Jack Welch believes that the absence of candor is "the biggest dirty little secret in business" (Winning, p.25). Its consequences are huge: People feel left out of important conversations (because they are), or worse, are brought into the conversations and given inaccurate information, which they then act upon. Decisions are slowed because everyone doesn't have the same information, and what information they do have can't be trusted, so it must be checked and double-checked. Not debated in open forum, but in cloistered quarters to which only those "in the know" are admitted. And costs go up, as resources are wasted preparing reports to confirm what everyone in the room already knows, or thinks they know.

Although lack of candor is a significant problem in business today, to say that the problem is caused entirely by the way business organizations operate would be an oversimplification. The systems and processes in most companies certainly play a part, but a number of other factors also contribute to the problem. These include:

Early socialization

Left to their devices, the natural instinct of children is to be very, very candid. (Just ask any parent whose toddler has just asked, in a clear, loud voice: "Mommy, why does that man have no hair?) To "fix" that problem, from the time most of learn to talk, we're taught to lie -- not malicious lies, but airbrushed versions of the truth that are intended to make other people feel good about themselves. Most deceits of this kind have nothing to do with business, but of course the habit of telling "white lies" inevitably colors the way we interact with our business colleagues. So when we say to someone: "I love your dress;" or "We must have lunch real soon. I'll call you;" or "You must give me the recipe" (while your husband is gagging), we are reinforcing habit patterns that will serve us poorly in our business interactions (for further discussion of this point, see Winning, pp. 28-30).

Legal factors

You don't need to be an attorney to understand why telling lies about a former employee's job performance -- for example, when a new potential employer calls for a reference -- can get you into legal trouble. You probably do need to be an attorney, however, to understand why telling the truth about a former employee's performance can put you at similar legal risk, at least in the United States.

As more and more companies have become aware of that fact -- often as a result of bitter experience -- it has become increasingly common for American firms to respond to requests for references by acknowledging that the person did work for the firm, and give the start and stop dates of his employment, his title at the time he left, and no other information. Though that might seem to you to be a safe, conservative (though hardly candid) way to go, it turns out that it isn't. The new employer has sued these organizations because it wasn't mentioned, so they had to find out the hard way, that the employee liked to bring a loaded gun to the office so he could punish his computer when it malfunctioned. Former employees have also sued organizations on the grounds that, by declining to release detailed information about their performance, suspicions were raised that caused them not to be hired. In a legal system as lawsuit-friendly as America's today, candor is often an early casualty.

Cultural factors

In some cultures it is considered extremely bad manners to be candid -- when reacting to someone else's requests or arguments, when providing performance feedback, and in many other settings. In other cases it may well be that the speaker is being candid, but cultural differences prevent the listener from understanding the meaning of what was said. For example, to an American a Japanese speaker may appear to be dishonestly saying yes when he means no, because the American doesn't understand that the Japanese speaker's "yes" means that he understands your argument, not that he necessarily agrees with it. When they want to say no, Americans shake their heads from side to side, but in many parts of the Far East people wave a hand in front of their face. In Ethiopia they shake a finger from side to side to say no, and in much of the Middle East they jerk their head back in a sudden, haughty manner (David Ricks, "Blunders in International Business. Blackwell, 1993, p.10).
Organizational factors

While socialization, legal, and cultural factors all contribute to the absence of candor in business, the remainder of this lecture, will focus on the influence of organizational culture, metrics, norms and incentives, because these are things that all of us, regardless of title and organizational level, can do something about.

Courage: Why is it necessary? You can read any number of management books that share our opinion of the need for candor. According to most of them, the key to achieving candor is for employees to summon the courage to give "tough love" to peers, and "speak truth to power." Senior executives, too, exhort their subordinates to speak up for what they believe in, and courageously challenge the old established ways of doing things.

But why? Why should it take "courage" to give your boss and other senior executives what they say they want? Shouldn't it be just the opposite? Shouldn't courage be required to give higher management what they don't want?

One explanation for this seeming paradox is that, in many organizations, the people at the top say they want candor, but what they really want is for people to agree with everything they say and go along with everything they do. And even if they don't feel that way, if your boss is the kind of person who interprets every constructive recommendation as a personal attack, you end up in the same dilemma. In this situation you aren't without options but, as Chapter 18 in Winning points out, there aren't many, and they are far from risk-free.

Often, however, when candor is punished it's not because higher management really doesn't want it, but because the policies, practices, metrics and incentives inadvertently discourage it. For example, consider the norms that surround how performance feedback is given in many, if not most, organizations. The ratings of most employees are lumped into the top two performance categories, and higher management assures even those employees who are not carrying their weight that they are doing a good job. If an area of weakness is mentioned at all, it is mentioned gently, in passing, and future rewards are not made contingent upon future improvement. And when people are passed over for a promotion, they are reassured that it was because of politics, or told that they barely missed getting the job because someone else scored just a little bit higher.

Jack Welch's approach to giving and using performance feedback

To combat this attitude in GE, Jack Welch told his managers and supervisors that he expected them to identify, and terminate, the bottom 10%. For this he was subjected to intense criticism from many in the media, and even got some pushback within GE. Consistent with the principle of candor that he feels so strongly about, Welch addressed the topic at numerous employee forums, and also at many meetings with teams of customers who were visiting GE, to hear their suggestions and to defend his directive.

Typically, here is what he would say to his audience:

"Let's start by seeing if we can agree on something. Can we agree that 10% of your employees are in your bottom 10%? Everyone doesn't perform at the same level. So we're in agreement that your organization has a bottom 10%. Our only disagreement is how you should treat them. You think I'm cruel for letting people know that they should be looking for another job because they're not cutting it here. You would never do anything that mean. What you do instead is label the people who aren't performing as "meeting job requirements," and say nice things to them at review time and give them small raises. After all, they are good people and you want to be kind.

But when an important customer comes to town, will your low performers be assigned to squire them around? No. When you have an important job that needs to be done, will you give it to them? You will not. And when a promotion opportunity opens up, will they be seriously considered? They won't be. But since no one has told them how their performance is really viewed, they think they are up for getting these things, and they die a little each time they are passed by. They are not stupid people, so eventually they figure it out, but by then most of their work years are gone and they're not very marketable. You think of yourself as being kind, but it's the cruelest thing you can do. You are sabotaging these people's careers!"
At least have the honesty to admit to yourself why you are doing this. It's not for your employees' benefit. They would be far better off knowing where they stand while they are still young enough and self-confident enough to look for a great career somewhere else. And don't tell yourself that it's for the organization's benefit. Do you honestly believe that you can't find people who can help the company more than your bottom 10%? Admit it -- you're doing this for your own sake. You just don't want to have those conversations.

Let me tell you -- I don't want you to enjoy those conversations. I hope you are sick to your stomach before your meeting and you can't sleep the night before. It's a terrible thing to have to fire someone. I hope you never get used to it. But you still have to do it. It's your job!

Continuously upgrading your organization's talent is one of the most important responsibilities a leader has. And let me remind you -- while you're being kind, your customers are getting 10% more demanding each year, and your competition is getting 10% tougher each year. Talk about being cruel -- if you let your competition take over your markets and steal your customers, a lot more than 10% of your people are going to lose their job -- including you.

In a future lecture, we will share with you some of the things that organizations have been doing to create an environment in which candor is encouraged, and rewarded.