

Like Arthur Andersen's, this story of a mission and values disconnect ends with thousands of innocent people losing their jobs. What a tragedy.



This chapter opened with the observation that people in business talk a lot about mission and values, but too often the result is more hot air than real action. No one wants it that way, but the loftiness and the imprecision inherent in both terms always seem to make it end up like that.

But there is too much to lose by not getting your mission straight and by not making your values concrete. I'm not saying your company will collapse in flames the way Arthur Andersen and Enron did—they are extreme examples of a mission-and-values meltdown. But I am saying your company will not reach anywhere near its full potential if all that is guiding it is a list of pleasant platitudes hanging on the lobby wall.

Look, I realize that defining a good mission and developing the values that support it takes time and enormous commitment. There will be long, contentious meetings when you would rather go home. There will be e-mail debates when you wish you could just go do real work. There will be painful times when you have to say good-bye to people you really like who just do not get the mission or live its values. On days like those, you might wish your mission and values were vague and generic.

They can't be.

Take the time. Spend the energy.

Make them real.

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### Candor

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## THE BIGGEST DIRTY LITTLE SECRET IN BUSINESS

I HAVE ALWAYS BEEN a huge proponent of candor. In fact, I talked it up to GE audiences for more than twenty years.

But since retiring from GE, I have come to realize that I underestimated its rarity. In fact, I would call lack of candor the biggest dirty little secret in business.

What a huge problem it is. Lack of candor basically blocks smart ideas, fast action, and good people contributing all the stuff they've got. It's a killer.

When you've got candor—and you'll never completely get it, mind you—everything just operates faster and better.

Now, when I say “lack of candor” here, I'm not talking about malevolent dishonesty. I am talking about how too many people—too often—instinctively don't express themselves with frankness. They don't communicate straightforwardly or put forth ideas looking to stimulate real debate. They just don't open up. Instead they withhold comments or criticism. They keep their

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mouths shut in order to make people feel better or to avoid conflict, and they sugarcoat bad news in order to maintain appearances. They keep things to themselves, hoarding information.

That's all lack of candor, and it's absolutely damaging.

And yet, lack of candor permeates almost every aspect of business.

In my travels over the past few years, I have heard stories from people at hundreds of different companies who describe the complete lack of candor they experience day to day, in every type of meeting, from budget and product reviews to strategy sessions. People talk about the bureaucracy, layers, politicking, and false politeness that lack of candor spawns. They ask how they can get their companies to be places where people put their views on the table, talk about the world realistically, and debate ideas from every angle.

Most often, I hear that lack of candor is missing from performance appraisals.

In fact, I hear about that so often that I always end up asking audiences for a show of hands to the question "How many of you have received an honest, straight-between-the-eyes feedback session in the last year, where you came out knowing exactly what you have to do to improve and where you stand in the organization?"

On a good day, I get 20 percent of the hands up. Most of the time, it is closer to 10 percent.

Interestingly, when I turn the question around and ask the audience how often they've given an honest, candid appraisal to their people, the numbers don't improve much.

Forget outside competition when your own worst enemy is the way you communicate with one another internally!

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## THE CANDOR EFFECT

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Let's look at how candor leads to winning. There are three main ways.

**First** and foremost, candor gets more people in the conversation, and when you get more people in the conversation, to state the obvious, you get idea rich. By that, I mean many more ideas get surfaced, discussed, pulled apart, and improved. Instead of everyone shutting down, everyone opens up and learns. Any organization—or unit or team—that brings more people and their *minds* into the conversation has an immediate advantage.

**Second**, candor generates speed. When ideas are in everyone's face, they can be debated rapidly, expanded and enhanced, and acted upon. That approach—surface, debate, improve, decide—isn't just an advantage, it's a necessity in a global marketplace. You can be sure that any upstart five-person enterprise down the street or in Shanghai or in Bangalore can move faster than you to begin with. Candor is one way to keep up.

**Third**, candor cuts costs—lots—although you'll never be able to put a precise number on it. Just think of how it eliminates meaningless meetings and b.s. reports that confirm what everyone already knows. Think of how candor replaces fancy PowerPoint slides and mind-numbing presentations and boring off-site conclaves with real conversations, whether they're about company strategy, a new product introduction, or someone's performance.

Put all of its benefits and efficiencies together and you realize you just can't afford not to have candor.

## SO WHY NOT?

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Given the advantages of candor, you have to wonder, why don't we have more of it?

Well, the problem starts young.

The facts are, we are socialized from childhood to soften bad news or to make nice about awkward subjects. That is true in every culture and in every country and in every social class. It doesn't make any difference if you are in Iceland or Portugal, you don't insult your mother's cooking or call your best friend fat or tell an elderly aunt that you hated her wedding gift. You just don't.

What happened at a suburban cocktail party we attended recently is classic. Over white wine and sushi rolls, one woman standing in a cluster of five others started lamenting the horrible stress being endured by the local elementary school's music teacher. Other guests chimed in, all agreeing that fourth-graders were enough to send you to the insane asylum. Fortunately, just before the music teacher was canonized, another guest entered the conversation, saying, "Are you guys crazy? That teacher gets fifteen weeks off a year!" She pointed to the doctor standing in the

circle, who had been nodding away in agreement. "Robert," she said, "you make life-and-death decisions every day. Surely you don't buy this sad story, do you?"

Talk about killing polite chitchat. The new guest sent everyone scattering, mostly toward the bar.

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Candor just unnerves people.

That was a lighthearted example, of course, but when you try to understand candor, you are really trying to understand human nature.

For hundreds of years, psychologists and social scientists have studied why people don't say what they

mean, and philosophers have been reflecting on the same subject for literally thousands of years.

A good friend of mine, Nancy Bauer, is a professor of philosophy at Tufts University. When I ask her about candor, she tells me that most philosophers have come to the same conclusions on this topic as most of us laypeople do with age and experience. Eventually, you come to realize that people don't speak their minds because it's simply easier not to. When you tell it like it is, you can so easily create a mess—anger, pain, confusion, sadness, resentment. To make matters worse, you then feel compelled to clean up that mess, which can be awful and awkward and time-consuming. So you justify your lack of candor on the grounds that it prevents sadness or pain in another person, that not saying anything or telling a little white lie is the kind, decent thing to do. But in fact, Nancy says, classic philosophers like Immanuel Kant give powerful arguments for the view that not being candid is actually about self-interest—making your *own* life easier.

Nancy tells me that Kant had another point, too. He said that people are often strongly tempted not to be candid because they don't look at the big picture. They worry that when they speak their minds and the news isn't good, they stand a strong chance of alienating other people. But what they don't see is that lack of candor is the ultimate form of alienation. "There was a huge irony in

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this for Kant," Nancy says. "He believed that when people avoid candor in order to curry favor with other people, they actually destroy trust, and in that way, they ultimately erode society."

I tell Nancy the same could be said about eroding business.

## FROM THEN TO NOW

The make-or-break importance of candor in U.S. business is relatively new, actually. Up until the early 1980s, big companies like GE and thousands of others operated largely without it, as did most companies regardless of size. These companies were a product of the military-industrial complex that grew up after World War II. They had virtually no global competition, and, in fact, companies within industries were so similar to one another that they could often seem more collegial than competitive.

Take the steel industry. Every three years or so, union workers across several companies would demand higher pay and benefits. The steel companies would meet those demands, passing their increased costs on to the automotive industry, which would pass their increased costs on to the consumer.

It was a nice party until the Japanese arrived at the door with their average-quality, low-cost imported cars that within a few years became high-quality, low-cost cars, many of them made in nonunion U.S. factories.

But until the foreign threat spread, most American companies had very little to do with the kind of frank debate and fast action that characterizes a candid organization. They had little use for it. And so countless layers of bureaucracy and old-fashioned social codes of behavior led to a kind of enforced politeness and formality throughout most organizations. There were very few overt confrontations about strategy or values; decisions were made mostly behind closed doors. And when it came to appraisals, those

too were conducted with a kind of courteous remoteness. Good performers were praised, but because companies were so financially strong, poor performers could be warehoused in a far-flung department or division until retirement.

Without candor, everyone saved face, and business lumbered along. The status quo was accepted. Fake behavior was just a day at the office. And people with initiative, gumption, and guts were labeled troublesome—or worse.

You would predict, perhaps, that given all its competitive advantages, candor would have made a grand entrance with the Japanese. But Japan didn't make it happen, nor did Ireland, Mexico, India, or China, to name a few of the big hitters in the global marketplace today. Instead, most companies have fought global competition through more conventional means: layoffs, drastic cost reductions, and in the best cases, with innovation.

Candor, while inching its way in, still remains a very small part of the arsenal.

## IT CAN BE DONE

Now for the really bad news. Even though candor is vital to winning, it is hard and time-consuming to instill in any group, no matter what size.

Hard because you are fighting human nature and entrenched organizational behaviors, and time-consuming, as in years and years. At GE, it took us close to a decade to use candor as a matter of course, and it was by no means universal after twenty.

Still it can be done. There is nothing scientific about the process. To get candor, you reward it, praise it, and talk about it. You make public heroes out of people who demonstrate it. Most of all, you yourself demonstrate it in an exuberant and even exaggerated way—even when you're not the boss.

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Imagine yourself for a second at a meeting where the subject is growth and how to get it at an old-line division. Everyone is sitting around the table, civilly talking about how hard it is to win in this particular market or industry. They discuss the tough competition. They surface the same old reasons why they can't grow and why they are actually doing well in this environment. In fact, by the time the meeting ends, they've managed

to pat themselves on the back for the "success" they've enjoyed "under the circumstances."

Inside your head, you're about ready to burst, as you tell yourself, "Here we go again. I know Bob and Mary across the room feel the same way I do—the complacency around here is killing us."

Outside, all three of you are playing the game. You're nodding.

Now imagine an environment where you take responsibility for candor. You, Bob, or Mary would ask questions like:

"Isn't there a new product or service idea in this business somewhere that we just haven't thought of yet?"

"Can we jump-start this business with an acquisition?"

"This business is taking up so many resources. Why don't we get the hell out of it?"

What a different meeting! What a lot more fun, and how much better for everyone.

Another situation that happens all the time is a high-growth business with a self-satisfied crowd managing it. You know the scene at the long-range planning meeting. The managers show up with double-digit growth—say 15 percent—and pound out slide after slide showing how well they are doing. Top management nods

their approval, but you're sitting there knowing there's a lot more juice in that business. To compound matters, the people presenting the slides are peers of yours, and there's that age-old code hanging in the air: if you don't challenge mine, I won't challenge yours.

Frankly, the only way I know of to get out of this bind—and introduce candor—is to poke around in a nonthreatening way:

"Jeez, you're good. What a terrific job. This is the best business we've got. Why not put more resources into it and go for more?"

"With the great team you've put in place, there must be ten acquisitions out there for you. Have you looked globally?"

Those questions, and others like them, have the power to change the meeting from a self-congratulatory parade to a stimulating working session.

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## TRUTH AND CONSEQUENCES

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Now, you may be thinking, I can't raise those questions because I don't want to look like a jerk. I want to be a team player.

It is true that candid comments definitely freak people out at first. In fact, the more polite or bureaucratic or formal your organization, the more your candor will scare and upset people, and, yes, it could kill you.

That's a risk, and only you can decide if you're willing to take it.

Needless to say, you'll have an easier time of installing candor in your organization if you are closer to the top. But don't blame your boss or the CEO if your company lacks candor—open dialogue can start anywhere. I was speaking my mind when I had four employees at Noryl, the smallest, newest unit of a hierarchical company that had a very dim view of straight talk.

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I was too young and politically clueless to notice at the time, but I was covered because our business was growing by leaps and bounds.

If we had the guts to be candid, it didn't feel that way at the time—we didn't know enough to know what candor was. It just felt natural to us to speak openly, argue and debate, and get things to happen fast. If we

were anything, it was crazily competitive.

Every time I got promoted, the first cycle of reviews—be it budgets or appraisals—was often awkward and unpleasant. Most of the new team I was managing wasn't used to wide-open discussions about everything and anything. For example, we'd be talking about a direct report at a personnel review, and in conversation, we would agree that the guy was really awful. His written appraisal, however, made him look like a prince. When I challenged the phoniness, I'd hear, "Yeah, yeah, but why would we ever put that in writing?"

I'd explain why, making the case for candor.

By the next review, we'd already be seeing candor's positive impact with a better team in place, and with each successive cycle, more and more people made candor's case with me.

Still, it wasn't like I was singing with the whole chorus.

From the day I joined GE to the day I was named CEO, twenty years later, my bosses cautioned me about my candor. I was labeled abrasive and consistently warned that my candor would soon get in the way of my career.

Now my GE career is over, and I'm telling you that it was candor that helped make it work. So many more people got into the

game, so many voices, so much energy. We gave it to one another straight, and each of us was better for it.



We've talked a lot in this chapter about one word. But it's really very simple—candor works because candor unclutters.

Yes, yes, everyone agrees that candor is against human nature. So is waking up at five in the morning for the 6:10 train every day. So is eating lunch at your desk so you won't miss an important meeting at one. But for the sake of your team or your organization, you do a lot of things that aren't easy. The good thing about candor is that it's an unnatural act that is more than worth it.

It is impossible to imagine a world where everyone goes around saying what they really think all the time. And you probably wouldn't want it anyway—too much information! But even if we get halfway there, lack of candor won't be the biggest dirty little secret in business anymore.

It will be its biggest change for the better.