



## Transparency: How Leaders Develop a Culture of Candor

### About The Authors

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## Preface

Transparency is quickly becoming one of the prime leadership topics. It's a central issue whether the subject is business, national or international politics, or the media. This book is about what it means to be a transparent leader, create a transparent organization, and live in an increasingly transparent world. Transparency is a key issue for leaders because trust and transparency are always linked. Without transparency, people don't believe what leaders say. We have a bias towards suspicion that only transparency can overcome. With transparency, it is possible to create an atmosphere of trust.

One of the reasons transparency is so urgent is the increase of technology, which makes it almost inevitable. More and more of our lives are being stored electronically and are able to be accessed by anyone who can get on the internet. New technologies are lifting millions of people out of isolation; at the same time we are increasingly tied to our electronic devices.

Ultimately, candor is essential for personal and organizational health; denying the truth is damaging. Ironically, the more leaders fight transparency, the less successful they are, simply due to the changes resulting from our new technology. Like it or not, thanks to YouTube, there is no place to hide.

But this isn't a book about technology. It's about the things that have always mattered: courage, integrity, candor, responsibility. Technologies may change, but human nature doesn't. This book is written to help you embrace transparency, and in the process become both a better follower, and a better leader.

## Creating a Culture of Candor

Today the word *transparency* pops up in stories about everything from business to the U.S. Justice Department. Often, when officials say they are being transparent, what they really mean is they aren't lying or hiding what they are really doing. But, claiming to be transparent is not the same as actually *being* transparent. And lack of real transparency is usually no accident; it is systematically built into the structure of most organizations.

When we speak of transparency and creating a culture of candor, we are really talking about the free flow of information within an organization and between the organization and its many stakeholders. An organization's ability to operate effectively is integrally linked to the degree that information flows freely. For information to flow freely followers must feel free to speak openly and leaders must welcome such openness.

We aren't talking about some mysterious process. Free flowing information simply means that critical information gets to the right person at the right time and for the right reason. When that happens, the likelihood of success is maximized; without it, the consequences can be tragic. In 2002, Guidant learned their heart regulators were prone to electrical failures and implicated in at

least seven deaths. Executives decided not to recall the devices until 2005, resulting in needless deaths and a catastrophic trust problem with the doctors who prescribe such devices.

The right information did not get out, and tragedy ensued. It is clear that complete transparency, in some cases, is not possible, or even desirable. National security concerns justify limiting access to information; so do innovations, original processes, secret recipes, and corporate strategies. Those secrets are reasonable. But, a culture of secrecy can be reflexive; it is automatically assumed that most information should *not* be shared. All organizations have an internal bias towards either openness or secrecy. Often, this policy has not been consciously thought through or decided on, but, lazily fallen into.

It's important to remember that transparency is a choice. Legislation or policies do not guarantee that an organization will be open and healthy. Only the character and will of those who run them can do that. Candor and transparency become widespread only when leaders make it clear that openness is valued and will be rewarded. Openness happens only when leaders insist on it.

One indication of the difficulty of maintaining transparency in an organization is how whistleblowers are treated. The most damaging secrets within organizations are often those that deal with activities that cause harm. The exposure of such embarrassing, even shameful, secrets is transparency at its best and most difficult.

However, in a study of several hundred whistleblowers, Sociologist Myron Glazer found that almost inevitably the person who exposed the wrongdoing suffers, usually by being shunned, demoted, fired, or otherwise punished. That kind of retaliation is what keeps people from telling secrets, undercutting transparency. Ironically, Glazer's study showed that the whistleblowers almost always found the courage to speak out in their deep commitment to the core values of their organization. Even though labeled traitors, whistleblowers often felt passionate loyalty to the organization and what it stands for.

While leaders must set the example for their organizations by demanding candor and transparency, there is actually less and less of an option in the matter. In a world where information travels globally with the click of a mouse, transparency is becoming unavoidable. The days are over when leaders held awkward or damaging truths so close that the outside world couldn't learn about them.

The rise of the blog has changed the very idea of transparency. Where whistleblowers were once vulnerable and isolated, this is no longer the case. Now it is possible to make charges anonymously with blogs disseminating them through cyberspace at the speed of light. And, with bloggers always looking for more copy, the opportunities to spread information broadly are endless.

In 2002, there were 15,000 blogs; by mid-2007, there were an estimated 70 million. Many of these are focused on particular industries or interest groups, and are able to tap inside sources, eager to leak information, without the normal risk. Besides revealing secrets, blogs are able to spread information virally at stunning speed. No leader can afford to ignore such a force, and as their numbers continue to soar, blogs will only get more powerful.

The leaders who will thrive and whose organizations will flourish in the era of electronic tattle-tales are the ones who strive to make their organizations as transparent as possible. Even if unattainable, a “no secrets” policy is worth striving for. We all need to remember that each of us is, more or less, always under scrutiny. Whether we like it or not, the new involuntary transparency calls for a new code of behavior, dictated by the reality that we can never assume we are unwatched.

As a rule, genuine leaders who encourage the honest sharing of information create organizations that have reputations for candor. Such organizations tend to weather scrutiny more easily when things go wrong.

Given the powerful forces that push us towards greater openness, why is it so hard to embrace candor and transparency?

First, leaders often set a bad example for the entire group by hoarding information. Underneath that hoarding is the all-too-human tendency to want to know things that others do not. In many organizations, knowledge is viewed as the ultimate executive perk.

Second, structural impediments hamper information flow. A perfect example of this is the revelation that the U.S. declared war on Iraq largely on the basis of flawed data. Two divisions of the CIA did not work well together: The operations directorate gathers information from around the world, and the intelligence directorate analyzes it to draw conclusions. However, operations did not reveal to the analysts the reliability of the sources, so the analysts treated all the information equally. Had the analysts known about the unreliability of some of the sources, a different conclusion would have been reached.

The same can happen in any organization. But, when any organization makes a seriously wrong decision, its leaders should call for an intensive postmortem. Such learning opportunities are too often overlooked. Because most organizations cover up their mistakes instead of learning from them, systemic flaws in information flow tend to remain to do damage again.

Another factor that can impede information flow is the so-called “shimmer factor.” Leaders are often still perceived by many as demigods, and that perception deters people from telling those leaders awkward, but essential, truths. It is so much easier, and more popular, to agree with those in power than to rock the boat in some way.

The best antidote to the shimmer effect comes from the behavior of the leader. Wise leaders seek broad counsel, because they know they need it. Power does not make someone infallible, as the wisest leaders know. However, it isn't enough to just seek counsel; leaders need to be willing to also heed it. Some leaders believe they are wiser than all those around them, so seeking counsel becomes a management technique rather than a true desire. Leaders need a measure of self-confidence, but this can easily blur into a blind spot. Followers can quickly tell the difference.

One of the dirty little secrets of many organizations is a caste system that identifies a few as “stars.” Some call this the “Golden Boy” syndrome. Many at the top seek counsel only from this leader-anointed A-team. Good leaders need to question their willingness to hear certain voices and not others, and make a habit of second-guessing both their enthusiasms and their

antipathies, since both can cloud their judgment. The more everyone knows and the more equally everyone is treated, the more likely that everyone will share truthfully.

Transparency helps keep organizations honest by making more members aware of organizational activities. In addition, it maximizes the probability of success. There may have been a time when the leader knew everything that was needed to be successful, but no more. Today, information can be located anywhere, inside or outside the organization, and if there is too narrow a view of what constitutes “proper channels” for information, the odds are good the needed information won’t get where it is needed at the right time.

It is easy for information flow to get distorted. One reason is that when staff speaks to their leader, the information is often spun or colored to make it more acceptable. Another is the need for speed (more pressing now than ever), which works against systematically collecting and analyzing information. In some organizations there are unspoken policies in place that inhibit honesty. Research among automotive engineers revealed a culture that prohibited identifying a problem if the engineer didn’t have a solution.

In most organizations there are hidden ground rules governing what can and cannot be said. One key question that every leader should ask is: Is it safe to bring bad news to those at the top? Leaders must show that speaking up is not just safe but mandatory, and that no information, of substance, is out of bounds.

The best way for leaders to start information flowing freely in their organizations is to set a good example. They must accept, even welcome, unsettling information. If leaders regularly demonstrate that they want to hear more than happy talk, and praise those with the courage to speak unpleasant truth, then the norm will begin to shift toward transparency. Openness and what it says about the nature of the organization becomes a competitive advantage—in creating consumer loyalty as well as in recruiting and keeping the best people.

### **Speaking Truth To Power**

For an organization to become transparent and develop a culture of candor, one of the oldest ethical challenges needs to be addressed. This is the challenge of speaking truth to power. All too often the messenger is considered the problem, and “don’t kill the messenger” is something more organizations, and more leaders, should remember.

Ethical transparency depends on the existence of two parties: a candid speaker of facts, and a receptive listener. The listener, usually the leader, sets the pace; they have the power, and their willingness to listen (or not) enables others to speak up.

Managers in companies with healthy cultures are constantly willing to rethink even their most basic assumptions through a process of constructive dissent. Companies get into moral and competitive hot water when the leaders are unwilling to test their operating premises about such often-taboo topics as the nature of the working conditions they offer, the purposes of their corporation, and their responsibilities to various stakeholders.

The failure to openly examine assumptions leads to what is often called *groupthink*, a state of collective denial or self-deception that often has disastrous business and ethical consequences.

From the Bay of Pigs fiasco to the decline of the American automobile industry in the late 1970's, a culture of groupthink that ignored contrary information that could have led to different results was often a significant part of the problem.

For better or worse, management teams commonly hold shared assumptions about the sources of innovation, motivation, productivity, product quality, and profitability in their organizations, and those assumptions drive their behavior. While such shared values and assumptions play a necessary role in holding a group together, if the glue that binds them is toxic, it can hurt the entire organization. This is why managers in companies with healthy cultures continually challenge old assumptions, rethink basic premises, and question everything.

In some companies there is a cultural expectation that leaders need to be tough, decisive, take-charge men who quickly get rid of those who aren't "team-players." Imagine the courage it takes to tell a Jack Welch, Andy Grove or Scott McNeely news he doesn't want to hear! While being decisive is important, if the overall result is that people with important information aren't heard, the cost to the organization is high.

Perhaps the only thing riskier than telling the boss he is wrong is to admit one's own mistakes. Speaking truth to power is a particularly threatening exercise when it entails owning up to a serious error. Indeed, fear of punishment often causes managers to become risk averse, and stops the flow of important information.

In a recent survey, over two-thirds of American workers report having witnessed unethical behavior on the job, but only one-third of those reported anything. The reasons given for not passing on the information usually boil down to a lack of trust. Employees will not speak truth to power because they mistrust how those above them will respond. They may punish the messenger, or cover up or ignore the problem. This is disturbing because, if there is one clear moral lesson about organizations, it is that trust is an essential ingredient to their effectiveness. The problem is that most leaders do not know how to create a bond of trust with followers.

Trust, along with shared cultural assumptions, is the strongest glue binding people together in groups. But leaders cannot provide trust directly to followers. Instead, trust is an *outcome* of all a leader's accumulated actions and behaviors. When leaders are candid, open, consistent, and predictable in their dealings with followers, the result will almost always be a condition of trust. The consistency that follows enables followers to act with assurance that the group's rules won't suddenly change, and that they will not be treated arbitrarily. This makes them more willing to stick their necks out.

So, trust is created by the behavior of leaders toward followers. When leaders treat followers with respect, followers respond with trust. Leaders show respect by always treating followers as ends in themselves, and never as means to achieve their own ego or power needs, even to achieve the legitimate goals of the organization. Respect is shown by giving followers relevant information, never using or manipulating them, and by including them in the making of decisions that affect them.

The opposite is also true: followers will not speak up if they believe their leaders aren't going to listen to them, will not take action on the information, or worse, will reprimand them for

“speaking out of turn.” Such behaviors undermine trust and inhibit a culture of candor from developing.

It takes confident leaders to develop this kind of culture, but we often confuse confidence with certainty. Being “in charge” does not mean a leader must act with certainty. Confident leaders are able to own up to their own mistakes and thus make effective midcourse corrections.

Perhaps the main reason why so many leaders stubbornly refuse to listen to subordinates is the fear that the news they carry is of the boss’s own mistakes. It takes a leader of rare integrity and courage to welcome this kind of information and profit from it.

### **The New Transparency**

As a culture, we long for our public institutions, corporations, and other organizations to be open and honest about their dealings. We want to be confident that our leaders are telling us the whole truth, and are being transparent and honorable. We want to believe this, but we often do not. Despite the promises, we have a sinking feeling that we are not being told all that we need to know.

At the same time, there is a countervailing force making transparency less dependent on the will of those who run our institutions. The digital revolution has made transparency inevitable, both in the U.S. and worldwide. The internet, camera-equipped cell phones, and the rise of the blogosphere have democratized power, shifting it away from the high-profile few to the many. While those in power may want to keep some things secret, it is becoming increasingly impossible in light of the technological direction of our world.

For this reason, more and more companies are choosing transparency. They have less and less choice (see above); also, it works. Studies show that companies that rate high in transparency tend to outperform those that are more opaque. There is now solid, empirical evidence that collaboration, which is only possible with the free flow of information, beats top-down control in complex decision making.

For simple tasks, top-down decision making is the most efficient. But, as tasks become more complex, a collaborative approach to decision-making results in faster and better decision-making. There is another benefit as well: When decisions are made at the top, success causes the leader to feel good, but non-leaders don’t share that sense of satisfaction. When decisions are made collaboratively, there is higher morale among all collaborators.

There *are* downsides to this increasing transparency. Chiefly, these forces are fast making privacy a thing of the past. As more and more of our personal information is stored online, it becomes increasingly difficult to guarantee our own confidentiality. In addition, the internet creates an expertise problem. When everyone has a voice, it is harder and harder to identify those who have real training and expertise, and know which voices to listen to.

### **The Bottom Line**

Technology-driven transparency, with all its ups and downs, will only accelerate. Smart leaders will recognize trends and get on the right side of them, embracing transparency and putting in

the work to develop a culture of candor in their organizations. The end result will be greater effectiveness and higher morale—not a bad payoff!



## From the Pastor's Perspective

The issue of transparency is of particular importance for pastors. Bennis's book is written primarily for business leaders, but the applications for pastors are significant. Pastors, even more than most leaders, are dependent on people's trust if they are going to be effective. But, all too often, churches function in ways that undercut transparency and trust.

Church members have a bias towards trust, especially in relationship to their pastors. But, trust is a fragile thing. If it is violated, the consequences are significant and lasting. It is hard for pastors to recover lost trust, and often the church members carry significant, long term scars.

Some of the most common behaviors that undercut trust are very common in many churches. For example, information is often hoarded rather than freely shared. People like to know what decisions are being made and have valuable input to contribute, but their input isn't welcomed.

Pastors are notorious for having an "inner circle" that they listen to. On the one hand, there is wisdom in having trusted advisors. However, *groupthink* often sets in and other voices aren't welcome- especially when those voices complicate matters.

In churches, people generally want to believe the best. There is a culture of "niceness" that greatly inhibits honesty with one another, particularly if that honesty includes anything negative. In addition, looking at negative realities can be construed as a lack of faith. Depending on the issue, and how it touches individuals, people habitually avoid honesty because they fear it may be gossip, or don't want to "judge others." All of these realities are honesty road blocks.

For pastors, being put on a pedestal is an operational hazard analogous to Bennis's "shimmer effect". In order to work past your members' likelihood to keep issues unspoken, it is up to you to create a culture that benefits you with needed information and feedback.

People who bring unwelcome information are often labeled as rebellious, divisive, or as hindering "the Lord's anointed." Steer yourself and your leadership clear of this pitfall by embracing a culture of honest appraisal and open communication (good and bad).

Some pastors even believe they have the inside track on hearing God's voice, and aren't interested in hearing from people who disagree. They assume that they are correct because of training, spiritual maturity, or something else.

Even more than in most businesses, pastors need to be intentional about pursuing feedback and getting input. With the natural barriers that exist in most churches, this won't happen without intentional actions. Hard work and intentionality, over time, are required to develop a culture of candor. Even though many assume churches are honest and open by nature, this doesn't happen automatically. The wise leader strives intentionally for its development. One of the main ways a leader can do this in the church is by regularly pursuing bad news and problems. Tell people over and over that "facts are our friends." When people experience this consistently, it creates a safe environment to be honest and a different culture than exists in most churches. I know a pastor who tells his people, "If you love me, you will tell me how we can get better." He gets invaluable feedback from his people and is leading a healthy church.

Pastors and churches should be beacons of transparency in our world. We should be shining examples of "speaking the truth in love." However, truth is often given in a harsh, loveless manner, and love, poorly applied, means being nice and not saying anything that could be hurtful. Neither extreme is helpful.

It takes hard work to get both truth and love working together, but when they are, it is a powerful combination that shines in our world. People notice, simply because it is so rare. Beyond that, it is the right thing to do.