# Encouraging Candor—A Critical Element of "Effectiveness" (Part 2)

In the first article of this series, we discussed the importance of **effective leadership** to our role in identifying and mitigating or managing compliance risks and ethical issues that can undermine our company's long-term viability.

Our effectiveness calls for more than creating a "best-practice" policy, training course, internal control or other program requirement on paper. How can we help ensure that the changes we are trying to implement will endure as part of the way the business runs and the way individuals behave—from the bottom up, the top down and especially from the middle? The complexity of our roles calls for multi-tasking, wearing many hats simultaneously and a fair amount of **transformational leadership.**

We can learn from some of the approaches our colleagues have been using to drive performance and lasting change in the fields of organizational culture, management and leadership. We can explore these principles and adopt those that will help us work and lead more effectively.

# The Two Faces of Candor

In the previous article, we began a discussion of the first of these principles: **candor**. Cultivating a "culture of candor" is especially important to the effectiveness of the compliance and ethics program, since unencumbered information flow is essential to having an early-warning system for heading off or addressing issues. Unfortunately, while escalating issues is critical to detecting, preventing and correcting misconduct, it remains a difficult kind of communication to foster for a number of reasons.

Encouraging candor offers two significant benefits—or even catalysts—for the "effective" compliance and ethics program:

- Heading off wrong-doing in our organizations; and

- Harnessing the power and creativity of the teams we lead.

From the perspective of the compliance and ethics function, candid communication facilitates effectiveness in a second significant way: *helping us lead high-performing teams.* We will cover this second essential element of candor in this article.

At the beginning of their book, *Transparency: How Leaders Create a Culture of Candor*, Warren Bennis, Daniel Goleman, James O'Toole and Patricia Ward Biederman describe the importance of candor and information-sharing:

> *For any institution, the flow of information is akin to a central nervous system: the organization's effectiveness depends on it. An organization's ability to compete, solve problems, innovate, meet challenges and achieve goals—its intelligence, if you will–varies to the degree that information flow remains healthy… That is particularly true when the information in question consists of crucial but hard-to-take facts, the information that leaders may bristle at hearing… We are not talking about some*

# Candor Essential #2 – Harnessing the Power and Creativity of the Teams We Lead

**Key Highlights**

- A "culture of candor," fostering unencumbered information flow and creative conflict is essential to making better-informed decisions and to leading a high-performing team.

- Encouraging input from our teams is not always easy when dealing with challenging or "high-profile" issues; yet those might be precisely the times to carefully question our approach and be open to candid feedback.

- A recent global survey of over 1500 CEOs and other senior leaders found that *CEOs highlighted* **creativity** *as the most important leadership* quality for operating in a world that is substantially more volatile, uncertain and complex. Those who are already fostering creativity to drive change:

    - Practice and encourage experimentation and innovation in how they lead and communicate.

    - Benefit from the diversity of ideas each employee can contribute by encouraging a new mindset of questioning; and invite employees at all levels to challenge assumptions based on past experiences and scrutinize "the way we've always done things."

    - Avoid the old command and control style of leadership, instead exercising collaborative influence and demonstrating strong team leadership.

- As compliance and ethics leaders operating in a complex world, we will get to the most informed decisions and effective solutions by encouraging input, feedback, dialogue and debate among our direct and extended teams and soliciting input and feedback from our colleagues throughout the organization.

- **The more our time and resources are constrained, the more we need creativity to achieve results.**

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We have much to learn from the business community on this subject—as they have been discussing for years the importance of candor in creating environments that attract, engage and retain employees, drive innovation and increase productivity.

Although we are often under pressure to drive results, we should find equilibrium between being decisive and being open to innovative ideas that are not our own. If we think we have all the answers—or if we lead our teams in a way that stifles contrary ideas—we could impede our ability to find better ways to improve our programs. According to Bennis, Goleman and Biederman:

*There's a compelling reason to become more open to information from people at*

> *every level: those close to the action usually know more about what's actually going on with clients, with production or customer service, than do those on the top floors. (There's truth to the maxim, "None of us is as smart as all of us.")[2]*

Encouraging input from our teams is not always easy, particularly when we are dealing with challenging or "high-profile" issues; yet those might be precisely the times to carefully question our approach and be open to candid feedback. Michael G. Winston, who has served as Global Head and Chief Organization and Leadership Officer in five Fortune 100 companies, offers these insights in his article, "Say *No* to Yes Men–Otherwise, Expect the Worst:"

> *In turbulent times, people huddle together seeking leadership, and migrating to conformity. A person voicing a dissenting opinion, a negative comment or cautious appraisal is often ostracized from the group. Non-conformity carries great risk. In stressful times, leaders rarely get objective feedback because the messenger who delivers the unvarnished truth can get killed.[3]*

He goes on to lay out seven suggestions to foster creative conflict and better decisions:

1. **Create and adhere to a clear compelling vision, values, and culture**… Each person is responsible to respond to situations that reflect values in action.

2. **Encourage the minority opinion**. A strong culture nourishes healthy debate and differences of opinion. In meetings, ask your staff to express their opinions before you share yours, to feel free to disagree or surface an idea that is different from that of others.

3. **Encourage and reward true diversity**—the kind that provides a different perspective and makes a unique contribution. Select members based on diverse styles, strengths, skills, and backgrounds.

4. **Appoint a devil's advocate** when discussing agenda items. Rotate this role…

5. **Hold a "second chance" meeting.** Often groups rush for closure. After working an issue long and hard, they want resolution… revisit the issue in a week or two. This second look will enhance the quality of decisions.

6. **Create multiple anonymous feedback channels.** Enable people to state their views freely, without fear of reprisal. You might have a suggestion box and bring up items from the box at weekly meetings… use them to stimulate discussion.

7. **Lead by example.** Walk your talk. Model candor, openness, transparency, and authenticity. In high-performing, healthy companies, you are expected to challenge the status quo; and doing so is viewed as an act of extreme loyalty. Avoid groupthink to tap individual and collective creativity and ingenuity. Surround yourself with people who tell you what you need to hear, even if it is not what you *want* to hear. *You then provide an example of excellence in action*. [4]

A recent CEO interview in *The New York Times'* "Corner Office" column, shared an engaging example of some of these principles in action through the approach of Irwin D. Simon, chairman, president and CEO of the Hain Celestial Group, maker of natural and organic foods and personal care products:

> *…I am somebody who has learned throughout my career about empowering people,*

*about how I don't have to be in control… I don't have to show people I'm the boss or the leader… I worked in some corporate environments that were very political. If you got behind the right people, you would do well. And if you didn't… you were off the team—your competency or loyalty didn't matter… I love to be around smart, fun people. And if you're confident, [then] let people ask questions, and do things, and speak up…. I have a philosophy at Hain that there are no closed doors. Anybody can go into any meeting they want. I'm a big believer in making people comfortable in meetings so they ask questions… I'll even bring interns into my board meetings. It gives them exposure. This is where they're going to learn; this is where the grass is going to grow…[5]*

Simon is not alone in his thinking. In their latest biennial survey of CEO priorities around the world, IBM's Institute for Business Value and IBM Strategy & Change highlighted the CEOs' focus on the need for encouraging creativity and questioning of the *status quo*.

In discussing the results of its survey of over 1500 CEOs, general managers and senior public sector leaders in sixty countries and thirty-three industries, the Study points out the following, among its findings:

*CEOs told us they operate in a world that is substantially more volatile, uncertain and complex. Many shared the view that incremental changes are no longer sufficient in a world that is operating in fundamentally different ways….*

*Seventy-nine percent of CEOs anticipate even greater complexity ahead. However, one set of organizations — we call them "Standouts" — has turned increased complexity into financial advantage over the past five years….*

*Creativity is the most important leadership quality, according to CEOs. Standouts practice and encourage experimentation and innovation throughout their organizations… To succeed, they take more calculated risks, find new ideas, and keep innovating in how they lead and communicate…. CEOs saw the need to seed creativity across their organizations rather than set apart "creative types" in siloed departments like product design. To benefit from the diversity of ideas each employee can contribute, Standouts encourage a new mindset of questioning. They invite employees at all levels to challenge assumptions based on past experiences and scrutinize "the way we've always done things."…*

*To enact continuous change, Standouts avoid the old command and control style of leadership… [According to one CEO], "The world does not function top-down as in the army. Today's leader needs to exercise collaborative influence and demonstrate strong team leadership.[6]*

## So what does this mean for compliance and ethics leaders?

These findings give us insight into how our CEOs are approaching the future. Their priorities should be ours as well. We, too, are grappling with complexity in the world—a myriad of laws and regulations, a multitude of internal and external expectations, the global reach of communications and information-sharing, a multi-cultural mix of employees, suppliers and customers.

As the CEOs noted, driving sustainable results in this complex environment will call for creativity and for challenging the *status quo*. Given the many hats we wear as compliance and ethics leaders, we cannot possibly come to the most effective solutions without encouraging a great deal of input, feedback, dialogue and debate among our direct and extended teams.

The playwright, Ben Jonson, reminded us: "He that is taught only by himself has a fool for a master."

In addition, like our business colleagues, we must find ways to drive results under significant resource constraints and mounting pressures to do more with less and faster. When budget, headcount and time are limited, while expectations remain high, we need plenty of imagination and creativity.

**The more our time and resources are constrained, the more we need creativity to achieve results.**
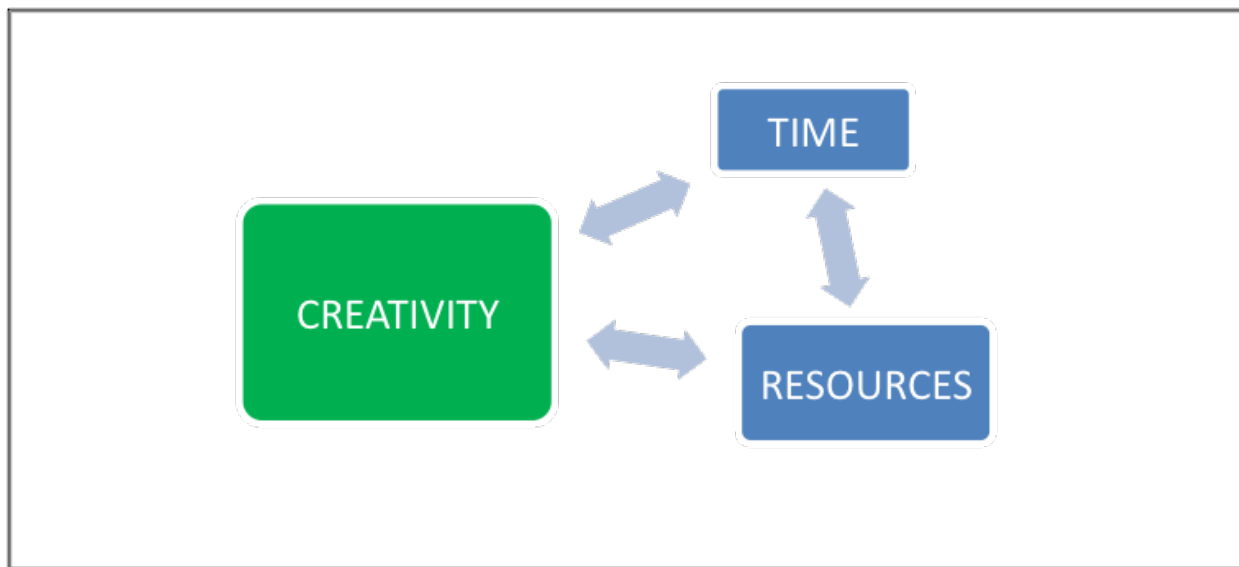


We will need to tap into the insights and strengths of those around us—regardless of level, experience or education. For example, someone with far more years of service in the organization—yet without our education or background—could likely hold the "secret handshake" to how the organizational culture best handles change. If we fail to solicit and value all the ideas sitting right around us, we may lack the vision or traction to create lasting solutions that can be integrated into the way the business runs.

Also, when developing our strategic plan and our budget each year, we could gain important insight about priorities and alternatives by opening up our planning sessions. We never know what we don't know unless we seek input. At the other end of the process, are we also taking sufficient time to learn from successes (make them replicable) and from mistakes or failures (to keep from repeating the same ones)?

# Opportunities for Action

### *Candor Essential #2 – Harnessing the Power and Creativity of the Teams We Lead*

1. Try Michael Winston's seven suggestions, above, to foster creative conflict and better, more-informed decisions.

2. Have an open-door policy. Extend it to meetings whenever feasible, like Irwin Simon at Hain.

3. Speak directly and frequently to your team about how much you value input, feedback and respectful, healthy debate. And then make sure all of those things are happening.

4. Open up planning and budgeting sessions to could gain insights about priorities and alternatives. We never know what we don't know unless we seek input.

5. Schedule blame-free "lessons learned" discussions among your team after programs and initiatives are launched and at regular intervals for on-going elements of your compliance and ethics program. We can learn from our successes (make them replicable) and our mistakes or failures (prevent recurrence). Invite colleagues from outside your team to give feedback and perspective.

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In order to be a convincing advocate for a culture of candor, we should probably do our best to model the behaviors we are requesting of the rest of the organization's leadership. So, if we find ourselves thinking that we are the "smartest guys in the room," or that we can (or must) fly solo (or "siloed") to see the best possible paths through the complexity, we are probably doing something wrong. That is likely to be a good time to invite others into our creative process. As Mark Twain wrote, in *A Connecticut Yankee in King Arthur's Court,* "You can't depend on your eyes when your imagination is out of focus."

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[1] Bennis, W., Goleman, D., O'Toole, J. and Biederman, P.W., *Transparency: How Leaders Create a Culture of Candor* (Jossey-Bass, 2008), pp. 3-4.

[2] Ibid., p. 20.

[3] Winston, Michael G., "Say *No* to Yes Men – Otherwise, Expect the Worst," Leadership Excellence, Nov. 2010, p. 15.

[4] Ibid.

[5] *The New York Times,* 20 March 2011, Sunday Business Section, p. 2. *For the longer version of the interview, see* http://www.nytimes.com/2011/03/20/business/20corner.html?scp=1&sq=Irwin%20Simon&st=Search

[6] "Capitalizing on Complexity—Insights from the Global Chief Executive Study," IBM Biennial CEO Study, 2010, pp. 8-10 and 23-31, http://www-935.ibm.com/services/c-suite/series-download.html