

Research Support
School of Business Administration

August 1992

This research is part of a larger study to be published under the title "Discourse and the Management of Corporate Culture: The Mission Statement" which is forthcoming in DISCOURSE AND SOCIETY.

**ETHICAL CODES AS
MODES OF COMMUNICATION:
"HONEYWELL PRINCIPLES"
BECOMES "STRATEGIC PRIORITIES"**

Working Paper #692

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This research was supported by the University of Michigan
School of Business Administration



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In recent years a significant number of organizations have scurried to compose or revise corporate ethical codes. Our experience in talking with organizational leaders suggests that the urgency regarding codes continues, particularly among those who have yet to write one. For example, as part of this study we called organizations that recruit at our business school and requested copies of their codes. Invariably, if an organization did not have a code, we were quickly assured that they were in the process of writing one, or they certainly intended to do so in the near future. To this day we continue to receive codes "hot off the press."

The impetus for corporate codes need not be reviewed, for the political and corporate scandals of the 1970s continue to find print and to influence action in this decade. Codes, it is thought, may serve to regulate behavior or protect an organization in some way, perhaps from damaging associations with members who engage in unethical practices (Cressey & Moore, 1983). However, as Berenbeim reported, "even company officials who favor codes do not argue that they necessarily deter willful misconduct" (1987: 13). The same survey revealed that, although some companies have imposed the sanctions appearing in their codes (such as termination, suspension, demotion, or probation), the extent to which the codes figured in the disciplinary process has yet to be determined. Whether codes actually provide organizations with legal protection is also unclear. In their thoroughgoing analysis of the role of codes in minimizing corporate civil and criminal liability, Pitt and Groskaufmanis (1990) optimistically described potential benefits from having a code, and even suggested a process for crafting one; yet, their review of key court cases suggested that in the long run codes may be *disadvantageous* for organizations: "Unfortunately, the courts apparently find it easier to use these codes against the employer than to use them to diminish or negate employer liability" (1990: 1606). Moreover, a 1979 national survey of 650 major American companies by the Ethics Research Center in Washington, D. C. indicated that while three-quarters of the companies had written a code, only 36 percent

distributed copies to all employees and only 20 percent actually displayed it (Arthur, 1984). All in all, the lack of evidence and assurance regarding the real consequences of codes bolsters skepticism regarding them.

We believe codes do have value for organizations, but not for the reasons generally considered. These values, we suggest, may be found by rethinking the way we regard codes. Current descriptions focus on codes as *static* documents by defining them as statements or by categorizing them according to features.¹ Regarding codes in this fashion, however, does not account for ways in which they may actually function in organizational life. Our research suggests that as organizational messages or genres, codes can play a role in the continual negotiation among individuals about the nature of their organization. More specifically, evidence indicates that codes may be important instruments of organizational change; they can operate to reduce uncertainty and resistance, to facilitate employee "buy-in," to introduce new leadership, and to orchestrate cultural change.

In order to explore ways in which codes may contribute to the process of managing change, we have taken the case of Honeywell Corporation. We encountered the Honeywell case while analyzing our collection of over 80 codes from a wide variety of companies that recruit at our business school, including automotive, chemical, consulting, consumer products, financial services, manufacturing, pharmaceutical, and service firms both large and small. Honeywell proved particularly intriguing because during the course of our study they rewrote their code, an activity, we discovered, that very closely (and interestingly) coincided with dramatic changes occurring within the organization itself.² Therefore, rather than comparing the "old" and "new" Honeywell codes as written products *per se*, we have grounded our analysis in the organizational context first, and *then* reviewed the the codes in that light. We found that examining the *process* by which each Honeywell code was introduced or composed suggested ways in which organizational leaders may employ codes as part of an effort to successfully prevent or cause change. Then comparing the Honeywell codes as written *products*, allowed us to explore some of the rhetorical and linguistic shifts, which may accompany organizational change. Examining the codes in this way, we believe, reinforces the much-touted connection between language and corporate culture. Our analysis of the Honeywell codes was informed by company research, particularly data gained from interviews with four Honeywell Vice Presidents

and three Directors in the areas of Communications and Human Resources, and by observations from visiting Honeywell corporate headquarters.³ We also drew comparisons with other codes in our collection. In preparation for examining the Honeywell case, we begin by considering the notion that codes are modes of communication that are particularly useful for the management of organizational change.

CONCEPT OF CODES AS MODES OF COMMUNICATION

Linguists, communication researchers, and scholars of organizational behavior and human relations have recognized for some time the integral role of language in organizations. Well-known analyses, such as Lakoff and Johnson's (1980) *Metaphors We Live By* and McCloskey's (1985) *The Rhetoric of Economics*, illustrated the relationships between language, values, and roles. As Weick noted, "words induce stable connections, they establish stable entities to which people can orient, bind people's time to projects, and signify important information. Agreement on a label that sticks is as constant a connection as is likely to be found in organizations" (1985: 129). Cheney (1983) argued that formal communications in organizations possess features (e.g. use of "we" and "they") that establish common ground by assuming a congruence between individual and organizational values, goals, and interests (see also Rogers & Swales, 1990). Such "identification" features in formal organizational documents, Cheney suggested, may very well affect employee attitudes. Yates and Orlikowski (1992) characterized organizational messages as "genres of organizational communication" that are a form of social or organizational knowledge, which is produced, reproduced, and modified as individuals interact (see also Miller, 1984). These notions build upon Redding's observation that organizations and communication are mutually dependent: "An organization can be described as a *communication network*," he wrote (1972, 19). Recent ethnographic and case studies have demonstrated that there is an *inherent connection* between the act of managing and the act of communicating. For example, Paradis, Dobrin, and Miller (1985) observed in their study at Exxon ITD, that writing did more than take up a considerable part of an employee's time; indeed, writing was central to an employee's responsibility, productivity, ability to transfer information, and organizational socialization (see also Brown and Herndl, 1986; Doheny-Farina, 1986).

If we accept the notion that managing and communicating go hand-in-hand, then it makes sense to assume that written and spoken messages play a central role in the management of change. Organizational change efforts may specifically involve brainstorming sessions, termination notices, special employee newsletters, mission statements, announcement meetings, press releases, and more. Yet, the role that such written and spoken messages play in the management of change (or for management in general, for that matter) remains unknown, despite an acknowledged interest in communication and a continued focus on change issues, which has spawned numerous scholarly and popular articles as well as consultants who appear to be profiting as "change masters." Conceptual frameworks for understanding change and generalized discussions about the importance of vision, leadership, and communication abound. We find insightful articles introducing new concepts, such as Gioia and Chittipeddi's (1991) exposition on the importance of "sensemaking" and "sensegiving," theoretical models on the change process, such as Dutton and Duncan's (1987a/b) "strategic issue diagnosis" model, and pedagogical explanations, such as Judson's (1991) book on minimizing resistance to change. These and other discussions acknowledge the central role of communication in the management of change in a variety of ways: Judson (1991) does so explicitly, by describing the awareness that must come through face-to-face interactions and written communications; Dutton and Duncan do so implicitly by suggesting that strategic issue diagnosis requires giving "meaning and definition to an issue" (1987a: 291), which involves a search for language. Czarniawska-Joerges and Joerges (1988) note the importance of searching for the labels, metaphors, and platitudes by which organizational changes may be identified, understood, and implemented. And, Kissler is among those who suggest that effective change efforts require not only a formal communication strategy, but also "a captivating vision" in order to facilitate the necessary consensus-building (1991: 272; Gioia & Chittipeddi, 1991: 446).

Scholars and popular writers alike readily acknowledge the importance of a "communication strategy" or a "captivating vision" to facilitate a change process. And yet, the specific role of each has yet to be explored. As a place to begin, we propose analyzing a type of message that may immediately come to mind when one thinks of communicating one's organizational vision; namely, the corporate code. Codes frequently deal with philosophical and ethical

questions; moreover, as written documents they become modes of communication to the extent that they serve to engage writers and readers in a struggle to address fundamental questions regarding organizational, and in some cases personal goals. Thus, to examine the role of communication in the management of change, we will explore how the corporate codes may actually contribute to an organizational change process.

CODES AS INSTRUMENTS TO CAUSE OR TO PREVENT CHANGE

"Communication is almost always an attempt to control change, either by causing it or by preventing it" (Hanna & Wilson, 1984: 21). This definition suggests that communication is fundamental in the management of change--when we write or speak, we do so in an effort to control change. Current discussions tend to focus on how to *make* change (recall the emphasis on "transformation"), but the above definition suggests that managing change may as likely involve efforts to prevent it. The Honeywell case serves as an apt illustration because the company's two most recent CEOs, Ed Spencer and James Renier, used codes as modes of communication to achieve these highly contrasting goals: Spencer introduced the *Honeywell Principles* as part of an effort to prevent change; Renier initiated the writing of the *Strategic Priorities* to promote change. Their stories suggest that both approaches have value in the life of an organization.

Codes to Prevent Change: Ed Spencer, Honeywell CEO, 1974-1986

When Ed Spencer assumed company leadership in 1974, Honeywell Corporation was over a century old. Although generally known as a pioneer in the manufacture of climate control products, particularly those little round thermostats found in a majority of American homes, Honeywell was a diversified company with defense and computer businesses (*New York Times*, 3 Dec 1989; *Fortune*, 22 May 1989). Honeywell operated under a decentralized structure with autonomous divisions in which innovation and entrepreneurship were actively promoted. At the same time, Honeywell remained a patriarchal and authoritarian organization with deep family ties--Harold Sweatt, following his father before him, had recently led the company for almost three decades. Appropriately, the company was characterized as the "Honeywell fortress," a metaphor captured in reality by the stately brick tower exterior and grand marble interior of the reception area at corporate headquarters in Minneapolis, which

separates the *hoi polloi* from true "Honeywellers" to this day. Although the corporate color was *RED*, Honeywell had never experienced a loss year. Employees enjoyed a sense of tradition, identity, and security; so much so that those individuals seen to most exemplify the Honeywell "party line" were said to "have the big red 'H' on their foreheads" (Interview, Pete Shea, Vice President of Human Resources Planning and Development, 19 May 1992).

When assuming the company leadership from Harold Sweatt in 1974, Spencer had to assert himself as the new "commander" of the Honeywell fortress. At the same time, he wanted to assure employees that the Honeywell they knew would remain constant--it was important that no one view this transition in leadership as an opportunity to alter the fundamental workings of the company in any way. Spencer needed to be recognized in his new role and to reaffirm the status quo in a way that exclaimed: "Nothing is going to change around here!" Spencer's introduction of the *Honeywell Principles* (hereafter abbreviated as *Principles*) comprised part of an effort to achieve these goals.⁴

In presenting the *Principles*, Spencer assumed the role of the "archivist" or the "keeper" of Honeywell's principles and, in the process, recorded his ascendancy in a line of worthy predecessors. This approach is apparent in the cover letter he wrote for a subsequent code printing:

These principles have developed naturally as we have grown, and have become the core of the culture of our company. I learned about them from Harold Sweatt, who, along with his father, founded and built Honeywell I felt strongly about the principles and, in 1974, when I became your Chief Executive Officer, I put them into words so that we could all understand them and share them (Appendix A).

In this letter introducing the *Principles*, Spencer implicitly identified himself as Honeywell's heir apparent in several ways. He employed 13 explicit references to Honeywell's history or longevity (e.g. The principles "have grown over Honeywell's long history," and "evolved over a century of doing business."), and he frequently used the past tense (e.g. "We *have developed* a set of basic values . . . that *have contributed* substantially to our longevity."). He also expressed his determination to "maintain" and "continue" operating under the principles that contributed to Honeywell's success. These devices, in

connection with the introduction of the *Honeywell Principles*, associated Spencer with the past and communicated his intention to continue in the same way.

Codes to Cause Change: Jim Renier, Honeywell CEO, 1986-present

Beginning in the 1980s, for the first time in their history, Honeywell experienced major financial losses, takeover threats, and ultimately reduced credibility among stockholders. Honeywell, with its long history of success in the controls business, appeared to be very much "out of control." Consequently, when Jim Renier assumed the company leadership in 1986 change was essential. Renier quickly undertook what came to be referred to as the "rocky road to recovery" involving restructurings, write-offs, and accounting changes that, in the short term, caused additional losses well into 1989, when Honeywell experienced a fourth-quarter net loss of \$482.3 million, and an overall net loss of over 400 million (*Wall Street Journal*, 11 Jan 1989 & 25 July 1989), culminating in the resignation of Chief Financial Officer, Louis E. Navin. The acquisition of Unisys Corporation's Sperry aerospace group, for \$1.03 billion, an amount soon seen as an overpayment, further contributed to Honeywell's red ink (*Fortune*, 22 May 1989).

To address these severe problems and to alter past practices, which may have precipitated them, Renier sold Honeywell's commercial semiconductor operation and defense units, extricated Honeywell from the computer business, and returned the company to its core business, namely control systems (*Fortune*, 22 May 1989; *Business Week*, 11 July 1988; *Wall Street Journal*, 25 July 1989). Through attrition and layoffs, thousands of jobs were eliminated worldwide (4,000 alone in the summer of 1989), and what once was a highly decentralized organization, with many autonomous divisions, became transformed into a highly centralized organization with a great deal of control at the top (*New York Times*, 25 July 1989). By the spring of 1989, media headlines, such as "Butt Kicking at Honeywell" (*Fortune*, 22 May 1989), reflected the wide recognition that something had changed. Soon thereafter profitability returned, a consequence of the fact that, in a number of significant ways, Honeywell had become a very different company (Appendix E).

In retrospect it appears that Renier engaged Honeywell in what Nadler (1980) characterized as "the transition state" of change--a period of self

assessment involving exploring problems and opportunities, reviewing organizational strategies, and redefining the organization's tasks. Renier's personal description of his leadership role validates this observation. "A leader is more than a technician," Renier said the year he assumed the helm of Honeywell. A leader, he continued, is "the person who knows how to deal with the value system of the organization and paint a picture of where we're going" (Tichy & Devanna, 1986: 30). With the encouragement of Paul Carlson, who was then Honeywell's Vice President of Strategy, Renier "painted this picture" in part by initiating the writing of the corporate code we now know as the *Strategic Priorities* (hereafter abbreviated as *Priorities*). This code writing process proved particularly meaningful at Honeywell, not only because of *when* it took place, but also because of *who* it involved.

Research indicates that many codes are developed through some kind of collaborative process involving boards of directors, the legal department, or top managers--a case in point being Security Pacific Corporation where more than 70 senior managers helped formulate the first draft of a code (Berenbeim, 1987). What appears to be unusual in the Honeywell case is the fact that the code writing process enlisted hundreds of directors and general managers from the next layer of the corporation. In this way, according to Karen Bachman, Honeywell Vice President of Communications, writing the *Priorities* was essentially a "bottom-up," participatory process, quite distinct from Spencer's "top-down," personal introduction of the *Principles*. The process of writing the *Priorities* was administered by Bachman and her staff. It involved encouraging employees at various levels and divisions to propose content ideas as well as to comment on early code drafts. Employees were also asked to reevaluate the original *Principles* as a way to consider appropriate content for the new code. In 1990, a final draft served as the focus of Honeywell's general management meeting, which culminated with a challenge for participants to continue the discussion with their subordinates. Throughout this process, Bachman's staff became the depository for responses, including some that were ultimately deemed "too specific" for a code (e.g. "We will win the Malcolm Baldrige Award").

Involving literally hundreds of employees in the code-writing process apparently proved timely given the difficulties Honeywell faced. As Foss Boyle, Vice President of Human Resources explained, "Writing the code was seen as part of an effort to put out a fire. People said it filled a burning need to address

questions as to where the company was going and what individual roles they played" (Interview, Foss Boyle, 19 May 1992). Thus, while Renier proceeded to sell key Honeywell businesses, close offices, and eliminate jobs, evidence suggests that the on-going discussions about the company's code helped employees, at least to some extent, not only understand the necessity of change, but *participate in it* (Honeywell Interviews, 19 May 1992). Crafting a new code involved Honeywell employees in a collaborative writing process that required them to examine the state of the company in a very personal and intense way, which would not have been possible if the code had simply been introduced by Renier.⁵ Placing the process in the hands of Honeywell employees allowed them to review the very "words" they used to refer to themselves and their work, and precipitated an organization-wide dialogue about fundamental questions such as "Who are we? "Who do we want to be?"

Employee involvement in the writing of the *Priorities* ultimately contributed to the building of a *new consensus* at Honeywell.⁶ Employees came to recognize that in order to survive, they must "grow out of the Honeywell fortress" and radically modify their corporate culture (Interview, Kenneth Kostial, Director of Employee Relations, 19 May 1992). Leading this effort, Reiner himself expressed in no uncertain terms a deep discontentment with the status quo: "We must build a Honeywell that is . . . stronger and more focused" (Appendix C). At the same time, the writing process also revealed a strong desire among employees to maintain what Honeywell's Human Resource personnel have referred to as, "the cherished past traditions." As Director of Employee Relations, Kenneth Kostial, put it: "We were all very concerned about taking the principles off the walls" (Interview, 19 May 1992). The code writing process asked Honeywell employees to reexamine past traditions in light of current circumstances. Peter Shea, Vice President of Human Resources Planning and Development, remembers this process as "an anchor" in that it allowed employees to review the past as a way to deal with the stress of the present (Interview, 19 May 1992). Thus, the code writing process itself contributed significantly to Honeywell's transformation. Honeywell's traditional values, seen in the *Principles*, reappear in the new *Priorities* but with marked differences, including a kind of elaboration that betrays values and aspirations recalling the old, yet distinct from them. We detail some of these changes by comparing features of the *Principles* and the *Priorities* in the next section.

Like Honeywell, other organizations have employed the process of code writing to facilitate some level of organizational transformation. Charles W. Hucker, Division Vice President of Public Affairs and Communications at Hallmark Cards, Inc. described the code writing process at his company as a "process of organizational reinvigoration." At Hallmark, a nine-person team researched key phrases about values in the company archives and drafted a statement, which was revised using feedback from several tiers of employees. This culminated in the publication of a corporate document titled *This is Hallmark*. (Caropreso, 1991). Reflecting on a similar experience, Irving Margol, Executive Vice President of Security Pacific Bank, spoke of this kind of painstaking, lengthy process as a means to develop a meaningful "living document" (Berenbeim, 1987: 15).

By contrast, other organizations have adopted more of a "Spencerian" approach, holding forth company history and an established corporate culture by introducing a finished code. For example, when Ren McPherson assumed the presidency at Dana Corporation (well-known as an "in search of excellence" company), he dramatically introduced his one-page *Philosophy and Policies of Dana* as the replacement for a sizable collection of detailed company policy manuals, which he publicly dumped into the trash (Rogers & Swales, 1990). Like Spencer's *Honeywell Principles*, McPherson's code proved instrumental in identifying his leadership, while it reemphasized long-employed company practices.

In his book titled *Changing Behavior in Organizations: Minimizing Resistance to Change* (1991), Judson observed that leaders may accomplish change by interacting with subordinates in two ways: either by expecting passive obedience or by encouraging broad involvement. Like many subsequent observers, Judson's description and the emphasis of his exposition tend to favor the latter "involvement" approach. Yet, if we consider that the process of organizational change may as likely involve corporate leaders in its prevention as in its promotion, then "passive obedience" may be reconstituted as "informed adherence" to corporate traditions, or values, or long-employed policies and practices, an outcome that may prove most appropriate for an organization at a particular point in time. Such seems to have been the case at Honeywell. When Spencer introduced the *Honeywell Principles*, he called attention to his new role and at the same time provided assurance that, despite the change in leadership, the company would remain the same. The fact that

Renier would later institute an "involvement" strategy as a means to change things at Honeywell, does not depreciate the value of Spencer's approach. To support this notion one need only to recall Ren McPherson's code introduction process at Dana Corporation. Such examples suggest that the process of introducing or writing a corporate code may be gainfully employed either to prevent or to cause organizational change.

CODES AS INSTRUMENTS TO MARK ORGANIZATIONAL CHANGE

As we have seen, Honeywell's two most recent corporate leaders employed a code presentation process as part of an effort to manage change: Ed Spencer, like an archivist, transcribed principles that had evolved over a century of business and introduced them to employees as assurance that his leadership would continue in the same vein; Jim Renier, like a general, "rallied the troops" by initiating a process that involved employees in a struggle to change. Despite these differences, Spencer and Renier used codes similarly in at least one respect: to draw attention to their new roles. In each case, the code served to mark a transition from one organizational leader to another. Both Spencer and Renier introduced codes as one means of exclaiming, "Here I am!" In this alone, the codes served as valuable instruments of leadership. At the same time, codes may also declare, "Here is *who* I am" or "Here is *what we should be*." The Honeywell case serves as an apt example, for Spencer and Renier each employed corporate codes to assert their unique corporate agendas, including the relative importance of various activities and who would be responsible for them. Their agendas were markedly different; so too their codes. Comparative analysis of the arrangement, references, themes, typography, and punctuation in Spencer's *Principles* and Renier's *Priorities*, indicates some of the linguistic and rhetorical choices that contributed to the communication of their individual organizational goals.

Arrangement of Content

In comparing overall structures, the *Priorities* is more layered (and almost four times longer) than the original *Principles*. The *Principles* simply consists of seven paragraphs, which are headed with a somewhat odd hotchpotch of elements: goals (profits, quality), virtues (integrity, citizenship), groups (customers, people), and processes (decision-making). In the *Priorities* these elements become minor headings in new major sections, providing a

conceptual and lexical parallelism that does not exist in the original. For example, in the *Priorities*, "Integrity," "Quality," "Performance," "Mutual Respect," and "Diversity" become subheads in a section titled "Our Guiding Values"; whereas, elements referencing people (e.g. "Customers") logically devolve into a major section titled "Our Goals for Stakeholders." As summarized in Table I, the *Priorities* consists of multiple elements (including all those from the *Principles*), which are tightly categorized under new major headings in a "control-from-the-top" fashion, perhaps reflecting the organizational control that Renier brought to the company. By contrast, the *Principles* consists of a "one-topic-to-another-topic" structuring and flows in stream of consciousness fashion, more like the autonomous divisions that operated under Spencer.

[Table I about here]

In expository prose, the order of elements can usually be taken to indicate something of the writer's priorities. We see this process operating in the *Priorities* and *Principles* alike. For one thing, "Profits," which appears in the first position in the *Principles*, is tucked under "For Stockholders" and offered in the somewhat euphemistic phrasing, "to consistently generate above-average returns," in the *Priorities*. Whereas the original *Principles* document, like some others we have studied, frontloaded the profit motive, partly perhaps as a way of getting certain uncomfortable realities over with early, the *Priorities* places "Integrity" first. "Customers," which occurs third in the *Principles*, also assumes a top spot in the *Priorities*, by appearing at the beginning of the second major section, thus reinforcing Renier's stress on this group as seen in his "Customers control our world" theme, discussed later in this paper. The value "Quality," which appears fifth in the *Principles*, also finds promotion in the *Priorities*, assuming a second position, perhaps reflecting the quality movement lately in vogue. Moreover, by beginning the entire document with a section titled "Our Guiding Values," and by frontloading those elements most associated with virtues (such as "Integrity"), the *Priorities* places more emphasis on ethical concerns.

The amount of space given to a particular element also suggests its relative importance. An example in this case is "Decision-making," which was simply a three-sentence paragraph in the *Principles*, but which finds a great deal of elaboration in two new sections in the *Priorities*: "Our Organizational

TABLE I: SHIFTS IN CONTENT

<i>Title</i>	Honeywell Principles	Strategic Priorities					
<i>Opening Definition</i>	"Honeywell Is..." paragraph	Our Mission For the future					
<i>Body Headings & Subheadings</i>	Profits Integrity Customers People Quality Decision-Making Citizenship	Our Guiding Values Integrity Quality Performance Mutual Respect Diversity	Our Goals for Stakeholders For Customers For Shareholders For Employees For Suppliers For Communities For All Stakeholders	Our Unifying Strategies (summary) Customer Satisfaction Business Focus Employee Motivation Global Leadership Market Focus Shared Resources Technology Business Balance Strategic Alliances Financial Leverage Rewards for Performance	Our Organizational Philosophy [Paragraphs describing Strategic Business Unit]	Management Responsibilities Senior Management [will]: Provide... Establish... Lead... Allocate... Balance... Establish... Select... Ensure...	Strategic Priorities and You [Paragraphs describing personal application]

Philosophy" and "Management Responsibilities." Although these new sections appear in the latter half of the *Priorities*, they retain importance by their volume rather than their placement. This new emphasis in the *Priorities* suggests a change in the decision-making process that demands explanation, a notion confirmed by the content, which leaves little doubt that under Renier the distribution of power has clearly shifted to Honeywell's "centralized" corporate office. On the other hand, while both "People" and "Citizenship" are somewhat expanded in the *Priorities*, neither is given the size or the placement to lend them status approaching that of "Decision-making."

Actually, the *Priorities* incorporates all of Spencer's original "principles," but organizes them under new major categories. Those elements most associated with values appear first and are separated from those associated with more pragmatic concerns, such as "Decision-making," which finds much more elaboration and dominates the latter half of the *Priorities*. Overall, the increased systematization observed in the *Priorities*, and the expanded treatment of "Decision-making" vividly reflect the "top down" organizational controls Renier instituted at Honeywell.

References to the Code, Self, and Others

An organization's cultural distinctiveness may also be deciphered by analyzing the nature and number of references to corporate objects and characters (e.g. the company, company documents, employees, stockholders, customers, etc.). In the Honeywell case, the identifying titles of the codes serve as an initial example. The change of the code title from *Honeywell Principles* to *Strategic Priorities* implies a shift from a staid, independent environment to one that admits to possible future modification. By definition, "principles" remain constant, while "strategies" are known to change, and with them ensuing priorities. Further evidencing this philosophical shift are the headings, "Our Mission" and "For the future," which are added to the company definition in the *Priorities*. These headings, coupled with Renier's new code title, suggest that the *Priorities* is more like a map for going somewhere, than like a "tablet of stone" or "the law," as implied by the *Principles* title of the earlier code.

Company definitions at the beginning and self references throughout each code prove similarly diverse and telling. As defined in Spencer's *Principles*, "Honeywell is an international corporation whose goal is to work together with customers to develop and apply advanced technologies. . . to

improve productivity, conserve resources and meet aerospace and defense needs" (Appendix B). This Honeywell is a stable entity with a wide range of broadly defined endeavors. Fittingly, "Honeywell" serves as a subject theme and point of departure throughout Spencer's *Principles*; it is the subject in 12 of the 19 sentences in the code and appears almost four times more often than any other reference, as seen in Table II. Using the company name in such an insistent manner coincides with the "fortress" conception of the company assumed under Spencer.

Table II
Comparative Reference Use

<u>Reference Word</u>	<u>Use in <i>Principles</i></u> (333 words)	<u>Use in <i>Priorities</i></u> (1209 words)
Honeywell	5.1% (17)	0.7% (9)
Company	1.5% (5)	0.4% (5)
We	0.3% (1)	1.3% (16)
Our	0	3.7% (45)
Customer	1.5% (5)	2.7% (33)

An often-preferred option to such an overt emphasis on a company name, which may seem cold or dispassionate to some readers, is to switch whenever possible to "we" as a device for promoting certain kinds of individual and group associations. However, a long string of "we believe" type statements tends to reflect a static world of moral principle rather than a direct promotion of preferred actions (Rogers & Swales 1990). Renier's *Priorities* skirts this dilemma neatly by adopting the subjectless format of infinitive statements throughout much of the code (e.g. "Diversity. To attract, develop and retain individuals with diverse backgrounds and capabilities."). At the same time, there exists in the *Priorities* a sufficient number of personal pronouns, most notably "we" and "our," as to create the feeling of a two-way communique. These direct employee references, coupled with a substantial use of subjectless sentences, significantly reduce the number references to "Honeywell" or "the company" in the *Priorities*, as seen in Table II. In fact, in the *Priorities* the company definition employs a rhetorical device that efficiently allows for a separation and double identification of the corporate entity and the people who comprise it. This definition reads: "*Honeywell. We are* a publicly owned, global

enterprise in business to provide control components, products, systems and services. . . ." (Appendix D). This distinction between the company and the employees marks an important transition from an emphasis on the corporate enterprise, observed in the *Principles*, to an emphasis on employee principles and practices, found in the *Priorities*.

Use of Themes

In text, themes can be established through repetition, placement, and direct identification (e.g. "The theme of our program is. . ."). As catch phrases, themes often can be readily identified and easily remembered (e.g. "Quality is Job 1," or "Customers Control Our World"). However, because of their brevity and broadness, themes also may be readily misconstrued or used ironically or sarcastically, particularly by organizational outsiders. The themes in Honeywell's codes illustrate.

The *Principles* touts "Together, we can find the answers," a theme that Spencer declared as expressing "our close association with customers and ... relationships with each other." As he continued in his *Principles* cover letter, "working together has long been an important ingredient of our success" (Appendix A). In the *Principles*, we find the following three direct references to this theme:

"Honeywell is an international corporation whose goal is to *work together with customers . . .*"

"Honeywell is dedicated to. . . *working together with customers* to find the answers to their problems."

"Honeywell believes quality results from *an environment in which people work together* to sustain excellence."

These theme statements are evenly distributed in the *Principles*--about 100 words separate each of them and the code consists of 333 total words. This even-handed distribution and repetition contributes to the thematic force of the phrase.

The "working together" theme is particularly intriguing when considered in light of company practices at that time. When Spencer introduced the *Principles*, Honeywell divisions were autonomous entities in that they were not obliged to submit records to corporate headquarters. Consequently, corporate

company leaders might not know how many people a division employed, or even how much money a division made. Under this highly decentralized organizational structure there was little or no "working together" at the divisional level. Initially this fact may seem to be yet another example of an incongruity between statement and practice, lending support to those who contend that corporate codes are public relations tools with very little impact on actual practice. It does indeed seem difficult to reconcile the "working together" theme with the proclaimed commitment to "decentralization" in the *Principles*. The section titled "Decision-making" states: "Honeywell is *committed to a decentralized structure* in which business decisions are made at the lowest appropriate level" (Appendix B). The same section proclaims the desirability of "well-managed risk taking, innovation and entrepreneurship." Juxtaposing these propositional statements and the "working together" theme, one might contend that the *Principles* is internally contradictory. On the other hand, one could also react more positively and suggest that these seemingly contradictory ideas reflect what Quinn (1988) characterized the "competing values," which are part and parcel of organizational life. However, there is another reasonable explanation.

Given their multiplicity, themes, such as "working together," must be interpreted in context. As communication theorists have observed for some time, meanings reside in the people rather than in the words (Hanna & Wilson, 1984: 6). At Spencer's Honeywell, "working together" and "decentralization" could be reconciled: employees within divisions worked together with each other and their customers, and yet they had little or nothing to do with employees at corporate headquarters. "Working together" under Spencer meant: "we work together with some groups in the company and remain independent from others."

Interestingly enough, the notion of "working together" remains an important, albeit not a thematic element, with a *new* meaning in Renier's *Priorities*. Breaking away from the autonomous divisions and decentralized structure of the *Principles* era, the *Priorities* calls for "working together division-to-division" with a "balance between centralized and decentralized functions" (see Appendix D, "Our Organizational Philosophy"). Moreover, Spencer's notion of "working together with customers" became "customer *satisfaction* is fundamental" under Renier. None of the customer references in the *Priorities* suggests a relationship in which Honeywell and their customers are "working

together." Instead, the 33 customer references in the *Priorities* proclaim a need to "help," "satisfy," "serve," and even to "understand" customers.

The actual theme of the *Priorities* reflects this radical change of perspective from an internal focus on "working together" to an acknowledgement that "Customers Control Our World." Although this exact thematic statement appears only twice in the *Priorities* (once as a heading and once in the concluding section titled "Strategic Priorities and You") and twice in Renier's introductory letter, the number and nature of customer references throughout the code effectively carry the theme. In the *Priorities* the percentage of "customer" references is more than double that in the *Principles*; whereas, references to "Honeywell," or the company, which so dominate the original *Principles*, are almost entirely gone (as shown in Table II).

The dramatic change of theme in the *Priorities* reflects the "unprecedented changes in our markets and our company," which Renier introduces in the first sentence of his code cover letter (Appendix C). Indeed, if "Customers Control Our World," then can one blame Honeywell for changes that may be unpopular among employees, particularly downsizing efforts and massive layoffs? "Customers control our world" emphasizes the external forces that Honeywell needed to successfully serve in order to survive. The subtext acknowledges that while Honeywell products control the customers' worlds; customers' buying habits control Honeywell's world. Does this new theme imply an absence of proactivity; a company scrambling to keep up with the fickle wishes of customers? Honeywell Vice President of Communications, Karen Bachman was surprised at this suggestion. Yet, by acknowledging its dependency on external forces, Renier's Honeywell is strikingly different from the secure "Honeywell fortress" of bygone years.

Typographic Features and Punctuation

The *Principles* and the *Priorities* also vary in form, particularly typography and punctuation. Both codes consist of short paragraphs with few passive constructions. Words average two syllables. Both documents also score similarly on vocabulary and readability tests, which place them alike at the post-college reader.⁷ On the other hand, the codes differ in ways that lend support to Overmyer's claim that "typography, like speech and writing, is a social activity," which is responsive and purposeful, bound up in the exigencies of specific

moments and the motives of particular individuals, and generally influenced by broader historical and cultural circumstances (1991: 200-201).

Reflecting the "cherished traditions," which Spencer sought to maintain at Honeywell, the *Principles* possesses a classical order: the title is centered in bold capital letters at the top, followed by the company definition, which is also bolded and centered. This preliminary content rests on two perfectly balanced columns of text, which are separated by a dark vertical line running down the very center of the document. Free of indentation and single spaced, these columned paragraphs appear block-like, one placed upon the other. Possessing an artistic simplicity, and just one page long, the *Principles* proved suitable for enlarging and hanging on the walls of Honeywell offices and production facilities, much like Johnson and Johnson's code, *Our Credo*.

Far more typographically complex, the *Priorities* is an eleven-page booklet with eight major sections, each distinguished by multi-word headings with oversized first letters.⁸ Each of these major sections has some uniqueness in form, so that while the entire document is clear and approachable, the presentation section-to-section is not predictable. For example, the sections on stakeholder goals and management responsibilities employ lists in which each item is initiated with a bullet-point (much like the lists of activities or accomplishments one frequently finds in a resume). This listing format presents the reader with many "new starts" and serves to accentuate a range of topics. By contrast, the sections on organizational philosophy and personal responsibilities (titled "Our Organizational Philosophy," and "Strategic Priorities and You") consist of traditional indented paragraphs and complete sentences, constructions that allow a reader to move without hesitation from start to finish. These and other design variations provide just enough agitation to prevent readers from settling into a lethargy, which may be invited by a repeated pattern. By its form, the *Priorities* does not allow the reader to relax; rather, it demands attention. So too, Renier's Honeywell operated less by resting on corporate traditions and more by attending to unpredictable external forces, or in this case, the customers said to control Honeywell's "brave" new world.

Another striking contrast between the *Principles* and the *Priorities* is the use of punctuation. The *Principles* is conventionally and simply punctuated (there are no colons or semicolons for instance). By way of contrast, the *Priorities* is a radical document as far as punctuation is concerned: non-finite subordinate clauses are given sentences of their own, as in the example below:

To ensure continuous improvements in our productivity and quality.
By seeking mutually beneficial partnerships with suppliers.

The use of this device is certainly intriguing. As measured by periods, it reduces the average sentence length in the *Priorities* to about 12 words as opposed to about 17 in the *Principles*. But, we hardly think that the motive for breaking up normal sentences into two separate parts can simply have been generated by concerns regarding sentence length, an idea confirmed by company interviews. Actually, the use of the infinitive of purpose (e.g. "To ensure. . .") followed by a non-finite clause on another line (e.g. "By seeking ...") achieves a rather satisfactory antiphonal quality with the "what-to-do" juxtaposed above the line indicating "how-to-do-it." Interpretatively, this technique also appears to switch the meaning from belief in the *Principles* to behavior in the *Priorities*, as seen by comparing the following examples:

Principles: "Honeywell believes in the highest level of integrity
and ethical behavior..."

Priorities: "To practice the highest ethical standards."

Much like the typography, the punctuation in the *Priorities* is more complex and less traditional than in the *Principles*. Here again features of language attest to a cultural shift from a Honeywell anchored in past traditions to a Honeywell responding to ever-changing present realities and future possibilities. Table III summarizes some of the code features we have observed, which support this comparison.

Table III
Comparative Focus of the *Principles* and the *Priorities*

	<u>Spencer's <i>Principles</i></u>	<u>Renier's <i>Priorities</i></u>
Document Purpose:	Historical record	Call to Action
Company Theme:	Working Together	Pleasing Customers
Company Definition:	Develop/Apply Advanced Technologies	Focus on Controls
Most Used Reference:	Honeywell	Customer/Our

WHAT CAN WE CONCLUDE ABOUT CODES?

Corporate ethical codes comprise a unique business genre, distinct from day-to-day memoranda and letters, month-to-month proposals, or even year-to-year annual reports. Yet, codes can impact daily practice. As the Honeywell case suggests, codes may be employed to manage very fragile or formative periods in the life of an organization. For the writers of codes, be they an individual corporate leader (like Spencer) or hundreds of employees (as at Honeywell under Renier), the composition process may become an important means for organizational self analysis and appraisal. At the same time, as finished products, codes reveal a value system or an ethic of organizing, while they contribute to the codifying of a particular corporate culture. Much as Tracy (1988) observed when comparing documents from various academic disciplines, we believe organizational value systems can be observed in and through the messages that orchestrate business operations, messages including corporate codes. As constituents of culture, codes reflect various "organizational disciplines," or approaches for getting work done. As we have learned from analyzing the Honeywell codes, organizational documents of this sort may present an ethic of organizing in a number of ways: content arrangement gives priority to some ideas over others; reference usage suggests a relative regard for people, places and things; typographic and punctuation choices lend a certain spirit to a message, be it to activate, or soothe, or something else altogether. Through these and other rhetorical and linguistic forms, codes reveal contrasting approaches to managing, which may be observed in other organizational documents as well.

In the course of our research we have been asked by various reporters and business people: "What is the formula for a successful code?" We believe that, while codes can be categorized and defined to some extent, a formula or pattern for creating one should not be sought. At best, existing codes provide a mere "template" for code composition, although even that may jeopardize the value gained when a code issues from within the organization. While analyzing a "completed" code can yield useful information regarding various cultural characteristics of an organization, we would argue that the real value of a code results less from what it is, and more from why and how it is used. Such a view sees codes not as static texts, but rather as functioning management tools.

In a 1991 interview for the *Harvard Business Review*, Raymond Smith, Bell Atlantic's CEO, was asked, "What are some tangible signs of change in an

organization?" Smith responded simply, "The language is changing" (Kanter, 1991: 123). The Honeywell case vividly demonstrates Smith's observation and can be seen as modestly contributing to our growing understanding of "the discourse of management," particularly during times of organizational change. While we still do not have experimental results regarding the specific effects any particular code may have on an intended readership, the effective use of codes to achieve management goals at Honeywell provides evidence that codes can be powerful devices for prompting individuals to define and even to change their sense of organizational vision and relationship to the external world.

NOTES

- ¹ There is a need for theoretical work that serves to define and differentiate documents referred to as ethical codes. Current definitions are broad, encompassing a variety of documents including corporate mission statements and policy & procedure manuals. For example, Berenbeim defined a code of ethics as "a major vehicle for stating ethical principles" (1987, p. 143); Pitt and Groskaufmanis defined corporate codes of conduct as "any written statement of ethics, law, or policy (or some combination thereof), delineating the obligations of one or more classes of corporate employees" (1990: 1559, note #1); Cressey and Moore characterized corporate codes as "formal statements of the ethical standards of American corporations" (1983: 55). All of these definitions treat codes as end products.

In lieu of definitions, other researchers have simply categorized these documents according to dominant features. For example, when we asked companies to send us copies of their codes we received highly diverse documents, which we placed in three broad categories: 1) General mission statements or credos, seldom exceeding one page and intended primarily to "provide perspective"; b) Specific descriptions of corporate policies and procedures, which tend to be longer handbooks including sections on topics such as conflict of interest, and which seem to be designed to "govern practice"; and, c) Hybrid codes, which include sections on corporate mission as well as sections outlining corporate policies and procedures. More recently, Stevens (1992) characterized corporate codes using a management framework known as the Competing Values Model for Presentational Communication (Quinn, Hildebrandt, Rogers and Thompson, 1991). Her approach is unique because it begins to consider codes in connection with how managers might use them.

However one chooses to categorize or define ethical codes, our analysis suggests that all of these documents share two features: a) they are carefully articulated statements of ethical principles that are rooted in a founder's philosophy, a company's business objectives, or a company's organizational history and traditions, and b) they explicitly state that the company and its employees are to follow these principles (Berenbeim, 1987).

Our current research efforts include distinguishing corporate ethical codes from mission statements. We posit that each is a unique organizational genre.

- ² Special thanks to Jolie Solomon, who, in the course of reporting on our earlier study of over 80 mission statements/ethical codes, discovered that Honeywell had written a new one. The report of that fact in her June 14, 1990 *Wall Street Journal* "Managing" column prompted us to discover the story of Honeywell told here.

While we're at it, we also wish to thank Carol Mohr who prepared the final manuscript.

- 3 Interviews of Honeywell personnel included a phone interview with Karen Bachman, Vice President of Communications on June 10, 1991, and a meeting with Sue Plaster, Director of Internal Communications; Terri O'Dowd, Director of Human Resource Programs; Foss Boyle, Vice President of Human Resources; Kenneth Kostial, Director of Employee Relations; Peter Shea, Vice President of Human Resources Planning and Development; and John Morris, Vice President of Employee Relations and Minneapolis Human Resources on 19 May 1992 at Honeywell Corporate Headquarters in Minneapolis, MN.
- 4 According to Foss Boyle, Vice President of Human Resources, Spencer wrote the original *Honeywell Principles* in 1974. This document was widely distributed. In the early 1980s, Boyle, a small group of Human Resource Planning and Development people, members of the Policy Committee, and Spencer met for four hours to discuss how the *Principles* might be revised to include ideas from a document called the *Honeywell Employee Relation Principles*. As a consequence of this meeting, Spencer's original *Honeywell Principles* was slightly revised. This revised code served as the focus of our study, since it is regarded as the "finished" version of the code (Interview, Foss Boyle, Vice President of Human Resources, 19 May 1992).
- 5 In studying groups writing management documents in a face-to-face collaborative conference room at the Center for Machine Intelligence, a research center owned by General Motors/Electronic Data Systems, Rogers and Horton (1992) observed that individual group members "converted" to various ways of thinking about issues as they struggled to compose a document together. Based on this observation, Rogers and Horton suggest a number of the values to be gained from face-to-face collaborative writing, including argumentation over language that prompts groups reach consensus (or compromise) about the most essential issues at hand.
- 6 The success of these efforts to involve employees in the code writing process has been confirmed by surveys administered by Honeywell's Director of Human Resource Programs, Terri O'Dowd. Survey results indicate that employees were involved in the code writing process to an even greater extent than originally assumed by the Communications and Human Resource staffs at corporate headquarters (Interview, Terri O'Dowd, 19 May 1992).
- 7 As a whole, the character and level of vocabulary used in the *Principles* and the *Priorities* differs little. We ran the *Principles* and the first three sections of the *Priorities* through the Corson Index, which divides the vocabulary into words of Germanic as opposed to Greco-Latin origin (Corson 1982). Corson has shown that the proportion of Greco-Latin words is a significant element of both English style and of text accessibility to those with more restricted educational backgrounds. The proportion of G-L lexis will vary from 0% in first grade readers to around 45% in highly technical documents. "Tabloid" newspapers run about 18%, while "quality" ones run about 30%. In the case

of the two texts examined here, the G-L index for *Principles* was 40.5%, while for *Priorities* it was 37.2%. This small difference is probably not significant, especially when we bear in mind that one of the recurrent lexical innovations in *Priorities* is the use of the word "stakeholder," a word of Germanic origin. The high percentages of G-L words in both texts probably reflect the growth of a more abstract vocabulary to describe business processes, and the need to express desired behaviors in highly general terms. We also ran the documents on Grammatik IV in order to determine sentence length, use of passive constructions, etc., and found no significant differences.

- ⁸ We initially thought these large bold letters that mark each new major section might form an acronym, but HAAFOST, as it turns out, does not stand for anything in particular.

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Appendix A: Spencer's Cover Letter for *Honeywell Principles*

Dear Honeyweller,

I want to address a subject that is important to all of us - values and beliefs that have grown over Honeywell's long history. No organization can be around as long as our company without doing a lot of things right. I happen to believe that we have developed a set of basic values - or principles - that have contributed substantially to our longevity, and our success.

As we enter our second hundred years of business, we realize that few companies reach our age. Even fewer are able to change so as to maintain their vitality and to remain leaders in their industries. Keeping up with technical leadership in our business fields over a century of fast change and tough competition is an accomplishment in its own right.

We are still vigorous and innovative and prepared to change. I hope you agree that we must be doing something right, that we are not just an ordinary company. So let me discuss some of the things that I think have made us so successful.

Honeywell has had a long history - it started long before my time - of having an informal style of working together. This is receiving a great deal of attention now, with the communication of our Corporate theme, "Together, we can find the answers." This theme expresses perfectly our close association with customers and, just as important, our relationships with each other. Working together has long been an important ingredient of our success.

Another ingredient is set forth in the principles that have evolved over the years, and which serve as guidelines for the way we manage our business and the way we work together. These principles have developed naturally as we have grown, and have become the core of the culture of our company. I learned about them from Harold Sweatt, who, along with his father, founded and built Honeywell, and as President and Chairman led the company for 27 years. I felt strongly about the principles and, in 1974, when I became your Chief Executive Officer, I put them into words so that we could all understand them and share them.

In looking forward to our second hundred years, a number of us re-examined the principles. We have rewritten them to reflect growth and change within Honeywell, in the business world and the social environment, but the basics remain the same.

The principles have evolved over a century of doing business. They have withstood the years well, as originally written, and needed few changes.

This booklet is to let you know the importance of our principles. They are the basis under which we work together and under which Honeywell will continue to be a successful company - one of the world's recognized leading businesses.

Thank you.

Chairman and Chief Executive Officer

Appendix B: Honeywell Principles

HONEYWELL PRINCIPLES

Honeywell is an international corporation whose goal is to work together with customers to develop and apply advanced technologies through products, systems and services, which in turn serve primarily to improve productivity, conserve resources and meet aerospace and defense needs. Honeywell adheres to the following principles.

Profits - Profitable operations are necessary to assure the continued health and growth of the company. Honeywell expects profits which equal - or exceed those of leading international companies.

Integrity - Honeywell believes in the highest level of integrity and ethical behavior in relationships with customers, employees, shareholders, vendors, neighbors and governments.

Customers - Honeywell is dedicated to serving customers through excellence of product, systems and service, and through working together with customers to find the answers to their problems.

People - People are key to Honeywell's success. The company actively and affirmatively attracts and promotes the best people without regard to age, race, sex, creed, disability or nationality, and rewards them on their performance. Honeywell provides an environment for open, timely communications, safe working conditions, and opportunities for personal growth and accomplishment. Honeywell respects the dignity and privacy of individuals and believes in a climate of trust, cooperation and employee involvement.

Quality - Quality of product, application and service is essential to continue Honeywell's success. Quality improvement should pervade every job within the company. Honeywell believes quality results from an environment in which people work together to sustain excellence.

Decision-making - Honeywell believes sound growth is necessary to successful company performance. This is achieved through well-managed risk taking, innovation and entrepreneurship. Honeywell is committed to a decentralized structure in which business decisions are made at the lowest appropriate level.

Citizenship - Honeywell operates in compliance with all applicable laws and in ways that build a lasting reputation for integrity and good citizenship in all countries where it does business. The company encourages employees to become involved in community and national affairs. Honeywell manages its business in ways that are sensitive to the environment and that conserve natural resources.

Appendix C: Renier's Cover Letter for *Strategic Priorities*

A Message From Jim Renier

The past few years have brought unprecedented changes in our markets and our company. Our business environment continues to become more complex, more competitive, more global and more demanding.

We must, therefore, build a Honeywell that is not just different, but stronger and more focused. The first step was to plant our stake firmly in the ground as the world's leading controls company.

Meeting this challenge and reaching our full potential will take the complete commitment and capability of each of us. I realize that to do this, we need a clear statement of the company's direction. That is the purpose of this document.

We promise our customers that Honeywell will "help you control your world." But we must also acknowledge that *customers control our world*. For when Honeywell helps customers succeed, Honeywell succeeds. And when the company succeeds, we all do.

Customers Control Our World is a shorthand way to express a common belief. There needs to be much more behind it - goals and strategies to help us chart our course. Honeywell's Strategic Priorities describe how we must work in order to live up to that belief.

I intend to use these Strategic Priorities as a guide in managing the company. I expect each business unit to use them to create business goals, objectives and strategies and to set the standards by which it will be measured. And I expect all employees to incorporate our Priorities into their everyday work. This document should stimulate each of us to ask, "What can I do to help achieve these goals?"

Honeywell controls must solve customer needs and provide the productivity increases, quality control and value added that our customers expect. Our customers also expect to deal with a first-class company that derives excellence from a diverse work force, supports its communities and operates with integrity. This is how we will ensure our future and reward all those who have a stake in our success.

I believe Honeywell's Strategic Priorities will help you and your organization focus your work to fulfill the promise of customer satisfaction, and in so doing support the company's overall objectives.

Jim Renier
Chairman and Chief Executive Officer

Appendix D: Strategic Priorities

Our Mission

Honeywell. We are a publicly owned, global enterprise in business to provide control components, products, systems and services. These are for homes and buildings, aviation and space, industrial processes and for application in manufactured goods.

For the future:

We are committed to sustaining our focus on the controls business as we grow and change, and to being the global leader in the markets we serve.

Our Guiding Values

As a business, we have responsibilities to all of our stakeholders: customers, shareholders, employees, suppliers and communities. Balancing these responsibilities requires a value system, and ours comprises the following:

Integrity To practice the highest ethical standards.

Quality To strive for total quality to set the pace for our industry and satisfy our customers' current and future needs.

Performance To achieve and reward outstanding results through continuous improvement, personal and organization commitment, and accountability.

Mutual Respect To employ teamwork, trust, involvement and open communication as the foundation of our working relationships.

Diversity To attract, develop and retain individuals with diverse backgrounds and capabilities.

Our Goals for Stakeholders

Aside from our measurable financial goals, we will be judged against other, equally vital standards. These are long-term goals to reach and to sustain over time.

For Customers

- To serve our customers to their full satisfaction.
By understanding customer requirements, measuring our performance and empowering employees to meet customer needs.
- To be a world-class quality supplier.
As measured by awards and customer recognition.
- To be a leader in each of the markets we serve.
Achieving a number 1 or 2 share position in each.

For Shareholders

- To consistently generate above-average returns.
As measured by top-tier financial performance, compared with our peers.
- To enhance the productivity of all our human and capital resources.
By meeting short- and long-term performance targets.

For Employees

- To provide a fulfilling and meaningful career experience.
Through a mix of on-the-job experience, formal training and professional development based on performance and potential.
- To hire, develop, recognize and reward a diverse work force based solely on the ability to perform and contribute.
- To provide a safe, healthy and environmentally sound workplace.
- To provide the most effective work tools to maximize productivity and quality.

For Suppliers

- To ensure continuous improvements in our productivity and quality.
By seeking mutually beneficial partnerships with suppliers
- To work with our suppliers to achieve greater value for our customers.
By improving requirement specifications, involving suppliers in the requirement definitions and holding them accountable for stated performance, cost and value.

For Communities

- To fulfill our obligations as a good corporate citizen.
By being an economic, intellectual, social and environmental asset in each country and community that we serve.

For All Stakeholders

- To perpetuate and profitably grow the business.
- To communicate openly, accurately and on a timely basis.
- To conduct our business at all times in accordance with the highest legal and ethical standards.

Our Unifying Strategies

Fulfilling our mission requires that we successfully implement 11 basic strategies, which then create our competitive advantage.

Customer Satisfaction Employ the total quality process to identify and meet customer requirements for quality products and superior service. Customer satisfaction is a fundamental source of our sustainable competitive advantage.

Business Focus Focus our energies on our recognized core controls businesses where we can leverage our management experience, operation strengths, technologies, market knowledge and distribution.

Employee Motivation Motivate and empower employees to achieve superior levels of performance and innovation to deliver customer satisfaction. Provide challenge, inspiration and clearly defined expectations and accountabilities.

Global Leadership Measure our performance on a global basis. Integrate worldwide engineering, manufacturing and distribution resources to better serve global customers while remaining sensitive to regional markets.

Market Focus Organize and manage our businesses by the markets they serve. Combine our understanding of customers' needs with our technical and operational capabilities and distribution strengths to develop mutually profitable business solutions.

Shared Resources Share and coordinate skills, technology, production, distribution, material plans, information and other internal resources to serve customers better, derive greater value from suppliers and improve productivity.

Technology Systematically develop, apply and extend control technology to business opportunities. Honeywell's core technologies are:

- Sensors
- Signal processing
- Control processes
- User interface
- System integration
- System architecture
- Artificial intelligence and expert systems
- Design and manufacturing tools

Business Balance Seek a balance in our business mix between manufactured products and services to provide stability during economic cycles. Create competitive advantage through product differentiation and superior customer service.

Strategic Alliances Form partnerships with complementary businesses to leverage our global reach, technologies, distribution channels, customer sets and product offerings.

Financial Leverage Create shareholder value by maintaining a capital structure that minimizes the total cost of capital and establishes a balance between financial and operating risks.

Rewards for Performance Reward superior performance at all levels of the organization through personal recognition, competitive compensation, group and individual incentives and career opportunities.

Our Organizational Philosophy

Our basic strategic building block is the Strategic Business Unit (SBU), which creates critical mass by bringing together operating units and worldwide business teams that share a common market focus and objectives. The SBU is the center of our customer focus and a key element in determining the allocation of corporate resources.

Corporate strategic decisions are by their nature made centrally. Through the business presidents, our worldwide operating units actively participate in the formulation of corporate strategy and then use it to develop their individual business plans. This enhances Honeywell's ability to focus the total resources of the company on market leadership and to capitalize on our worldwide product development and manufacturing expertise, global distribution network and business partnerships.

Our organizational structure must aim for the best balance between centralized and decentralized functions. This approach will enable us to focus on customer satisfaction while improving operating efficiency. For example, we centrally manage financial control, management information systems and communications, while promoting implementation of our operating strategies on a decentralized basis. This is the best way to insure that operating units achieve their objectives, through maximizing local-market sensitivity, distribution efficiencies and responsiveness to customers.

Management Responsibilities

Senior management of Honeywell has the responsibility to:

- Provide leadership for the corporation.
- Establish corporate strategy and oversee the competitive strategies of the business units.
- Lead the effort to ensure customer satisfaction.
- Allocate resources, establish financial goals and assess the performance of the company's business.

- Balance the interests of all its stakeholders - customers, shareholders, employees, suppliers and communities.
- Establish open, two-way communication with its stakeholders about the company's affairs.
- Select and develop leaders to manage the company for the future.
- Ensure the company lives by its values.

Strategic Priorities and You

These Strategic Priorities are a guide to your decisions and actions. They support our belief that *Customers Control Our World*

Our current and future customers must be fully satisfied with Honeywell products and services in order for all of us to be successful.

There is one more priority we must all share - an attitude that each of us makes a difference.

Our individual performance counts. Each of us is empowered to act to ensure quality in whatever we do - whether it is the direct value we add to our products and services, or the unequivocal support we give to our co-workers.

We want all Honeywell people to adopt these Priorities and to take responsibility and personal initiative to see that what we do every day is consistent with them.

The Priorities are intended to help you in your work. They serve as a guide for keeping your priorities in focus, for making commitments and measuring results. Think of them as integral to your performance appraisals - personal and otherwise.

By following Honeywell's Strategic Priorities to fulfill the promise of customer satisfaction, we can achieve business advantage and personal success.

Satisfying My Customers...

Satisfying My Customers...

Appendix E: Honeywell Historical Overview

Description: Honeywell is a major manufacturer of automation and control systems for homes, buildings, industry and aerospace, and supplies munitions and defense electronics to the U.S. Government (Standard NYSE Stock Reports, 7/2/90). Honeywell is the world marketshare leader in home and building controls, industry process control systems and advanced sensors (1987 Annual Report). World headquarters is in Minneapolis, Minnesota with other facilities in 110 countries throughout Asia/Pacific, Canada, Europe, Latin America, Kuwait and Saudi Arabia. Honeywell was the 65th largest U.S. industrial corporation by revenue in 1989 and the 6th largest by revenue within its industry group. (*Fortune*, 4/23/90).

History: Honeywell was founded in the 1880s and has traditionally been a diversified manufacturer of controls, control systems and computers, with a significant portion of its revenues stemming from defense contracts. However, slumping computer sales, expectations of shrinking defense contracts and big losses on fixed-price military contracts in the 1980s weakened Honeywell's earnings performance. This prompted a series of reorganizations aimed at improving return to shareholders and protecting the firm from a takeover:

1986

- Restructures controls unit, laying off 4,000
- Acquires Sperry Aerospace unit from Unisys, later discovering that it "overpaid" Unisys approximately \$350 million.
- Sells most of computer business to foreign firms.

1987

- Reports first loss in company's history, \$492.8 million in the 4th Quarter.

1988

- Christopher Steffan, member of Chrysler's turnaround team, joins Honeywell.
- Reports more write-offs and another big 4Q loss, \$482.3 million.

1989

- CFO Louis Navin resigns. Steffan takes over as VP and CFO.
- Shareholders defeat management-backed antitakeover measures. Message: We want greater returns *now* (*NYT* 3 Dec. '89)
- Eliminates Defense and Marine Systems division.
- Sells most of stake in Japanese joint venture Yamatake-Honeywell.
- Lays off another 3700 workers.
- Announces dividend increase and stock repurchase plan, a direct and speedy distribution of restructuring benefits to shareholders. Effort bolsters confidence among shareholders and on Wall Street.

1990

- Reports 2Q earnings improvement 32% over last year.

