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Leading with ethics:
The best business decision is also the right one

How a top-down approach to ethical culture can help create value
and secure an organization's reputation and future

It's remarkably easy to find instances where organizations didn't make the right choice—the ethical choice—and paid a heavy price. Lost market share. Diminished stock prices. Dinged reputations. Scrutiny from regulators, fines, and in extreme cases, criminal judgments.

Much of the time, it wasn't a single moment or lapse that led to the crisis. Instead, corporate scandals tended to spring from systemic failures in corporate culture, specifically around ethics. When an organization doesn't prioritize integrity, it can create an environment in which careless, questionable, or nefarious behavior can take root and even thrive. Any organization seeking competitive advantage and long-term success should consider weaving ethics into its decision-making at every level.

At many organizations, ethics are often discussed in theoretical terms—lofty yet nebulous aspirations or nice-to-haves. But make no mistake: Ethical lapses and loss of trust can result in serious real-world harm and pose enormous risks to organizations, customers, investors, and communities. Organizations may not

be giving this area the attention it demands, particularly from the top down. In a 2024 survey from the Society for Corporate Governance and Deloitte, 48% of respondents reported that their boards of directors provide no dedicated oversight of corporate culture.[1] Of those that do watch culture, many monitor whistleblower complaints or hotline reports, meaning they might step in after an ethics issue has already emerged. Only about one-third of the subset are more proactive, whether analyzing employee surveys around ethics programs or benchmarking their organization's ethics efforts against their peers.[2]

Both the stakes and challenges of an ethical corporate culture are high. A new generation of workers is bringing its own set of values that could challenge past norms. Geopolitics and global economics feed a complex, rapidly changing environment, rendering decision-making more charged. Meanwhile, with the emergence of artificial intelligence and instantaneous media, harm from an ethical lapse can hit harder and spread faster than ever.

All of this means that organizations should consider whether they need to change the way they approach ethical leadership. It's not enough to depend on the leadership team to respond wisely when a crisis hits. Organizations should be proactive, sense risks before they emerge, and move quickly to head off potential crises.
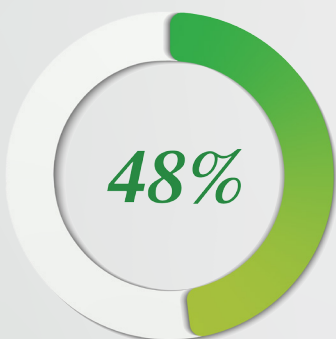
48% Respondents in a Society for Corporate Governance survey who reported that **their boards of directors provide no dedicated oversight of corporate culture.**[3]

What is ethical leadership?

Ethical leadership means pairing a tone at the top with practices that embed ethical values and conduct throughout an organization. It's about placing integrity first—always. It's also about consistently communicating these values to everyone in the organization.

Ethical leadership tracks closely with trust. When it is present, it engenders trust among stakeholders. When such leadership is absent, it can permit ethical lapses that can lead to an immediate and dramatic loss of trust. Here's why that matters: A Deloitte Canada Human Experience TrustID™ Survey found that companies that build a reputation for trustworthiness outperform peers in market value by a factor of four and that 88% of customers will return to buy from a brand they trust.[4] And in the Deloitte Global report "How boards are nurturing and measuring stakeholder trust," 81% of the board members and C-suite executives surveyed said that trust directly affects their business relationships.[5]

When events are moving fast and the pressure is high, ethical decision-making can get hazy.

Throughout an organization, employees make many, many choices every day. Whether they respond ethically when pressured to meet a sales goal, satisfy an unhappy customer, or meet investor expectations depends in large part on how tightly ethics are woven into the broader corporate culture and cascaded through the organization. Though an organization's board can help drive ethical leadership, 82% of respondents in

the Deloitte Global survey believed the CEO had the ultimate responsibility. In ethical leadership, the CEO—perhaps with board input—sets the tone. The rest of the C-suite amplifies it. Then business unit leaders, supervisors, and managers instill it in employees. **The result: an ethical culture.**

Building an ethical culture

When pressures mount on employees charged with meeting vital company objectives, those employees can find themselves facing ethical dilemmas—for example, a conflict between reaching a delivery goal and maintaining the highest possible safety standards. These are the moments when it's critical that leadership has threaded integrity into the fabric of corporate culture.

When in need, employees will reach for what feels comfortable, for what has been modeled and normalized. What has an employee in this example observed as peers, managers, or leaders handled conflicts or ethical dilemmas around safety issues? Are there negative consequences for delays or extra expenses in the name of safety, or are those actions accepted, even applauded? Are suggestions for cutting corners indulged, or is there zero tolerance? Do people massage reports to meet targets, or do they report transparently, look for root causes, and find ways to improve in the name of best serving stakeholders? All of these cues guide decisions. Successful ethical leadership will help ensure that employees in real scenarios make the right choices.

82%
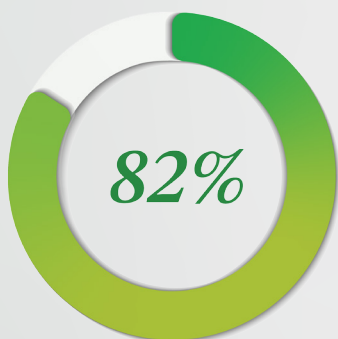
Respondents in a recent Deloitte Global survey who believed **ultimate responsibility for trust leadership in an organization belongs to the CEO.**

The four elements of ethical leadership | The 4 E's

4 E's	4 E's	4 E's	4 E's
Ex	**En**	**Em**	**Ev**
Expression	**Engagement**	**Empowerment**	**Evaluation**
Shaping culture through values	Learning to put integrity first	Creating a speak-up environment	Measuring ethics program effectiveness

The 4 E's of ethical leadership

Leaders can adopt four specific areas of effort that work together to create solid ethical cultures at their organizations.

Ex **ETHICS EXPRESSION.** This relates to an organizational approach in which values and ethical standards are communicated clearly, along with what's expected of employees. Messaging should express how the organization upholds its values and how it will respond when its expectations are violated.

Why it's important: The tone an organization sets through ethics messaging helps foster an environment where ethical behavior is the norm and unethical actions are discouraged. Cadence matters, too. When an organization messages consistently and frequently on a topic, it not only helps with retention but helps demonstrate the organization's commitment.

How to achieve it: Leaders, starting with the CEO, should vigorously and consistently communicate that ethics are valued. This can happen in all-hands meetings and town halls, organization-wide communications, or discussions and presentations. The continuing message is that integrity matters above all else and that it is the responsibility of every member of the organization.

En **ETHICS ENGAGEMENT.** This focuses on continual learning and training opportunities that give employees tools to help them make decisions that put integrity first and protect themselves, their colleagues, and the organization.

Why it's important: Understanding the ethical implications of their actions helps employees navigate complex situations and make choices that are in the best interest of the organization and its stakeholders. It also helps them comply with laws and regulations. Ethical lapses like discrimination, corruption, or fraud can result in significant financial and reputational damage to an organization or to individuals. When everyone knows the rules and what to do when they're broken, that sets up the organization to respond with immediacy.

How to achieve it: Learning should happen regularly at all levels, starting on day one. It's critical to establish expectations immediately with new hires and to reinforce them across the workforce through periodic refreshers. Workers being promoted or transferred to new business units may need additional development. Successful programs require commitment and investment—effective

learning should cover realistic ethical dilemmas, bringing timely and relevant scenarios to life while also highlighting new and emerging ethical risks. In addition, organizations can bolster learning by incorporating ethical considerations into project design, implementation, and project debriefs. This conditions employees to look beyond an immediate situation and consider the broader picture of personal and organizational reputation.

Em **ETHICS EMPOWERMENT.** This supports an environment in which employees are encouraged and enabled to speak up and consult freely on ethical dilemmas.

Why it's important: If an organization expects employees to surface ethical concerns before they take root or spread, it should offer safe channels for them to do that. These channels are critical for potential organizational and ethical risks to be surfaced and addressed early before they cause serious reputational and brand harm. Centering the code of conduct and organizational values with employees can instill confidence that they can speak up without fear of retaliation.

How to achieve it: Organizations should consider having multiple reporting channels for employees to use when confronted with ethical concerns. These could include speaking to a supervisor, a manager or other leader, or a representative from the organization's talent or ethics teams. It could also involve calling a helpline that allows for anonymous reporting. The idea is that offering multiple options makes it easier for people to find the approach that is most comfortable and appropriate for the situation.

Ev **ETHICS EVALUATION.** This involves formalizing organizational ethical leadership performance goals to help gauge effectiveness of ethics programming and communication.

Why it's important: The ethics landscape is constantly changing. When an organization identifies programming that is performing well and launches initiatives in response to emerging trends and risks, it can mitigate risk to the organization. It also shows that it understands the ethical challenges its workforce faces. This engenders trust and influences the tone at the top, which feeds back into ethics expression.

How to achieve it: Organizations should periodically assess their ethical leadership programming to gather feedback and make sure the messaging is resonating. This can include conducting stakeholder interviews and internal focus groups, as well as benchmarking ethics initiatives with leading practices. Assessments can identify trends in ethical behavior and help organizations monitor and respond to emerging ethical risks. In addition, the CEO and other leaders may make a point of recognizing employees who took a personal risk to advance ethics and consider ways to embed ethical leadership in performance management criteria.

Each of the four E's underpins an ethical culture that contributes to an organization's overall health and success and helps insulate it from risk. No organization is immune to ethical dilemmas that can tarnish its brand and reputation. But when an organization develops specific strategies to continuously elevate its ethical leadership, it can mitigate that risk.

Strong ethical leadership can help an organization head off ethical concerns before they happen and to respond swiftly and effectively—and yes, ethically—when they do.

Endnotes

1. Natalie Cooper, Bob Lamm, and Randi Val Morrison, "Board oversight of culture," *Board Practices Quarterly*, Deloitte and Society for Corporate Governance, July 2024, p. 6.

2. Ibid, p. 10.

3. Ibid, p. 6.

4. Deloitte Canada, "The future of trust: A new measure for enterprise performance," 2021, p. 2; Deloitte Human Experience TrustID Survey, May 2020 (n = 7,500).

5. Jo Iwasaki, "How boards are nurturing and measuring stakeholder trust," *Deloitte Insights Magazine* 31, February 2, 2023.

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