

Confronting the brutal facts

Employee satisfaction surveys and 360-degree assessments can help identify problems and cultivate a culture of openness

By Charlie Lang

Kelvin, the chief financial officer of an apparel manufacturing company, was upset. Minutes before a board meeting where he was to present the quarterly financial report, he got a call from the regional financial director: "I'm really sorry, but we need to adjust the Asia-Pacific sales forecast. One of our key customers cancelled a large order this morning. I got to know about it only five minutes ago."

Kelvin was irritated as he didn't have time to correct his presentation. But he became even angrier when he found out after the meeting it was not a last-minute cancellation. He couldn't believe no warning signals had reached him earlier.

During interviews with several employees of the company about this incident, we realized this was not an isolated case.

The lack of openness within a company can have great repercussions because minor problems that are ignored often escalate into costly catastrophes.

In the book *Good to Great*, the author Jim Collins identified key traits of great companies. The management of such companies encourages its staff to confront the brutal facts while maintaining an unwavering belief that things will eventually turn around.

How can one cultivate a culture of openness and honesty?

Corporate culture is defined as "the way we do things around here." It is strongly influenced by the leaders' behaviour and the company's regulations, procedures and established formal and informal systems.

To kick-start change, management must first review the company's culture. An employee survey can identify departments where people feel discouraged from being honest.

We conducted a survey for Kelvin's company and discovered the sales department tried to hide the cancellation because some staff of the department would have benefited from a bonus system that rewarded order intakes rather than invoiced sales.

We also discovered the sales department tended to cover up problems, while other business units were more honest.

A 360-degree assessment was conducted, whereby managers got feedback from their superiors, peers and customers. This process narrowed down areas of leadership competencies that needed to be improved, including open communication, integrity, role modelling (related to corporate values) and managing expectations. The company later carried out an integrated training and executive coaching programme.

Creating a culture of honesty can save organizations money and reduce the risk of fallout in a world where corporate governance becomes increasingly important.

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