

# When Leaders Stop Living Their Values

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How Misalignment Breeds Toxic Culture and What  
Can Be Done to Restore Trust and Performance

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*Leadership Insight Report*



Only 10% of CEOs and 13% of managers consistently demonstrate moral leadership behaviors—meaning the vast majority fail to lead in alignment with their own values.

- HOW Institute for Society, *State of Moral Leadership in Business, 2024*

## Executive Overview

Despite billions spent on leadership development, toxic cultures remain the number one reason indicated for attrition and disengagement. The evidence points to a common root cause: leaders acting out of step with their values. Recent research (MIT Sloan, HOW Institute, Gallup, U.S. Surgeon General, 2024) shows that most cultural toxicity originates not in policy, but in values misalignment at the leadership level.

Leaders often fail not because they lack skill, but because they stop living their stated values—creating the conditions for fear, mistrust, and underperformance. The downstream effects are symptoms, not causes.

At Integra Business Leadership Academy, we've worked with hundreds of leaders across industries to reconnect stated values with lived behavior—restoring trust, cohesion, and performance.

This Leadership Insight Report explores the data, the psychology, and a proven process to restore alignment between what leaders say they believe and how they actually behave.



## Section I: The Evidence and Cost of Decline

A multi-source body of research since 2020 isolates toxic culture as a dominant driver of attrition and disengagement. The strongest signals include disrespect, exclusion, unethical conduct, and abuse. These are not generic cultural issues, rather they are the by-products of leadership values not lived.

The scale of impact is material. MIT Sloan estimates toxicity is an order of magnitude more predictive of attrition than pay. Gallup reports massive productivity loss tied to disengagement. Even more compelling, the Surgeon General frames toxic workplaces as a public health concern.

### What leaders do that makes cultures toxic

The “Toxic Five” leader-driven behaviors include being disrespectful, non-inclusive, unethical, cutthroat, and abusive. These have the largest negative impact on how employees rate culture. [1] These integrity gaps are core drivers of talent loss and disengagement. [2]

### Business impact

Leaders, by their behavior, create either a positive or negative work environment in their organizations. This environment and its impact go far beyond what it “feels like” to work there. Lest we think that there is no tangible impact on critical business performance metrics, the research states otherwise.

Attrition has long been documented as having a tangible impact not only on timely strategy execution, but also on speed to value. The time it takes to recruit, onboard, train and move a newly hired employee to be highly productive in role is easy to calculate. Leadership behavior creates culture and the data demonstrate its impact: A toxic culture is  $\sim 10.4\times$  more predictive of turnover than pay during the Great Resignation period—by far the strongest predictor across 170+ cultural topics. [3]

It's often quoted that people don't leave a company, they leave a bad manager. This isn't just a trite statement. The data indicate that in poor cultures, 54% cite a poor manager and 54% unfair treatment as top reasons they're looking to leave; employees in positive cultures are  $\sim 4\times$  more likely to stay (only 15% looking). [4]

The downstream impact of the toxic environment has both immediate and lasting impact on organizational performance in terms of productivity drag. Gallup estimates that the 2024 engagement slump cost \$438B in lost productivity globally; manager disengagement fell to 27% and cascades to teams. [5]

[1] [https://sloanreview.mit.edu/article/why-every-leader-needs-to-worry-about-toxic-culture/?utm\\_source=chatgpt.com](https://sloanreview.mit.edu/article/why-every-leader-needs-to-worry-about-toxic-culture/?utm_source=chatgpt.com)

[2] <https://sloanreview.mit.edu/article/toxic-culture-is-driving-the-great-resignation/>

[3] <https://sloanreview.mit.edu/article/toxic-culture-is-driving-the-great-resignation/>

[4] <https://www.shrm.org/executive-network/insights/shrm-report-workplace-culture-fosters-employee-retention>

[5] [https://www.gallup.com/workplace/349484/state-of-the-global-workplace.aspx?utm\\_source=chatgpt.com](https://www.gallup.com/workplace/349484/state-of-the-global-workplace.aspx?utm_source=chatgpt.com)



## Section I: The Evidence and Cost of Decline

And it goes even deeper in that working in a toxic culture can lead to health and performance risk: The U.S. Surgeon General warns that toxic workplaces harm mental and physical health and undermines performance; the framework calls out protection from harm, mattering, and voice as essentials for productivity. [6]

If that isn't troubling enough, there is a more sinister dynamic at play, integrity/compliance risk: 38% of global respondents—and 51% of senior managers / 67% of board members—say they would behave unethically for personal benefit, highlighting tone-at-the-top risk and potential reputational/financial exposure. [7]

Across thirty years of working with leaders, from founders to Fortune 500 executives, in both for-profit and nonprofit settings, we continue to see the same root-cause pattern surface, no matter the size or stage of the business:

When leaders fail to act according to their stated or internalized values, trust collapses which produces the very toxic behaviors that research shows drive turnover, disengagement, and poor performance.

Below are the themed outputs of our work and mapped it to the research on business impact.

Observed Themes	Executive-Relevant Impact	Business Metrics Impact	Research Correlation (2020–2024)
<b>When the leader's behavior exhibits:</b>	<b>It further...</b>	<b>...which results in:</b>	<b>As cited by research from:</b>
<b>Blame versus accountability</b>	Erodes ownership and trust in leadership; creates cultures of defensiveness and excuse-making	Increased turnover, higher recruiting costs, stalled execution	MIT Sloan (2022): Toxic culture is ~10x more predictive of attrition than pay
<b>Lack of Respect, Empathy, and Transparency</b>	Weakens psychological safety and sense of mattering; increases emotional fatigue	Higher burnout, absenteeism, healthcare costs	U.S. Surgeon General (2023): Respect, voice, and protection from harm are foundational to workplace well-being
<b>Lack of Trust and Empowerment</b>	Reduces engagement and confidence in decision-making; encourages passive compliance	Lower productivity and quality, missed innovation	Gallup (2024): Only 27% of managers are engaged; disengaged managers cost \$438B globally

[6] [https://www.hhs.gov/sites/default/files/workplace-mental-health-well-being.pdf?utm\\_source=chatgpt.com](https://www.hhs.gov/sites/default/files/workplace-mental-health-well-being.pdf?utm_source=chatgpt.com)

[7] [https://www.ey.com/en\\_il/insights/forensic-integrity-services/global-integrity-report?utm\\_source=chatgpt.com](https://www.ey.com/en_il/insights/forensic-integrity-services/global-integrity-report?utm_source=chatgpt.com)



## Section I: The Evidence and Cost of Decline

<b>Lack of Integrity and Moral Courage</b>	Undermines ethical climate and consistency; damages credibility of leadership	Reputation risk, ethics violations, compliance failures	HOW Institute (2024): Only 10–13% of leaders consistently demonstrate moral leadership
<b>Siloed or Non-Collaborative Decision-Making</b>	Slows execution and creates organizational drag; weakens enterprise alignment	Loss of strategic agility, delayed results, duplication of effort	McKinsey (2023): 75% of executives report poor cross-functional collaboration as a major execution barrier
<b>Micromanagement and Over-Control</b>	Signals lack of trust; stifles initiative and creativity	Productivity loss, disengagement, higher turnover among high performers	Gallup (2024): Engagement gaps among managers drive substantial global productivity losses
<b>Emotional Volatility and Reactivity</b>	Creates instability in teams and emotional withdrawal from leaders	Elevated stress, disengagement, increased health-related costs	APA (2022): 60% of employees report toxic leaders harm their mental health
<b>Exclusion and Bias</b>	Undermines belonging and limits contribution from diverse perspectives	Reduced retention, innovation, and decision quality	Catalyst (2023): Inclusive leadership yields 3× higher engagement and 2× innovation outcomes
<b>Non-Communication and Secrecy</b>	Diminishes credibility and alignment; fosters rumor and mistrust	Decline in stakeholder loyalty and internal trust indices	Edelman Trust Barometer (2024): Trust is now built through transparency and demonstrated competence

These symptoms - attrition, disengagement, poor collaboration, decision paralysis - are surface-level effects of a deeper moral and behavioral breakdown.

When leaders drift from their values, organizations pay the price. Integrity lapses erode trust; trust loss breeds disengagement; disengagement drives turnover and execution failure. Toxicity is not a culture issue—it's a leadership values issue.

*Notes:*

1. Donald Sull, Charles Sull, and Ben Weinberg, "Toxic Culture Is Driving the Great Resignation," *MIT Sloan Management Review* (January 2022).

2. Gallup, *State of the Global Workplace Report 2024* (June 2024).

3. Office of the U.S. Surgeon General, *Framework for Workplace Mental Health & Well-Being* (2023).



## Section II: The Psychology of Misalignment

Integrity rarely disappears all at once. It erodes quietly, one small justification at a time, until the separation between what leaders believe and what they do feels normal. Albert Bandura's research on moral disengagement helps explain how people come to rationalize behavior that once would have felt wrong. In organizational life, the pressure to deliver, the complexity of competing interests, and the fatigue of constant change provide fertile ground for that erosion.

Employees recognize misalignment faster than most leaders think. They notice when actions don't match stated values. Some withdraw to protect themselves; others stop speaking up, and eventually the most principled ones leave. That's the tipping point where misalignment hardens into toxicity—the moment when self-preservation replaces shared purpose.

At its core, our premise is simple: leadership becomes toxic when leaders separate what they do from who they are. When skills operate apart from values, technical proficiency masks moral drift. True leadership requires integration—values, business capability, and the judgment to make choices that honor both. Failing to live one's values isn't a side note in culture work; it's the starting point of decline. Integrity, humility, courage, compassion, and selflessness are not optional virtues—they are the architecture of sustainable leadership. We call this “Leadership Rendered Whole.”

### **The Values–Behaviors–Choices Model**

When values, behaviors, and choices are aligned, leadership integrity and organizational performance reinforce one another. Values define who you are. Principles like integrity, humility, courage, and compassion shape trust and moral clarity. When these are compromised, rationalization and fear take their place.

Behaviors are the outward expression of those values through communication, accountability, collaboration, and recognition. Alignment here creates a climate of safety and shared ownership; misalignment shows up in gossip, silos, and micromanagement all evidence that trust has weakened.

A leader's choices expose their priorities. These choices either enhance or detract from their positive leadership impact. Consistent, transparent decisions strengthen confidence while decisions driven by short-term personal gain or favoritism fracture it. Each individual leader's choices, combined with those of other leaders in the organization, create the culture. Together they can build credibility and momentum. When they make choices that are misaligned with their values, the aggregate of impact creates confusion, disengagement and lost momentum on critical work priorities.

### **Understanding the Values Gap**

Integrity doesn't collapse overnight; it drifts through a series of micro-erosions. Avoiding difficult conversations. Withholding truth under the guise of “protecting the team.”



## Section II: The Psychology of Misalignment

Placing results ahead of respect. Over time, these small acts accumulate until leaders no longer recognize the distance between who they are and what they've become.

Psychologically, this drift produces moral dissonance—the discomfort that arises when behavior contradicts belief. Instead of realigning, many leaders rationalize the gap, convincing themselves their intent justifies the outcome. The resulting culture feels inconsistent and unsafe. People hear one message but experience another. What employees perceive as hypocrisy is often simply unexamined dissonance.

The research is clear that the hallmark behaviors creating toxic environments such as disrespect, lack of empathy, and inconsistency don't begin as character flaws. They begin as tolerated misalignments. The longer they persist, the more they shape how people think, decide, and lead.



## Section III: Case Analysis - Values in Action

### Integra's Framework for Restoring Alignment

Integra's Guiding Principles Workshops consistently reveal how organizations repair culture when values and behaviors reconnect. Positive behaviors surface when values are lived. Negative ones appear when those values are denied. This is not an exercise designed to build a poster to hang in hallways or as a corporate background for laptops. Rather it is a deep exploration that helps leadership teams bring their values and actions back into alignment thereby creating a pathway for a culture of positive accountability.

In one executive team responsible for eight functions and more than two thousand employees, leaders co-created six shared commitments that clarified expectations, reduced rework, and brought consistency to decision-making. A family enterprise resolved recurring tension by naming personal agendas, aligning on long-term goals, and establishing transparent communication rituals. In every case, the workshop acts as an intervention that exposes and repairs misalignment between what people say they value and what they actually practice.

**Phase 1:** Reflection invites teams to identify recent examples of both positive and negative behaviors—what has reflected aspirational values and what has violated them in the past few weeks. This creates the emotional honesty necessary for real awareness.

**Phase 2:** Commitment turns insight into action. Teams co-create five “We will...” statements that

*Notes:*

1. Albert Bandura, “Selective Moral Disengagement in the Exercise of Moral Agency,” *Journal of Moral Education* 31, no. 2 (2002): 101–119.
2. American Psychological Association, *Work and Well-Being Survey 2022* (October 2022).



## Section III: Case Analysis - Values in Action

define their shared behavioral commitments. These become a moral contract that strengthens trust and mutual accountability.

**Phase 3:** Accountability sustains the change through monthly self-assessments. Teams use their own commitments as a mirror for reflection, humility, and improvement.

### **Fewer Posters, More Principles**

Across business types including pharma, nonprofits, growth stage and family-owned business alike, the results have been tangible: stronger cohesion, greater transparency, faster decision-making, and higher engagement.

External research reinforces these outcomes. Teams that build trust and accountability rituals achieve engagement gains of up to 70% (Gallup 2024). Organizations where leaders model values experience three times higher retention (MIT Sloan 2022). Moral leadership continues to correlate with stronger financial performance and reduced reputational risk (HOW Institute 2024).

Below are the outputs across all business types and sizes. To exhibit the positive behaviors is a choice as is the decision to allow micro erosions and exhibit the negative, toxic behaviors. When leaders are faced with the choice of stating “I am honest” with its opposite “I am dishonest” the stark reality hits home. Many attempt to rationalize by stating that certain situations create the “need to allow different decisions at different times.” This is simple rationalization of behavior. There is no grey area. There is no behavioral category called “sort of honest.”

Theme	Positive Leadership Behaviors	Negative / Toxic Behaviors	Value in Question
<b>Integrity &amp; Accountability</b>	Admitting mistakes; owning results; honesty and transparency; consistent follow-through	Lack of honesty; blaming others; not owning mistakes; inconsistency	Integrity, responsibility, trustworthiness
<b>Respect &amp; Empathy</b>	Respect for each other; humility; compassion; active listening; valuing others' opinions	Disrespect; dismissiveness; lack of empathy; cutting others off; implicit bias	Respect, empathy, human dignity
<b>Trust &amp; Psychological Safety</b>	Creates safety for differing opinions; no micromanagement; empowers others; transparent communication	Lack of trust; micromanaging; fear-based leadership; gossip	Trust, openness, fairness



## Section III: Case Analysis - Values in Action

<b>Communication &amp; Alignment</b>	Clear, open, frequent, transparent communication; clarity of goals; alignment of vision	Unclear or mixed communication; holding back information; “fake fires”; silos	Honesty, clarity, collaboration
<b>Courage &amp; Moral Fortitude</b>	Courage to make hard decisions; courage to speak up; stand up for team members	Avoidance; fear; emotional reactivity; defensiveness	Courage, justice, moral leadership
<b>Self-Awareness &amp; Growth Mindset</b>	Self-awareness; openness to feedback; humility; learning from mistakes	Lack of self-awareness; resistance to feedback; ego-driven	Authenticity, growth, humility
<b>Collaboration &amp; Shared Purpose</b>	Shared vision; “not me but us”; cross-functional collaboration; unity of goals	Silos; personal agendas; fiefdoms; jealousy	Unity, service, stewardship
<b>Consistency &amp; Reliability</b>	Follow-through; predictability; transparency in decisions	Inconsistent behavior; surprises; no follow-up; non-communication	Reliability, steadiness, dependability
<b>Empowerment &amp; Inclusion</b>	Delegates authority; allows autonomy; invites diverse ideas	Control; overreach; exclusion; taking advantage of others	Empowerment, equity, inclusion
<b>Emotional Regulation &amp; Logic</b>	Calm under pressure; uses logic and facts; separates emotion from reaction	Emotional volatility; reactionary decisions; fear, jealousy, defensiveness	Self-control, fairness, reason



## Section IV: Integra Methodology - Leadership Rendered Whole

### Redefining Leadership Development

Traditional leadership training focuses on competence; the next generation must integrate conscience. Skills without moral grounding accelerate toxicity rather than prevent it. The future of leadership readiness lies in alignment, not advancement, in closing the distance between what leaders know and who they are when they lead.



## Section IV: Integra Methodology: Leadership Rendered Whole

**True change begins where positional authority meets personal integrity.**

- *Audit your own alignment: Where am I saying one thing but doing another?*
- *Create space for your teams to safely name value breaches.*
- *Reward courage and moral clarity over compliance and comfort.*
- *Treat “values drift” as a strategic risk equal to financial or reputational risk.*

External research reinforces this movement. Teams that embed trust and accountability rituals see engagement gains of up to 70% (Gallup, 2024). Organizations where leaders consistently model values achieve three times higher retention (MIT Sloan, 2022). Moral leadership continues to correlate with stronger financial performance and lower reputational risk (HOW Institute, 2024).

When reflection becomes practice, and accountability becomes culture, leadership creates execution velocity: the power of values, fully lived, moving organizations forward with integrity and intent.

Values Alignment Level	Leader Behaviors	Cultural State	Business Outcomes
	Honest, consistent, recognizes, invites dissent	Trust, psychological safety	Fast decisions, higher retention
	Selective transparency, avoids some hard calls	Uneven safety, mixed signals	Slow execution, rising friction
	Defensive, micromanages, withholds info	Fear, gossip, silos	Attrition, rework, reputational risk
	Public commitments, speak-up rituals, peer accountability	Rebuilding trust	Execution recovery, engagement gains

Notes:

1. Gallup, *State of the Global Workplace 2024*.

2. The HOW Institute for Society, *State of Moral Leadership in Business 2024*.

3. Edelman, 2024 Trust Barometer (January 2024).

4. Harsh Bedi, Cengiz Alpaslan, and S. Green, "A Meta-Analytic Review of Ethical Leadership Outcomes," *Journal of Business Ethics* 139 (2016): 517–536.



## Section V: Conclusion - The Case for Alignment

### The Economic Case for Moral Leadership

The business argument for moral leadership has never been clearer. Ethical leadership consistently aligns with profitability, innovation, and long-term resilience. As investors, employees, and communities redefine what they expect from corporate behavior, integrity has become a core operating capability, not a slogan. It's now part of how organizations compete and sustain advantage.

When integrity is embedded in daily decisions, execution accelerates because trust substitutes for bureaucracy. People no longer waste energy navigating politics or protecting themselves from inconsistency. The result is cleaner decision-making, faster coordination, and a renewed sense of shared purpose. Moral clarity becomes the engine that converts alignment into momentum, the movement from values to velocity.

Organizations grounded in moral alignment don't outperform because of slogans or systems; they outperform because conviction becomes coordinated action. Integrity scales execution. It converts belief into speed, and trust into measurable performance. In an era defined by complexity and scrutiny, integrity isn't an accessory to strategy—it is strategy. Toxic culture, by contrast, is not a personality problem. It's a values problem. And the cure isn't another workshop. It's a return to conscience.

### The Path Forward

Leaders can begin now. There's no need for a new program or consultant engagement to start realigning behavior with belief. Begin with an honest values audit. Ask yourself and your teams where words and actions no longer match. Create space for people to name those gaps without fear or blame. Together, codify five "We will" commitments that express how your team intends to live its values. Review them monthly. Measure trust, transparency, and integrity with the same cadence you measure output and cost. Change shows up first in conversations, then in decisions, and finally in results.

Values misalignment rarely starts in systems; it starts in people. Small fractures in behavior—fear, ego, avoidance, dishonesty—quietly compound into cultural toxicity. Left unaddressed, they manifest as turnover, disengagement, and performance decline. These outcomes are not the disease; they are the symptoms of leaders living out of alignment with their conscience.

The core insight is straightforward: toxicity doesn't stem from bad intent, it stems from good leaders who drift from their values. When courage, humility, and respect become conditional, fear fills the gap they leave. Reversing that drift isn't about moral perfection; it's about daily consistency. Leadership that repeatedly chooses alignment creates the conditions for organizational speed, clarity, and trust. That's what it means to move from values to velocity.

#### Notes:

1. Office of the U.S. Surgeon General, *Framework for Workplace Mental Health & Well-Being* (2023).
2. Gallup, *State of the Global Workplace Report 2024* (June 2024).



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