

Transforming a Toxic Culture



“Failures of culture—from Wells Fargo to Volkswagen—have been the single biggest destroyers of value in the last five years,” according to former Google Senior Vice President of People Operations Laszlo Bock.

What do toxic behaviors really cost?

Toxicity in the workplace is a critical vulnerability that is often cloaked in coping strategies until it erupts with stunning, far-reaching, and persistent effects. Hemingway’s character in *The Sun Also Rises* is asked “How did you go bankrupt? Two ways. Gradually, then suddenly.” As recent headlines attest, toxic behaviors undermine and quickly destroy an organization’s culture.

Leaders know the importance of this issue but struggle to effectively address it. Deloitte’s 2016 [Global Human Capital Trends](#) report found that 87% of business leaders believe that the quality of their work culture is important. Interestingly, only 28% of business leaders surveyed believe that they understand their current culture well. And only a scant 19% of these executives believe they have the “right” culture! Toxic behaviors thwart creating and sustaining a quality work culture. A 2015 study from Harvard Business School defined a

toxic employee as “a worker that engages in behavior harmful to an organization, including either its property or people.” A 2019 study published in [Military Review The Professional Journal of the U.S. Army](#), further characterized a toxic leader as “not necessarily the stereotypical screamer but more often appears to be a pleasant and talented individual who has subtle ways of degrading and exploiting others for personal gain and takes pleasure in doing so.”

These studies provide sound logic and a methodology to identifying and estimating the significant cost of toxic behaviors. The Harvard study concluded that in the private sector each toxic employee conservatively costs an organization \$12,489, not including “savings from sidestepping litigation, regulatory penalties, or decreased productivity as a result of low morale.” The Military Review study concluded the estimate is likely much higher. In the Department of Defense (DOD) the study estimated that the cost “Does not even include costs due to (1) degraded performance resulting from decreased commitment, motivation, and innovation; (2) lost time for managing toxic employees; and (3) lost time for investigations (Inspector general, legal, and equal employment opportunity office.)” Nevertheless, when applied to the DOD and Armed Forces study data, the fallout of toxic behaviors impacts hundreds of thousands of lives and conservatively costs over \$8 Billion annually. Yes, that’s Billion.

Less tangible but certainly worth considering are the opportunity costs associated with lack of engagement, stifling innovation, and degraded readiness. The astonishing high cost of toxic behaviors simultaneously highlights the potential return on investment in resolving this issue plaguing our organizations.

Why “fixing people” doesn’t work

Distinguished author Clayton Christensen wrote “a culture can

be built consciously or evolve inadvertently. Make no mistake, a culture happens: whether you want it to or not.” In traditional approaches to change, leaders try to push culture change by imposing new programs addressing multiple behaviors to “fix” their organization and are frustrated when they don’t meet expectations or fail outright. The result is [Scrap Learning](#)—learning which is delivered but not applied on the job—further exacerbating the time and cost of toxic behavior.

These programs are met with resistance, and even apparently positive changes are based on compliance rather than commitment. Any change is fleeting, and they are labeled as the “flavor-of-the-month.” This isn’t to discount expertly designed and well-meaning behavioral approaches. This underscores the reason for their failure—they merely address behaviors which are symptoms of an underlying mindset driving the behaviors.

An underlying inward mindset manifests in the various behaviors we continue to wrestle with in our organizations as a result of failed typical approaches to the problems. With an inward mindset, others are viewed not as people who matter like I matter, but as objects to use, blame, or ignore. At one extreme of inward mindset driven behavior there lies the egregious behaviors of sexual harassment/assault, bigotry, corruption, mass shootings, and more. At another extreme of inward mindset driven behavior, one can even view oneself as an object—a contributing factor in the plague of suicide. The outcomes of more prevalent behavioral symptoms of a myopic inward mindset are indicated below—impeding progress or much worse in our organizations.

Inward mindset outcomes

Organizational change efforts undertaken from an inward mindset seek to correct through compulsory means and are even “weaponized” in their implementation, inviting even more

resistance and justification seeking. Tensions increase as new initiatives are decreed, and the toxic behaviors the initiatives are meant to quash ironically flourish. The best plans for creating a healthy work culture do not work if the focus is on changing errant behavioral symptoms without addressing the underlying inward mindset first. A myopic “MY work” perspective, even by well-intentioned individuals, cannot keep pace with an agile, ever-evolving operational environment.

A [McKinsey & Company study](#) found that organizations that identify and address pervasive mindsets at the outset are “four times more likely to succeed in organizational-change efforts than are companies that overlook this stage.” Leaders are critical to this effort: when leaders shift to an outward mindset, they naturally invite the rest of the organization to follow.

By addressing mindset first, leaders will be setting the conditions for success above and beyond past attempts achieving incremental change at best. This 400% greater probability of success is the path to achieving sustained individual and organizational transformation.

Where to start changing a toxic workplace

Is it possible that an inward mindset is at the heart of the organizational challenges in your organization? If so, then the most important factor in creating sustainable change is the fundamental shift to an outward mindset. Real, lasting change and a sustainably healthy culture are achieved via a mindset-first and leader-first approach.

People often use mindset to refer to a core belief about oneself. But that’s far too narrow a focus. The biggest lever for change is not a change merely in self-belief but a

fundamental change in the way people see and regard their connections and obligations to others. The mutual impact people have on one another turns on whether they carry a self-focused inward mindset or an impact-focused outward mindset. In organizations, changing from an inward to an outward mindset unlocks a whole new level of collaboration, innovation, and responsiveness among individuals, teams, and the organization itself. The potential value of this approach far exceeds even the high cost of being stymied in a toxic culture.

Creating an inclusive, innovative culture of accountable people begins with seeing others as people that matter and taking their needs, objectives, and challenges into account. It is being accountable for our impact on others. The outcomes illustrated below have a compounding effect in eliciting the full potential of individuals and the organization.

Outward mindset outcomes

Only through an outward mindset approach can organizations positively avoid the effects of inward mindset thinking in a way that is very different from traditional approaches. It is a refreshing departure from the ineffective trends of the past and creates conditions where sustained change is achieved. Embedding outward mindset principles and tools in your culture is fundamental to achieving a unified “OUR results” outcome.

Every day great leaders see and appreciate the commitment of their teams striving to meet the increasing challenges posed by evolving demands amidst unprecedented circumstances. In addition to the technical aspects of their work, when leaders deeply consider the complementary foundational human aspect of their work, they realize that working positively through change depends upon our ability to see the truth in every situation—unclouded by any bias or deception. The way we see others and ourselves greatly impacts our behavior and ability

to see innovative new opportunities and to rise to face challenges together.

Leaders exhibiting the courage to disrupt the inward mindset inertia holding back teams from their very best work will continue to spark an organizational transformation that is not only possible, but essential. In the increasingly demanding, near-peer competitor environment we face, operating faster, smarter, safer, and with trust underlies the pace and magnitude of change required to create an inclusive, innovative culture of accountable people working positively through challenges and seeing new opportunities—together!

With 40 years' experience working with organizations worldwide, The Arbinger Institute is helping individuals and organizations to make the key mindset shift that is critical to individual and organizational performance. That shift is from the self-focus of an inward mindset to the impact focus of an outward mindset. This is very different thinking, and it works!