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How to Build a Healthy Corporate Culture

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Abstract

Corporate culture refers to a set of shared beliefs, values, and behaviors shared within the organization. Corporate culture differs across organizations, depending on the national culture, the industrial sector, the company size, and the leadership. An increasing number of organizations have incorporated business ethics into their corporate culture. Building an ethical corporate culture can raise employee morale, reduce misconduct, and improve corporate brand. The failure to address business ethics may result in the organization's collapse. To build an ethical corporate culture, management should model their behaviors to promote business ethics. In addition to setting up good role models, the human resources department should provide necessary training to enhance employees' understanding of the organization's business ethics and corporate culture.

Keywords: Corporate Culture; organization; Firms; ethical

Introduction

Corporate culture provides employees with guidance on how to act. A healthy corporate culture is aligned with the organizational objectives, leading to greater employee productivity, enhanced corporate performance, and better corporate image. Building a healthy corporate culture is essential to grow a successful business. For example, Apple's corporate culture emphasizes creative innovation and cross-functional collaboration. Apple's corporate culture facilitates continuous innovation, which is core to its business operations. Rapid innovation ensures Apple leverages a competitive advantage over rivals in the consumer electronics industry as the company continues to introduce new products to target consumers. On the other hand, a lack of an ethical corporate culture can lead to the collapse of an organization. The failure of Enron, Xerox, and other corporate giants demonstrates the significance of building an ethical corporate culture.

Literature Review

Corporate culture is a collection of beliefs, values, and behaviors shared by management and employees in various work settings (Schneider et al., 2013). In other words, organizational culture provides a set of guidelines on how to conduct business operations. Meanwhile, organizational culture influences how members interact with each other, customers, clients, and other stakeholders (Simoneaux & Stroud, 2014). Organizational culture determines how employees behave in the organization. Effective organizational culture differentiates an organization from its potential competitors (Weber &Tarba, 2012). Many executives and senior managers have understood the benefits of organizational culture on productivity and performance. As one of the most prominent entrepreneurs worldwide, Warren Buffet claims building a healthy corporate culture is key to sustaining organizational success (Childress, 2013). The founders of the organization provide the foundation to build the organizational culture. When founding Apple Inc. Jobs introduces a culture to Apple by emphasizing a set of core values, including innovation, simplicity, consistency, and elegance to the company ("Steve Jobs", 2017). To build the corporate culture, founders incorporate their culture and assumptions into the corporation. In addition, learning experience is another critical source of the organizational culture. Because of the dynamic global market environment, the organization must innovate its culture based on the changing business climate, competition, and labor force (Uddin, 2013). Furthermore, according to employee feedback, the organization can make essential adjustments to its organizational culture.

Data and Methods

This study contained 50 U.S. firms selected from different industrial sectors to investigate building an ethical corporate culture. Firms are categorized into large, middle, and small enterprises depending on annual revenue and number of employees. Most firms in the U.S. are small firms, which have less than $38.5 million in annual revenue and less than 1,500 employees. Middle-size firms have an annual revenue ranging from $38.5 million to $1 billion; meanwhile, middle-size firms employ between 1,500 and

2,000 employees. For this sample, 20 are large enterprises, 20 are mid-market enterprises, and 10 are small enterprises. Participants joined the study voluntarily without receiving any incentive.

The sample was recruited through a stratified random sample. First, research assistants randomly drew 1,500 U.S. firms from Internal Revenue Services. Second, participants are divided into three strata: large-size firms, middle-size firms, and small-size firms. Third, 20 large firms, 20 middle firms, and ten small firms were selected in this study. Interviews took place through scheduled video conferences with a representative for selected companies.

The interview was designed to investigate how to develop an ethical corporate culture and how business size impacts the corporate culture. The research constructs were ethics and corporate culture. There were ten interview questions. All interview questions were open-ended questions, which provided qualitative data. The interview questions emphasized how to develop an ethical corporate culture.

Here are sample questions for the interview.

1. What are the three principal ethical values in your organization?
2. How to incorporate ethics into corporate culture?
3. Who or which department was responsible for building the company's corporate culture?
4. What role did leadership play in building the corporate culture?

Results

A total of 50 U.S. firms were conducted to investigate how to develop an ethical corporate culture. Regardless of the business size, all sampled firms agreed on the significance of building and enforcing a healthy and ethical corporate culture. By outlining ethical principles and values through a code of ethics, the organization ensures that all employees and stakeholders understand acceptable or expected behaviors. Rather than merely publishing a code of ethics, it is more important to communicate it to all employees and stakeholders, leading to improved ethics within the organization. By requiring all employees and stakeholders to adhere to the code of ethics, employees, and stakeholders are more likely to model their behaviors according to the code of ethics. Companies with strong ethical cultures experience significantly less misconduct than weak ones. Creating a healthy and ethical corporate culture is essential to success. In addition to enhancing employee productivity and well-being, an ethical corporate culture helps the organization strengthen its brand and raise corporate profits.

According to the findings of interviews, the top three ethical values or principles differ from firms. Among all ethical values, integrity, fairness, and responsibility were the three most common ethical values addressed in business ethics. First, integrity, the core ethical value of most organizations, ensures the business and its employees act with honesty and consistency, holding them accountable for their actions and decisions. Second, fairness ensures that everyone has the same opportunities and is treated the same within the organization. Fairness prevents potential discrimination based on race, gender, and age. Third, responsibility, also known as ethical responsibility, refers to the company's commitment to ethically conduct business practices. When conducting various business activities, the organization must fulfill its social responsibility to employees and stakeholders, the natural environment, and society as a whole. These ethical values and principles benefit the organization by building valuable relationships, improving financial performance, and strengthening corporate reputation.

Due to the benefits of the corporate culture, all sampled U.S. firms alleged that they had developed the corporate culture and addressed ethics to the corporate culture. However, small-size firms are likely to have a weaker corporate culture than large and middle-size firms. Compared with large- and middle-size firms, small-size firms have fewer resources available to create and enforce a healthy and ethical corporate culture. In the meantime, some small-size firms consider it easier to guide employee behaviors or the organization's operations because of their small business size. Therefore, it is unnecessary to establish a code of ethics. On the other hand, large-size firms make their ethical corporate culture transparent to all employees and stakeholders. The findings suggest that business size affects the organization's corporate culture.

Organizations should establish a strong code of ethics that outlines ethical principles and values guiding their business operations. In addition to facilitating the organization's ethical decision-making, the code of ethics helps employees solve diverse ethical dilemmas encountered in the workplace, significantly reducing misconduct within the organization. In other words, the code of ethics provides a valuable and reliable reference to help managers and employees investigate whether a conduct is ethical. Rather than merely publishing the code of ethics, the organization must communicate its code of ethics to all employees and stakeholders. More importantly, the code of ethics must be reviewed and updated periodically to keep it relevant and effective. In summary, disclosing the organizational culture and code of ethics on the company's website or employee manner
is crucial.

To enhance employee awareness of the organization's ethical corporate culture, the organization should provide training and education programs to help employees understand the significance of ethics. More importantly, through training and education programs, organizations should teach employees to apply ethical principles or values to complete their job-related tasks, interact with managers, colleagues, customers, and supplies, and handle ethical dilemmas in everyday work. Topics of training and education programs should center on decision-making and conflict resolution in the workplace.

Building an ethical corporate culture was challenging and demanded effective leadership despite the benefits. Regardless of the business size, all sampled firms agree that leadership is the key to building and enforcing an ethical corporate culture. Organizations must ensure their leadership is committed to building an ethical corporate culture. Specifically, leaders must embody the ethical values and principles outlined in the organization's code of ethics. Leaders must behave as role models for employees within the organization. In addition, leaders should establish a positive tone for the organization's culture and empower employees to review or revise the organization's code of ethics.

In an attempt to improve ethics in the organization, unethical behaviors are subject to punishment, depending on the severity of the unethical behavior. Undeniably, positive reinforcement is more effective than the threat of punishment. However, it is vital to inform all employees and stakeholders that there are consequences for unethical behaviors in the organization. The organization's code of ethics provides a valuable reference for determining the punishment of misconduct in the workplace, ranging from a written warning to legal consequences. At the same time, the organization should create an ethics panel to investigate potential unethical behaviors. Ethics panel members must be objective and reputable, elected by employees, and approved by leaders. Meanwhile, a transparent reporting mechanism is necessary. Therefore, anyone violating the company's code of ethics can be reported.

Conclusion

Building an ethical corporate culture is vital to the success of any organization. Corporate culture establishes a collection of values, beliefs, and behaviors among management and employees. All people should participate in developing the company's ethical corporate culture. Organizations should establish a strong code of ethics that outlines the principles and values that guide their business operations. Simultaneously, the code of ethics provides guidelines on what behaviors are accepted and expected in the organization. More importantly, the organization must review and update the code of ethics periodically to ensure the code is effective and relevant. The code of ethics must be disclosed and communicated to all employees and stakeholders. All employees and stakeholders must comply with the organization's code of ethics. Performance reviews, assessments, and evaluations are essential to improve employee ethics. The organization should create an ethics panel to investigate potential unethical behaviors. Ethics panel members must be objective and reputable and are elected by employees. Meanwhile, a transparent reporting mechanism is necessary. Therefore, anyone violating the company's code of ethics can be reported. The organization must protect the privacy of those people who file complaints. Through this way, people will not be concerned about retaliation from peers. Furthermore, the organization should outline potential punishments for unethical behaviors. Depending on the severity of the unethical behavior, punishments vary. Hence, all people know that unethical behaviors have consequences, leading to improved ethics within the organization. However, compared with positive reinforcement, the threat of punishment is less effective among employees.

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