



## ***Ethics Matter!***

### **The Duty of Candor**

#### **Is honesty a sliding scale?**

Being candid brings to mind that awkward point in a conversation. It's the moment when someone chooses, perhaps with a bit of trepidation, to cross over into sensitive territory. As in, "Can I be candid with you?"

But candor really equates with being forthright and fair in any discussion, whether it is personal or work related. It is more than just being honest or telling the truth. To be truly candid means that you are not being deceptive in both what you say and what you don't say. Correctly answering the questions asked – that is, not lying – meets the standard of honesty but may fail to meet the higher standard of being candid.

#### **AN HONEST EXAMPLE**

Consider this example from the for-profit world. Warren Buffett, CEO of Berkshire Hathaway and legendary financial wizard, faced the situation no leader desires: a dishonest second in command. Let's face it. Wrongdoing at any level is embarrassing and harmful.

But when it's your handpicked assistant or deputy who is not honest with you, it's harmful and hurtful. You work closely with the second in command to create a relationship built on trust. When that person isn't honest, your trust and confidence are lost.

Your ability to work together successfully is gone as well. After all, as the philosopher Nietzsche remarked: "I'm not upset that you lied to me; I'm upset that from now on I can't believe you."

In the Buffett case, his heir apparent was assigned the task of scouting for potential acquisitions. Final decisions about what to acquire would be made by Buffett and approved by the board of directors. An investment firm suggested several potential opportunities. After researching the list, the Buffett employee selected one company and worked with the investment firm to open the lines of communication.

Buffett's employee then personally purchased a small amount of stock in the company. As talks among the three parties continued, the employee sold the small amount of stock and personally bought \$10 million in stock in the very same company. He then proposed to Buffett that Berkshire Hathaway acquire this company.

During that meeting, Buffett was skeptical about the proposal and inquired how his staff member knew about the company. The aide replied that he owned stock in the company. Period.

That was actually a truthful response. But it lacked the critical information that Buffett required. It lacked the candor demanded of the situation. And given his position in the organization, it is reasonable to conclude that this wasn't just an oversight but an intentional effort to mislead.

How is that conclusion valid? The heir apparent was senior and experienced enough to understand the consequences of not being forthcoming with Buffett about the timing of his stock purchase. Without knowing that his right-hand man violated the company's insider trading policy and therefore tainted the deal, Buffett proceeded with the acquisition.

Cut to the chase. All the information regarding the stock purchase and acquisition efforts was publicly disclosed. The company's reputation is dinged. The heir apparent resigns. A full investigation concludes that the employee did intentionally mislead Buffett.

As noted in the report, for employees in this organization "the duty of loyalty includes a duty of candor, which requires them to disclose to the corporation all material facts concerning corporate decisions, especially decisions from which they might derive a personal benefit."

## **ACTING WITH HONOR AND CANDOR**

Clearly, in Buffett's organization being candid is the gold standard and not an option. The same holds true for some professions. For attorneys, the "general duty of candor" requires them to be honest and forthright with courts. The bar association states that attorneys should also refrain from deceiving or misleading courts either through direct representations or through silence.

Which raises an interesting question: Why don't all professions require or approach candor as a duty? ICMA's Code of Ethic requires members to act with honor and integrity to merit the trust of those we serve. That is an aspirational target. But is it safe to assume then that acting with honor and integrity obligates local government professionals to be forthright and candid?

If a foundation of trust with those we serve is the desired outcome, then being candid about the facts is not an option. The next time you are quizzed about your organization's financials, performance metrics, or community satisfaction with services, just consider this: Are you just answering the question asked? Or are you being candid?

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