

The background of the slide is a dark charcoal grey. It features a series of thin, light green lines that form a complex, overlapping grid of circles and arcs, resembling a stylized globe or a network diagram. On the right side, there is a trail of small, light green dots that curve upwards and to the right, ending in a larger, more prominent dot. The Deloitte logo is in the top left corner, consisting of the word "Deloitte" in a bold, white, sans-serif font, followed by a small green dot.

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Together makes progress

How *ethical* leadership can
help protect organizations—
and their boards

Ethical lapses can lead to significant consequences for organizations, including reputational damage, regulatory scrutiny, monetary penalties, lost market share, diminished stock prices, and criminal prosecution. Such lapses may indicate systemic and cultural failures, as ethical issues often are not isolated incidents.

The Society for Corporate Governance and Deloitte's 2024 [*Board Practices Quarterly: Board oversight of culture*](#) revealed that there is opportunity for boards to give more attention to values-driven organizational environments, with nearly half of respondents (48%) reporting that their boards provide no dedicated oversight of corporate culture.

By strengthening oversight of ethical leadership, boards can not only help mitigate risks but also help protect an organization's brand and reputation.

The four E's

Ethical leadership pairs tone at the top with practices that embed ethical values and conduct throughout an organization. The latter can be a challenge. Ingraining ethics into corporate culture requires adopting proactive strategies to sense and address cultural and ethical risks before they escalate, moving away from purely reactive measures.

Boards can hold executive management accountable for maintaining ethical cultures at their organizations by considering Deloitte's four elements of ethical leadership:

Expression, Engagement, Empowerment, and Evaluation, or the four E's.

Ethics expression shapes culture through values.

Boards should understand whether ethical values and standards are clearly and regularly communicated from management throughout the organizations they serve. This starts with establishing a tone at the top where integrity is prioritized and consistently reinforced.

Furthermore, boards should consider incorporating ethical considerations into ongoing strategic decisions, especially those with high visibility, such as mergers and acquisitions or artificial intelligence deployment. They should also reinforce with management that ethics and integrity are just as important as other business objectives.

Ethics empowerment creates a speak-up culture.

Organizations benefit when their boards hold management accountable for fostering an environment in which employees feel empowered and encouraged to voice ethical concerns without fear of retaliation. This involves establishing trusted, accessible channels for employees to report ethical issues.

Boards should consider challenging management on the effectiveness of reporting mechanisms, such as helplines or anonymous reporting tools, and of processes for responding to ethical concerns raised. They should also request updates on trends observed through reporting channels to help monitor emerging risks and mitigate potential crises.

Ethics engagement puts integrity first.

Learning and training are crucial for helping employees navigate ethical dilemmas. Boards should advocate for ongoing ethics training for the full workforce—and for themselves—that starts on day one. Training should cover realistic scenarios and emerging ethical risks to prepare everyone for complex situations.

Boards should consider scenario planning with executive management to stay current on how changes in the business landscape may impact ethics, and supporting initiatives that highlight the importance of ethics and integrity in achieving business objectives.

Ethics evaluation measures ethics program effectiveness.

Boards should oversee the evaluation of ethical leadership and the effectiveness of the ethics program. This involves setting clear performance goals for executive leaders, requesting regular assessments of the program, and overseeing the adoption of leading ethics practices and programming.

Boards should consider reviewing cultural assessment analyses and benchmarking of ethics initiatives against industry standards and practices. They should also consider site visits to get a feel for organizational culture, as some culture issues can be readily observed.

No organization is immune to ethical dilemmas, but prioritizing ethics in boards' oversight practices builds a foundation of integrity. This can help prevent ethical concerns and enable the organizations they serve to respond swiftly, effectively, and ethically if these issues arise.

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