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Detoxing Corporate Culture: How To Assess Toxic Cultural Elements

by [Benjamin van Rooij](#), [Adam Fine](#), and [Judy van der Graaf](#)

All views here represent the authors' own views and not their organizations.

There is a *cultural moment* in the world of corporate compliance. Following recent major corporate scandals, there is now growing recognition among corporate boards and beyond that truly changing corporate misconduct means addressing the toxic elements within cultures.

The central question for companies and regulators is how to assess toxic cultural elements.

Toxic corporate culture exists when organizations, whose chief business and business means are legal, develop structural violations of rules over a period of time.

Our recent [paper \(PDF: 1.06 MB\)](#), published in *Administrative Science*, offers an in-depth analysis of what toxic cultural elements played a role in three major corporate scandals: BP's polluting and unsafe oil exploration practices, VW's diesel emission cheating practices, and Wells Fargo's fake and unauthorized accounts schemes. In all three cases, the illegal behavior spanned over a decade and investigators concluded that corporate culture was to blame. Yet in all three cases, no one had yet systematically sought to understand what toxic cultural elements sustained the illegal conduct. We developed an analytical framework to examine toxicity in organizational cultures on three levels:

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structures, values, and practices (see Table 1 below^[11])

Table 1. Levels of Organizational C

LEVEL			
1. Structures	Rules		
2. Values	Explicit Shared Values	Injunctive Social Norms	Hidden Assumptions
3. Practices	Visible common behavior	Unaware Common Behavior	Situational Norms

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In analyzing these cases, we found that seven interrelated elements cumulatively promote the risk of developing or sustaining a toxic corporate culture. These elements, we argue, are not unique to these cases, and can be used to analyse toxic cultures within corporations in many contexts.

The **first toxic element** is *strain*. If the working environment puts too much stress on employees, treats them poorly, or sets unrealistic targets, employees may respond by violating laws to alleviate strain. When highly ambitious target goals can only be achieved through unrealistic and unsavory means, we see that to push employees and managers to achieve these targets, they may receive negative stimuli and high pressure.

The **second toxic element** is *obstructed communication*, the inability for staff and management to speak out and be heard. This arises when employees and even higher-level management are afraid to speak out about unrealistic targets. Moreover, when they do speak out, there is no response, or even worse, there could be retaliation. Such a culture of silence will create opportunities for rule breaking, just as it makes changing the root causes of strain impossible.

The **third toxic element** is the *normalization of deviancy*. This

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happens when there is little-to-no organizational response to violations within the company. As rule-breaking behavior begins to occur with seeming impunity, it becomes viewed as just a normal part of business. The practice produces a social norm that stimulates further rule breaking, creating a situation that undermines personal ethics and morals that would typically prevent rule-breaking. In all three cases, regular and internally-documented infractions occurred for over a decade with minimal consequences.

The **fourth toxic element** is ***blame shifting***. This occurs when companies blame rule breaking on rogue employees, especially after scandals become public. By shifting the blame to the individual, the focus shifts to “bad apples” rather than “bad barrels.” This obstructs organizations in addressing the broader organizational elements that have sustained the misconduct and it strengthens a culture of fear to speak out: employees see the organization as self-protecting and themselves as expendable.

The **fifth toxic element** is ***neutralization***. We see this happening when after a scandal is exposed, corporate leaders in public appearances justify what happened using what criminologists call “techniques of neutralization” to reduce their shame and guilt. Neutralization techniques include denying responsibility, denying injury, reframing the victim into someone who deserves the harm, the defense of necessity, the claim of normality, and the metaphor of the ledger (i.e., good acts balance out bad acts). These justifications enable the company and its employees to neutralize guilt for past misconduct, and the better they are able to do it, the more it promotes future misconduct.

The **sixth toxic element** is ***opportunity***. Criminologists have shown how contexts affect opportunities for crime. Here a key issue is the complexity and dynamism at the company. Spreading decision-making power reduces the ability of successful oversight while giving more people in the firm the power to make decisions that can result in offending and harmful behavior. In the cases we studied, we saw that the delegation of authority created opportunities to cut corners without sufficient oversight. Vice versa, also highly centralized decision making can enable a small group of high-level employees to make a series of detrimental decisions, such as in the VW case.

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The **seventh element is corporate cognitive dissonance**. The tone at the top, for example articulated through corporate value statements, often proclaims a deep and profound commitment to compliance. Yet, while the tone at the top is one of commitment to compliance, the practices at the bottom may be sustaining misconduct. If this happens, employees and lower-level managers experience a deep disconnect between the tone at the top and their everyday reality. As a result of this dissonance, employees conclude that there is no true commitment to compliance or that their leadership has no authority over their behavior. In line with psychological studies, we find that such corporate dissonance fosters more rule breaking.

We hold that these seven elements of toxic culture play a key role in organizational crime and misconduct. Our ongoing research further operationalizes these elements into a risk assessment tool that can be used to diagnose toxicity within two types of organizational cultures. First, this tool can be used in cases where there is already clear and public wrongdoing. Second, the tool can be used in any organization that wants to conduct a risk assessment of its current level of toxicity or potential exposure to toxicity in its organizational culture.

Footnotes

[1] Table 1 covers the levels and aspects of organizational culture. It has three rows for each of these levels and three columns that cover three aspects for each of the three rows. The first row is about the structures of an organization and it covers three aspects that can be analyzed there: rules, targets and incentives and hierarchy. The second row concerns the values within an organization and has three aspects analyzed there: explicit shared values, injunctive social norms, and hidden assumptions. The third row concerns organizational practices, with three aspects: visible common behavior, unaware common behavior and situational norms.

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