

— TONE — at the — TOP®

Providing senior management, boards of directors, and audit committees with concise information on governance-related topics.

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Workplace Evolution, Cultural Impact

In 2025, 40% of jobs allow some level of remote work, although the amount varies by location, function, and seniority, according to Robert Half's [Remote Work Statistics and Trends for 2025](#). In another Robert Half study, [Demand for Skilled Talent](#), 76% of workers say having flexibility in when and where they work can affect whether they decide to stick with an employer.

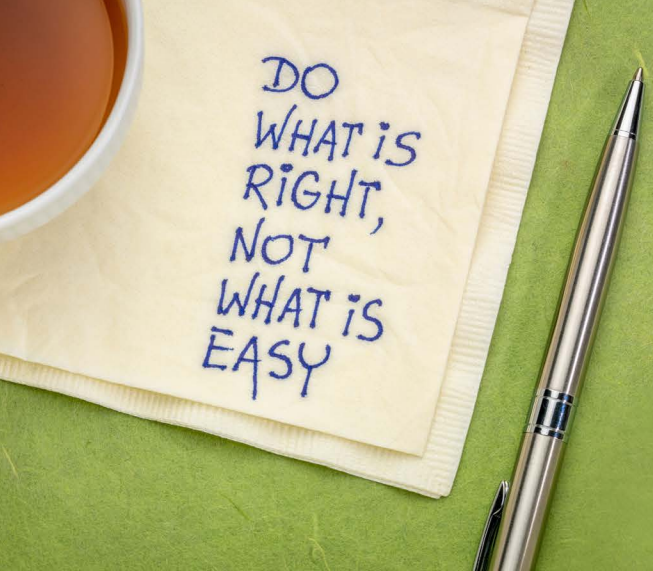
As workplaces change based on new work approaches and attitudes, company leaders may not recognize the significant impact these shifts can have on corporate culture. This month's Tone at the Top examines the importance of culture, what boards need to know about how new work protocols impact culture, and how internal audit can provide valuable insights for board decision making.

Losing the Ties That Bind

Culture can be defined as the common values and protocols that affect the choices employees make in doing their jobs and on how they work with others. Ever since the pandemic forced companies to reconsider where and how their people work, organizations have faced challenges in how to create and maintain a shared culture in a remote or hybrid work environment.

Among other issues, a weak corporate culture can enable fraud and failure. In a remote or hybrid environment, it can be more difficult for employees to feel connected to the organization and to learn from their colleagues. That can impact corporate culture in several ways:

- Workers who feel detached from the organization may be more likely to rationalize fraud or find it easier to engage in theft or other misconduct because of the differences in supervising remote workers.
- Without regular reminders or examples of corporate expectations, controls and procedures may break down, and employees may be less vigilant in following established guidelines or may be unaware of them.
- Employee engagement may suffer if an organization attempts to insist that remote or hybrid workers spend more time in the office. Workers may also resent greater efforts to establish what hours they should work or set other expectations.



DO
WHAT IS
RIGHT,
NOT
WHAT IS
EASY

“A strong ethical culture is a defense

against all the conditions identified in the fraud triangle — pressure, opportunity, and rationalization,” according to [The Anti-Fraud Collaboration’s \(AFC\) report on The Impact of a Changing Work Environment on Corporate Culture](#).

“A robust and positive culture centered on integrity and ethics is key to deterring and detecting fraud,” it advises.

New Ideas on the Workplace

Shifting employee expectations about work is another factor in a transformed work environment. For example, according to [Randstad’s Workmonitor 2025: A New Workplace Baseline](#), employees ranked work-life balance ahead of pay as a leading workplace motivator for the first time in the report’s 22-year history. “Talent globally are looking for workplaces that align with their personal values, aspirations, and circumstances,” according to Randstad.

Employees are increasingly less focused on what they do at work and more on why and how it is done, according to a World Economic Forum (WEF) article addressing [Jobs and the Future of Work](#). Their priorities fall into three areas:

- **Personalization:** They want work that aligns with their values, ambitions, and life circumstances. Forty-four percent of respondents in the WEF study would quit if they disagreed with leadership’s values.
- **Community:** They seek a workplace culture that fosters belonging, growth, and strong relationships. The WEF found that 83% of workers across the globe want to find a sense of community in their workplace.
- **Future-ready skilling:** They value chances to develop and sustain relevant skills for emerging challenges. The Randstad report found that 31% of surveyed workers had left a job due to a lack of career opportunities.

Cultivating a Positive Culture

Fifty-one percent of board directors say they discuss corporate culture at half or all of their board meetings, a jump from 37% three years ago, according to Russell Reynolds Associates’ [Three Areas Where Boards Spend Their Time but Don’t See Results](#). However, only 53% of directors say the board has insightful data to assess corporate culture, up slightly from 49% three years ago.

This gap in useful data on corporate culture may mean boards “over-rely on impressions and perceptions, rather than tangible evidence, such as employee turnover or engagement survey statistics,” the paper says. Although organizations may be spending more time on the topic, “boards have made little progress in meaningfully understanding their corporate culture,” it concludes.

Psychological Pitfalls

Companies with inadequate corporate cultures can fall victim to one of four psychological pitfalls:

- Excessive optimism or underestimating the likelihood of unfavorable versus favorable outcomes.
- Overconfidence about ability, or unrealistic notions of the company’s capabilities.
- Confirmation bias, or undervaluing information that contradicts a particular assumption or position.
- Aspiration-based risk taking or taking high or imprudent risks to reach a certain goal.

[“Boeing’s Weak Corporate Culture Underlies Difficulties With 737 MAX 9,” Forbes](#)

About The IIA

The Institute of Internal Auditors (IIA) is a nonprofit international professional association that serves more than 255,000 global members and has awarded more than 200,000 Certified Internal Auditor (CIA) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit theiia.org.

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A Topical Requirement for Organizational Behavior

The IIA has released its proposed Organizational Behavior Topical Requirement for [public comment](#).

According to the Topical Requirement's draft User Guide, "the progression from considering the audit of culture as an abstract and vague topic toward a structured and precise assessment of organizational behavior represents a necessary and timely evolution within the internal audit profession." The Topical Requirement establishes minimum mandatory requirements to assess behavior when a risk assessment determines it is in the scope of review.

The public consultation period will end Aug. 22. The results will inform the final publication, which will be accompanied by a final version of the user guide and is expected to be issued in late 2025.

Boards can begin by working with internal audit to help them determine whether the organization is taking steps to maintain a positive culture and deter fraud and misconduct in a changing work environment.

According to the AFC report, an organization's focus should be on a wide range of areas, including:

- Ensuring there are well-designed control processes, and policies that minimize opportunities for fraud and raise the chances for early detection.
- Applying the fraud triangle in remote or hybrid environments where there is less focus on physical controls, network access, IT security protocols, and managerial oversight.
- Consulting internal audit on developing employee survey questions that can help spot potential fraud or situations or attitudes that may lead to it.
- Using technology to understand employees' work habits, encourage communication and feedback, and recognize and reward achievements.
- Fostering teamwork in remote or hybrid environments, creating digital spaces for informal interactions.

- Setting the tone and clarifying expectations through a written code of ethics or conduct and an ethics newsletter.
- Making remote or hybrid workers aware of anonymous whistleblower channels for reporting misconduct and ethics information resources.
- Explaining the reasons behind transformation and change, identifying the benefits for employees, and reassuring them that changes, such as being asked to work in person, are not due to a lack of trust in them.

Various board committees can take a role in supporting culture, according to PwC's [Why does the board need to know the company's culture?](#)

- The audit committee can consider how culture relates to internal and external audits, compliance review, employee hotlines and whistleblower reports, as well as to regulatory examinations into ethics and safety and attitudes on risk and compliance.
- The compensation committee can address whether incentives encourage high-risk behavior, stifle innovation, or impede other efforts to promote an ethical culture.
- The nominating/governance committee can ensure board guidelines and committee charters address how committees handle culture and maintain a continuing focus on it.



Partnering with Internal Audit

Internal audit can be an important partner in the board's efforts to monitor and maintain culture in a changing work environment. As the third line in an organization's governance framework, internal audit is uniquely qualified to provide an insightful and objective evaluation of corporate culture.

As part of its work, internal audit assesses the quality and effectiveness of an organization's internal controls as they are affected by culture and how employees behave based on their understanding of that culture. With their unique and ongoing understanding of the organization, internal auditors can observe changes in culture driven by trends such as remote or hybrid work or shifting employee attitudes.

"Getting culture right can make it one of a company's greatest assets, and a strong competitive differentiator," according to the PwC report. However, only 67% of board directors are confident their corporate culture is consistent with the desires of the board, virtually unchanged from three years ago, Russell Reynolds Associates data finds.

As boards consider whether their organizations are maintaining the desired cultural attributes in a time of great disruption, internal audit can provide the information and advice directors need. Internal audit's contributions can help boards foster a culture of employees who are motivated and engaged — no matter where they work.

QUESTIONS FOR BOARD DIRECTORS

- Does the board have a formal or ongoing approach to overseeing culture?
- Does the organization measure and monitor culture and provide details to the board?
- Does the organization's existing culture align with its values and strategic goals?
- Does the board culture align with and support the organization's culture?

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In 2024, a decline in global employee engagement cost the world economy \$438 billion in lost productivity.

[State of the Global Workplace: 2025 Report, Gallup](#)