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Ideas for Leaders #058

Creating a High Integrity Corporate Culture



Key Concept

At what point do employees realize, if at all, that they are making an inappropriate decision? And what interventions are available to help ensure they make the right ones? When employees fail to act with a strong sense of integrity, there are conscious and unconscious factors at play. Leaders should be aware of these in order to create and sustain a corporate culture where doing the right thing becomes second nature.

Idea Summary

Any one of us can fall prey to ethical fading or cognitive bias and any one of us can make an inappropriate decision without realizing. These are not the sole preserve of 'black hat' managers or 'the bad guys'. These are challenges faced by top management teams the world over as they strive to create corporate cultures that combine high performance with a strong sense of integrity.

There are *two main reasons* why we - and the employees of our organizations - might fail to 'do the right thing':

1. **Conscious breakdowns:** triggered by two major drivers: fear and greed. Having succumbed to fear or greed and committed actions they know to be problematic, employees then rationalize these actions.
2. **Unconscious breakdowns:** Fear of hypothesized consequences or a desire to improve one's welfare can lead employees and managers to set aside their principles and knowingly fail to do the right thing. In many cases however, employees and managers fail to do the right thing simply because they do not know what the right thing is. There are four major causes to such blindness: 'ethical fading', motivated blindness, confirmatory biases, self-serving bias/identity protection.

Having identified these conscious and unconscious factors, we can look at ways to overcome them. For example, in the context of conscious behaviours, one response would be to hire individuals who because of their character and personality are more likely to display ethical and courageous behaviour. Factor 'moral compass' into your recruitment policy – and reward ethical behaviour with retention.

Business Application

Top management can play a huge role in ensuring their employees act with integrity. Bosses must be extremely mindful of the signals they send - and fail to send.

- **Think twice about increasing the number of rules and regulations.** The presence of external control can lead individuals to exercise less self-control. Responses such as imposing penalties for transgressions - which rely on the requirement to acknowledge conflicts of interests - while reasonable on paper can backfire and lead to more rather than less inappropriate behaviour.
- Invest time and energy in a massive 'managerial judgment education program'. Each employee and manager brings to their work their individual programming, in part shaped by their national culture and their personal prior experiences. Yet they will make decisions that engage the name and reputation of the organization. In an ideal world **they should be trained to internalize the set of principles** and trade-offs that the organization would like them to make.
- Combat ethical fading by making sure that managers - starting with top management - **regularly emphasize** the importance of all stakeholders and the fact that **financial performance is the result of a job well done, rather than an end in itself**.
- **Create a climate where employees can speak up** and express their uneasiness about the decision that is being contemplated, thereby increasing the likelihood that possible transgressions will be identified and intercepted.

Further Reading

[Building and Nurturing a High Performance - High Integrity Corporate Culture, Manzoni. J, INSEAD Working Paper \(2012\)](#)

Further Relevant Resources

[Jean-François Manzoni's profile at INSEAD](#)

[INSEAD's profile at IEDP](#)

Authors

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Institutions

› [INSEAD](#)

Source

› [INSEAD Working Paper](#)

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