Europartners Conference
Jerusalem
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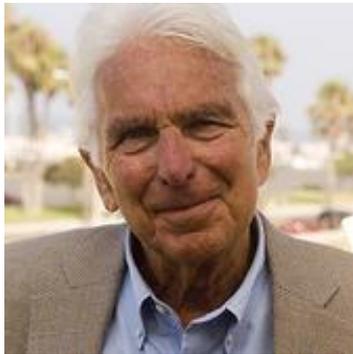
The Culture of Candor

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What's Needed Next: A Culture of Candor

James O'Toole
(1937 -)

Warren Bennis
(1925 - 2014)

"We won't be able to rebuild trust in institutions until leaders learn how to communicate honestly – and create organizations where that's the norm."

(Harvard Business Review / HBR June 2009)

Tale of a Spotted Horse (1970-1980)

Pinto horse

Ford Pinto

- The goal: Americans remain in the US subcompact market
- From concept to market: 25 months (instead of 43 months)
- Parameters:
  - small (< 2000 pounds)
  - cheap (< 2000 USD)
  - faulty (in case of rear collision: fuel leakage, ignition, vehicle fire)
- 1972-1978: investigation by authorities
- 1978: on demand of the authorities, Ford recalls the Pinto

What was Left Out of the Formula

Ford's calculations

- Damages to pay:

  49.5 million USD
  (180 dead x 200,000
  +180 burn injuries x 67,000
  + 2100 destroyed cars x 700)

- Fixing the problem:

  137.5 million USD (12.5 million cars x 11 USD/car)

The result

- Recall of 1.5 million Pintos

- Damages in 1978 totaling 128 million USD

- More than 500 dead, even more

  burn injuries

- Among the 50 worst cars of all time (1971)

And the boss?

Lee Iacocca
(1924 - 2019)

- 1946: engineering intern at Ford
- 1956: "56 for '56" financing model
- 1960: in charge of Ford's largest division
- 1970: president of Ford
- 1977: demoted by Henry Ford II
- 1978: fired from Ford
- 1979: Chrysler – president and CEO
- 1992: retirement
- 2007: publication of his book titled

  Where Have All the Leaders Gone?

# Was Iacocca informed when the potential hazard was first discovered?

- Yes:

- No:

The Truth

"Hell no," said one high company official who worked on the Pinto, according to a 1977 article in Mother Jones. *"That person would have been fired. Safety wasn't a popular subject around Ford in those days. With Lee it was taboo. Whenever a problem was raised that meant a delay on the Pinto, Lee would chomp on his cigar, look out the window and say, 'Read the product objectives and get back to work.'"*

(Max H. Bazerman, Ann E. Tenbrunsel: Ethical Breakdowns, April 2011)

An Old Discussion: Human Nature
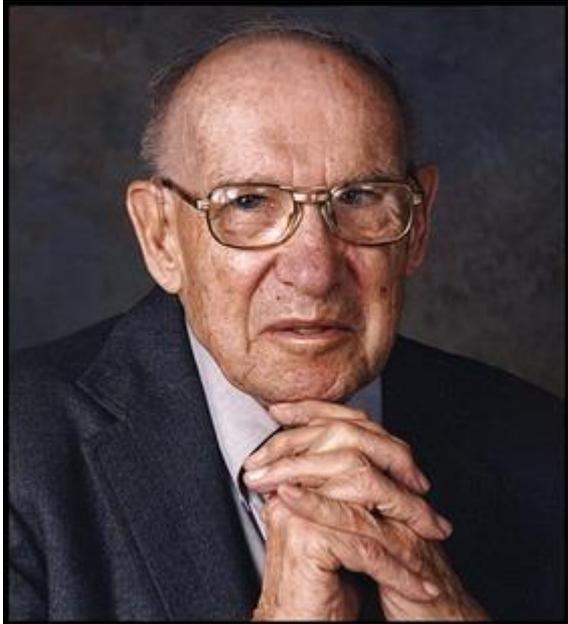
Peter F. Drucker

(1909-2005)

"...because the object of management is a human community held together by the work bond for a common purpose, management always deals with the nature of Man and (as all of us with any practical experience have learned) with Good and Evil, as well. I have learned more theology as a practicing management consultant than I taught religion."

(The Daily Drucker, 2007, 11 January)

Is everybody cheating?

Dan Ariely
(1968 -)

"How Honest People Cheat"

- Experiment at Harvard Business School, MIT, Princeton, UCLA and Yale with thousands of "honorable" students
- Mathematical test consisting of 20 simple tasks
- Experimental group: ca. 50 cents for every correct answer
- Control group: grades
- The score sheets of the experimental group was destroyed
- Instead of the average 4 correct answers they "admitted" six correct answers

(in HBR List 2008, HBR February 2008)

What does this mean?

- When given the opportunity the majority falsified

  the results by **50** percent.

- From a different viewpoint, the subjects cheated

  in **12.5** percent of all the opportunities

- Is this good or bad news?

Which parameters influenced the scale of the deception?

- Lowering the chances to get caught (full anonymity when receiving the prize): Did the scale of cheating grow?

  – Yes

  – No

  No

- When the prize was given in poker chips?

  – Did the scale of cheating grow?

    – Yes

    – No

    Yes

  – On average how much did the scale of cheating grow?

    More than 100%

What *does* reduce the scale of cheating?

"…we found that getting people to contemplate their own standards of honesty (by recalling the Ten Commandments or signing an honor code) eliminated cheating completely."

(Dan Ariely)

And the leaders?

Dana Carney
(Ca. 1972 -)

"**The finding:** A sense of power buffers individuals from the stress of lying and increases their ability to deceive others**.**"

The challenge: Does this mean the most powerful people in the world are adept liars? Professor Carney, defend your research!

Powerful People Are Better Liars

A Call to Action

"Simply let your 'Yes' be 'Yes',
and your 'No', 'No';
anything beyond this comes
from the evil one."
(Matthew 5:37)

How Candor Improves Performance

(1) Upward communication

"The kinds of errors that cause plane crashes are invariably errors of teamwork and communication… One pilot knows something important and somehow doesn't tell the other pilot."

(2) Questioning shared assumptions

"They also arise when members of a team suffer from groupthink – they don't know how to disagree with one another."

(3) Providing genuine oversight

"An alarming number of board members today seem to succumb to the 'shimmer effect' — they let charismatic CEOs get away with murder (or outrageous greed, at any rate)".

Schein's Model of Organizational Culture

- Basis of culture: a pattern of assumptions, that the group learned through the solution of their external adaption and internal integration problems

- Aspects of culture are the exhibition of assumptions: based on assumptions we view things as important or marginal, and we behave accordingly

- Personal assumptions become organizational culture, when they are characteristic to the members of the organization (shared assumptions)

- Pattern: a system of assumptions that are related, joint and building on each other

- Assumptions are formed in the result of joint learning

- New arrivals meet this culture without original experience

The Job of a Leader

- Disprove false assumptions

- Recognize the patterns in the organization

- Establish support systems and norms

- Ensure that new arrivals will have their own positive experiences with the culture

"Alas, sustaining a culture of candor is even harder than creating one."

1. Tell the truth!

2. Encourage people to speak truth to power!

3. Reward Contrarians!

4. Practice having unpleasant conversations!

5. Diversify your sources of information!

6. Admit your mistakes!

7. Build organizational support for transparency!

8. Set information free!

The Challenges of Transparency

- Complete transparency is neither possible, nor desirable.

  Certain things need to be protected:

  - Strategic secrets

  - Privacy of employees and clients

- Important executive decisions – Where to draw the line

  between shared and withheld information:

  - "If we have doubts, we have to be open!"

- Rising risk of false information and unsubstantiated accusations

Is it worth it to be candid?

- *"Blessed are those who hunger and thirst for righteousness, for they will be filled."* (Matthew 5:6)
- *"Blessed are those who are persecuted because of righteousness, for theirs is the kingdom of heaven."* (Matthew 5:10)