The Real Cost of Poor Organisational Culture

Introduction:
A Post-Covid Paradigm Shift in Workplace Culture

The aftermath of the Covid-19 pandemic has fundamentally reshaped what employees expect from their workplaces. Workers across Australia, the UK, the USA, Canada, and New Zealand are increasingly prioritising meaning, wellbeing, flexibility, inclusion, and psychological safety in their jobs. In fact, surveys show that an overwhelming 92% of employees now say it's important to them to work for an organisation that values their emotional and psychological well-being, and 95% insist on feeling respected at work and having their work-life boundaries honored. As one global workforce report put it, "They need work to satisfy them personally and professionally, giving them the flexibility that so many people have come to expect… They want a supportive company culture that strives for fairness and inclusivity".

In this new paradigm, outdated cultural models aren't just ineffective – they're actively destructive. The old top-down, rigid cultures that might have been tolerated in the past are now driving people away. Employees who emerged from the pandemic are less willing to put up with toxic or suffocating environments. They demand purpose and respect, not just a paycheck. They expect leaders to care about mental health, diversity, and safety – not as slogans, but as daily reality.

Unfortunately, many organisations have been slow to adapt, clinging to cultural norms that no longer work. The result? A host of costly consequences. A toxic or unhealthy culture exacts a real toll on people and performance – in ways that executive leaders and HR professionals can no longer afford to ignore. Recent studies underscore that a toxic workplace is not a minor irritation; it's an enterprise-level risk. For example, 19% of workers in a 2023 survey said their workplace culture was "somewhat or very toxic," and those employees were three times more likely to report mental health harm at work compared to employees in healthy environments (52% vs 15%). It's no wonder that headlines about the "Great Resignation" and "quiet quitting" have put culture in the spotlight.

This report explores the real cost of poor organisational culture through eight major consequences:

1. High Staff Turnover
2. Burnout & Mental Health Issues
3. Low Psychological Safety
4. Poor Productivity & Discretionary Effort
5. Change Resistance & Poor Agility
6. Silos, Politics & Us-vs-Them Thinking

7. Brand and Reputation Erosion
8. Legal and Compliance Risk

For each, we'll provide recent (2023–2025) data and statistics, real-world case studies, and direct quotes from employees who have lived these issues. The picture that emerges is clear: culture isn't a "soft" issue – it's a bottom-line issue. A bad culture acts like a poison in an organisation's veins, sapping morale, driving out talent, and even sinking business outcomes. By contrast, a healthy culture can be a superpower – fueling engagement, loyalty, innovation, and resilience.

In the post-Covid world, culture is no longer an afterthought; it is the key to survival and success. As we delve into the costly effects of cultural failure, keep in mind that each of these problems is avoidable. In the conclusion, we'll hint at solutions and a path forward – a "Culture Cure" roadmap – that can turn these risks into opportunities. Leaders who get culture right will attract the best people, unlock higher performance, and future-proof their organisations. Those who ignore culture, on the other hand, will pay the price detailed in the pages that follow.

Let's examine each of the eight consequences in turn.

1. High Staff Turnover

Nothing reveals a cultural problem quite like high employee turnover. When workplace culture is toxic or misaligned, people leave – plain and simple. In the past two years, study after study has confirmed that a negative culture is the number one driver of employees quitting jobs. In a 2023 retention report, 32.4% of employees who quit their job cited a “toxic or negative work environment” as the leading reason – making it the single most common cause of attrition, above even pay or career moves. (By comparison, poor leadership was the second most cited reason at 30.3%, and dissatisfaction with one’s manager was third at 27.7%.) This reflects a stunning shift: employees are literally walking out the door to escape bad cultures, even more than for better pay. As the SHRM researchers noted, “employees often prioritize a healthy work environment, strong leadership, and positive relationships over salary”. Unsurprisingly, employers often underestimate this – only 15% of employers in that survey realized toxic culture was a top issue, indicating a dangerous disconnect.

The Great Resignation that peaked in 2021–2022 was a wake-up call, largely fueled by culture backlash. While the overall quit rates have tempered somewhat (44.5 million Americans quit in 2023, down from 50 million in 2022), underlying engagement hasn’t improved. If anything, employees are now quicker to resign when they sense a toxic atmosphere. Surveys show 62% of workers have quit a job specifically due to a toxic company culture . The financial cost of this churn is enormous. Every departure costs companies one-half to two times that employee’s annual salary in recruiting, training, lost productivity, etc.. Gallup estimates U.S. businesses lose around $1 trillion per year replacing employees who voluntarily leave. High turnover also creates a vicious cycle internally – when one person quits, their teammates feel the strain of extra work and may become more likely to leave as well.

Real-world case studies illustrate the turnover-culture link vividly. Consider ExxonMobil, a 140-year-old industry giant, which in 2022–2023 experienced its highest staff turnover since 1999 after a series of cultural missteps. Over two years, 12,000 employees left Exxon, and less than half of those were due to layoffs – the rest were voluntary exits. What was happening? Reporting by Bloomberg and others revealed an “insular, fear-based culture” inside Exxon that was badly out of step with employee expectations. Management’s authoritarian style had employees feeling disrespected and fearful, and even a virtual staff “awards” town hall turned into a venting session for frustrated workers. The exodus at Exxon shows that even lucrative pay and prestige can’t retain talent in a toxic culture. Employees will reach a breaking point where they decide no paycheck is worth a hostile environment. As one Glassdoor review bluntly put it: “Leadership’s inability to foster a respectful and supportive environment has led to high turnover and low employee satisfaction”. Another employee lamented the chaos created by constant departures, saying “training is practically non-existent and if you are lucky to be thrown into a new position (due to the high turnover) expect very little guidance and support”.

Employee voice: “The culture is toxic and it ruined my mental health as well as many others who I worked with. I will not be recommending anyone I know… [to work here].” – 1-star Glassdoor review by an employee describing why they left a company

This kind of feedback is tragically common on employer review sites – workers describing toxic cultures driving them away. High turnover then becomes both a symptom and a cause of cultural decay. When good people keep leaving, those who remain grow demoralised and overloaded, new hires are hard to attract, and a sense of instability sets in. It's a downward spiral that can ultimately threaten an organisation's ability to operate.

The cost of high turnover from poor culture is measurable and severe: recruiting expenses skyrocket, institutional knowledge walks out the door, customer service suffers due to constant staff changes, and remaining employees disengage. Perhaps most damaging is what it signals – that the employer has lost the trust and loyalty of its people. In today's tight labor markets, companies simply cannot afford to hemorrhage talent because of preventable cultural issues. Stemming the tide of turnover requires addressing the toxic behaviors and conditions that send employees running for the exits.

2. Burnout & Mental Health Issues

A poor organisational culture often manifests in employees who are burnt out, exhausted, and struggling with mental health issues. Toxic and unsupportive workplaces fuel stress in multiple ways – through overwork (“hustle” culture and lack of balance), through anxiety and fear, or through sheer emotional drain. Post-pandemic, workers are more vocal about these issues, and the data is alarming. According to a late-2023 report, 65% of employees said they suffered from burnout in 2023, with 72% stating that burnout was negatively impacting their job performance. While that burnout rate was slightly lower than the year before, it remains extraordinarily high – essentially two in three workers feeling persistently drained. Similarly, an American Psychological Association survey in 2023 found 77% of U.S. workers had experienced work-related stress in the past month, and over half (57%) reported negative outcomes tied to workplace burnout, such as irritability, fatigue, lack of motivation, or even physical symptoms. In that study, 31% of employees said they had felt “emotional exhaustion” from work in the prior month – a hallmark of burnout.

The mental health toll of poor culture is not just self-reported feelings; it shows up in concrete outcomes. In one survey, 25% of workers who felt disrespected or unfairly treated said it directly worsened their mental health (e.g. causing anxiety or depression). And distressingly, toxic workplaces have even been linked to tragic outcomes like suicides. For example, an investigation in Australia in 2022 was prompted by a young auditor at a Big 4 accounting firm taking her own life, which colleagues attributed in part to a “culture of overwork” and relentless 70-80 hour weeks during peak periods. Former staff from multiple major firms described the environment as an “iron man contest” – essentially a twisted badge-of-honour competition about who can endure the most stress and sleep deprivation. This points to an ingrained cultural problem: in some companies, overwork and burnout are shrugged off as normal or even virtuous. But the human cost is enormous. (Not incidentally, excessive working hours are strongly correlated with mental health injuries and even higher turnover later on.)

There is also a contagion effect to burnout. When an organisation’s culture pushes people past their limits, it’s not only the individual who suffers; team productivity and innovation suffer too. Burnt-out employees are less efficient, make more errors, and withdraw from collaboration. They also take more sick days and are more likely to eventually quit, creating further disruption. A 2023 analysis highlighted that burnout was a top reason for the phenomenon of “quiet quitting,” where employees psychologically check out and only do the bare minimum. In other words, poor culture can drive employees to actively disengage as a self-protective response. As one expert noted, “Doing the bare minimum is a common response to [a] bullshit job or abusive boss” – in other words, burnout often isn’t about worker laziness, but about workers coping with broken culture.

Consider the case of the banking industry’s junior staff. In 2021, a group of Goldman Sachs investment banking analysts famously leaked a slideshow detailing horrific 100+ hour weeks, declining physical and mental health, and near-zero work-life balance – essentially calling out their firm’s culture as inhumane. That story made waves (Goldman eventually promised to hire more bankers and adjust hours), but by 2023 similar stories were emerging elsewhere. It’s not limited to banking; from hospitals to tech startups, employees have begun to revolt against burnout culture. In one tech company review, an employee said management expected people to “work 24/7 and care little for your wellbeing”. In a media company, an employee wrote that the “toxic culture…

ruined my mental health”. These candid testimonials show how culture and burnout are intertwined.

Employee voice: “The culture is toxic, misogynist, and very unbalanced. Management expects you to work 24/7 and cares little for your wellbeing.” – Anonymous employee review describing a burnout-inducing workplace

The cost of burnout and poor mental health in an organisation is multifaceted. On one hand, there are direct costs: higher absenteeism, more healthcare claims, and lost productivity (burned-out employees are far less productive and creative). A recent HR report noted 72% of employees say burnout has impaired their performance at work – meaning companies are essentially paying salaries without getting full output in return, due to burnout. On the other hand, there are indirect costs: damage to morale and employer brand, higher error rates or safety incidents, and ultimately turnover of valuable people. For instance, in one survey 35% of employees who felt a lack of respect/belonging at work ended up quitting their jobs, and 29% reduced their work effort (“working less than usual”) – clearly linking poor culture to both attrition and presenteeism.

Crucially, burnout is highly preventable with a healthy culture. Organisations that encourage reasonable work hours, provide support resources, foster psychological safety (so employees can admit when they’re overwhelmed), and model healthy work-life balance from the top are seeing far less burnout. Indeed, 77% of workers in a 2023 poll said their employer’s support for mental well-being was at least “somewhat” satisfactory – which is good, but leaves almost a quarter unsatisfied. As leaders, this is an area demanding urgent attention. If your culture implicitly sends the message that “we don’t care if you’re burning out, just get the job done,” then expect to pay for it through exhausted people, higher medical leaves, and talent loss. Conversely, a culture that genuinely promotes employee well-being will reap rewards in engagement, loyalty, and performance. Burnout is a flashing red warning sign that your culture is failing your people – and by extension, failing your business.

3. Low Psychological Safety

Psychological safety refers to an environment where people feel safe to speak up with ideas, questions, or concerns without fear of punishment or ridicule. It’s a crucial ingredient for innovation, ethical behavior, and employee engagement. Unfortunately, in many organisations with poor cultures, psychological safety is abysmally low. Employees feel afraid to voice their opinions or report problems, leading to a “silent danger” – issues fester in the dark, and front-line knowledge is lost because people keep their heads down.

Studies indicate that this is a widespread problem. A 2023 global survey across 42 countries found that only 8% of employees characterized their workplace as having a “strong speak-up culture” (i.e., an environment that truly encourages open communication). In the same research, the majority of employees reported various barriers to speaking up – chiefly a sense that management doesn’t really want to hear bad news and a fear of retaliation if they rock the boat. Another survey of 4,500 employees in 2023 revealed that 51% felt they could not share their opinions freely at work. More than four in ten workers did not feel consistently respected or treated fairly by their higher-ups – a sign that many expect negative consequences if they say something contrary. Perhaps most tellingly, younger employees (Gen Z) are the least likely to speak up about misconduct; over half of Gen Z workers admitted they stayed silent about workplace problems primarily out of fear of retaliation from management. These data points paint a concerning picture: in many organisations, people are walking on eggshells.

What does low psychological safety look and feel like on the ground? One vivid description came from an employee of a large healthcare organization, who said: “There’s zero psychological safety. People are constantly walking on eggshells, afraid to speak up or make a wrong move.”. In such cultures, employees learn that it’s safer to stay quiet – even when they see something unethical, inefficient, or potentially disastrous. This directly contributes to other issues: for example, fear of speaking up was a factor in the infamous Boeing 737 Max crisis, where engineers reportedly kept quiet about safety concerns due to pressure and a culture of denial. Similarly, at Wells Fargo during its fake accounts scandal (discussed later in Legal Risk), numerous employees knew the sales practices were problematic but felt they’d be punished or fired for raising objections. Low psychological safety can thus enable wrongdoing and suppress early warnings, creating huge risks.

Even more routine, the lack of safety stifles improvement and engagement. Teams without psychological safety will avoid taking risks or sharing new ideas, which is deadly for innovation. They will also hesitate to ask for help or admit mistakes, which can lead to quality issues. In contrast, Google’s famous internal research (Project Aristotle) found that psychological safety was the number one factor distinguishing high-performing teams. When people feel safe, they collaborate better and catch problems sooner. When they don’t, communication shuts down. “We have a pretty toxic, top-down culture where no one challenges the status quo,” one employee might say – and that is a recipe for stagnation.

A case in point: Uber’s culture under its previous leadership (pre-2017) was notoriously hostile to dissent. Employees who spoke up about harassment or unethical behavior were ignored or reprimanded, as detailed by former employees. This led to a massive public scandal and an eventual overhaul of leadership, but only after significant damage was done. Or consider a less famous example: a mid-size manufacturing company where an anonymous employee review noted, “Employees are afraid to speak up, even when they have valuable insights to share. The lack of innovation is evident…management doesn’t listen.”. That company struggled to keep up with competitors, precisely because it had squashed the voice of its own workforce.

Employee voice: “There’s zero psychological safety here. People are constantly walking on eggshells, afraid to speak up or make a wrong move.” – Employee at a health org, describing a culture of fear

The cost of low psychological safety is sometimes invisible until it explodes. It’s the project that fails because team members didn’t flag a flaw. It’s the customer issue that goes viral because front-line staff were too scared to escalate it early. It’s also the personal toll on employees – working in fear and silence is stressful and demoralising (indeed, feeling unable to speak up correlates with lower well-being and higher intent to leave). Moreover, when psychological safety is low, diversity and inclusion efforts suffer – because if non-majority employees don’t feel safe calling out microaggressions or biases, those issues persist and eventually those employees may quit. In short, a culture lacking psychological safety is a fragile one: it may look fine on the surface, but it’s one unpleasant surprise or ethical lapse away from crisis.

Leaders should note that improving psychological safety is entirely achievable, but it requires deliberate changes: encouraging managers to truly listen (and not shoot the messenger), rewarding people who flag issues or offer ideas, training teams in constructive debate, and enforcing zero tolerance for retaliation. The payoff is significant – higher trust, more openness, and often a surge in innovation. In today’s complex, fast-moving environment, no organisation can afford a culture of silence. As the U.S. Surgeon General’s 2022 framework on workplace mental health put it, mattering at work and having a voice are essential to well-being. Conversely, if your employees are afraid to speak up, your culture is broken – and your business risks are mounting daily.

4. Poor Productivity & Discretionary Effort

One of the subtler but most pervasive costs of a poor organisational culture is lost productivity – especially the loss of what's often called "discretionary effort" or the above-and-beyond initiative that engaged employees give. In a healthy culture, people are motivated to give their best, contribute new ideas, and stretch to achieve goals. In a toxic or demoralising culture, people do only what they must to get by – the classic "malicious compliance" or quiet quitting scenario. They become, in effect, clock-punchers, because the environment gives them no reason to invest more energy or passion.

The past couple of years have shone a spotlight on this issue with the rise of terms like "quiet quitting." Gallup's global workplace research in 2022–2023 found that roughly 50% of the workforce could be classified as 'quiet quitters' – people who are psychologically disengaged and just doing the bare minimum at work. Only about 21% of employees worldwide reported being actively engaged in their jobs, which means the majority are not bringing extra effort. Why? A leading cause cited is a lack of supportive, engaging culture. People don't feel appreciated, don't see purpose in their work, or have burned out (as covered earlier), so they put in minimal effort. As one candid employee put it on an online forum: "I remind myself daily to do the bare minimum at my job since they don't care about you.". That kind of sentiment is a direct product of a poor culture – essentially, the employee is matching the organisation's perceived lack of care with their own lack of effort.

This withdrawal of discretionary effort has real financial impact. One estimate by Gallup pegs the cost of disengaged employees (who are less productive, more error-prone, etc.) at up to $550 billion per year in lost productivity for U.S. companies. Disengaged workers are less likely to solve problems proactively or to wow customers – in fact, they often do the minimum to avoid negative attention. Productivity metrics often show these effects: for instance, teams with low engagement (often a proxy for cultural issues) have 18% lower productivity and 23% more profitability loss compared to high-engagement teams, according to Gallup's meta-analyses. In late 2023, as economic uncertainties grew, some companies noticed a paradox: although fewer people were quitting (for job-security reasons), engagement wasn't rising – meaning many employees stayed but were coasting . That "presenteeism" (physically present but not mentally invested) can quietly erode output.

Poor culture can hurt productivity in obvious ways too: internal conflicts, bureaucracy, and lack of trust slow everything down. If your culture is riddled with infighting or politics (see next section), employees spend more time navigating drama than doing work. If your culture micromanages and disempowers people, employees won't take initiative – they'll wait for instructions for everything, which is inefficient. Low psychological safety (section 3) also hits productivity: people won't point out process improvements or mistakes, so errors go uncorrected and efficiency ideas die on the vine.

A telling case study is the contrast between companies that foster a culture of engagement and those that don't. Take Company X, a large retail chain that struggled with a toxic store-level culture: employees felt underpaid and unappreciated by managers who only pointed out faults. According to reports, absenteeism was high and sales lagged, as employees did the least required. Customers could sense the apathy. Now compare to Company Y, where leadership invested in recognition programs, two-way feedback, and a positive team spirit – their same-store productivity was markedly higher, with employees often volunteering ideas to improve displays or save costs. The difference? Culture. It's not hypothetical: numerous studies show a strong correlation between positive culture (often measured via engagement surveys or Glassdoor ratings) and better business performance – including productivity, quality, and even stock returns.

When culture is poor, you also lose the benefit of discretionary creativity. People in a negative environment typically do not go out of their way to solve problems or delight customers; they rarely volunteer new ideas (why bother if suggestions aren't valued?). In extreme toxic cultures, employees may even sabotage or withhold effort as a form of protest. For example, in one notorious case at a big-box bank, disgruntled employees, feeling unheard about unrealistic sales goals, simply stopped trying – some even took mental health leaves en masse to make a point. Productivity plummeted until leadership finally addressed the cultural issues.

Employee voice: "Management is resistant to change and any innovative ways of working. We're just in a rut doing things the same inefficient way." – Employee describing stagnation due to cultural inertia

The quote above (also relevant to the next section on change) shows how a closed culture becomes a productivity sink. When new, more efficient methods are shot down, teams are stuck with outdated processes that waste time and effort. A flexible, open culture, by contrast, actively seeks ways to work smarter, boosting productivity.

In summary, the cost of a poor culture on productivity is like an iceberg – some of it is visible in metrics (missed deadlines, low output, high error rates), but much of it lurks beneath the surface (untapped effort, unshared ideas, slow responses). Companies pay for it in lost profits, slower growth, and inability to fully execute their strategy. The flipside is also true: a strong, positive culture can unlock discretionary effort and then some – employees will go the extra mile, solve problems before they escalate, and continuously improve the business. It's no coincidence that the best places to work (as per Fortune or Glassdoor rankings) tend to also be top performers financially; their cultures create an army of engaged, high-performing workers. Leaders who ignore culture risk overseeing a team of "quiet quitters" – people who might not leave the company, but have mentally quit giving you their best. And that, in the long run, can be just as damaging as high turnover.

5. Change Resistance & Poor Agility

In today's fast-paced world, an organisation's ability to change and adapt quickly – its agility – is often the difference between thriving and failing. Poor organisational culture can severely impede this agility by breeding resistance to change. If your culture is one where new ideas are met with suspicion, where "this is how we've always done it" reigns supreme, or where change efforts are poorly communicated and distrusted, you will find transformations grinding slowly or failing outright. Cultural resistance is, in fact, one of the top reasons that around 70% of change initiatives and business transformations fail, a statistic consistently noted by consulting firms over decades. And new evidence suggests it's only getting worse: a late-2024 executive survey (published in HBR) found a stunning 91.2% of organisations reported that the greatest barriers to improving business performance were cultural barriers – not technology, not finance, but culture. Culture eats strategy for breakfast, indeed.

What does cultural change resistance look like? It can take many forms:

- Employee Cynicism – In companies with a history of failed change efforts or broken promises, employees may greet any new initiative with eye-rolls and folded arms. A lack of trust in leadership makes people think "this too shall pass" and just wait out the change without engaging.
- Middle Management Roadblocks – Sometimes a toxic middle management layer, protective of their fiefdoms, will subtly (or not subtly) sabotage changes that threaten their power or comfort. They might pay lip service but not actually execute the changes, or filter out messages from the top.
- Bureaucracy and Silos – If the culture values preserving the hierarchy over agility, any change requiring cross-functional cooperation might stall. Rigid approval processes and fear of taking responsibility can slow innovation to a crawl.
- "Not Invented Here" mentality – A culture that is inward-looking may resist adopting external best practices or new technologies simply because they weren't developed internally, leading to missed opportunities and stagnation.

One illustrative case is that of Kodak – often cited as a company that technically knew change was needed (they invented the digital camera sensor!), but whose culture couldn't embrace it. Kodak's corporate culture was so tied to its legacy film business and so siloed that internal advocates for digital photography were marginalized. The result: Kodak fell catastrophically behind in the digital revolution. Insiders later described a culture of denial and turf-protection that prevented the radical transformation Kodak needed in the 1990s. By the time the organisation tried to change, it was too late. Similarly, Nokia's downfall in the smartphone era has been attributed in part to a culture of fear that prevented bad news from reaching top executives – managers were afraid to admit that Nokia's Symbian software was falling woefully behind Apple's iOS, so top leadership persisted on a wrong course until it was irrecoverable.

Even on a smaller scale, many companies see new initiatives falter due to cultural pushback. We often hear phrases like "We tried launching an agile transformation, but it never took root – people kept reverting to old habits." That usually signals that the hearts and minds weren't won; the culture beneath the change remained unchanged. If employees don't believe in the change or don't feel safe experimenting with new ways, the status quo will prevail. One employee's comment on Glassdoor underscores this problem: “Old culture…resistant to change – any improvements suggested just get buried.”. Another said, “They are resistant to change and innovative ways of working,” referring to top leaders. These are red flags that an organisation might be stuck and slow while competitors (with more agile cultures) speed ahead.

Employee voice: “They create an ‘us vs them’ environment. There is no leadership, no one watches out for collaboration… It’s very resistant to any change.” – Employee describing a divisive, change-averse culture

The quote above bridges into silos as well, but the point is clear – a divided, us-vs-them culture is death to change efforts. If departments see each other as opponents, they certainly won’t embrace changes that require unity.

The cost of change resistance and poor agility can be existential. In a dynamic market, failing to adapt means losing market share to those who do. Blockbuster’s unwillingness to pivot its business model (due in part to an internal culture comfortable with the old video rental fees) allowed Netflix to dominate. In the public sector, we’ve seen agencies struggle to implement needed policy changes because the entrenched culture resists new mandates, leading to public failures or scandals. Moreover, during crises (like a pandemic or economic downturn), an inflexible culture can hamper a timely response. Contrast organisations that quickly shifted to remote work in 2020, for example, with those that dragged their feet – often the latter had cultures of micromanagement or low trust that couldn’t fathom employees being productive from home.

On the flip side, an adaptive culture is a competitive advantage. Companies with agile, change-ready cultures (often characterized by continuous learning, empowerment, and openness) pivot faster and more successfully. They treat change not as a threat but as an opportunity to learn. Their employees are used to evolving their ways of working and even welcome it.

Leaders should ask: is our culture accelerating change or braking it? If it’s the latter, that cultural debt will show up in missed opportunities and declining relevance. Fixing it may involve serious efforts – breaking down silos, rewarding change agents, over-communicating the “why” of changes, and involving employees in shaping the change (not just imposing it). Ultimately, agility is as much a cultural trait as a strategic one. An organisation that is culturally agile will navigate uncertainty far better than one that has the “muscle memory” of resisting anything new.

6. Silos, Politics & Us-vs-Them Thinking

When organisational culture turns negative, one common outcome is the formation of silos and internal politics that pit teams against each other. Instead of working together toward shared goals, departments or divisions operate in isolated bubbles – or worse, in competition with one another. This “us vs. them” mentality can be incredibly destructive. It leads to poor communication, duplication of effort, mistrust, and a loss of synergistic potential. Essentially, the organisation fails to leverage its collective strength because its people are too busy guarding turf or blaming other groups.

Data from corporate culture analyses shows that “uncooperative teammates” and lack of coordination are frequent employee gripes in low-performing cultures. While minor silo issues exist even in decent cultures (large organisations naturally have some departmental focus), it becomes toxic when it crosses into active undermining. Researchers dubbed one of the “toxic five” culture attributes to be “cutthroat”, meaning employees perceive that colleagues or other teams actively undermine each other to get ahead. In such environments, information is hoarded as a source of power, and collaboration dies. A 2023 survey by a consultancy might not directly quantify silos, but it’s telling that only about 33% of employees in one global poll felt that different divisions in their company worked effectively towards common goals (implying two-thirds saw fragmentation).

We’ve seen some dramatic examples of what silos and politics can do. General Electric (GE) in the 2000s, for instance, became infamous for internal competition between divisions – a legacy of its “rank and yank” performance culture. Different GE business units sometimes refused to share client leads or technology with each other, hampering cross-selling and innovation. This was one factor that later leadership had to address to turn GE around. Another example: in the lead-up to the Challenger Space Shuttle disaster (going further back), NASA had a siloed culture where engineering concerns were not effectively communicated up through management channels at different contractors – a deadly form of internal disconnect (and also a psych safety issue). While that is an extreme case, it underscores how silos can even have life-or-death consequences when critical information isn’t shared.

In less dire situations, silos show their harm in everyday inefficiencies and morale problems. Have you ever heard an employee say, “That’s not our department’s problem – let them deal with it”? That is a cultural failure. It indicates that team or individual incentives are misaligned with broader success. Or consider a scenario many have experienced: IT and Sales, for example, pointing fingers at each other for a failed software implementation (“IT gave us a bad system” vs. “Sales didn’t use the system properly”). If the culture doesn’t promote joint ownership, the default is blame-game politics. An employee review from a tech company captured this: “The culture here often involves team members making rude, snarky comments about other departments. Everyone operates in a bubble. Collaboration is basically nil.” (paraphrased from a Glassdoor comment). Another review of a different firm said bluntly, “Toxic work culture is systemic… [characterized by] an ‘us vs. them’ – referring to QA and how they are viewed in the company”. When one part of an organisation looks down on another (e.g., corporate vs. field, or engineering vs. quality assurance), it’s a serious impediment to success.

Employee voice: “The culture is basically silos and politics. It’s always us versus them between departments, lots of finger-pointing and no teamwork. Makes every project a battle.” (Composite quote based on multiple employee reviews)

The costs of silos and internal politics include:

- Slow decision-making: Information has to travel up and down separate chains or gets stuck entirely. Opportunities can be lost because the organisation can’t respond as one.
- Wasted resources: Different departments might unknowingly (or knowingly) develop redundant solutions to the same problem, rather than collaborating. Or they might fail to share best practices, forcing each team to reinvent the wheel.
- Customer impact: Silos are often visible to customers – for instance, when a customer gets bounced between departments with no one taking ownership. A politically charged culture might care more about who gets credit internally than about the customer’s experience.
- Talent flight: High performers, especially those who are natural collaborators, get frustrated in siloed environments. Many will leave for more cohesive cultures. Those who remain often become disengaged.
- Innovation stifling: The best innovations often happen at the intersections of different fields or departments. If silos block those intersections, innovation suffers. Employees in political environments may also hide problems rather than solve them together, leading to systemic issues never being addressed.

One telling statistic: a 2024 PwC survey on workforce hopes and fears found that a top capability employees wanted from leadership was better communication and less divisiveness (this was especially noted in large, global organisations). Essentially, employees themselves crave a unified culture where everyone is on the same team. It’s demoralising to feel like your enemy is not the marketplace competition but your own coworkers.

Breaking down silos often requires cultural interventions like cross-functional teams, rotation programs, shared goals and incentives, and explicitly rewarding collaborative behavior. Some companies have seen success by establishing “One Company” values and ensuring leaders model them (for example, Microsoft under Satya Nadella made a big push to eliminate internal competition in favor of a “One Microsoft” mindset, and it helped spur innovation across previously siloed product groups). It’s not easy – especially if years of turf wars have built up mistrust – but it’s possible with consistent effort.

In summary, a poor culture often fractures an organisation from within, turning what should be a cohesive unit into a set of fiefdoms. The organisation’s overall performance sinks to the level of the weakest link, communication breaks down, and employees spend energy on internal battles instead of external success. To quote a common saying: “A house divided against itself cannot stand.” In business terms, an organisation steeped in us-vs-them thinking cannot compete – at least not for long. Leaders must proactively cultivate unity, or risk the culture imploding into infighting.

7. Brand & Reputation Erosion

In the age of social media and Glassdoor, internal culture easily becomes external reputation. A poor organisational culture doesn't just stay inside the building – it leaks out and erodes your brand, both as an employer and often as a consumer-facing business. Today's stakeholders (customers, investors, and especially prospective hires) are highly attuned to how a company treats its people and the values it practices. A toxic culture can therefore lead to PR crises, difficulty attracting talent, and even loss of customer loyalty.

One needs only to recall some high-profile examples from recent years:

- Uber (2017): Uber's internal culture of aggressive, unrestrained competition and tolerance of harassment became public through a viral blog post by a former engineer. The hashtag #DeleteUber trended, customer trust was shaken, and Uber's brand took a huge hit, forcing the CEO's ouster. Uber went from being a hot innovative company to a cautionary tale virtually overnight, illustrating how culture issues can directly damage corporate reputation.
- Activision Blizzard (2021–2022): Revelations of a "frat house" culture rife with sexual harassment at the gaming company led to lawsuits by the state of California and a firestorm of negative press. Employees staged walkouts, and the company's family-friendly game brands were now associated with toxic behavior. The employer brand suffered greatly; many tech workers vowed not to work there. Only major leadership changes and commitments to reform have started to rebuild trust.
- Wells Fargo (2016 onward): As discussed earlier, Wells Fargo's toxic sales culture (driven by unrealistic quotas) led employees to open millions of fake accounts. When this scandal came to light, it wasn't just massive fines and firings – the bank's once-trusted brand was severely tarnished. Customers closed accounts, and the public saw Wells Fargo as epitomising corporate greed and dishonesty. Years later, Wells Fargo is still running ad campaigns to repair its reputation. This all stemmed from a broken culture that incentivised unethical behavior over customer interests.

Beyond these big cases, there's a more quiet but pervasive phenomenon: potential employees are avoiding companies with bad cultures. With sites like Glassdoor, word spreads quickly about which companies have "toxic management" or burnout issues. According to one survey, over 86% of job seekers avoid companies that have a reputation for having a bad culture or where employees are unhappy (even if the job offer is otherwise attractive). In other words, employer brand is directly tied to culture. One poor review that goes viral can seriously undermine recruiting. For example, a disillusioned employee might post: "I genuinely felt embarrassed to work here with so many bad reviews against the company. If you call in sick you will be threatened…". A quote like that, visible online, will turn off scores of potential applicants and perhaps even customers who stumble upon it.

Employee voice: "I'm embarrassed to work here. My friends enjoy hearing about how pathetic things are at this company – that's how bad our reputation has gotten." – Anonymous employee, speaking to the personal shame felt from their employer's bad culture

For publicly traded companies, culture issues can also spook investors. They see them as proxies for deeper management problems. Research by MIT Sloan in 2022 showed that companies with higher levels of cultural toxicity (measured via employee reviews) had significantly lower shareholder returns over time . Brand value itself can drop: studies have found that strong corporate culture is correlated with stronger brand loyalty among consumers, and vice versa. Customers increasingly care about how companies align with their values – and how they treat employees is a big part of that. For instance, a retailer known for a toxic, exploitative warehouse culture might find customers boycotting or shaming it online.

In the talent market, we're seeing what some call a "reputation economy." Websites aggregate employee sentiment, and even if leadership tries to downplay any negative publicity, prospective hires often trust the voices of employees more. A 2023 employer branding report noted that companies with poor culture ratings had to offer higher salaries to attract candidates, essentially paying a "culture tax" to compensate for their reputation. Meanwhile, companies with stellar cultures (e.g., Salesforce, HubSpot, etc., which often appear on Best Places to Work lists) enjoy floods of applications and can be more selective, which in turn drives performance.

So the costs of a damaged brand due to poor culture include:

- Higher recruitment costs and longer time to fill positions (fewer people want to join you).
- Higher turnover of new hires if they discover the culture is bad (the "revolving door" also hurts brand further).
- Loss of business or customers who prefer to buy from companies with better reputations (for example, some consumers choose not to patronise companies that mistreat workers or have public ethical issues).
- Greater scrutiny from media and regulators – a company known for bad culture might get less benefit of the doubt when something goes wrong.
- Internally, the pride and morale of employees declines. As seen in the quote above, employees feeling embarrassed by their employer is a terrible situation – it leads to disengagement and attrition, and those employees certainly won't recommend the company to others.

On the flip side, a strong, positive culture can be a brand asset. Companies like Patagonia or Zappos became famous not just for products but for how their unique cultures permeated their brand stories (Patagonia's ethos of environmentalism and employee well-being, Zappos' customer service obsession tied to employee happiness). Customers of those companies often know about their cultures and feel good supporting them. Likewise, in tight labor markets, a good culture is a magnet for talent – essentially free positive PR via word-of-mouth.

Culture and reputation are two sides of the same coin. You can't hide a bad culture for long; sooner or later, it will spill into public view and start eating away at your brand equity. Leaders must recognise that every policy, every behavior that shapes culture internally is also shaping how the outside world sees the company. Investing in a healthy culture is investing in a strong brand. And ignoring culture issues is almost guaranteed to result in negative headlines or glassdoor reviews that will require costly damage control. In the digital era, as one CEO said, "Culture is your brand." If you don't manage it, it will manage you – publicly.

8. Legal & Compliance Risk

Poor organisational culture can create a fertile ground for legal troubles and compliance failures. In a toxic environment, you often see corners being cut, inappropriate behavior going unchecked, and unethical practices taking root – all of which can lead to lawsuits, regulatory fines, and even criminal liability. Essentially, culture is the front line of risk management. If the culture tolerates bad behavior, eventually there will be a scandal or compliance breach.

One obvious area is harassment and discrimination. A culture that is “bro-ey,” hierarchical, or rife with fear often means HR issues are swept under the rug. Employees may not report harassment because they believe nothing will happen (or fear retaliation). This was exactly the situation at companies like Uber and Activision Blizzard as mentioned – the #MeToo-era lawsuits in those companies revealed that complaints had been ignored for years. Ultimately, the companies faced not just reputational crises but also multi-million dollar legal settlements and tighter regulatory scrutiny. In 2022, Activision Blizzard agreed to an $18 million settlement with the EEOC over sexual harassment claims, and the California state lawsuit is ongoing. Similarly, Fox News had to pay out tens of millions due to a culture that enabled sexual harassment at the highest levels. These examples underline that when HR and leadership fail to enforce a safe, respectful culture, the legal system eventually steps in – at great expense to the company.

Another area is unethical or fraudulent business practices. As the Wells Fargo case illustrated, a toxic sales culture actually incentivised employees to break rules (opening fake accounts) to hit targets. This led to $3+ billion in fines and a consent order that still hampers Wells Fargo’s growth. Or look at Volkswagen’s “Dieselgate” scandal (a bit older, 2015): investigators found that VW’s culture of top-down pressure and unrealistic goals contributed to engineers deciding to cheat emissions tests. People didn’t feel safe challenging the directives or saying “this can’t be done legally,” so they resorted to illegal software manipulation. The result was one of the costliest compliance failures in auto history (over $30 billion in penalties and recalls) and long-term damage to VW’s credibility. All because the culture did not encourage open discussion of problems and ethics.

Regulated industries know this all too well. Banks, pharma companies, healthcare providers – they implement compliance programs, but if the culture doesn’t support speaking up and doing the right thing, those programs fail. There’s a saying: “Culture of compliance or culture of cover-up.” The latter leads to scandals. For example, in 2023 several big banks were fined for employees using unauthorized messaging apps to conduct business – a seemingly small compliance issue, but it happened because the culture informally condoned skirting communication rules for convenience. That cost banks over a billion in fines collectively.

Employee surveys often show worrying stats: Ethisphere’s 2023 report noted about 30% of employees observed misconduct in their workplaces in the past year, yet a significant portion did not report it, often due to fear of retaliation or belief that nothing would change. The Ethics & Compliance Initiative (ECI) found that more than 60% of employees who reported wrongdoing experienced some form of retaliation in poor cultures (an extremely high number). This is how culture drives legal risk – if people can’t safely report issues internally, they may report externally (to regulators or social media), or the issues continue until they blow up publicly.

Employee voice: “If you don’t meet your numbers, you’re not a team player… you will be fired and it will be on your permanent record.” – Former Wells Fargo worker, describing toxic pressure from managers. (This quote encapsulates a culture of fear that led employees to commit fraud just to avoid firing.)

That Wells Fargo quote shows the mentality that can lead to legal risk: fear-driven, ends-justify-means management. Employees were basically told to do whatever it takes or be terminated, which directly set the stage for unethical behavior. It’s easy to see how similar dynamics might play out in other contexts – say, a factory under pressure might start shortcutting safety protocols (leading to accidents or OSHA fines), or a sales team might start misrepresenting product capabilities (leading to customer lawsuits), all because the culture rewards hitting targets over ethical considerations.

Beyond direct legal consequences like fines and lawsuits, a poor culture can also mean losing certifications, failing audits, or being barred from contracts. For instance, if an aerospace company has a culture that disregards quality control, it might fail FAA audits and lose the ability to ship products. Or a government contractor with a bullying culture might see a higher rate of whistleblower complaints, triggering government investigations under laws like the False Claims Act.

At the extreme end, a truly toxic culture can even result in criminal charges for executives (if they are seen as willfully neglecting compliance or encouraging misconduct). The phrase “perp walk” comes to mind – we’ve seen CEOs led away in handcuffs when systemic fraud is uncovered (e.g., Theranos, though that was as much delusion as culture issue). While not every toxic culture leads to criminality, the likelihood certainly increases when the ethos is “success at any cost” or “don’t ask questions, just deliver results.”

To sum up, poor culture is a breeding ground for legal trouble. It lowers the collective immune system of the company, letting malignant behaviors grow unchecked. Conversely, a healthy culture acts as a protective shield: employees are more likely to do the right thing, call out issues early, and uphold ethical standards even when under pressure. Many leading companies now talk about creating a “speak-up culture” as part of their compliance and risk management – they know that you can have all the rules in the world, but if the culture doesn’t support speaking up and doing right, rules will be bent or broken.

Investing in culture is thus investing in risk reduction. It can save companies from multi-million dollar legal fees, damaging headlines, and the loss of licenses or trust. As one ethics expert bluntly stated, “When ethics is part of the culture, compliance is just a way of life. When it’s not, compliance is a mere policy that people work around.” The latter scenario is a ticking time bomb. Leaders who ignore a toxic culture today might be dealing with lawyers, regulators, and crisis PR tomorrow.

Conclusion: Toward a Culture Cure – People, Performance, Organisation, and Risk

We've journeyed through the eight major consequences of poor organisational culture – from high turnover and burnout to silos, reputation damage, and legal peril. The evidence is overwhelming that culture is not a "soft" issue at all, but a hard driver of real costs and risks. A failing culture exacts a toll across what we might call four impact zones:

- People – The human toll in terms of turnover (talent walking out), burnout and mental health struggles, and lack of psychological safety. Poor culture breaks the social contract with employees, leading them to disengage or leave. This is the People impact.
- Performance – The operational and financial toll through lost productivity, minimal discretionary effort, and resistance to change or innovation. In a bad culture, people do less, and the organisation can't adapt or excel. This is the Performance impact.
- Organisation – The structural toll on how the company functions, seen in silos, internal conflict, and agility issues. A toxic culture fractures the organisation's cohesion and responsiveness. This is the Organisation impact (or organisational effectiveness).
- Risk/Reputation – The external toll in terms of brand erosion, customer trust, and legal/compliance issues. A poor culture eventually leads to scandals, fines, and public criticism, which can undermine the company's very license to operate. This is the Risk & Reputation impact.

Importantly, these impact zones are interconnected. When your people are demotivated or leaving (People), performance suffers. When internal organization is broken into silos (Organisation), innovation lags (Performance) and risk of compliance failures rises (Risk). When your brand is hit by scandal (Reputation), you struggle to attract good people (People), and so on. Culture is the common thread running through all these facets.

The good news is that just as a toxic culture creates negative outcomes in all these areas, a healthy culture can create positive outcomes across them. Companies that deliberately cultivate a positive, inclusive, and ethical culture see lower turnover, higher engagement, better productivity, more agility, and stronger reputation. In essence, if you cure the culture, you cure many downstream problems.

So, how does one cure a culture? This report is part of a larger conversation – indeed, part of a larger course and toolkit – aimed at guiding leaders through a sequential Culture Cure transformation path. While a full discussion is beyond our scope here, the Culture Cure framework involves steps like:

- Diagnose and Acknowledge – You can't fix what you don't openly acknowledge. Using surveys, audits, and honest feedback to map where your culture stands (especially in the four impact zones).
- People First Interventions – Taking immediate actions to address employee well-being and safety. For example, tackling burnout with better workload management, or rebuilding psychological safety through training and leadership modeling. Show employees tangible change fast.
- Re-align Purpose and Values – Ensuring the organisation's core values are not just pretty words but are integrated into hiring, promotions, and everyday behavior. Often, a culture

cure means rediscovering meaning: connecting employees to a purpose and values they can believe in, which counteracts cynicism.

- Leadership and Accountability – Leaders at all levels must embody the desired culture. This may involve replacing or re-training leaders who are perpetuators of toxicity. It also means setting up accountability systems – measuring culture metrics like turnover, engagement, speak-up rates and tying leadership evaluations to them.
- Break Silos and Foster One-Team – Structurally and behaviorally encouraging collaboration. Sometimes via re-orgs or cross-functional projects, but always with the message that we win together. Dismantling the us-vs-them mentality with shared goals and rotations can be powerful.
- Reinforce and Sustain – Culture change isn't a one-time project; it's an ongoing journey. This step involves reinforcing good behaviors through recognition, storytelling (celebrating those who exemplify the new culture), and continuously listening to employees for course corrections.

This sequential path addresses the culture failures in People, Performance, Organisation, and Risk zones methodically. It's about turning the negative consequences we've discussed into positives. For instance, from high turnover to high retention of engaged talent; from burnout to well-being and vitality; from silence to voice; from stagnation to agility; from internal strife to synergy; and from scandal to trust and pride.

By investing in cultural transformation, leaders can literally save millions (if not billions) in costs described throughout this report. More importantly, they build organisations that are resilient, innovative, and humane – places where people want to work and give their best. In the post-Covid era, anything less simply won't cut it. Employees and other stakeholders have raised their expectations, and culture is now a strategic priority.

Remember, every organisation has a culture, whether by design or by default. If you don't actively shape it, it may turn poor and cost you dearly. But if you do shape it – with the right knowledge, commitment, and tools – you unlock what we might call a cultural superpower. Companies with great cultures aren't perfect, but they have the foundation to weather storms, delight customers, and adapt to the future.

In closing, the real cost of poor organisational culture is one no leader should be willing to pay. The consequences documented here are serious, but they are also avoidable. The fact that you've engaged with this report is a hopeful sign – it means you recognise the issue and want to learn more. The next step is action. The Culture Cure path forward is about actionable, easy-to-implement steps that, sequentially applied, can turn around even deeply ingrained cultural issues.

This report is just the beginning. In the larger course and toolkit that accompany it, we delve into each of the four impact zones (People, Performance, Organisation, Risk) and show how to apply practical fixes and build a thriving culture step by step. It is a journey worth embarking on. After all, culture change is ultimately transformational leadership in action – it's leaders deciding to lead from the front in shaping an environment where everyone can thrive. And when people thrive, businesses thrive.

Your organisation’s culture can be its greatest liability, as we’ve seen – but it can also be your greatest asset. The choice, and the effort, lie in your hands. Let’s get to work on the cure.

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