



## The Impact of Ethical Culture

How did Bentley University's Hoffman Center for Business Ethics know a monograph on ethical culture would benefit companies? Ethical culture's fundamentals are applicable to any issue in any decade. Now more than ever, leaders need to refocus on building ethical cultures. Increased stressors (global, national, pandemic, and work related) are impacting work. Objective evidence has shown that societal and workplace incivility and toxic culture increased dramatically in 2021–2022 and could again.

Ten experts on culture, compliance, and business ethics convened in 2018 for a conversation on ethical culture and challenges ahead. As the Center's Kallman Executive Fellows, our focus was on leaders' involvement, what more was needed, and sustaining ethical culture. The attached monograph captured dozens of ideas, strategies, and examples

that support developing and sustaining ethical culture. The monograph has four sections:

**Vol I: On Identifying an Ethical Culture**  
(pp.10–27, Summary p.11)

**Vol II: Barriers to an Ethical Culture**  
(pp.28–45, Summary p.29)

**Vol III: Strategies for Developing an Ethical Culture**  
(pp.46–65, Summary p.47)

**Vol IV: On the Responsibilities of the Ethics and Compliance Officer**  
(pp.66–87, Summary p.67)

Ethical culture requires a balance of ethics (corporate/core values) and compliance (meeting rules/standards) to create its framework. – *Monograph, Vol. 1*

# Three brief examples before you turn to the monograph:

## **Stressors test ethical culture.**

Leaders modeling core values send a message that together the challenges can be met. New stressors on “how we do things” have raised old issues with new twists as well as moved into new territory. Some examples:

- Working styles where culture needs to reach into home offices and support belonging;
- Measuring productivity beyond 9 to 5 expectations;
- Approaches for increased flexibility on time frames for completing work; and
- Trusting and verifying work in ways that respect the company and the employee.

## **Why this matters?**

Talking about values and ethical issues, and reasoning through challenges with those involved to reach the best outcome, strengthens a culture. If CEOs don't bring ethics into conversations or the importance of values, values likely won't impact behaviors. Leaders need to create opportunities for teachable moments by regularly bringing in stories, examples, or comments about ethics into discussions.

**Bottom line:** Ethically mute leaders handicap themselves and a company.

– *Monograph, Vol. III*

**Regular Culture Checkups** enable supervisors and leaders to see or sense what's changing in a culture to be able to address it early. When even a small area of a company demonstrates toxic behavior, the culture is no longer trustworthy.

## **Why this matters?**

Employees don't want to work in a toxic culture, nor should they. Recent research indicates:

- Workplace civility issues rose in 2021: Navex's 2022 Global Incident Management Benchmark Study\*
- Employees are 10.4 times more likely to leave a company because of a toxic culture than compensation: 2022 MIT Sloan Management Review\*\*
- Feeling disrespected was a top three reason why employees left a job in 2021: Pew Research Center Survey\*\*\*

**Bottom line:** In a near-full-employment economy, ethical culture is a key driver to attracting and retaining the talent needed for bottom line success. Leaders must actively embrace this. Knowing your people, being there for them or setting them straight is key to sustaining culture.

– *Related ideas in Monograph, Vol. I & III*

## Barriers to ethical culture can change.

Internal and external societal pressures impact organizational culture; they always have and always will. Board members haven't generally seen their role to include sustaining ethical culture, considering it management's job. After the monograph was published, Business Roundtable member companies broadened their "purpose of a corporation" to a multi-stakeholder focus.

## Why this matters?

Ethical culture is a driver of company success and studies indicate employees want to work for ethical companies (and will "vote with their feet" when they sense a culture that doesn't align with their ethical values). The lens of culture is a deeper way of seeing and understanding the company than just focusing on bottom line results. Board members should actively embrace their oversight role — as they do with financial and strategic oversight — of the organization's culture.

## Bottom line:

Board members limit their effectiveness without identifying their role in sustaining culture. – *Monograph, Vol. II & IV*

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## Resources

- \* <https://www.navex.com/en-us/company/press-room/navex-2022-global-incident-management-benchmark-study-reveals-whistleblowers-becoming-more-emboldened/>
- \*\* <https://sloanreview.mit.edu/article/toxic-culture-is-driving-the-great-resignation/>
- \*\*\* <https://www.pewresearch.org/fact-tank/2022/03/09/majority-of-workers-who-quit-a-job-in-2021-cite-low-pay-no-opportunities-for-advancement-feeling-disrespected>

