

DIAGNOSING AND STRATEGICALLY IMPLEMENTING A CHARACTER- BASED CULTURE

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The often-heard phrase “Culture eats strategy for breakfast” has fueled a fixation on organizational culture for decades. However, organizations struggle mightily to get their aspirational culture to match their actual culture. Witness companies like Enron, Theranos, Wells Fargo, and Boeing who documented aspirational values and culture that either were never realized or certainly not as they had envisioned. It begs the question, “If culture eats strategy for breakfast, then what’s been eating culture for breakfast?”

Based on our research and working with organizations across many industries, we conclude that something is character. This was a key lesson learned from the 2008 Global Financial Crisis (GFC) when a group of researchers from the Ivey Business School in 2010 put “Leadership on Trial.” Focus groups with executives in North America, Europe, and Asia identified that character, or rather an absence of it, was a root cause of the GFC. Before addressing how character underpins culture, it is important to consider four underlying issues that make defining,

shaping, measuring, and maintaining an aspirational culture challenging.

1. **Achieving common understanding:** Corporate culture is inherently abstract, contextual, and dynamic, making it extremely difficult to achieve a common, durable understanding at scale. Organizations post their values on walls, publish lengthy Culture Statements, and try to capture the desired behaviors in competency frameworks. However, as we have repeatedly seen, the actual culture drifts away from the aspirational culture, sometimes with disastrous results.
2. **Shaping consistent behavior:** Culture may be defined by language but manifests through individual behavior. Behavioral consistency is likewise challenging to achieve at scale. Organizations attempt to use clumsy levers like compensation to incent desired behavior but often find this creates as many problems as it solves.
3. **Measuring culture:** The challenges of achieving a common language and consistent behavior at scale persist when measuring culture accurately. As such, organizations resort to lagging proxies like engagement surveys, exit interviews, and turnover statistics. The result is that dangerous corporate culture shifts don't reveal themselves until after the damage is done.
4. **Top-down approaches:** Organizations often attempt a top-down approach to defining, shaping, and maintaining culture. The rationale, which certainly seems reasonable, is that if we tell people the behaviors we want and put in place processes and incentives that reward these behaviors (and punish the unwanted behavior), then that should be sufficient. However, the evidence clearly shows that this is not the outcome we get.

Character as an Antidote

We rely on the definition of character proposed by Crossan and colleagues in “Developing Leader Character: Finding a Way Forward,” their 2024 *Academy of Management Learning and Education* article,

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as “an interconnected suite of embodied and virtuous habits. These habits are virtuous insofar as they collectively influence judgment and human flourishing. The dimensions of character can be observed, assessed, and developed. Character is universal yet reflexive to context and can manifest toward deficient or excess vices when high levels of one dimension are not supported by high levels of other dimensions.”

Character has often been relegated to ethics and morals, with little regard for its critical role in decision-making and performance. There is a misconception of a trade-off between character and results. Research from the Ivey Business School, published in a 2023 *Amplify* article, reveals that moving from weak to strong character yields a 14% increase in leader effectiveness, an 18% increase in employee voice, a 16% increase in psychological safety, and a 10% improvement in each of leader resilience, job satisfaction, and job-related well-being. Moving any of these metrics is immensely difficult, but because character is so foundational, it influences all facets of the organization, including culture.

Elevating character alongside competence is an antidote to the four underlying issues plaguing organizational culture.

1. **Common understanding of culture:** Leader character uses science to objectively and comprehensively define the core set of behaviors that support leader decision-making, judgment, and well-being. Leader character behaviors are defined using an accessible,

commonly understood business language, which results in common interpretations of behavior after a short period of observation and training.

2. **Shaping culture:** Leader character's comprehensive set of behaviors avoids the virtue/vice problem when one value or behavior evolves to be privileged above the rest (e.g., a sales culture that evolves to value revenue over customer well-being, e.g., Volkswagen). Tools that facilitate mass customization of individual character development have been developed to mitigate this cultural mis-evolution.
3. **Measuring culture in real time:** The objectivity of behavioral observation of leader character allows organizations to reliably assess culture qualitatively and quantitatively. Tools have been developed that allow this assessment in real-time across the full spectrum of organizational groupings.
4. **Inside-out approach:** The "Top-Down" approach needs to be complemented by an "Inside-Out" approach as stated by Christine Lagarde, the former Managing Director of the IMF/International Monetary Fund in 2015: "Change in culture must come from within...[B]y promoting and instilling 'virtuous' norms in individuals in the firm, a cultural renewal within the firm can be induced."

We propose three steps to strategically achieve and sustain an aspirational, resilient culture that can withstand the inevitable pressures that arise.

Step 1—Strategically cultivate awareness of character as the foundation for culture

Even organizations with the best intentions and high hopes for a values-driven culture find themselves compromised by a weak foundation of character. It's like trying to build a skyscraper on quicksand. Values and culture statements cannot bear a substantial load unless they rest upon an evidence-based, rock-solid character foundation. Building on millennia of insights into what character is, researchers from the Ivey Business School developed a robust evidence-based framework of 11 interconnected dimensions of character, each with a set of behaviors that can be observed, assessed, and developed.

One of the primary reasons for the cracks in the foundations of culture is that individuals and organizations have not understood that all dimensions of character are essential and that they can operate in three states—deficient vice (under-weighted), excess vice (over-weighted), or virtuous (strong character). Often, without knowing, organizations have hard-wired an overweighting of some character dimensions and underweighting others, which evolves to weaken the foundation for the values and culture they seek and institutionalize compromised judgment and well-being. Cultivating awareness starts with people being able to observe and identify character reliably.

The architecture of a character-based culture builds on this framework, as shown in Table 1. The center column of Table 1 describes the collective behaviors when individuals are operating with strength of character (virtuous state). Take a moment and ask yourself whether you would be satisfied with the culture of your organization (or sub-unit of it) as described by the middle (or "golden mean") column. We have posed this same question to thousands of leaders and the response has been universal—they would be delighted.

The responses are the same across every sector, across the globe, in small and large organizations, and for-profit and not-for-profit, revealing that aspirational culture is less about a series of aspirational values-based statements and more about cultivating a culture of character-rooted behaviors. It is time to realize that when it comes to culture, what every organization wants but has proven to be elusive is a character-based culture.

Try mapping your organization's culture according to the chart in Table 1 and decide where you land for each of the 11 dimensions. It's okay to tick a couple of boxes in a row, recognizing that every time you deviate from the middle, it is evidence that the foundation of character underpinning the culture is not solid. We typically find organizations in either the under-weighted or over-weighted columns, and this is when the proverbial light bulb goes on, as they see the root cause for why they do not realize the aspirational culture in the middle, the golden mean.

Dimension	Under-weighted	Strong character	Over-weighted
Accountability	Failure to deliver results & take responsibility; blaming culture; low ownership of issues	Ownership of problems; commitment to decisions; act in organizational interest	Difficulty delegating; obsessive and controlling; little room for learning failures
Courage	People don't speak up; fear prevails; giving up; little innovation	Determination and perseverance are prevalent; high resilience; "truth to power"	Reckless, stubborn, and arrogant risk-taking
Transcendence	Narrow goals & objectives; failure to acknowledge and appreciate; not inspired	Commitment to excellence; clarity & focus; inspiration motivates innovation	Always thinking things will get better but no tangible sense of how to get there
Drive	Lethargy & low productivity; lack of initiative; apathy	Sustained momentum around focused priorities; high productivity	Tunnel vision; perfectionists inhibiting productivity
Collaboration	"Every man for themselves" mentality; lack of information sharing; silos	Effective teamwork enhancing productivity; diversity and inclusion driving success	Conflict avoiders; people pleasing; too many people clouding decision-making
Humanity	Lack of empathy, compassion, and consideration	Deep understanding of what is important; people feel they are seen and heard	People feel overwhelmed and suffer compassion fatigue
Humility	Arrogance and overconfidence; complacency; lack of learning and development	Willingness to identify & discuss mistakes; supportive of learning and development	Overwhelmed; ruminating about mistakes; pushover; lacking focused learning
Integrity	People operate from a position of self-interests and mistrust; lack of transparency	Trust, transparency, and effective communication; aligned principles and values	Uncompromising, rigid, and dogmatic interactions; exclusionary practices
Temperance	Impatience and agitation prevalent; stressed and anxious; emotional outbursts	Effective risk management; thoughtful consideration; calm even under duress	Risk averse inaction; lacking urgency; indifferent about outcomes
Justice	Inequities; favouritism and nepotism	Fairness fostering trust; clear understanding and action around systemic inequalities	Rigid rule-based procedures that do not take into account individual differences
Judgment	Indecision; lack of insight, rigour, and understanding; resistance to change	Insightful and adaptable; situationally aware and current; solid decision-making	Analysis paralysis; over-complicating decision-making; no clear sense of priorities
Character Culture Check (Crossan & Crossan, 2023)			

TABLE 1. DIAGNOSING CHARACTER CULTURE

The chronic over-weighting or under-weighting of character dimensions leads to fundamental imbalances that undermine individual judgment and well-being and, eventually, the culture. Although it is no surprise that they have issues such as “failure to deliver results and take responsibility,” as noted in the under-weighted column for accountability, the character framework provides a clear roadmap for what they need to do to get to the middle column. The under-weighted column points to the need to strengthen the under-weighted dimension.

The reverse isn't the case for the overweighted dimension, where the solution is not to diminish the dimension but rather strengthen the other dimensions to support it. For example, an organization that reinforces and rewards accountability might find that it operates in the overweighted category, where people have trouble delegating and have become obsessive and controlling. The solution is not to reduce accountability but to strengthen other dimensions, such as humility and collaboration, that help to ensure accountability operates in its virtuous state.

The leader character framework reveals that character underpins culture where weaknesses and character imbalances produce the deficiencies and excesses shown in Table 1, leading to the cultural derailments we are all too familiar with. The strategic starting point is to cultivate awareness of how character operates as a foundation for culture.

Step 2—Strategically invest in leader character development to transform behavior that defines culture

The individual character of every person in an organization forms the “atomic particles” that collectively define an organization’s actual culture. If you want to mold the organization’s culture, your starting point is individuals, especially its leaders. These behaviors arise from the habits that individuals have cultivated over time, which is the manifestation of their character.

When conducting character workshops, we often find people noticing the character imbalances in others but not themselves. This is not surprising because most of us believe we have good character. However, we base that belief on our intentions, whereas character manifests in observable behavior, and most of us struggle with self-awareness of how others perceive us. Tasha Eurich’s research published in the *Harvard Business Review* in 2018 reveals that 85% of people believe they are self-aware, yet only 10%–15% are.

Our unattended character “blind spots” become the spaces where the divergence between actual and aspirational culture takes root. The exemplars of the character-imbalanced culture get recognized, promoted, and rewarded. Their blind spots darken further and grow wider. These exemplars are afforded more organizational

power, latitude, and influence. They personify the actual, character-imbalanced, now dysfunctional culture and are celebrated as the personification of actual culture that others are encouraged to emulate. A cultural contagion is in process.

Acting on developing character means going beyond the awareness cultivated in step 1 to actually exercising character daily to close the gaps. The sober fact is that to reach the desired character-based culture, we need to start with ourselves and make a habit of going to the proverbial “character gym.” There are no shortcuts, workarounds, or delegating here. There was a time when we didn’t clearly understand character, how to develop it, and embed it in organizations, which explains why we have struggled with culture. However, that is no longer the case. Sharing this research with executives creates enormous positive energy and excitement, as they finally see a practical solution to improving their performance while addressing the vexing issue of what’s eating culture for breakfast.

Organizations can employ instruments to assess character, including self and 360 Leader Character Insight Assessments available through Sigma Assessment Systems, and the Virtuosity mobile application we developed to enable customized, daily practice of character with exercises that strengthen your figurative character muscles. In our previous *Amplify* article in 2023, “Cracking the Code,” we offer concrete approaches.

There are many parallels between your body’s fitness and your character’s fitness. However, while people struggle to find time to get to the fitness gym, going to the character gym is about bringing character to the foreground through very short priming exercises, such as being asked to have “yes-and” conversations in the day (an exercise associated with developing collaboration). The key insight people gain from going to the character gym is that priming and brief reflection deepen their self-awareness of how their character strengths operate in deficient or excess vice states throughout the day. As individuals strengthen their character toward the golden mean, the organization starts to move to the aspirational culture in the middle column of Table 1.

*Character manifests in
observable behavior.*

Culture change depends upon changing the habits of the individuals within the organization. As anyone who has ever broken a New Year's resolution knows, habit change is hard. This is why culture change is so hard. Creating awareness and investing in individual character strengthening is foundational. However, it must also be supported by the organization's policies and processes if it is to be sustained.

Step 3—Strategically embed leader character into organization practices

Let's assume you have gone through step 1, cultivated awareness of what character is and how it influences culture, and diagnosed where you sit in Table 1. And let's assume organization members are working to develop their character. Although you have done the heavy lifting on strengthening your cultural foundation, you will undoubtedly discover that you have legacy systems that don't align with a character-infused culture.

Take compensation and reward systems as an example, which have often been the primary levers influencing behavior and culture, yet are often seen as a root cause of compromised judgment and decision-making (not to mention undermining well-being). Whenever we hear executives complaining that compensation and reward systems drive undesirable character behavior, we ask what that says about their character. They are confronted with the fact that when their character succumbs or is silenced by organizational contexts that don't reward or enable it, it is evidence that they haven't yet developed the character-based judgment to counter the context.

How do you go about re-aligning systems? A simple principle leads to a precise prescription: "Wherever

competence resides, character belongs." This means that if you are not hiring, developing, rewarding, and promoting based on character and competence, you risk creating an actual culture at odds with your aspirational culture.

In addition, as we outline in our book *The Character Compass*, there is potential to explicitly align character with key levers such as boards, strategy, risk management, and Diversity, Equity, and Inclusion (DEI) initiatives, as described in our 2024 *Amplify* article "Infusing Leader Character into Workplace DEI Practices," all of which, alongside HR/Human Resources practices, shape and mold character. DEI programs, which are in retreat at the moment, would be well served by focusing on building the character it takes for both marginalized and established communities to demonstrate the habits of temperance, humility, and humanity to achieve the culture of respectful belonging and full engagement that all organizations seek. While it may sound daunting to create a culture of character, it need not be.

Diagnosing what the organization needs starts with understanding how some character dimensions are over-weighted or under-weighted and what might be required to restore it to the healthy middle (aspirational culture), as shown in Table 1. Organizational processes and practices may be systematically reinforcing some dimensions of character and not others. One of our key findings is that shifting some practices, like rewards, is more straightforward than others, such as selection, performance management, and promotion.

Because these HR practices rely on more than just understanding what character is, there is no shortcut around doing the development work that enables people to select and promote based on character, as described by Mary Crossan in her 2024 *Sloan Management Review* article "Make Character Count in Hiring and Promoting." While it is straightforward for people to observe and identify strengths and weaknesses of character when they know what they are looking for, the extra step of incorporating it into an interview or performance management conversation is like the difference between learning foreign language vocabulary and using it in daily practice.

*How do you go about
re-aligning systems?*

The way forward is clear.

This means that it will take time to change some practices, and individuals will need to start taking accountability for exercising their own character in a system that typically doesn't support it or is not yet fully character-aligned. For example, rather than complaining about the organization's reward systems, leaders can exercise their character by cultivating better success measures and gradually shifting the organization's systems.

Conclusion

So, what's been eating culture for breakfast? Based on our research, experience, and observations, we are convinced that character has been eating culture for breakfast. Having aspirational values and culture is wonderful, but they often remain aspirational without the "Inside-Out" foundation of character. The way forward is clear. Organizations need to strategically design the architecture of their value and culture programs with a rigorous, science-based character framework as the structural foundation and then recognize that they need to invest, reinforce, and cultivate this foundation continually.

We offer a set of pulse check questions that can help motivate moving from individual awareness that

character matters through development to changing organization practices.

1. Do I understand the importance of the dimensions of character and how they operate in a virtuous and vice state for me and others?
2. Do I have an exercise program that will help me strengthen my habits of character?
3. Regardless of my intention, am I aware of how my behaviors produce the outcomes in Table 1?
4. Can I map the organization's culture (and often sub-cultures) according to Table 1?
5. Do the organization's practices, including selection, compensation and reward, performance management, and promotion, tend to under-weight or over-weight dimensions of character?
6. Am I taking accountability to work on the organization to elevate character alongside competence?

Sustaining an aspirational culture is an ongoing journey that demands continued attention and investment at the "atomic particle" level of each individual member. When members and their leaders consistently behave with strong character, cultural programs can finally be truly, fully, and robustly animated, and culture can realize its promise of enabling strategy.

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