

## Confronting the Brutal Facts

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**Are First-Class Leaders Born or Made?**

Kelvin, the chief financial officer of a large apparel manufacturing company, was very upset. Ten 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 it was impossible for him to correct his presentation at such short notice. But he became even madder when he found out after the meeting that it was not a last-minute cancellation. He couldn't believe that no warning signals had reached him earlier.

During our interviews with several employees of the company about this incident, we realized a large number of them had an inherent fear of communicating uncomfortable truths. This case was by no means an isolated incident.

A lack of openness within a company can have great repercussions because minor problems that are not addressed at an early stage often escalate into bigger problems that cost a lot more to deal with. Worse yet, sometimes it's too late to fix the problems.

In the book *Good to Great*, the author Jim Collins identified key traits of great companies. One of them is the management's commitment to encourage staff to confront the brutal facts while maintaining an unwavering belief that things will eventually turn around.

So how can one cultivate a culture of openness and honesty?

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Corporate culture is defined as “the way we do things around here,” which is strongly influenced by the behaviour of the company’s leaders, its regulations, procedures and established formal and informal systems.

To kick-start a cultural change, the management must review the company’s current culture. A tailor-made employee survey can identify departments where people feel discouraged from being honest.

We conducted an employee survey for Kelvin’s company and discovered that the sales department tried to hide the cancellation because certain members of that business unit would have benefited from not reporting it due to a bonus system that rewarded order intake rather than invoiced sales.

We also discovered that other parts of this business unit tended to cover up problems, while other business units are more honest.

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

Creating a culture of honesty can save organizations large amounts of money and reduce the risk of major fallouts, especially in today’s corporate world, where corporate governance becomes increasingly important.

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Charlie Lang is an Executive Coach and Trainer who founded Progress-U Limited in 2002. His mission is to assist his clients in becoming excellent leaders for the benefit of all stakeholders. He is a passionate and professional Executive Coach, Mentor Coach, Trainer, Public Speaker and Author of over 100 articles related to leadership, change management and innovative sales.

End of 2004, he started authoring the book "The Groupness Factor" ( see <http://www.progressu.com.hk/Groupness-book.htm> ) which got published in August 2005. Charlie's articles got printed in publications like Human Resources, FZ Magazine, Banking Today, SCMP, Effective Executive and CareerTimes.

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