



Book Transparency

How Leaders Create a Culture of Candor (J-B Warren Bennis Series)

Warren Bennis, Daniel Goleman and James O'Toole
Jossey-Bass, 2008
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Recommendation

At 144 pages, you could finish this slim volume in an evening. Its three, smoothly written essays combine to make an engaging book. Authors Warren Bennis, Daniel Goleman and James O'Toole, writing with Patricia Ward Biederman, blend references to well-known events with useful new accounts of transparency and opacity, and their outcomes. The writers focus primarily on concept and character, but they also offer specific suggestions for action. The essays fall between diagnosing what's wrong with many organizations, and providing a manifesto on how to fix the problems by using transparency. The book is a clarion call for ethical action and openness. That alone is pretty common; who would openly call for dishonesty and secrecy? However, three things make this collection vital: the personal experience of the authors (especially O'Toole), the synthesis of history and current events, and the clarity of its ethical vision. *BooksInShort* recommends this book to all readers who are interested in business ethics, and to leaders who want to know how to make their organizations more transparent.

Take-Aways

- Business transparency is the wave of the future.
- Transparency is both desirable and inevitable.
- A free flow of information enhances corporate performance.
- This flow enhances trust, which enables collaboration.
- Voicing divergent perspectives is necessary, but often very risky.
- Leaders set a crucial example and provide a role model for how information should flow throughout an organization.
- Many elements of corporate culture impede information flow.
- Many aspects of professional and disciplinary training also impede it.
- New media outlets, such as blogs, have transformed the demand for privacy and are democratizing the world.
- Your goal is to create an organization where everyone feels free to speak up.

Summary

Transparency: What It Is, Why It Matters

You've probably heard or read about the term "transparency." It seems like everybody is calling for more transparency or claiming to have transparent organizations. In reality, however, few organizations are really transparent and few leaders understand the concept. Transparency means "creating a culture of candor" where people feel comfortable speaking their minds and where information flows freely. Within a transparent organization, information flows to the right people, so they have the

knowledge they need to make useful, ethical decisions. Information also flows readily back and forth between transparent organizations and the culture surrounding them, allowing for ethically consistent action, and a heightened awareness of social and economic concerns. You can tell how long your organization is likely to last by how transparent it is and you can predict how well teams will work together by how open they are.

“Trust and transparency are always linked. Without transparency, people don’t believe what their leaders say.”

As essential as transparency often is, it is not a universal good. Sometimes, people must keep information secret for business reasons, for example, to protect “secret recipes or corporate strategies,” or to meet “national security concerns.” Though such instances are relatively rare, many organizations consider them common, habitually hoarding information and being secretive. This markedly weakens companies and deprives people of the data they need to do their jobs. People don’t speak up, even when they know something is wrong, because they lack trust and even fear reprisals. The result can be as tragic as the space shuttle disaster, which could have been prevented except for an organizational culture at NASA that stopped people from communicating available, but negative, information.

“One obvious value of transparency is that it helps keep organizations honest by making more members aware of organizational activities.”

Organizations that routinely blur access to information face new challenges. In previous eras, large, powerful governments could keep secrets. They could even secretly kill people or cover up terrible failures. Those days are coming to an end, due to the emerging spread of electronic media. Public resistance to a “proposed chemical plant in Xiamen, China” is a fine example. Even though the Chinese government tried to censor Chinese bloggers, they nevertheless broke the story, publicizing it so that the mainstream media picked it up. Kryptonite bicycle locks offer a corporate example. The company might have been able to minimize the faulty nature of its locks and to keep distributing second-rate products had someone not posted information about how to open the locks with ballpoint pens. When online instructional videos about how to pick the locks followed this information, thus documenting the problem and raising the level of threat that it would happen, Kryptonite was forced to acknowledge the problem and replace the locks, at a cost of \$10 million.

“It goes without saying that complete transparency is not possible – nor is it even desirable, in many instances.”

Blogs make transparency more likely. Because they are so easily accessed, they can circumvent previously established barriers to the flow of information. In 2005, Minnesota bloggers publicized Canadian court testimony that was illegal to publish under Canadian law. Because blogs transcend borders (unlike physical publications, which must be mailed or shipped), such borders become transparent. Blogs and all forms of electronic media are many times faster than older print and broadcast media. This new transparency is both a promise and a threat. It brings people closer to the outside world, promises liberation from past limitations imposed by archaic power structures and provides tools to the masses. Now, the common citizen has access to information that used to be the property of kings and CEOs alone.

“Bloggers have the ability, previously limited to comic-book superheroes, to leap national borders in a single bound.”

Millions of bloggers are out there – gossiping, swapping jokes, sharing photos and being watchdogs over the powers that be. After all, “online columnist Matt Drudge” was the one who started exposing Bill Clinton’s affairs. Blogs are leveling, democratic and innately opposed to hierarchy – anybody can start one. However, many benefits of transparency operate independently of these new forms of media. When groups share information, even in meetings, they are more likely to make complex decisions. Sharing context is even better than simply sharing raw data. To make your organization usefully transparent, explain how everything fits together, what its goals are, its history and so on. Share financial figures with employees.

“Transparency, trust and speaking truth to power are complexly interrelated ethical and organizational concepts.”

On the down side, this new transparency invades parts of your life that used to be private; in fact, it makes privacy “a thing of the past.” These invasions can be quiet and abstract, such as when your local market tracks your purchases to derive a customer profile. They also can, however, be conscious, willful and disruptive. Even being well-intentioned doesn’t change the ambiguity of their consequences. Consider one Web site that lists people “who have agreed to testify against others, usually as part of plea agreements.” Although the U.S. First Amendment permits publishing such information, doing so allows anyone to learn who testified, thus putting witnesses in danger of being threatened or confronted. A more mundane example comes from the options you now have if a restaurant’s staff treats you poorly. You could write a scathing review and publish it. If you’re really upset, you might start a Web site or online community for sharing such stories. At the far extreme, you could create false stories, malicious reviews and outright lies about the restaurant. Obviously, these are not examples of pure transparency, but false stories pass institutional membranes just as easily as real ones.

“With its millions of intrusive cameras, its constant potential for trumpeting past indiscretions through cyberspace and its other discontents, the new reality will force us to adapt or go mad.”

The ability to generate gossip through the “blogosphere” pairs up with another curious contemporary development: the shift from depending on experts’ opinions to relying upon mass opinion, as exemplified in commercial publications, such as restaurant reviews, Web sites and broadcast news. Whether or not this is good, it leads to bad consequences, such as emphasizing speedy reportage, weighing all sources equally regardless of merit, and de-emphasizing substantive, reflective, well-developed journalism.

Leaders and Transparency

Leaders affect transparency tremendously. They set the standard for the flow of data and for interpersonal relations within an organization by making it clear that they really do want to hear all information and news, no matter how negative or painful. As a leader, you should demand “candor and transparency” in all organizational dealings. To demonstrate that you practice what you preach, take the first steps yourself. Share information openly and honestly, and show your peers and subordinates alike that you won’t get angry if they disagree with you. This doesn’t mean that you can’t get angry, though. Act on anger when it is ethically appropriate.

“As we have found again and again, one of the dangerous ironies of leadership is that those at the top often think they know more than they do.”

Recognize the ethical issues involved in transparency and do the right thing, spelling out your motives so that everyone can learn from your actions and reasoning. Your goal is to establish an organizational culture like that of Federal Express and Texas Instruments in their early years: a place where people on all levels feel free to

challenge their leaders, where the pursuit of the truth and the best solutions trumps all other concerns, like ego and precedent, and where people are rewarded for challenging the status quo and not just going along with established practices.

“Trust, along with shared cultural assumptions, is the strongest glue binding people together in groups.”

Organizational choices that enable transparency and promote the free-flow of information can be informal or well established. George Washington knew that his high rank and intimidating reputation might give messengers reasons to distort the information they gave him, so he asked ordinary soldiers and civilians for their perspectives on upcoming battles. Many businesses now use “whistleblower software” to enable employees to raise delicate concerns anonymously. Some thinkers have suggested institutionalizing the tradition of a “corporate fool,” someone who has free rein to say what most people can’t. A less risky option is to articulate and circulate a set of principles for corporate actions that underscore transparency.

“When we talk about information flow, we are not talking about some mysterious process. It simply means that critical information gets to the right person at the right time and for the right reason.”

No matter which method you choose to enhance transparency, test it to see if it enables people to address the common but explosive topic of executive compensation – would you be able to tell your CEO that he or she is earning too much? For people to be able to discuss this or any difficult subject, they have to trust you. To earn their trust, act consistently over time. Balance the factors that pull you in opposing directions: knowing and acting upon your values in difficult times, seeking advice from others when appropriate and allowing yourself to be guided by it.

Barriers to Transparency

Numerous factors – some accidental – impede transparency. Leaders unwittingly set “a bad example for the entire group” when they hold information too closely. Sometimes they do so for understandable reasons, such as wanting to protect their reputations or that of the organization. Greed and desire for power work against transparency – think of the benefits to insider traders if they are the only ones with pivotal data. People also hoard information for more banal reasons. They may like knowing what others don’t know. “Structural impediments” can hamper transparency. For example, the divisions between organizations and jurisdictions in the American intelligence community, such as between the FBI and the CIA, can generate poor decisions based on incomplete information. Weak processes can lead to opacity, in a subtler version of the same problem. For instance, this can happen if your organization has information but doesn’t evaluate it, or if it uses flawed processes for evaluating the credibility and priority of its data. Giving in to the contemporary need for speedy action presents a common, simple bar to transparency.

“In a rational universe, organizations and individuals would embrace transparency on both ethical and practical grounds, as the state in which it is easiest to accomplish one’s goals.”

When you invest greatly in one choice, its “sunken costs” tend to keep you from gathering all possible information about alternatives. This may explain the sort of subtle blindness that affected leaders in the American auto industry in the 1970s. They thought they were honestly gathering the information they needed on the kind of cars Americans wanted, but they mainly considered people like themselves, who were already deeply invested in large cars. As a result, they missed the demand for something smaller and cheaper. Japanese automakers didn’t.

“Knowledge is still power. But as knowledge becomes more widely distributed, so does the power it generates.”

In the “shimmer effect,” people think too highly of leaders, smothering their voices to let leaders be heard. Unfortunately, extremely self-centered and proud leaders could reject information they need to hear simply because they didn’t think of it themselves. This is more likely in corporate cultures that anoint a few individuals as “golden boys and girls,” giving their opinions extra weight. Certain forms of opacity are built into the common practices of entire disciplines. For example, “automotive industry engineers” commonly don’t bring up problems unless they are ready to solve them. Holding regular meetings is a more generalized way to preserve the information flow, but when companies hold meetings without a clear purpose or set agenda, they get in the way of doing work or sharing information. In some cases, people keep “vital lies” from their families. While some “family secrets” may be good, like private nicknames used within the family, others are negative and highly damaging, such as accounts of sexual abuse.

Whistleblowing

“Speaking truth to power” has been both risky and necessary for thousands of years. The risk comes from the very real dangers involved. While most corporate whistleblowers don’t lose their lives, like messengers who brought bad news to kings and emperors in the past, making unpleasant truths public can seriously damage your career. Members of many organizations understand that they should not make unpleasant information public, and that they also shouldn’t voice perspectives that differ from the norm – usually the leader’s view – within the company. This leads to “groupthink,” in which members all think the same way. Groupthink undermines innovation, and it tends to devalue information that conflicts with the existing group view.

“Lack of transparency erodes trust and discourages collaboration.”

This can lead organizations to develop plans that are dangerously out of sync with reality. Such plans can lead to disaster, as seen in the Kennedy administration’s mishandled Bay of Pigs invasion of Cuba. It also leads to what are essentially purges. General Eric Shinseki testified to Congress prior to the start of the Iraq war that winning the war would take a far greater investment than the panel members thought. Donald Rumsfeld and others in the second Bush administration denied this information and publicly criticized Shinseki. His counsel was rejected so fully that the General eventually retired. A simpler, more common risk is that because no one wants to contradict or criticize them, leaders can act too freely, overspending on poor ideas or designing corporate strategies that overreach due to unchecked pride. Sadly, when you are brave enough to carry undesirable news to a CEO, you also are likely to soften or spin it so it stings less.

About the Authors

Warren Bennis, author of *On Becoming a Leader* and co-author of *Judgment*, teaches at The Leadership Institute at USC. **Daniel Goleman** wrote *Emotional*

