The Culture of Candor
Spare the messenger: how creating a business culture of candor paves the way to success

In Antigone, the tragedy written by Sophocles around 442 B.C., King Creon is advised time and again to change a decision he’s made. Yet the King holds firm to his decree that a man killed in battle, and deemed a traitor, should be left unburied as a sign of his disgrace, allowing creatures to slowly devour him over time. In spite of the objections of the man’s sister, Antigone, a blind prophet and the persistent advice and warning of advisors, King Creon presses on with his plan. In the end, his unwillingness to change his order leads to ruin. As warned, the King’s actions lead to the tragic deaths of many people, including his own beloved son and wife.

Though penned hundreds of years ago, Greek tragedies like Antigone often carry moral lessons that may be applied to modern-day life. The lessons King Creon so painfully learned still hold true, especially in today’s business climate. Had King Creon been the CEO of a Fortune 500 company instead of the new ruler of Thebes, and Antigone a mid-level professional at the company who disagreed with the direction of the company, she might have been viewed as someone who was not a “team player.” Perhaps the blind prophet would have been let go, with Human Resources saying that she didn’t fit in with the culture of the company. And for Creon, the outcome of his stubborn nature and his unwillingness to listen to those he leads might have eventually led to a loss in stock value, high employee turnover, shortfalls in the quality of service or products the company produces or the slow decline and eventual closing of the company itself.

Creon could have prevented the ancient tragedy by listening to and heeding the advice of those around him. Likewise, the modern-day Creon could have prevented this example of a business tragedy in quite the same way, by creating what has been dubbed a “culture of candor.”

What is a culture of candor?
A culture of candor is about more than employees being honest with leadership, and leadership, in turn, listening and taking that input under serious consideration. It means creating a safe work environment for employees to report ethics violations, legal issues and other inappropriate behavior. It means managers may need to offer honest job performance feedback, without tempering it so much that it loses its truth. And it 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. At its core, a culture of candor encourages truth across all communication points, for the betterment of the company.

At its heart, a culture of candor creates access to valid and truthful information. This information must travel both downward, to employees, and upward to management, leadership and the board of directors. And let’s not forget the public. Experts say companies must strive to be both internally transparent as well as externally, to stakeholders. These days, transparency, or candor, with the public is more important than ever, even more inevitable than ever—whether companies resist it, or not.

**Why you need a culture of candor.**

To achieve innovation and quickly respond to the demands of the business world, it is essential for decision-makers to have access to the truth. In “Speaking Truth to Power: the Role of the Executive,” an article published by Santa Clara University and the Markkula Center for Applied Ethics, James O’Toole, a research professor at the Center for Effective Organizations at the University of Southern California asserts that a culture of candor is fundamental to corporate success. Within such a culture, employees are encouraged to speak out to leadership, and leadership is willing to listen and consider those viewpoints. To reach this conclusion, O’Toole examined the practices of Fortune 500 executives and politicians, some of whom became entangled in ethical situations at a high personal and professional cost. Others O’Toole studied used their integrity and skill to help improve and open communication in their work cultures and create sustainable solutions aligned with the modern-day business climate.

O’Toole, who speaks publicly on the topic, has often pointed to modern-day King Creons, who he says have the same pride and arrogance that creates similar issues in business cultures, among them leadership in Fortune 500 companies who have ignored input from their advisors and reports. For example, at both Enron® and WorldCom®, O’Toole says leadership were warned by company executives about the impending problems the organizations faced, but in both cases the messengers were disregarded and even despised for their honesty.²

More, a culture of candor is essential to compliance, say industry insiders. Overall, candid communication has the potential to contribute to your business operations in two significant ways, from a compliance

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2 Ibid.
standpoint:3

1. **Addressing potential misconduct quickly.**
To accomplish this, organizations must put a system in place that allows and encourages its employees to report potential wrong-doing; to create an organizational culture that rejects unethical behavior and noncompliance. In her article, “Encouraging Candor—A Critical Element of ‘Effectiveness,’” author Debra Sabatini Hennelly explains that a free flow of information is essential to early discovery of issues so that they may be addressed before they become major problems. Yet that sort of communication is difficult to encourage, for a number of reasons. Perhaps most notable is that there is a tendency to “kill the messenger.”

How can you change that perception and likelihood within your organization? Hennelly writes that you may need to start by collecting feedback from employees about their barriers to truth-telling. You can collect that information in several ways:

- focus groups
- interviews
- feedback mailboxes
- informal survey questions posted on an internal website or portal
- formal surveys sent to strategically-selected groups

When you have measured employee comfort level with reporting unethical behaviors and noncompliance, you can examine benchmarks and develop an action plan to improve communication. Hennelly recommends utilizing research from the Ethics Resource Center (ERC) and the Compliance and Ethics Leadership Council of the Corporate Executive Board (CELC/CEB) to see how your organization measures up.

It is important to note that ERC research shows most employees prefer reporting to somebody they know, rather than an anonymous hotline. To that end, it is vital to educate managers so that they can be proper channels for reporting of this nature. Hennelly writes that managers should be trained so they:

- Are open to listening to questions and concerns from reports.

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• Have the skills to appropriately gather information from reporting employees, even if the discussion is critical of the manager’s own department.

• Ensure employees who report noncompliance and ethical concerns are not punished directly or indirectly for raising concerns.

• Are knowledgeable about the proper channels for addressing the issue.

• Know that they should not conduct investigation into the matter themselves.

Hennelly points out that perhaps the most startling finding from the ERC is that four out of 10 employees who saw some sort of misconduct in their work environment did not report it. The biggest barriers to reporting are:

• **A belief that the organization will not take the report seriously.** The ERC found that employees who believe their report will be addressed are much more likely to report a concern.

• **Fear of retaliation for voicing a concern.** Research over the years has shown that there is a high correlation between fear of retaliation within an organization and misconduct in the workplace. That means, if your employees are afraid they will pay the price for reporting misconduct, you are more likely to experience misconduct in your workplace. These forms of retaliation are wide ranging, and could include: exclusion from activities, getting the cold shoulder from coworkers, verbal abuse, passed over for promotions or near loss of job, demotion, reduction in work hours, threats to family or experiencing harm to themselves or their property.

Prevention of such retaliation is not only important to creating a culture of candor, but there are also significant legal implications. Simply put, the price of retaliation is high, and the return for creating a culture of candor is great. Research shows that companies which eliminate barriers to reporting also experience a significantly higher return to shareholders. It stands to reason, then, that the organization may wish to openly address these common concerns to encourage the sharing of information.

When employees must report bad news to those in higher level positions, the temptation is to avoid the situation at all costs. Truth is, in most corporate environments, workers are rewarded for flattering their leader, for feeding into a superior’s vanity—not for delivering hurtful or candid truths. Creating a culture of candor requires balancing the organizational desire for employee loyalty with a personal dedication to integrity, more specifically, truth-telling.

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4 Ibid.
5 Ibid.
The risk of being the whistleblower
Findings from the Ethics Resource Center’s National Business Ethics Survey show a wide range of retaliatory techniques aimed at company whistleblowers.⁶

<table>
<thead>
<tr>
<th>Form of retaliation</th>
<th>% reporters who experienced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusion from decisions or work activity</td>
<td>62%</td>
</tr>
<tr>
<td>Cold shoulder from coworkers</td>
<td>60%</td>
</tr>
<tr>
<td>Verbal abuse by supervisor or manager</td>
<td>55%</td>
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<tr>
<td>Nearly lost job</td>
<td>48%</td>
</tr>
<tr>
<td>Passed over for promotions or raises</td>
<td>43%</td>
</tr>
<tr>
<td>Verbal abuse from coworkers</td>
<td>42%</td>
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<tr>
<td>Relocated or reassigned</td>
<td>27%</td>
</tr>
<tr>
<td>Other form of retaliation</td>
<td>20%</td>
</tr>
<tr>
<td>Demotion</td>
<td>18%</td>
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<tr>
<td>Harm to person or property</td>
<td>4%</td>
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Perhaps it goes without saying that management plays a key role in fostering an environment of open communication. Yet, leaders in this area of thought say there are three key impediments to creating a culture that supports the reporting of information:⁷

• A leader’s inclination to hoard information, which sets a bad example within the company and prevents decision makers from having access to the necessary truths.

• Structural impediments to the sharing of information, which may include process issues or unwillingness of those in the know to share what they know.

• The “shimmer effect,” or the tendency for managers or other leaders to offer approval of behaviors that might be questioned by those on lower rungs of the corporate ladder.

Again, to address these impediments to the free flow of information, your organization may wish to consider employee engagement surveys, which can measure the comfort level employees have with reporting to their managers, and their assessment of the likelihood that their concerns will be addressed.

2. Leading high-performing teams
In their book, Transparency: How Leaders Create a Culture of Candor, Warren Bennis, Daniel Goleman, James O’Toole and Patricia Ward Biederman explain that

⁶ Ibid.
⁷ Ibid.
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
- Innovate

And so much more. In fact, a culture of candor is also credited with helping employee recruitment, engagement and retention as well as driving productivity. More, the authors write that although everyone may experience extreme pressure to perform, it is important to achieve balance between driving your own decisions and being open to the innovations of others, so that you might improve the products or services your organization provides. To believe that you alone have the best ideas will stunt the creation of new solutions.

In addition, an internal climate of candor can help an organization address issues that might otherwise be ignored or tolerated in silence. For example, Leslie Perlow of Harvard Business School studied a company which spent a great deal of time in meetings. Company engineers thought the meetings were a waste of their time, but didn’t say a word, believing management would frown upon it. The engineers’ boss, meantime, felt the meetings had very little value, but thought that canceling them would send the message that the company didn’t value the work of the engineers. The outcome: The cycle of silence decreased productivity and affected morale. Such silence is all too common in companies, with similar results. And within most organizations, sadly, the open discussion happens within small, gossipy groups after the meeting is done.

A huge risk associated with a culture of secrecy, as illustrated here, is the existence of groupthink in decision making. A classic example is John F. Kennedy’s decision in 1962 to invade Cuba at the Bay of Pigs. Kennedy’s advisors assured him time and again there was an underground movement among Cubans that would rise up against Castro and support an invasion. Though polls showed most Cubans supported Castro, none of the experts reporting to President Kennedy contributed any facts that would not support an invasion. When the Bay of Pigs turned into a fiasco, Kennedy, for lack of full information, was stunned. His best advisors had, in a sense, driven him to failure by failing to practice candor.²

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³ Ibid.
Cultural patterns within organizations

Just as evidence of groupthink can be found even at the highest levels of government, most companies show evidence of a shared set of ideas among leadership. These “collective representations,” as they are known in the field of social anthropology, comprise a set of ideas which, right or not, are held by the group, defended and supported. Research shows that management teams share assumptions about every aspect of their company from production to product quality to employee motivation. These ideas commonly remain unchallenged and fundamental to the functionality of the company. And while they often serve to unite groups and hold a company together, when the ideas are toxic, it is destructive to the organization’s future. That’s why, according to experts, leaders in organizations with healthy corporate cultures challenge those old assumptions and open themselves to questions about them.\(^\text{10}\) It is the willingness to rethink and reinvent these myths that helps a company innovate. You can encourage the challenging of these assumptions and strengthen your organization by creating a culture that supports creative conflict, candor and transparency.

Fostering creative conflict in the workplace

You can get started by fostering creative conflict to enable better decision making, explains Michael G. Winston, Global Head and Chief Organization and Leadership Officer for Fortune 100 companies.\(^\text{11}\) In his article, “Say No to Yes Men—Otherwise, Expect the Worst,” he presents seven suggestions:

1. **Create and maintain your organization’s true vision, values and corporate culture.** Ensure that all employees know it is everyone’s responsibility to make choices that are reflective of these founding principles.

2. **Give voice to the minority opinion. Invite healthy debate and diversity of opinions.** In meetings, one useful tactic you may use is to invite others to share their thoughts before you share yours, so as to avoid encouraging agreement. Express to workers that it is okay to disagree with ideas or to have thoughts that are different than others, and that it adds value to the process.

3. **Celebrate true diversity in your organization.** True diversity allows for different perspectives. Seek out individuals who are different from one another in background, ideas, skills and strengths.

4. **Appoint a devil’s advocate.** Throughout a meeting, encourage this individual to address agenda items. Assign the

\(^{10}\) Ibid.

responsible of serving as devil's advocate to a different employee at each meeting.

5. **Hold a meeting to give items a second chance.** In meetings, it is common for groups to try to seek resolution quickly. Yet it is worthwhile to allow issues to marinate for a week or two. Waiting to make a choice allows new perspectives to come to the forefront.

6. **Create feedback channels that protect anonymity.** Ensure the privacy of truth-tellers who may fear retaliation. Weekly meetings can then offer an opportunity to discuss the feedback you have received.

7. **Lead by example.** Practice candor in your everyday work. Set the tone by challenging the status quo. And surround yourself with people who practice transparency and will tell you the truth, even if it is bad news. If leaders routinely show that they don’t want to hear nonstop praise, and instead praise those who express concerns or uncomfortable truths, the organizational culture, under their leadership will shift to a culture of candor.

Supporters say while it is a common business practice to control information and even hoard it for the sake of individual career advancement, transparency is key evidence of an organization’s moral health.

**The building blocks for a culture of candor**

So, how do you go about creating a culture of candor in your business? It’s not easy. Here are some steps to get you started, provided by James O’Toole and Warren Bennis in “A Culture of Candor,” published in the Harvard Business Review. 12

**Encourage people to speak truth to power.** For employees, there is always a certain amount of risk when it comes to being honest with organizational leaders. Most of us know the fear of having to tell a superior something we know they don’t want to hear, but in many organizations, such honesty is strongly discouraged, even if it's unintentional. For many people, the reward for being a “yes man” can be significant, while the price of candor may be their career itself. Simply put, it can be terrifying.

Even if it is just a perception and not the true outcome of honesty within your corporate culture, overcoming such perceptions can be difficult. And the risk of speaking up goes beyond that. Would-be truth tellers face potential criticism from all angles: angry parents, dismayed customers, skittish business associates

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and more. To create a workspace that encourages honesty and transparency takes time and patience, and it goes both ways. As O’Toole and Bennis point out, speaking the truth to power requires both the individuals willing to stick their necks out to speak up, and the people who are willing to hear the truth. Fortune magazine once reported that GE® employees were so frightened by the aggressive intellectual attacks by former CEO Jack Welch, that they trembled in meetings. Imagine the strength of character and fearlessness it would take to speak up or question his decisions. In fact, most leaders expect their reports to be faithful soldiers who don’t question policy or authority. O’Toole and Bennis say the opposite is true: A great leader will open the door for alternative opinions. Remember that consensus can be paralyzing for a company, keeping you on the same track you’ve been on in the past, and stunting company growth.

1. **Reward contrarians.** In a healthy company, the status quo and the organizational assumptions are always under question. O’Toole and Bennis point to an example from Motorola®’s heyday in the 80s, when a young middle manager swore to then CEO Robert Galvin, that he was wrong, and he was setting out to prove it. Galvin, rather than getting ruffled, beamed. He bragged to a companion, that that attitude had enabled the company to bypass a competitor’s lead in semiconductors. According to O’Toole and Bennis, Motorola lost that attitude in later years, discovering the difficulty in retaining and sustaining a culture of candor.

2. **Practice having unpleasant conversations.** You already know the benefits of candor and their significance. But it is important to note that it is possible to harm others unintentionally when broaching difficult subjects. As O’Toole and Bennis point out, that’s why managers sometimes have a difficult time being honest in performance appraisals when employees are not doing their best work. And because giving feedback to superiors comes at an even greater risk, it happens even less often. Bennis and O’Toole say there is no way to make candor fun—for the person delivering the feedback or those getting it. But it is possible for people to learn how to accept such feedback with grace. By practicing difficult conversations, leaders can learn how to deliver negative messages in a way that is constructive while avoiding causing harm or anguish to the recipient. In larger companies, the trend of providing such valuable training exercises to those who need it is increasing.
3. **Diversify your sources of information.** Leaders must learn to understand their business by getting input from diverse sources who represent differing points of view and biases. Leaders who regularly and openly seek feedback from people at all levels both in and outside the company are rare. Such input would be valuable to forming decisions that affect the wellbeing of the organization. Think of the input you might get from shareholders versus that which you might hear from the company’s security guard or maintenance crew. Then, imagine the insights you could gain from also talking with a news reporter and a critic.

4. **Admit your mistakes.** These days, with everything tried in the court of public opinion, it is necessary to admit mistakes swiftly, truthfully and humbly. It is an important step to take, as it disarms critics and empowers your reports to own up to their errors as well. O’Toole and Bennis say, even Ghandi and President Obama have admitted when they were in the wrong. History proves, rather than eroding trust, it strengthens it.

5. **Build an organizational architecture that supports candor.** It is essential to put into place a structure that supports truth telling. An important aspect of this is the executive hiring practice, as the tone of candor is best set from those in leadership roles. Yet the very structure of executive hiring is often at odds with creating a culture of candor, as the preferred qualities in an executive typically support the hoarding of information.

According to Bennis and O’Toole, then, the responsibility of changing the system belongs to the organization’s board of directors. For example, independent boards can offer the objectivity necessary to keep executive egos in check and keep an eye on deceptive practices. Boards which do not pursue honesty with great vigilance, say O’Toole and Bennis, will serve organizations which do not offer a transparent flow of information.

In addition to the attention paid at the executive and board levels, there are initiatives that can support honesty at all levels, especially the lower rungs of the corporate ladder. Here are just a few ideas for structure an organization can put into place that may help encourage a culture of candor:

- Institute open-door policies
- Appoint ombudsmen
• Develop policy that supports whistleblowers
• Launch an internal blog that allows people at all levels of the hierarchy to contribute
• Consider developing an ethics training program
  (although Bennis and O’Toole point out that often this lacks the appropriate focus in corporations, where it is often technically legal compliance)

6. Set information free. It may go against the common school of thought among corporate managers, but the information that is so carefully guarded among them can be easily shared to the benefit of the organization. For example, at SRC Holdings®, a Missouri-based remanufacturing company, all employees have access to all financial and managerial information, as they have for more than 20 years now. The result, according to the company’s CFO is that the organization has what amounts to 700 internal auditors. The company’s high ethical standards and impressive profit margin offer proof of the effectiveness of this philosophy of shared information.

Bennis and O’Toole say the sharing of information is critical to supporting the ethical standards of a company and ensuring the organization’s success, so it is essential that leaders not only encourage honesty and contrary opinions, but reward them as well. Short term, there may be some deflated egos or hard-to-have conversations, but long-term, leadership will be empowered by the wealth of information and diversity of viewpoints represented, enabling them to make better decisions.

Encouraging direct interaction

Some experts suggest that forthrightness within a company should not only be encouraged, but required. Yet getting employees to buy in and trust a systematic shift toward candor can be difficult. In his article, “Candor, Criticism, Teamwork,” Keith Ferrazzi suggests the following steps to encourage coworkers to interact with candor:13

1. Hold smaller group meetings. In large meetings, certain people will dominate, but you want to encourage everyone to contribute. Breaking into smaller groups for brainstorming, then joining back into a larger group and appointing a spokesperson for each small

discussion group can create a more even playing field, where everyone’s opinion is represented.

2. Choose a “Yoda.” Appoint an officer of candor, whose task is to say what is left unsaid. The meeting facilitator may call upon Yoda from time to time to determine if anything is being left out of the discussion.

3. Teach employees to practice “caring criticism.” Even if there’s bad news or criticism to deliver, it is important to note that it’s possible to deliver it with care. Ferrazzi suggests people use phrases such as “I might suggest” and “Think about this.” Those receiving the feedback should thank the person who gave it, taking care to remember the person is being generous in sharing their thoughts, rather than critical. Shifting your thought process in this direction can help prevent defensiveness.

Candor in the age of immediacy

With the increasingly important role social media plays in the news media as well as the social and political landscapes, transparency in organizations has become increasingly important. When candor is not embraced within organizations, it only takes a photo, taken from one person’s cell phone, to tell the story to the world. And it only takes a single 140-character message to broadcast supporter backlash to the world. Such swift feedback from the public has been unprecedented up to now, and the fallout faced by a number of organizations of late serves as a cautionary tale to those companies which do not want to embrace candor.

Consider the recent decision by the Susan G. Komen for the Cure Foundation to eliminate funding of grant applications by companies under investigation, which serves as an excellent example of the importance of candor and the influence of social media. The move would have cut more than $700,000 in funding for breast cancer screening provided by Planned Parenthood® to underserved women. Though the decision was made in December of 2011, the public found out in February of this year. The public outcry that followed averaged 3,000 mentions on Twitter per hour. When the Susan G. Komen for the Cure Foundation reversed its decision, just days after it was announced and restored funding to Planned Parenthood as well as eligibility for future grants, tweets spiked at 15,000 after news of the reversal was released to the public.14

Even presidential candidates have had to face the necessity of transparency and candor head-on. During televised debates, candidates recently had to field questions not only from people taking part in Town Hall forums, but also participants tuning in via social media sites, including YouTube®. Even if these candidates resisted it, transparency again showed its inevitable necessity. No longer would candidates get purely soft-ball, controlled encounters, but they were forced to answer questions from people via the Internet. Social media and its thirst for candor are changing America’s political discourse. In addition, the vast sea of data available on the Internet allows anyone to look up a candidate’s record and past positions on any topic, locate discrepancies and report them to the world quickly.

Experts conclude that technology has, in fact, made transparency inevitable. In “Transparency: How Leaders Create a Culture of Candor,” the authors point to the ease of modern-day communication and its relentlessness as contributing factors to the unavoidable necessity of candor. The archive of cyberspace-based information is being constantly built, tracking our every electronic movement, every opinion we voice, every stand we take. When half-truths or untruths are revealed to the public by whistleblowers, the resulting backlash can come from all corners of the wired world in a matter of moments, and it can be crushing.  

The importance of transparency and candor to organizational health is proven, time and again, and is in the best interest of all companies and organizations, say industry experts. Yet the challenge of creating a culture of candor that operates hand-in-hand with a culture of trust holds many organizations back from achieving full transparency. A recent survey of a cross-section of American workers showed that while most had witnessed unethical behavior in the workplace, only about a third of those who saw it would report it. The reason? They felt the response would be insufficient. Pair that with the prevalent fear of retaliation, and there is a lot of groundwork to do to build a foundation of trust upon which a culture of candor can be constructed. For most organizations, the process of shifting the culture can mean a significant investment in patience and time, but one that will surely pay them and their stakeholders back in the long run.

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