



## Candor Culture - How to Inculcate in Organizations

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### Introduction:

Experience suggests that organizations require a free flow of information just like the human body needs a continuing supply of oxygen-bearing blood. Great level of transparency is achieved when all relevant stakeholders, within and outside the organization, have the ability both to access relevant information and to bring pertinent news to the attention of those who need it, when they need it. To achieve such an unimpeded flow of information, all stakeholders need the ability to speak truth, forsaking power without fear of the consequences.

Until recently, the yardstick used to evaluate the performance of corporate leaders<sup>(1)</sup> was relatively simple – the extent to which they created wealth for investors. Now the forces of globalization and technology have added new dimensions to complicate the competitive arena, creating a need for leaders who can manage rapid innovation. Expectations about

the corporation's role in social issues such as environmental degradation, domestic job creation, and poverty alleviation in the developing world have risen sharply. It is therefore necessary that business leaders need to be evaluated in a different way. The new metric of corporate leadership will be covering a much bigger broad band where the executives create organizations that are economically, ethically, and socially sustainable.

Strategies and tactics apart, the prudent leaders should see that increased 'transparency' is a fundamental first step. No organization can be honest with the public, if it is not honest with itself. Transparency is defined as the degree to which information flows freely within an organization, among managers and employees, and outward to stakeholders.

### What is candor culture?<sup>(2)</sup>

A culture of candor is more than employees being honest with leadership, and leadership,

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in turn, listening and taking the input under serious consideration. It means creating a safe work environment for employees to report ethics violations, legal issues and other inappropriate behavior. It also means tearing down the walls that leadership builds to protect information that they worry will be misused if it falls into the so-called wrong hands. For the betterment of the company a culture of candor encourages truth across all communication points.

A culture of candor creates access to valid and truthful information. Information must travel both downward to employees and upward to management, leadership and the board of directors. Companies must strive to be both internally transparent as well as externally to stakeholders. Transparency, or candor, with the public is more important than ever. Companies cannot innovate, respond to changing stakeholder needs, or function efficiently unless people have access to relevant, timely, and valid information.

### **Opacity in organizations:** <sup>(3)</sup>

An opaque organization is characterized by secrecy, closed doors, and limited access to operational information. It is run by an elite cadre of fast-trackers, insiders and Golden Boys who pretend to know everything. The consequences of such organizational opacity include an absence of trust, de-motivation, lack of innovation, and the failure of leaders to get the information they need. Most organizations are more opaque than they are transparent. In a poll <sup>(4)</sup> of US executives, 63% of them described the cultures of their own companies as 'opaque.' The remaining 37% were more likely to choose various

shades of grey areas to describe the companies they worked in. For organizational efficiency and effectiveness, transparency is a must. Transparency is resisted because hoarding and control of information is considered as a source of power. Many managers believe that access to information is a prerequisite of power, a benefit that separates their privileged 'caste' from the downtrodden they lead. Some even believe that opacity allows them to hide their embarrassing mistakes.

### **Transparency inevitable:**

The problems are compounded when executive powers confer infallibility of managers. What executives are learning through the hard way is that they live in an era in which they can no longer hide. Leaders today have little choice but to embrace the inevitable, learn how to cope with transparency and capitalize on its potential benefits. The cardinal sin of management is not making a mistake but, rather lying about it, trying to hide it, and fooling oneself into believing the truth won't emerge. Leaders who ignore the basic lessons on transparency find themselves in embarrassing situations to cover-up the maladies. Some examples are Nixon & Watergate, Regan & Iran Contra, Clinton & Monica Lewinsky, and Bush & WMDs. In the corporate world, one of the great example of exemplary handling was Johnson & Johnson's Tylenol crisis. When it was evident that people were dying from cyanide-laced Tylenol, the company's then-CEO, James Burke, immediately started communicating with the media. He did this even before the company knew what had happened or, as it turned out, that his company was not responsible. Burke credits

transparency as the reason why customer faith in the product was so quickly restored. In contrast, when the Exxon Valdez oil spill occurred a few years later, the company attempted to stonewall, with a subsequent loss of credibility.

### **Limits to transparency:<sup>(5)</sup>**

It goes without saying that complete transparency is not possible, nor even desirable in some cases. Corporations have a legitimate interest in holding competitive information close to their chests. Strategic, product, and research secrets are necessary and reasonable to be non-transparent. Protecting the privacy of individual employees and customers is also a must. However, most organizational secretiveness is simply imaginary. When in doubt, the tendency of leaders is to suppress information. Leaders cover up the potentially sensitive matters as un-disclosable vital secrets. Leaders need to know when it is proper to speak out, and when it is better to hold one's tongue. The moral challenge is to weigh the balance between two competing scenarios: the organizational virtues of loyalty, on the one hand, and truth telling, on the other. The character trait needed to appropriately adjust that balance is often referred to as integrity. In Stephen Carter's<sup>(6)</sup> book on the subject, the distinguished Yale law professor lays out three requisite steps for the exercise of integrity:

- Discerning what is right and what is wrong;
- Acting on what you have discerned, even at personal cost;
- Saying openly that you are acting on your understanding of right and wrong.

Leaders have to draw the line between what information must be revealed and what should be withheld. Such a decision is based on the prudence of management.

### **Candor culture needs a nursery:<sup>(7)</sup>**

Although it is not easy to create, and to maintain a culture of candor, here are some actions leaders may well initiate and nurture. These, in essence, are commitments to integrity and truth.

### **Create a bond of trust based on transparency:**

While culture of candor is in the long-term interest of all organizations, it occurs infrequently because most leaders do not know how to create a bond of trust with their followers. Most employees do not even attempt to deliver the unethical behavior personally witnessed by them to their bosses<sup>(8)</sup>. The reasons for reluctance to report, range from fear of retaliation to the belief that management would not act on the information appropriately. The missing element in all these cases is trust. Corporate employees will not convey important information to their superiors because they mistrust how those above them will respond. When leaders treat followers with respect, followers respond with trust. Leaders demonstrate their respect by giving followers relevant information, including them in the flow of relevant information, is the essence of transparency and trust.

### **Encourage to speak truth than to hold on to power:**

It is not easy for employees to be honest with their bosses. Speaking truth than to hold on to power, requires both a willing listener

and a courageous speaker. In organizations those lower down the order may experience fear in having to tell unpalatable truths to those ranked above them. Daring to speak truth to power often entails considerable risk in an organization.

### **Reward contrarians:**

Leaders of companies with healthy cultures continually challenge old assumptions, rethink basic premises, question, revise, and unlearn outmoded truths. Such a process cannot be done effectively by one person sitting alone in a room. It requires leaders who listen to others. It should be clear that candor is not only valued but also rewarded, even if it entailed receiving unpleasant information.

### **Practice giving ‘unpleasant but constructive feed backs’:**

While candor is beneficial, it is also a fact that great unintentional harm can be done when speaking truthfully. Leaders have to learn how to engage in constructive conversations and to avoid the harmful ways.

### **Diversify sources of information:**

Some of the best CEOs meet regularly with their employees, the press, shareholders, and regulators in open exchanges. They also frequently interact with industry’s critics in the labor, environmental, and product safety movements, listening with respect to their various perspectives. It should be understood that creating a culture of candor starts with the behavior of those at the top of the organization. Leaders who respectfully listen to the perspectives of others set the tone for an entire culture. This is simple, obvious, and

clear. Yet, such positive behaviors are ‘rare’ among those in positions of power.

### **Openly admit mistakes:**

Good CEOs should also meet regularly with their company’s managers to discuss how to respond to enquiries from the press. The most unforgivable sins are lying and covering-up. The second rule is to admit it when you are wrong.

Leaders would do well to reflect on their own depth of receptivity to suggestions, alternative points of views, and opinions. Effective leaders should create an environment in which their followers can have the confidence to speak up:

- Not blaming of messengers; in contrast, by rewarding them
- Making clear there is an imperative to speak up
- Practicing having difficult conversations
- Admitting when they are wrong
- Empowering people close to them to speak unpalatable.
- Encouraging everyone to challenge basic assumptions
- Diversifying sources of information.

Create the organizational culture to support candor by creating norms and structures that sanction truth telling, promote transparency and protect whistle blowers, and internal blogs that give voice to those at the bottom of the hierarchy.

**Take honest, frequent looks at the mirror:**

Since denial, self-deception, and hypocrisy are too often part of an organizational life, it is worthwhile for companies to bring in independent observers skilled in identifying potentially toxic behaviors and the hidden values which drive them. Managers need to honestly and objectively start introspecting themselves and apply suitable corrections.

**Practice inclusion and participation:**

Management actions that break down the artificial barriers and separate the few at the

**The risk of being the whistle blower:**

Findings from the National Business Ethics Survey<sup>(9)</sup> show a wide range of retaliatory techniques aimed at company whistleblowers.

top of an organization from the many down-the-line, serve to encourage an increased flow of information. A company with no secrets, one in which every employee is empowered to speak the truth is the measure of transparency. The ethical principle of ‘respect for people’ to be at the heart of all candid corporate cultures. It is central to the values and practices of all healthy companies. To be candid to others is to respect them. By sharing needed information with others by including them in decisions that affect their own work and careers are important. This is a fundamental moral principle. It is the source for employee loyalty and motivation.

Form of retaliation	% reporters who experienced
Exclusion from decisions or work activity	62
Could shoulder from co-workers	60
Verbal abuse by supervisor or manager	55
Nearly lost job	48
Passedover for promotions or raises	43
Verbal abuse from co-workers	42
Relocated or reassigned	27
Other form of retaliation	20
Demotion	18
Harm to person or property	4

**Leading high-performance teams:**

Bennis, Goleman, O’Toole and Biederman<sup>(10)</sup> explain that the flow of

information is like a body’s central nervous system, contributing to a company’s ability to be competitive, achieve goals, overcome challenges, solve problems and innovate.

In his article, 'Say No to Yes Men—Otherwise, Expect the Worst', Winston <sup>(12)</sup> presents seven suggestions:

- a. Create and maintain your organization's true vision, values and corporate culture.
- b. Give voice to the minority opinion. Invite healthy debate and diversity of opinions.
- c. Appoint a devil's advocate. Throughout a meeting, encourage this individual to address agenda items. Assign the responsibility of serving as devil's advocate to a different employee at each meeting.
- d. Hold a meeting to give items a second chance.
- e. Create feedback channels that protect anonymity.
- f. Lead by example. Practice candor in your everyday work. Set the tone by challenging the status quo. Surround yourself with people who practice transparency and will tell you the truth, even if it is bad news.

### Conclusions:

To develop a culture of candor, one need to introspect one's own behavior and then work out-ward. The following recommendations need to be borne in thoughts and actions:

- Tell the truth. Control the impulse to tell people what is sweeter to their hearing senses.
- Encourage people to speak truth to power.
- Reward contrarians.
- The leaders need to learn to deliver bad news kindly, so that people do not get hurt.
- Diversify the sources of information to reduce biased opinions.

- Admit mistakes with a smile. This gives everyone around the courage to do the same.
- Build organizational support for transparency. Start with protection for whistle-blowers.
- Hire people because they created a culture of candor elsewhere.
- Set information free. But control an information which is strategic or private.
- Rebuild trust in institutions by honesty in communication.
- Create organizations where candor and trust are the norms.

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