

Seven lessons in corporate honesty

By  Annelize van Rensburg

3 Apr 2017

It is unusual to speak of honesty in terms of corporate advantage. Unfortunately, recent developments suggest honesty for honesty's sake may not be enough to ensure principled conduct in all corners of the corporate world.



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Therefore, it may be opportune to give a reminder that honesty has a lot going for it as a way of attracting top talent, improving motivation and lifting productivity.

Corporate honesty is also the most fundamental means of guarding against reputational damage ... to the business and business leaders.

Dishonesty is costly. Once trust is damaged, litigation costs rise. Fines by governments and regulators mount up. Sales and the share price can take a hit.

Meanwhile, rival brands improve their competitive position.

These impacts are currently being assessed by Samsung and VW, to name just two corporates making headlines for the wrong reasons.

In January, the FBI arrested the VW executive in charge of emissions compliance while he was on holiday in Florida.

A month later, Samsung's de-facto chief spent a night in jail after being arrested for alleged involvement in a government corruption scandal – this on top of the recall of three million Galaxy Note 7 phones.

The spate of scandals and controversies explains the growing body of literature on the subject of honesty in business. A review of international coverage suggests seven broad lessons...

1. Honesty must be built into corporate culture. This takes more than the publication of a list of corporate values. Leaders must behave honestly and openly. Walking the talk is essential.
2. Executives should strive to build honest environments. Staff should be encouraged to share insights and voice concerns. Executives should listen. This is difficult; especially for owner-managers who have built a successful business. However, requests for feedback should be habitual. This builds team spirit.
3. Honest communication should trigger discernible action. When good feedback comes through, the team should see management acting on it.
4. Blunt, hurtful communication may be honest, but can be destructive. Leaders should display a preference for tactful honesty. It's not what you say, it's the way you say it. Play the ball, not the man. Stick to issues and principles. Engaging in personal criticism won't build morale.
5. The truth will out; not only spread through gossip, but via social media and perhaps through whistle-blowing. Senior managers have to be scrupulous with disclosure – about their qualifications, possible conflicts of interest, the use and misuse of company resources and the accuracy of expense claims.
6. Be consistent. You can't preach honesty and then raid the stationery cupboard for pens and pencils when the kids go back to school. Even small indiscretions are noticed.
7. Show courage. Being truthful may make an executive unpopular. A little diplomacy may be called for, but you have to make yourself accountable in the end. Hold yourself to high ethical standards.

Honesty plus immediacy requires courage. Mark Twain wrote his autobiography in 1899 with instructions that publication be delayed 100 years. He felt the delay would spare the feelings of some contemporaries and their children.

In the corporate world, honesty can't be deferred. Even in the short term, it has the potential to improve the quality of job candidates, boost performance and achieve other competitive gains.

Honesty, like strategy, has to be implemented and put to work.

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