Culture of Candor

**Topical Areas:** Transparency, Organizational Culture

**Main Theme:** Performance of leaders is increasingly being measured based on the extent to which they create economically, ethically, and socially sustainable organizations. Increased transparency is an important step for leaders making this shift. An improved culture of candor can benefit organizational performance and there are several steps outlined for leaders seeking to create increased transparency. There is no easy way to institutionalize candor. Positive steps towards increased transparency are described but true transparency will require ongoing effort, sustained attention, and constant vigilance.

**Summary of Article:** The way in which performance of American corporate leaders is measured is shifting. Leaders are no longer measured solely based on the extent to which they create wealth for investors. Instead, they are increasingly being measured based on the extent to which they create economically, ethically, and socially sustainable organizations. Increased transparency, or movement towards a culture of candor, is an important first step for leaders in making this shift. Transparency is defined here as the degree to which information flows freely both within an organization and outward from an organization.

**How Candor Improves Performance**
There are several ways in which increased organizational candor can improve performance. Increased candor in upward communication such that employees are able to do so honestly is one of these ways. Leaders who have open exchanges with members of the organization and wait to learn information make fewer mistakes than those that act quickly based on inadequate information. Furthermore, employees are more willing to intervene and discuss potential problems with leaders who create this type of open culture.

A second way in which candor can improve performance relates to whether teams are able to openly challenge their own assumptions. Many organizations suffer from groupthink, where members do not know how to disagree with one another. This is a significant problem for organizations as 63% of 154 executives polled described their own company culture as opaque and the remaining 37% were more likely to describe communication practices at their firms as cloudy instead of bright sunshine. Organizational transparency can benefit businesses by helping them run more efficiently and effectively.

The ability of boards of directors to communicate important messages to company leadership is another important way in which candor can improve performance. If boards do not exercise genuine oversight over senior management and ask questions when necessary, they can allow many otherwise preventable problems to occur within the organization.
Why Transparency Is Inevitable Today
Transparency is inevitable today in large part due to the internet diminishing the ability to keep secrets. It no longer makes sense for leaders to try and restrict the free flow of information. Leaders can use this changing landscape to their advantage; for example, instituting a “no secrets” policy could actually benefit an organization by building trust among corporate stakeholders. This trust can be reinforced by leadership promptly correcting any problematic practices identified.

Challenges of Transparency
While increased transparency is important, complete transparency is not possible or desirable. There is a need for strategic secrets and protection of the privacy of employees and customers. Leaders play an important role in making judgments about what information should be revealed and what should be withheld. However, there is a tendency among organizations to withhold all information while a more prudent course of action would be to default towards disclosure of information.

Creating Transparency
There are steps leaders can take to be role models in creating and nurturing transparency to help move organizations from hoarding to sharing information:

• Leaders should tell the truth to build trust in the organization.
• Leaders should also encourage people to speak truth to power. A culture should be created where alternative viewpoints are welcomed and employees feel comfortable being honest with their bosses even when informing them about things that are not easy to hear.
• Contrarians should be rewarded as companies with healthy cultures will continually challenge their assumptions. This attitude requires leaders who are willing to listen to others.
• Leaders should practice having unpleasant conversations to help learn how to deliver negative messages constructively, avoiding unintentional harm.
• Sources of information should be diverse so that leaders are gathering information from stakeholders with a variety of biases including employees, reporters, shareholders, regulators, and critics.
• Leaders should be willing to admit their mistakes. This has an added benefit of making employees more likely to own up to their mistakes as well.
• An organizational architecture should be built that supports candor. Norms and structures that sanction truth telling need to be created such as open-door policies, ombudsmen, whistleblower protections, and internal blogs that give voice to those at the bottom of the hierarchy. The executive selection process, a responsibility of the boards of directors, is also an important part of the architecture because of the importance of executives in setting tone at the top.
• Finally, leaders need to be willing to set information free. Leaders tend to keep great deals of information private that could easily and usefully be shared. Sharing information is critical to organizational effectiveness and ethics. Leaders that understand this know that openness and even dissent leads to better information that helps in making better decisions.


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