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# A lesson from GE: The power of telling hard truths – and the peril of avoiding them

By [Jena McGregor](#) February 22

In recent months, as General Electric's troubles turned precipitous -- with disclosure of a massive shortfall in insurance reserves, news of a Securities and Exchange Commission accounting investigation, talk of a break-up and a further tumble in its stock -- a rush of stories have examined what went wrong at this icon of American business, or where it goes from here.

A Jan. 27 column in The Economist theorized that GE's financial information is "fantastically muddled." A Feb. 1 Bloomberg Businessweek cover story chronicled the risks its GE Capital business had long presented and where ambitious efforts never paid off. Barron's cover last weekend warned investors that the already battered stock could drop 10 percent more.

Then on Wednesday, the Wall Street Journal placed the blame for the "rot at GE" on former CEO Jeffrey Immelt's "success theater," pointing to what analysts and insiders said was a history of selectively positive projections, a culture of overconfidence and a disinterest in hearing or delivering bad news. The founder of a leadership consulting firm who knows GE executives was quoted as saying the industrial conglomerate "has never been a culture where people can say, 'I can't.'"

The article puts GE well out of its usual role as management exemplar. And it shines a light on a problem endemic to corporate America, leadership experts say. People naturally avoid conflict and fear delivering bad news. But in professional workplaces where a can-do attitude is valued above all else, and fears about job security remain common, getting unvarnished feedback and speaking candidly can be especially hard.

"It's more common than you think," said Robert Bies, a professor at Georgetown University's business school who has studied how people deliver bad news in organizations. "With GE's 'success theater,' the stakes are so high. But every organization you're a part of, there's a challenge to being forthright and honest."

Still, it can be compounded at a company like GE, leadership experts say. For one, GE is a sprawling global company with nearly 300,000 employees and businesses that range from airplane engines and ultrasounds to lightbulbs and energy financing. "GE's huge, and it's even harder at these big organizations," Bies said. Bad news, he said, can "go through the spin-dry cycle that sanitizes it out" before it gets outside or to the top.

Add to that its history as a business icon -- GE was known as much for its vaunted management practices as it was its actual products -- and leadership experts say it's easy for a sense of overconfidence to creep in.

"It's the mind-set of invulnerability that iconic companies create -- that we are a special entity," said Peter Crist, an executive recruiter based in Chicago. "There was a time when GE players had a certain arrogance to them" in the past. He said, however, that GE's culture has also traditionally been known as a place where executives give each other tough feedback, noting its rigorous "Session C" performance review process.

Being led by a celebrity CEO who succeeded a man once named "manager of the century" probably doesn't help either. Immelt, who rose through GE's sales and marketing ranks before leading its plastics and health care divisions, became CEO after a high-profile horse race to succeed Jack Welch that catapulted him into the spotlight. One of the most recognized faces of corporate America for the 16 years he held the job (he stepped down last year) Immelt led President Obama's jobs council and was considered as a veteran corporate hand to replace Uber CEO Travis Kalanick.

Leadership experts say such prestige can create a "social distance" between the CEO and direct reports, even if they make efforts to improve personal relationships. (Immelt, for instance, was known to host dinners with one of the top 185 officers of the company each month at his home and reconvene for a few hours the next morning to talk about their careers and their performance.)

"People tend to not want to tell them the bad stuff," said Tim Pollock, a professor of business at Penn State University who has studied celebrity CEOs. "They become starstruck; they're less likely to want to speak up and say negative things."

In the [Wall Street Journal article](#), Immelt said in a written statement that "because we had a culture of debate and external competitiveness, GE built a set of industrial businesses that lead in their markets." In the article, a spokesman for Immelt also pointed to the former CEO's decision to buy GE shares in 2016 and 2017, and the company's former CFO said he "never found [Immelt] to be overly optimistic."

So how can leaders avoid a culture of "success theater?" Ethan Burris, a professor at the University of Texas's business school, suggests they have to model the behavior, being realistic about goals and forecasts and candid when things go wrong. They should host town halls where employees can speak up with criticism, structuring them so bad news can flow to the top. For instance, he recommends getting respected mid-level managers to first interview lower-level employees about what's not working to make sure tough subjects are aired.

Then reward people for bringing up bad news. Even if nothing comes of it, managers should reward "the actual act of bringing it up," Burris said of bad news. "Once people see it on a routine basis, it should start to shift the culture."

Kim Scott, a CEO coach and author of the book "[Radical Candor](#)," said Intel founder Andy Grove once advised her to "embrace the discomfort," explaining that "you've got to make it more uncomfortable for people to say nothing than to say something."

Doing that is harder than it sounds, making it critical for leaders to create systemic ways to offer feedback, rather than just talking about it. She tells the story of a former eBay manager who would leave a locked orange box near the office bathrooms where people could leave critical questions. He would later read them aloud in meetings -- with someone else unlocking the box to prove he hadn't edited its contents -- hostile questions and all. "People never trusted anything was really anonymous except paper," she said. "He did it week in and week out."

When she worked at Google, where she led online sales and operations for AdSense, YouTube and Doubleclick, she had a crystal statue she called the "I was wrong, you were right" statue that she'd hand out to colleagues and direct reports.

"I was just letting people know I was happy to be wrong and I appreciated what I was told," she said. Rather than "success theater," she said, "you almost want 'failure theater.'"

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