuse scandal the most serious crisis the Catholic

Church in America ever faced. Business Week's May 6 report says, "Faith in corporate America hasn't been so strained since the early 1900s when the public's furor over the monopoly powers of big business led to years of trustbusting by Theodore Roosevelt." The parallels are striking.

Substitute “bishop” for “CEO,” and “diocese” for “corporation” as you read these accounts of the present predicament in which the American business system finds itself. There is "widespread suspicion and distrust" in both arenas where decision makers have committed "egregious breaches of trust" -- words taken from the business press, but applicable on the ecclesiastical side of the street.

No small embarrassment for the church to find itself compared with Enron and Arthur Andersen. Ironically, the Andersen CEO used religious language to explain his resignation as a "sacrifice" for the good of his employees.

Writer Thomas Keneally says that he separated himself from the ranks of practicing Catholics years ago when he became convinced that "behind the compelling mystery of Catholicism ... lay a cold and largely self-interested corporate institution." The executives of that "corporate institution" (Keneally's words), the bishops, not yet ready to perform surgery on themselves in Dallas, Texas at their June 2002 meeting, returned home to their chanceries from that meeting faced with the challenge of trying to repair the damage and prevent further harm.

Some are "pushing reform." Most, having heard the victims tell their stories, are closer to their people and realize that "recovery hinges on winning back their confidence."

Although the bishops know that their "corporate institution" has a soul and lives on God's promise to be with the church until the end of time, they are now, especially since the release of Robert Bennett’s “root cause analysis” paper on February 27, 2004, thinking systemically. They can learn from what the business system has done and is doing in its effort to recapture lost trust. Transparency, accountability, reform of governance, servant leadership and patient listening are coming to the rescue of the business system. All of these, along with humility, penance and prayer provide a formula to be followed by all who love the church enough to change it. Our church will become stronger in its broken places if executive courage, not executive privilege, becomes the order of everyday ecclesiastical life. And this, it goes without saying, applies to everyday organizational life in church-related organizations. And it is in this context that I want to speak today about organizational ethics in a church-related institution.

For more than two years, I have been at work on a project I think of as a study of “old ethical principles for the new corporate culture.” It was in connection with that study that I spoke to James Burke last February. I’d like to list these “old ethical principles” for you and invite you to consider how they apply in the organizational culture from which you came to this meeting and to which you will return in a day or two. I’ve identified ten classic ethical principles and will say a few words about each one. I encourage you to come up with your own understanding of each one. Each one of you is the world’s leading expert on your own opinion; it is important for you to articulate your own opinion on these matters and to assess how widely shared, in your own organization, are the understandings you have of these classic principles. Remember, a culture is a set of shared meanings and values. How widely shared are your meanings and values relative to these ten points?

First, the Principle of Integrity. As I said when I mentioned my conversation with James Burke at the beginning of this talk, I think of integrity in terms of wholeness, solidity of character, honesty, trustworthiness, responsibility. What would you add or subtract from that understanding?

Second, the Principle of Veracity. This to me involves telling the truth and it also includes accountability and transparency.

Third, the Principle of Fairness. By this, of course, I mean justice, treating equals equally, giving to everyone his or her due.

Fourth, the Principle of Human Dignity. This bedrock principle of all ethics—personal and organizational—acknowledges a person's inherent worth. It prompts respectful recognition of another's value simply for being human.

Fifth, the Principle of Participation, workplace participation in this case. This principle respects another's right not to be ignored on the job or shut out from decision-making within the organization.

Sixth, the Principle of Commitment. What I have in mind here is that a committed person can be counted on for dependability, reliability, fidelity, loyalty.

Seventh, the Principle of Social Responsibility. This points to an obligation to look to the interests of the broader community and to treat the community as a stakeholder in what the organization does.

Eighth, the Principle of the Common Good. This operates as an antidote to individualism; it aligns one's personal interests with the community's well-being. This may indeed be the most difficult of all these principles around which to form an organizational consensus relating to the common good of the organization and then relating that understanding to an understanding of the broader common good outside the organization.

Ninth, the Principle of Subsidiarity. This could be understood in terms of delegation and decentralization, keeping decision-making close to the ground. It means that no decision should be taken at a higher level that can be made as effectively and efficiently at a lower level in the organization. This could be viewed as a "principle of respect for proper autonomy." It could also be understood in terms of Saul Alinsky's "Iron Rule" for his Industrial Areas Foundation: "Never, never do for others what they can do for themselves."

Tenth, the Ethical Principle of Love. I see this as a principle, an internalized conviction, that prompts a willingness to sacrifice one's time, convenience, and a share of one's material goods for the good of others.

It is a commonplace to note that the search for organizational ethics will lead directly to the corner office, to the executive suite, to the person and character of the CEO. And that raises a question I will not explore here, namely, the presence or absence of a direct connection between the personal morality in the private life of the CEO, on the one hand, and, on the other, the organizational morality in the public moral person of a corporation, institution, or organized collection of the many persons, who, working under the leadership of a CEO, try to achieve an organizational purpose.

I prescind from the question of whether a man who is unfaithful to his wife can lead an ethical organization, or whether a woman who habitually lies to a friend can lead her organization to a high and consistent level of ethical integrity. It is easy to judge, but hard to measure the correlation between the personal character of the leader and the institutional integrity of the organization. I do not attempt anything along those lines here, but it a question worthy of careful consideration and study.

Writing in The Wall Street Journal last January 23rd, Jack Welch, the retired chairman of GE, spoke of the "four essential traits of leadership." He listed them as (1) energy, (2) the ability to energize others, (3) having an edge ("the courage to make tough yes-or-no decisions—no maybes"), and (4) the ability to execute. If a candidate for a leadership role has all four of these, says Welch, "then you look for a final trait—passion. By that I mean a heartfelt, deep and authentic excitement about life and work." But, according to Welch, "you cannot even start to think about the Four E's until you get a solid yes on two questions:

> "First: Does the leadership candidate have integrity? That means, does he or she tell the truth, take responsibility for past actions, admit mistakes and fix them? Does he demonstrate fairness, loyalty, goodness, compassion? Does she listen to others? Does he truly value human dignity and voice? These may seem like fuzzy, subjective questions, but you have to get a strong "AMEN" in your gut to all of them to even consider a person as a leader.
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> Second: Before applying the Four E's, you have to ask, is the candidate intelligent? That doesn't mean a leader must have read Kant and Shakespeare…. It does mean the candidate has to have the breadth of knowledge, from history to science, which allows him to lead other smart people in a world that is getting more complex by the minute. Further, a leader's intelligence has to have a strong emotional component. He has to have high levels of self-awareness, maturity and self-control. She must be able to withstand the heat, handle setbacks and, when those lucky moments arise, enjoy success with equal parts of joy and humility.

Last winter, when Michael Place (president of the Catholic Health Association) invited me to give this talk, the Martha Stewart trial was underway. In her opening remarks to the jury, Assistant U. S. Attorney Karen Patton Seymour said: “Ladies and gentlemen, lying to federal agents, obstructing justice, committing perjury, fabricating evidence and cheating investors in the stock market—these are serious crimes.” Indeed they are. And although her organization—Martha Stewart Living Omnimedia, Inc.—was not on trial, the faults and failures of Martha Stewart raised questions about the ethics of the organization she headed.

Around that same time, Paul Krugman’s February 8, 2004 New York Times review of two books “about C.E.O.’s who looted their companies and the financial press that covered up for them,” opened with these words: “Eighteen months ago, American capitalism seemed to be in crisis. Stocks had plunged, and some of the nation’s most celebrated business leaders had been exposed as phonies if not crooks. Now the economy is growing, and the Dow’s been back above 10,000. . . . So is it safe to buy stocks again? After you read Roger Lowenstein’s Origins of the Crash [The Great Bubble and Its Undoing: Penguin Press] and Maggie Mahar’s “Bull! [A History of the Boom, 1982-1999): Harper Business] you’ll have serious doubts. Both tell the story, from different angles, of how ordinary investors got suckered into supporting the lifestyle of the rich and shameless. And you have to wonder whether anything has really changed.” Krugman’s review goes on to say: “Lowenstein’s title may convey the impression that his book is mainly about stock prices. It isn’t: it’s about the epidemic of corruption that spread through corporate America in the 1990’s, though that epidemic was in part both an effect and a cause of the bull market. A better title might have been “Executives Gone Wild.”

Do these leaders have integrity? Hardly. Do their organizations embody high levels of organizational ethics? Not likely. Part of the problem in the case of errant CEO’s, is a lack of oversight on the part of governing boards, and where wrongdoing occurred at lower ranks of executive responsibility, the problem is a failure of higher-ups to monitor what was going on below them.

With the help of your accrediting organization, your auditors, and your outside directors, you can look at yourselves and your healthcare organizations through an ethical lens. (In my view, the accreditors are not as helpful on that score as they should be.)

To engage itself honestly and effectively with the issue of organizational ethics, your board of directors might first have to take a good look at itself, as is happening in corporate America in the wake of Sarbanes-Oxley. This has also begun to happen closer to your not-for-profit healthcare world in some colleges and universities. The Chronicle of Higher Education carried a page-one story on February 6, 2004 under a headline that read: “Boards Crack Down on Members’ Insider Deals,” with this accompanying sub-head: “Recent scandals trigger new scrutiny of trustees.” The story mentioned that Auburn University, the University of Idaho, Boston University, and the University of Georgia Foundation were under investigation for questionable business ties between trustees and the institutions they serve. “In an earlier era,” says The Chronicle, “the awarding of sweetheart business deals by boards to their members and members’ companies, a practice widely known as self-dealing, was often accepted with a wink and a nod. To avoid the appearance of impropriety, trustees usually just recused themselves from votes on matters in which they would benefit, a provision that did not always curb conflicts of interest."

Sometimes in the spirit of noblesse oblige, often for purely altruistic motives, and occasionally in an unholy community-service competition with their peers, business executives have been known to covet a board-membership trifecta that connects them to a bank, hospital, and university. To the extent that mixed or self-serving motives bring them to a seat on your governing board, you have to be wary of ethics erosion becoming a problem in your organization.

It all comes back to culture and trust. What is the dominant value that defines your culture? How widely is it shared throughout your organization? How trustworthy are you who are leaders in an organization? How trustworthy are you perceived to be by those you lead in that organization? How fully encompassing is the trust that generates the energy and purifies the air of the organization that has a claim on your time, talent, and commitment?

Trust is something of an elusive concept that is perhaps more easily understood in a healthcare setting than in other areas of corporate activity that depend, as do healthcare organizations, on trust for their long term viability. Think, for example, of the trust a bed-ridden patient places in physicians, nurses and other healthcare providers with whom they come in immediate contact. What is the substance, the texture, the fabric of a trusting patient-provider relationship?

Competence—being very good at what you do—is part of that relationship from the side of the provider, as is the provider's integrity, veracity, dependability, and availability. From the side of the patient, cooperation and honesty are two important strands in the relationship. Both competence and cooperation are integral to the relationship of trust, and that relationship is strengthened by integrity, veracity, dependability, availability, and honesty.

How can this reality, this kind of trust, become part of the life of your organization? It begins with persons and it has to begin with the small things—the courtesies, the reliabilities, the acknowledgments, and a genuine institutional humility. In the person of the CEO—the occupant of the corner office—there must be what Dennis Goulet has called "availability, accountability, and vulnerability." If you've been there, you will understand what he means by vulnerability. If you have been an effective CEO, you will agree that availability and accountability belong in your executive toolkit.

Two additional healthcare analogies might be helpful. One is preventative medicine. You cannot afford to wait until trust is lost to begin thinking about the maintenance and preservation of trust in your organization. Preventative measures in preserving both personal health and organizational trust are always less costly and more effective than waiting for a crisis to arise and then deciding to deal with it.

The other analogy looks to health insurance. It is captured in the term “trust bank” coined by Al Golin forty years ago. He is author of “Trust or Consequences: Build Trust Today or Lose Your Market Tomorrow” (American Management Association, 2003). “Just as you wouldn’t go without health insurance because you’re physically fit, you shouldn’t go without a trust bank just because your organization has good values,” says Golin. And what is a trust bank? “As the name implies, a trust bank involves making deposits of good deeds into an account over time that can be drawn upon in times of need.” This suggests that the organization should be doing “good deeds” for its employees, its clients or customers, and in its surrounding community. Organizational generosity can build organizational trust.

Think for a moment of all your associates, all those who work in your organization. And think of them within the framework of trust. Recognize that your organization cannot operate without social trust, without the social collaboration of human beings. “The way you create trust,” says Kenneth Dunn, dean of the business school at Carnegie Mellon, “is to have complete transparency of your decisions” (Business Week, March 29, 2004. p. 91).

Is yours a high trust, low trust, or no trust organization? Listen to Francis Fukuyama, whose 1995 book, Trust: The Social Virtues and the Creation of Prosperity (Free Press) reminds you (see pp. 6-7):

> “while people work in organizations to satisfy their individual needs, the workplace always draws people out of their private lives and connects them to a wider social world. That connectedness is not just a means to the end of earning a paycheck but an important end of human life itself. For just as people are selfish, a side of the human personality craves being part of larger communities. Human beings feel an acute sense of unease. . . in the absence of norms and rules binding them to others, an unease that the modern workplace serves to moderate and overcome.
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> “The satisfaction we derive from being connected to others in the workplace grows out of a fundamental human desire for recognition. . . . [E]very human being seeks to have his or her dignity recognized . . . by other human beings. Indeed this drive is so deep and fundamental that it is one of the chief motors of the entire human historical process. . . . This kind of recognition cannot be achieved by individuals; it can come about only in a social context.
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> “Thus, economic activity represents a crucial part of social life. . . . [O]ne of the most important lessons we can learn from an examination of economic life is that a nation’s well being [I would substitute, “a healthcare organization’s well being”], as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in the society” [or, as I would suggest, “the level of trust inherent in the healthcare organization”].

If your healthcare organization is a caring community built on a foundation of mutual trust, you will be conducting your affairs far beyond the low-altitude horizons of “corporate compliance,” and you will have found the “source of your corporate integrity.”

Let me end with a parting reflection prompted by our return now to “Ordinary Time” in the liturgical cycle and our remembrance yesterday of those who lost their lives in France on D-Day sixty years ago, as well as the death two days ago of President Ronald Reagan. We’ve just concluded the liturgical celebration of the events that combine to form what we call the Paschal Mystery—the death, resurrection, and ascension of Jesus. The Paschal Mystery is the pattern for our lives. We know that we move through death to life, through defeat to victory, through sadness to joy. The Risen Lord is always with us. It is not that we have picked a winner, but that a winner—an eternal winner—has picked us.

The Church in America over the past two years has been experiencing in the clergy sex abuse scandal the “death” side, the downside of the Paschal Mystery. The upside—the resurrection and new life side is coming. I don’t know exactly when, but it is coming. And I’m convinced that in the vanguard, in the front ranks of that upside revival in the Church will be women—women like those who have built Catholic healthcare and Catholic education in the U.S., religious women and laywomen will be there at the leadership level, I’m convinced.

We are a people of hope. Thanks to all of you for the hope you bring to this moment in the life of the Church. There is a lot that we can look forward to on the upside of our experience--as a Church in healthcare and other ministries--in the new life that will be ours with the Spirit who is leading us into our unknown future. All we can do is follow; all that we can be is faithful and grateful.