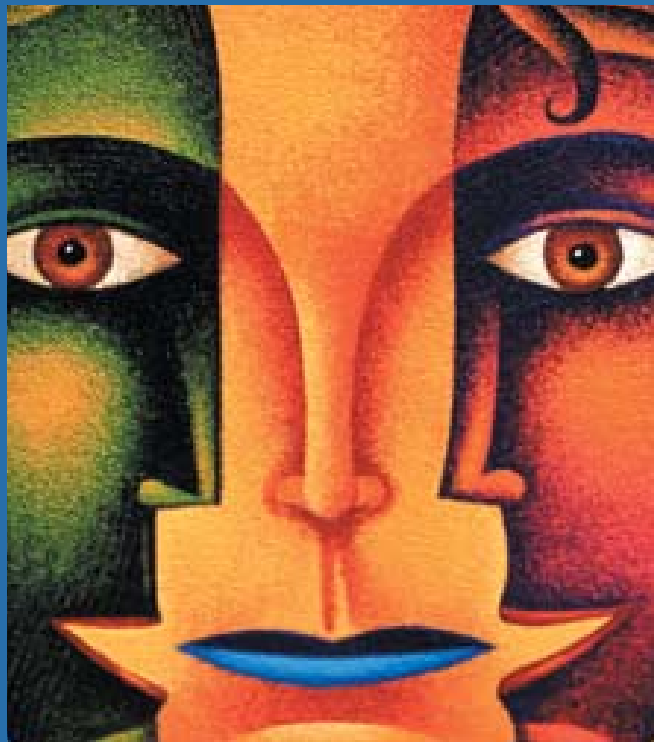




## ANNUAL ESSAY 2004



### **Building a Culture of Candor**

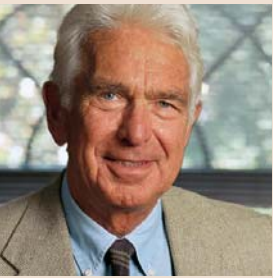
A Crucial Key to Leadership

by Warren Bennis

# Building a Culture of Candor

## A Crucial Key to Leadership

by WARREN BENNIS



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### The Annual Essay

Each year, The Conference Board publishes in its Annual Report an original and timely commentary by a leading economic or management thought leader. Past essayists have included Jim Collins, Peter Drucker, Dale Jorgenson, and Paul Volcker.

**T**he word transparency crops up more and more in public statements by politicians and corporate officials – as if simply saying it were enough to guarantee it. Understandably. Now more than ever, we know that keeping secrets is dangerous for organizations and the people affected by them. But no amount of incantation or legislation can make an organization transparent. That happens only when an organization creates a culture of candor, one in which followers feel free to speak truth to power and leaders are willing to hear it.

Unfortunately, while many organizations pay lip service to those values, few organizations are genuinely committed to openness and candor. Instead, when it comes to sharing secrets, most organizations hold onto inside information with obsessive zeal. And even within the family, as it were, far too many organizations have traditions and structures that keep essential information from reaching decision makers. History tells us that lack of transparency too often has tragic results. The 9/11 Commission Report is only the most recent evidence of how devastating the consequences can be when vital information does not flow freely within and between organizations.

And yet, in recent years candor and transparency seem to have all but disappeared from our organizations. Accounting fraud, insider trading, and just plain lying have destroyed one promising enterprise after another. Top executives who were once as celebrated as rock stars are now in prison or bound for it. Trillions of dollars of investor wealth vanished overnight. The restating of corporate earnings, once rare, has become commonplace, and every such announcement reinforces many people's jaded belief that business has lied to them before and is likely to do so again.

No wonder that only 15 percent of respondents to a November 2002 CBS/New York Times poll expressed much faith in American business, and that two-thirds of those CBS canvassed at around the same time believed most corporate leaders are dishonest. It would be hard to overstate just how low the reputations of business leaders and business itself have sunk in recent years. This pervasive lack of public trust threatens the economy far more than

the direction of interest rates or even the outcome of any single presidential election.

### Lessons from Los Alamos

Of course, there are rare instances – national security is the most obvious – when information must be limited to a few people who are demonstrably trustworthy. And businesses have the right, even the obligation, to protect intellectual property and other assets. But even in wartime, a compelling case can often be made for prudent transparency. One of J. Robert Oppenheimer's acts of genius as the scientific leader of the Manhattan Project was to persuade the project's Armed Forces head, General Leslie Groves, that the atomic scientists recruited for the project should be able to speak freely among themselves, even about top-secret matters. Yes, increasing the number of people who knew that the United States was trying to build an atomic weapon increased the likelihood that the enemy would learn of the effort, Oppenheimer conceded. But he argued persuasively that the enemy could already guess that the effort was underway – after all, the names of most Allied scientists doing bomb-relevant research had vanished from the pages of the scientific journals. Groves reluctantly, and courageously, acquiesced. As a result, although the scientists' letters left Los Alamos only after being censored, the scientists themselves could speak freely to each other as long as they were on the secret base. The scientists' ability to share vital information helped them accomplish their goal in a remarkable two years.

In addition to speeding up the discovery process at Los Alamos, information sharing within the group had a potent morale-building effect. Physics *wunderkind* Richard Feynman was put in charge of a group of engineers doing tedious but essential calculations for the project. The engineers were told nothing about the nature of the bomb project or how their own work fit into it. Their performance was slow and lackluster. Then, Feynman persuaded Oppenheimer to extend the culture of candor enjoyed by the scientists to the engineers. Oppenheimer spoke openly to the engineers about the project and their critical contribution to it. The lecture was transforming. Afterwards, the engi-

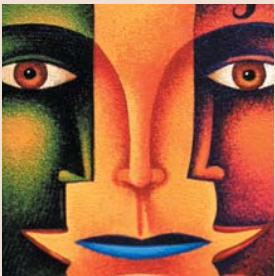
neers worked tirelessly, without prompting and without complaint. Feynman estimated that knowing the nature and importance of their work made the engineers work almost ten times as fast and with fierce commitment.

How effectively information flows through an organization is directly related to its culture. Many institutional cultures make transparency all but impossible. In an epic confessional essay in the May 2004 issue of *The Atlantic Monthly*, former *New York Times* Executive Editor Howell Raines accuses the paper of what he terms “management by mendacity.” He writes that *Times* publisher Arthur Sulzberger Jr. chose him for the job for the express purpose of shaking up the paper’s corporate culture, including the unacknowledged practice of letting

criticize itself in any meaningful way, no matter how illuminating and useful such self-analysis would be.

### Are You Working in a Toxic Caste System?

I am convinced that an essential first step in making any organization more transparent is to examine its culture. The first question to ask: Who talks to whom? In many organizations, information flows down but not up. Observers of the recent scandals at both *The New York Times* and *USA Today* claim that editors had allowed a toxic caste system to develop. Editors interacted only with a handful of anointed reporters, whose work was dangerously exempt from the kind of critical, even cynical, scrutiny that was standard for everyone else. Both newsrooms had buzzed for months about the suspect quality of work by rogue



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the mediocre and unproductive remain once they were admitted to the club.

According to Raines, when Sulzberger introduced Raines’ successor, Bill Keller, to the *Times* staff, the publisher said: “There’s no complacency here – never has been, never will be.” But Raines insists: “I can guarantee that no one in the newsroom, including Arthur himself, believed what he said. It was a ritual incantation meant to confirm the faith of everyone present in the *Times*’ defining myth of effortless superiority. Arthur’s politic words were a declaration that although *Times* people may talk and sometimes even joke among themselves about the paper’s deeply rooted complacency, that characteristic must be vehemently denied when mentioned outside the tribal circle.”

Many of us have been in organizations that have been harmed by their defining myths. Such myths are always Janus-like: On one hand, they help create cohesion, and that spirit of being part of a grand, exclusive club often facilitates the best kind of collaboration. On the other hand, these same myths make it harder for the organization to

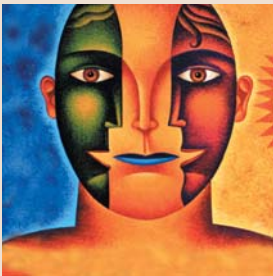
reporters Jayson Blair and Jack Kelley that eventually embarrassed both papers.

A more egalitarian newsroom would have served both papers better. A more collegial organization would have allowed information to flow more freely. If the editors had spent more time with more people, they would not have been blindsided by dishonest reporters who ruthlessly manipulated them as well as the truth. Some critics said the editors had succumbed to the Golden Boy syndrome. In fact, what the editors had succumbed to was the all-too-human tendency to limit their interactions to a coterie of charming, ego-messaging individuals who told them only what they wanted to hear.

When leading a large organization, it is not enough to say, as so many leaders do, “My door is always open.” Employees with an ounce of emotional intelligence know not to drop in to the boss’s office on a whim. People in power have to insist that those who report to them tell the truth, however unpleasant. That isn’t as easy as it seems. Power is intimidating, and those who have it often make their own importance known in myriad ways,

some explicit (bespoke suits), some not. Leaders routinely send out signals that make it clear they want to hear only confirming information. The stated policy may be: “You need to take responsibility” or “No whining.” But the real message, never voiced but understood organization-wide, is often that the only way to succeed here is to tell the leader what he or she has already decided.

It is not surprising that people at the bottom of the rarely acknowledged organizational pyramid are loathe to put their jobs – and their family’s health insurance – on the line by telling the boss his or her idea is faulty, wrong, or dangerous. What is more surprising is that the so-called “shimmer effect” that surrounds most leaders dazzles even their ostensible peers. A case in point is the alacrity with which the trustees of Hollinger International approved then-CEO Conrad Black’s \$8 million purchase of a collection of Franklin Delano Roosevelt’s papers. Black



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wanted the documents for a Roosevelt biography he was writing. Fine. But why didn’t a single trustee question the inflated valuation of the papers, to which only the seller – hardly a disinterested party – had attested? The answer, according to *The New York Times*, “was not negligence [on the part of the trustees], but something more like awe.”

### **Great Leaders Ask Not to Be Spared**

Ordinary mortals like having their egos massaged. Great leaders ask not to be spared. They want to know everything, not just the good news, because they understand that the more they know the better their decisions will be. Decision making rises and falls on the quality of information at hand. And listening isn’t easy. Active listening, intelligent listening, is a demanding task, which is why too many leaders develop what they call in the Middle East “tired ears.” Wise leaders become skeptical when what they hear simply what validates their current position. Universal assent makes strong leaders nervous. When everybody in the room says, “Great idea, boss,” the authentic leader quickly asks for a second opinion.

I was fascinated to discover recently, in reading David Hackett Fischer’s *Washington’s Crossing*, that our first president never relied on his own gut or the counsel of his closest advisors when going into battle. Instead, he would consult widely, even asking civilians what they thought. Most remarkably, according to Fischer: “It was typical of Washington’s leadership to present a promising proposal as someone else’s idea, rather than his own. It was his way of encouraging open discussion and debate.” Still a good strategy more than 200 years later.

In order to get the information and the knowledge he or she needs, a leader must have the ego-strength to say “I don’t know. What do you think?” Princely executive compensation should make that easier, but it is amazing how few CEOs are capable of that kind of modesty, despite the huge payoff that can result. You can hear how great you are from a paid subordinate or you can hear it from history. You choose.

One way to make sure that the cons as well as the pros of any strategy are probed is to listen to your contrarians. If you don’t have any, hire some immediately. That too is harder than it sounds. People like being surrounded by people who agree with them and tell them how brilliant they are. It’s human nature. But the person who is willing to look his or her boss in the eye and say “Nonsense” is worth a thousand yes men. As a leader, you already know what you think. What you need to know is what the smartest person who is least enamored of your idea sees as its weakness. That is your best hope of polishing your idea so that it really shines or, just as important, dumping the idea before it makes you look like a fool or, more important, harms the organization.

The contrarian is the one person in the organization who really earns his or her salary – and should earn the leader’s gratitude as well. Bonuses should routinely be given to employees who save their leaders from making stupid decisions. Instead, such people tend to be shunned because “they are not with the program” and are more likely to be fired than rewarded.

The fact is, our leaders need to develop thicker skins. They do our companies no service when they react to principled feedback like the princess with the pea under her royal mattress. The kind of toughness we should value in our leaders is not their rigidity but a willingness to profit from the thoughtful criticism of those brave enough to speak up, even when they may not have courtly manners. Followers need to remember that some things are worth getting fired for. That is always easier to say than to do. The courage of the follower is always more laudable than that of the leader, because the follower’s losses cut so much closer to the bone.

## Rewarding Principled Dissidents

Principled dissidents should not simply be tolerated. They should be rewarded. And those who are close to the top and don't speak out should be punished. That alone sends a powerful message to the rest of the organization that speaking truth to power is not some odd and embarrassing happening but an obligation. When we start reading in the company newsletter about individuals who have loyally revealed weaknesses in the operation, we will know that the organization is finally committed to the kind of openness it may already have boasted of in its mission statement.

The Sarbanes-Oxley Act of 2002 helped make corporate governance more transparent, but no amount of legislation will make our organizations truly transparent. Only courageous leaders, and followers who are even more courageous, can do that. As a leader, the most important action you can take is to seek out and embrace dissent. Whistle-blowers



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are made, not born – made by leaders with "tired ears" who prefer sycophancy to candor.

Recently, the media have reported on several employees of the FBI – one a translator of Farsi and other Middle Eastern languages, another an agent who had successfully infiltrated terrorist groups – who put their careers on the line to expose weaknesses in the bureau's procedures. The result? One was dismissed, the other sentenced to career death. If history tells us nothing else, it tells us this: Angry individuals who know where an organization's bodies are buried will eventually become so frustrated at being ignored, so indignant at being treated unfairly, that they will call a reporter and tell all. How brilliant does a leader have to be to realize that the wiser strategy is to hear what the potential whistle-blower has to say and correct the problem, if humanly possible? How many shuttles does NASA have to lose before it realizes that all pre-launch rumblings about potential problems should be taken seriously?

There is a great irony about the growing lack of transparency in our organizations. Even as organiza-

tions try more and more desperately to keep the lid on their secrets, information is becoming harder and harder to control. The Internet has democratized the spread of information in ways that could not have been imagined 20 years ago. Your disgruntled former employees, your angry ex-wife, all have access to computers. They can reveal your most intimate secrets to millions of people around the globe by pressing a single computer key. No matter what safeguards you think are in place, it is harder than ever to keep secrets in this wired world. Just ask the judge in the Kobe Bryant case who recently – for the second time – had to apologize for the release of the name of the alleged rape victim by a court employee.

As a leader, what can you do to encourage a culture of candor and the greater transparency that will predictably follow? One way is to do what the Roman Catholic Church has done for centuries when vetting candidates for sainthood: Appoint a Devil's Advocate. Choose the most persuasive person you know, or a panel of the brightest people in the organization, and ask them to shoot holes in your latest project. Insist that they research the weaknesses of the project with the same fervor they would bring to advocating it. If they succeed in demolishing your idea, reward them. People know that whistle-blowers tend to lose their jobs, and often never work again. It will take years of organizations embracing their whistle-blowers before the average person overcomes his or her understandable reluctance to speak out. Not until candor is truly reflexive will organizations be truly transparent.

Another approach is to hold so-called qualming sessions whenever an important decision is about to be made. Invite everyone who is party to the decision to some pleasant site away from the office and insist that they try to imagine every possible way the plan could fail and why. Once again, it must be made clear that no idea is unacceptable and that no one will be punished for speaking out. The rules should be those of brainstorming sessions – the more ideas, the better. There are no bad ideas, at least in the early rounds of conversation. Nobody's head will roll for saying something an executive doesn't want to hear. It won't solve all your organization's problems, but it will be a promising and potentially powerful start.

At the least, employees may feel empowered to speak up the next time they see a flaw in an idea that is about to be put into action. If such a culture of candor had been in place when decisions were being made at Enron, it might still be a name that would evoke pride.

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