
DAVID M. SHEDD

Be Honest...
Really Be Honest



Build a Better B2B Business

*Winning Leadership for Your
Business-to-Business Company*

ACCOUNTABILITY TEAMWORK TRUST

RESPECT FOCUS COMMUNICATION

INTEGRITY CUSTOMER SATISFACTION

VALUES FUNDAMENTALS RECOGNITION

PROFESSIONALISM EXAMPLE GOALS

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CHAPTER 11 – BE HONEST... REALLY BE HONEST

“Honesty is the first chapter in the book of wisdom.”

Thomas Jefferson

- *The importance of candor*
- *Creating a culture of honesty*
- *Be honest with the customer*

The Importance of Candor

Honesty has a number of synonyms: truth, candor, “face reality.” Despite the many different words, honesty is not common enough in the business world. As Jack Welch writes:

Lack of candor is the biggest dirty little secret in business.

In business today. . .

- Companies are not honest and frank about the performance of the company.
- Managers are not candid in their performance evaluations.
- Leaders and employees are often not honest with themselves.

This lack of honesty is so pervasive that we just expect a lack of candor and white lies and are surprised when someone is blatantly honest.

Consider this fictional excerpt from a quarterly earnings statement that you and I will never read:

Today, Acme Corporation announces a 25% increase in earnings year over year. This increase exceeds the analyst projections and entitles me to the full complement of my bonus. But, it is not a great thing for the company and let me tell you why. In short, despite the increase, we did not have a good quarter.

- First, the economy was just stronger than anyone had expected. So, demand was higher and we rode that to improved sales despite continuing to lose market share.
- Second, the weather was perfect. We had screwed up and overstocked on swimwear for the summer, but warmer than expected weather throughout September and October on the West Coast and in the South helped us move those items. Moreover, on the East Coast, it was much colder than expected so we got a great head start on selling out our Winter line.
- Third, the charge that we took last year when we were really sucking wind was, of course, much too high so we were able to write some of that back to profit.
- Finally, as I am 65 and retiring soon, we have continued our aggressive program of eating our seed corn and being focused on the short term. Product development and marketing expenses remain below the appropriate level to grow the business and our market share continues its steady decline.

In short, we made our numbers. But, we really are not as good as you give us credit for.

The beauty of honesty and candor is that it highlights what needs to be done for all to see. In the above example, Acme Corporation would know the critical issues that it needs to focus on: its demand forecasting and inventory management; its decline in market share; and its weak product development pipeline.

To paraphrase Warren Buffett, honesty and candor allows everyone to clearly see “who is swimming naked.”

Alas, when a company issues its typically less than candid press release blaming poor weather or lower than expected demand, the critical issues of the business are allowed to remain invisible. No one is facing reality.

Creating a Culture of Honesty

You engrain honesty in your company in the same way as you engrain ethics and integrity: you lead by example, publicize failures and the lessons learned, and look gift horses in the mouth.

Lead By Example

No surprise here; the leader needs to set the example in the case of honesty and candor.

- *Be Humble*

One of the most difficult challenges for any leader is to remain humble in light of the success that the leader has achieved. Humility is the personal honesty that you, as the leader, do not

“To possess self-confidence and humility at the same time is called maturity.”

Jack Welch

know everything and do not have all the answers. Humility enables you to question people’s flattery, to admit your mistakes and weaknesses, and to be more open to other’s opinions and challenges to your viewpoints. It is not a coincidence

that in *Good to Great*, Jim Collins identifies the characteristics of the best leaders as possessing:

A paradoxical blend of personal humility and professional will.

- *Admit Mistakes*

For your team, the most obvious sign of your humility will be your ability to admit that you made mistakes.

When I taught classes to my team about the importance of honesty, I would stop and ask a quick question. “Today, in this class, we have a special visitor. We have the person who in this entire business division has made the biggest and most expensive mistakes. Try to guess which one of us it is.” It would inevitably take about a minute or two before someone would gather up the courage to ask if I was speaking about myself. Of course, as the head of the business division, I had made the biggest decisions and thus had made the biggest mistakes.

My favorite episode of the 1970’s sitcom, *Happy Days*, involves the Fonz and his inability to admit that he made a mistake. Throughout the episode, Fonzie tries to say that he was wrong. All that comes out of his mouth is: “I was wrrrrr. I was wrrrrr.”

*“I may have many faults,
but being wrong is not
one of them.”*

Jimmy Hoffa

As leaders, many of us are like the Fonz. We just cannot admit that we made a mistake, even when it is obvious to everyone within the organization that we have done so. We make excuses. We pass the buck. We refuse to express regret. In short, we exhibit all the behaviors that limit us as leaders and weaken our standing among our employees.

- *Admit That You Don't Know*

Another leadership weakness is refusing to admit that we don't know. Like many others, I have certainly suffered from this annoying habit. In many cases, this bravado may come from a lack of confidence and insecurity:

We are leaders. We know and understand the big picture.
We know and understand everything about our business. We
are leaders.

But, admitting that you don't know is vital. Because it makes it possible for others in the organization to admit that they don't know. This improves the candor and the honesty and prevents de-moralizing situations that I have seen where you truly have the blind (people who don't know what they are doing) leading the sighted.

A few years ago, I asked a question of one of my stronger, but still learning, General Managers. His honest response was totally disarming:

David, I do not know the answer. In fact, I do not even know
where to begin to lie.

- *Refuse to Speak and Accept BS*

Noble Prize Winning Physicist Richard Feynman had it right when he said:

The first principle is that you must not fool yourself, and you
are the easiest person to fool.

In short, speak the truth as best as you know it or say nothing at all. All of us as people, leaders, and employees have very astute BS detectors. We just are not fooling anyone by speaking or letting someone get away with speaking BS.

The more insidious result from speaking and accepting BS is that we may lose touch with reality.

You will often see this happen in failing companies where the leaders and employees believe sincerely that they are performing well, even heroically. They have accepted the BS so long that they do not know what is up and what is down. To change this mindset will then require a cold bath of “Face Reality.” Avoid the shivering and start requiring the truth, painful and ugly as it can be.

Our astute BS detectors, however, often fail us when it comes to receiving flattery. In a recent experiment, psychologists tried to determine at what level flattery of a leader by a subordinate became just too much and had a negative effect. The conclusion of the experiment was that when done right, there was no negative effect to flattering the leader, no matter how much flattery was done. Of course, this was just one scientific experiment. But it should give us pause. While we all grow frustrated with the obvious brown-noser, we still need to be especially attuned to the flattery of others that report to us. We don’t want to begin believing our glowing press releases. We want to recognize and reject the BS of flattery.

*Surrounded by sycophants at court,
French King “Louis XIV’s greatest
gift was to maintain his quality of
common sense in the midst of
constant flattery.”*

Louis XIV Biographer, Olivier Bernier

- *Be Candid in Performance Reviews*

When I have acquired or taken over a business, I often begin by reading everyone’s performance reviews. As such, I am whisked back to Lake Wobegon, Minnesota. Lake Wobegon is the fictional town of radio personality Garrison Keillor where:

All the women are strong, all the men are good looking, and all the children are above average.

It is surprising how an organization can fail while all of its employees are receiving “above expectations” and “superior ratings” in their performance reviews.

This is something to avoid. So begin to be honest in your performance reviews. Knowing and pointing out someone’s weaknesses is vital as their manager. It may mean that they need to work hard to improve on the weaknesses. It may mean that they need some help and a re-definition of their job responsibilities to focus on their strengths while someone else covers for their weaknesses. It may mean that they are a wrong fit for the job. But, it definitely means that the weaknesses need to be addressed and spoken about.

Publicize Failures and the Lessons Learned

If you have lead by example in being honest, then publicizing failures in your company will come naturally. Moreover, developing lessons learned from these failures, even if only a one page, five bullet point list is invaluable for organizational learning.

“When you lose, don’t lose the lesson.”

Dalai Lama

Many successful companies conduct post-mortems on all their major projects, initiatives, and acquisitions, both the successes and the failures. These post-mortems are then disseminated and become a source of learning and continuous improvement.

- What went well?
- What went wrong? What could we have done better to detect earlier what went wrong? What could we have done better to correct what went wrong?

The answers do not need to be very long. In fact, it is better if they are kept to three to five points. But, these lessons learned will be productive the next time your company tries to do something similar.

Look Gift Horses in the Mouth

As my fictional quarterly earnings statements attests, it is the rare company that analyzes what goes right and why. For most companies and leaders [I have been guilty of this], the common response is: “You have made your numbers. Great job.” But, dig deeper to ensure that the performance was really excellent and to determine whether critical issues in the business may have changed.

- Sales are up. But, are we losing market share?
- Profits are up. But, are we continuing to invest in new product and market development?
- Cash flow is strong. But, is our business declining?

To understand the reality and be honest, focus on and question the good parts of the results as well as the bad parts.

Be Honest with the Customer

In Section V, we will discuss customer service in more detail. One of the pillars of effective customer service is telling the truth and being honest with the customer, especially when a mistake has been made or there is a delay.

As the supplier to the customer, this lack of honesty comes from the fear of losing the customer because of the mistake.

Yet, if we think of ourselves as a customer, we would likely respect a company that is promptly honest with us and admits its mistakes. Further, by being honest, this company would help us mitigate the effects and cost of the mistake or delay. Second, this company would certainly stand out from the crowd as it is so rare for companies to give their customers direct, punctual and frank answers.

The importance of being forthright and honest with the customer was a lesson that I learned the hard way.

In the midst of one turnaround, the business was experiencing significant quality and delivery issues with multiple customers. All of

us were living in fear of losing the customers, so we did not tell any of them about the impending delays. With one of the larger customers, the delivery was delayed and, as a result, the customer's project was delayed. Due to their project's delay, the project managers on the customer side (who had an influence in choosing vendors) each personally lost a few thousand dollars in bonus money at the end of the year. The terse response back from the key customer contact sticks in my head anytime that I, or anyone on my team, consider being less than forthright and honest to a customer:

Had all parties known of the delays, we may not have been happy but at least we would have had an opportunity to make planned adjustments to schedule and revenue. And we could have avoided the negative personal financial consequences which resulted.

As you may imagine, it was a hard, multi-year slog to win back the trust and business of this customer.

Contact David for assistance in any
of the following areas:

- *Executive Leadership*
- *Interim Leadership*
- *Strategic Business Consulting Day*
- *Consulting Engagements*
- *Business / Strategy Critique*
- *Personal One-to-One Telecoaching Calls*
- *Speaking*

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Build a Better B2B Business
is available on Amazon.com.

Click here to buy today.

How does a business leader win?

In today's complex world, the overwhelmed leader needs to tune out all the extraneous noise and excessive hype, and focus. Simplify and focus the business relentlessly on three fundamentals - doing the right thing, developing winning teamwork, and satisfying the right customers.

Alive with ideas, anecdotes, quotes and personal experiences (both the successes and the failures), *Build a Better B2B Business* vividly and candidly describes the Winning Leadership that will help you lead your company to success.



DAVID SHEDD has ten years of success as President of an up to \$200 million group of manufacturing and services companies, having overseen 19 different B2B businesses. Currently, he is Principal of Winning B2B Leadership, an advisory firm serving small to middle-market clients. David has an MBA with Distinction from the Wharton School and a BA from Williams College.

David blogs at www.winningB2Bleadership.com.

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