



## CULTIVATING CORPORATE CULTURE: DEFINE AND OPERATIONALIZE CORE VALUES

In the midst of strategic planning, many executives are recognizing the profound impact and potential liability of a floundering organizational culture. By articulating behavior in relation to values—mutual respect, for instance—there is an identified shared meaning and expectations among stakeholders. A values-based culture can serve as a significant lever in critical conversations by driving high performance, increasing joy in vocation and creating appropriate metrics. Many organizations are navigating the increased volatility of the marketplace, often coming to the realization that identified and practiced shared values may also be a positive market differentiator.

### DEFINING ETHICAL CULTURE

Culture describes a set of common beliefs, assumptions, reward systems and narratives. Companies demonstrate ethical business cultures by complying with legal requirements, while also living moral values. The U.S. Sentencing Commission recognized the significance of an organizational culture in its 2004 “Amendments to the Federal Sentencing Guidelines,” encouraging

ethical conduct and commitment to legal compliance. Unfortunately, the murkiness of culture causes many organizations to simply resort to lofty mission statements and weighty compliance manuals, with a lack of metrics or transparent accountability.

Kenneth Goodpaster, Ph.D., describes the creation of an ethical culture in *Conscience and Corporate Culture*. He employs the process of *orienting, institutionalizing, and sustaining values*, maintaining a company without a shared sense of direction and imperative has no ‘compass’ when confronted with crucial decisions. He also describes how these imperatives were all at the core of classic business scandals such as Enron, WorldCom and others.<sup>1</sup>

**“ Now is the time to define and operationalize your organization’s core values. ”**

## CULTURE, RISK AND OPPORTUNITY

Risk is not a new concept, although it has taken an increased level of awareness. The chief risk officer is often in the boardroom identifying key opportunities and threats. Risk management ultimately asks, “How might we be wrong?” Not anticipating potential risks could result in precarious repercussions.

A classic risk management article describes the relationship between culture and risk, articulating the responsibility of a corporate board to create and protect culture, as well as anticipate its correlating ethical risk. Peter Young, Ph.D., believes a risk manager’s future success is tied less to technical skills and number crunching than the ability to influence people and construct narratives. He also explains that Modern Risk Management (MRM) suggests that risk assessment should include consideration of the ethical aspects of any opportunity or threat.<sup>2</sup>

## EMBEDDING CORE VALUES

While Goodpaster examines institutionalizing organizational conscience, best-selling author Brené Brown, Ph.D., LMSW, describes operationalizing core values in *Daring to Lead*. Brown asserts the operationalization of values fuels productive decision making.

“When values aren’t clear, we can easily become paralyzed—or, just as dangerous, we become too impulsive. Operationalized values drive what I think of as the sweet spot of decision making: thoughtful and decisive.”<sup>3</sup> If mutual respect is a core value, does it actively and apparently live within the organization? Research shows stakeholders are selecting organizations that resonate with their own personal values. Millennials are even more predisposed to choose brands that reflect their principles, conducting pointed research about corporate investments, board makeup and employee morale. Now is the time to define and operationalize your organization’s core values. Start

by having leadership identify the top three to five values. Then ask questions to determine how well each specific value is embedded within operations.

For example, with mutual respect:

- How is *mutual respect* demonstrated within planning strategies?
- How is *mutual respect* reflected in programs and processes?
- How is *mutual respect* manifested within leadership selection and expectations?
- How does training build the team’s understanding of *mutual respect*?
- How is *mutual respect* evaluated for all stakeholders?

## RECOVER AND SUSTAIN

While an ethics and culture review may seem optional, most visionary boards are recognizing culture assessment is a vital, risk mitigation strategy to address how the organization is demonstrating integrity and viability. An assessment is critical in determining the current state of an organization, while its continued health and sustainability relies on continual maintenance and recognition. While the focus should not be on a culture makeover, the impact of shifting operational behaviors and adapting key metrics can revitalize an organization and its stakeholders. While a limping culture can serve as a tangible risk, a values-driven culture will sustain an organization and its stakeholders, providing strategic direction and refreshing brand identity.

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<sup>1</sup> Goodpaster, K.E., *Conscience and Corporate Culture*. 2018.

<sup>2</sup> Jondle, Douglas Ph.D.; Maines, T. Dean; Rovang Burke, Michelle; and Young, Peter Ph.D., “Modern Risk Management: Managing Risk Through the Ethical Business Culture Model.” Center for Ethical Business Cultures Papers and Reports, 2013.

<sup>3</sup> Brown, Brené. *Dare to Lead*. Vermilion, 2018.