

Candor Through Difficult Conversations

How to build conditions for dissent, and confront performance, trust and interpersonal problems without suppressing useful truth.

Theory session

Advanced

Running case: LumenLedger



Where this session sits

2.1 built the mechanisms; 2.2 addresses whether anyone will speak

MODULE 1

From Founder to
Leadership System

MODULE 2

**Culture as an
Operating System**

MODULE 3

Strategic Continuity
Under Pressure

SESSIONS IN THIS MODULE

2.1

Engineering Culture Into Daily Work

Hiring signals, meeting practices, rituals and consequences

2.2

Candor Through Difficult Conversations

Conditions for dissent, and confronting problems directly

YOU ARE HERE

2.3

Reading and Shaping Informal Power

Redirecting informal influence toward sound decisions

What this session explains

Making it rational for people to raise problems early

01

Silence is a rational response

People withhold concerns because the expected cost exceeds the expected benefit — not because they do not care.

02

Safety and standards are independent axes

High safety with low standards produces comfort, not performance.

03

Conflict type matters

Disagreement about the task helps; disagreement about the person does not.

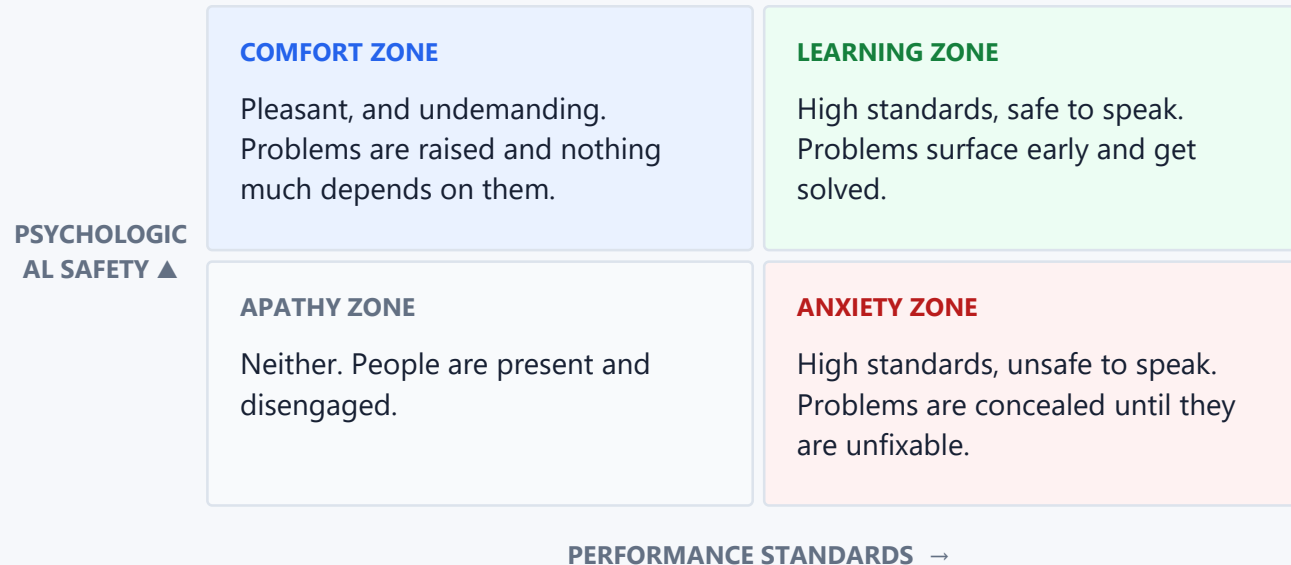
04

Difficult conversations have a structure

Observation, impact, question — and the question is the part usually omitted.

Psychological safety and performance standards

Edmondson's framing: both are required, and they are independent



THE MISREADING

Safety is not comfort

Psychological safety means it is safe to take interpersonal risk — to disagree, to admit error. It is not lowered expectations.

THE DANGEROUS QUADRANT

Anxiety

High-standard organisations without safety look excellent right up to the point a concealed problem surfaces.

THE SYNAPSE READING

A reconciliation gap is exactly this

Technical, unglamorous, and easier not to raise — until \$265 million is inaccessible.

Edmondson, A. (1999). Psychological safety and learning behavior in work teams. *Administrative Science Quarterly*, 44(2), 350–383.

Silence is a calculation, not a character flaw

Understanding the calculation is what lets you change it

WORKING DEFINITION

People withhold concerns when the personal cost of speaking — being wrong in public, being seen as negative, damaging a relationship — exceeds the expected benefit, which is usually diffuse and delayed.

1

The costs are immediate and personal

Discomfort now, to a named person, in front of colleagues.

2

The benefits are diffuse and deferred

A problem avoided months later, which nobody will attribute to the person who raised it.

3

So the default is silence

Changing it requires lowering the cost, raising the benefit, or removing the choice — for example, by asking directly.

Morrison, E. & Milliken, F. (2000). Organizational silence. *Academy of Management Review*, 25(4), 706–725.

Task conflict and relationship conflict

One improves decisions; the other reliably damages them

TASK CONFLICT

Disagreement about the work

WHAT IT SOUNDS LIKE

"I think that estimate is optimistic, and here is why."

WHAT IT PRODUCES

Better decisions, where it is moderate and the team is safe enough to sustain it.

HOW TO ENCOURAGE IT

Assign it — a named person argues the opposing case, so dissent is a role rather than a risk.

RELATIONSHIP CONFLICT

Disagreement about the person

WHAT IT SOUNDS LIKE

"You always overpromise." Character, not behaviour.

WHAT IT PRODUCES

Defensiveness, reduced information sharing and worse decisions, consistently.

HOW TO PREVENT IT

Keep the language on observable behaviour and its effect, never on disposition.

HOW ONE BECOMES THE OTHER

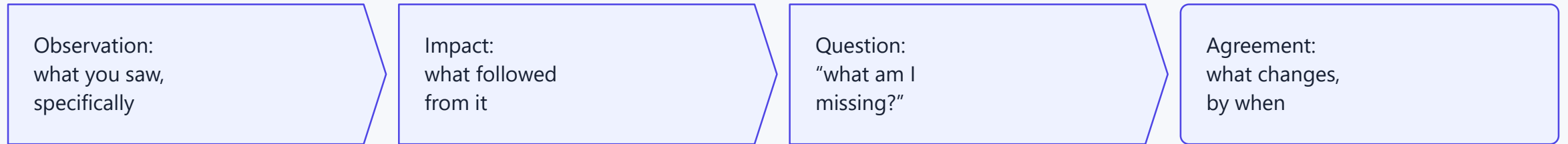
Task conflict degrades into relationship conflict when it is unmanaged or personal. The moderating factor is whether people believe the disagreement is about the work.

Jehn, K. (1995). A multimethod examination of the benefits and detriments of intragroup conflict. *ASQ*, 40(2).

A difficult conversation in four moves

The fourth is the one most often skipped

THE SEQUENCE



WHY THE THIRD BOX MATTERS

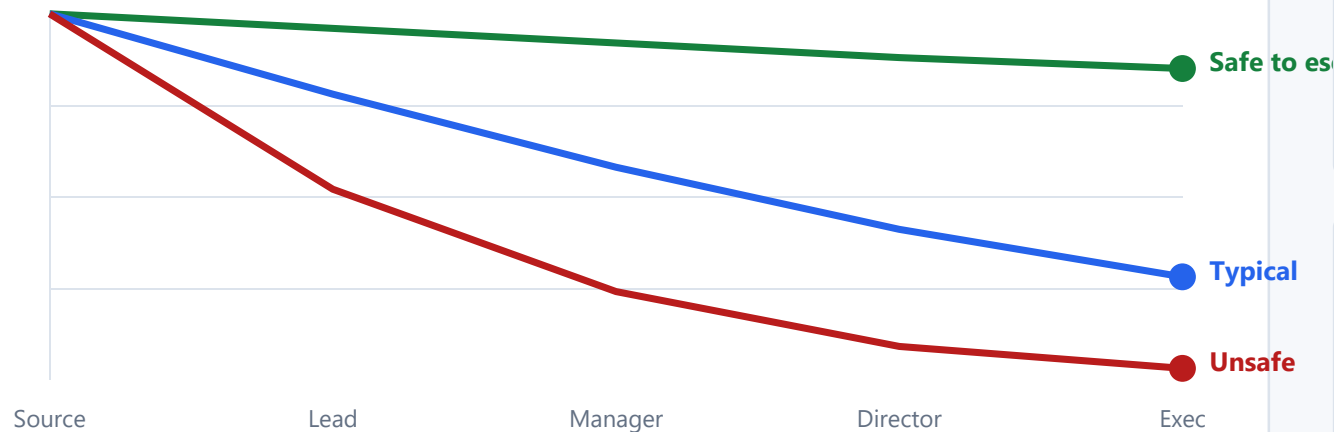
The question is not politeness. It is the step that tests whether your interpretation is correct — and it frequently is not. Skipping it turns a conversation into a verdict.

Stone, D., Patton, B. & Heen, D. (1999). *Difficult Conversations*. New York: Viking.

Why bad news does not travel up

Each layer has a reason to soften, and the effect compounds

SEVERITY OF A PROBLEM AS REPORTED AT EACH LEVEL
SEVERITY AS REPORTED (%)



Nobody lies. Each layer rounds down slightly, and four roundings turn a serious problem into a footnote.

THE MECHANISM

Rational softening

Each person reports what they can support and what will not damage them. Small adjustments compound.

THE COUNTERMEASURE

Skip-level and direct channels

Regular contact with two levels down, and a route that bypasses the chain for specific categories.

THE SYNAPSE LESSON

Unglamorous risks travel worst

Reconciliation quality is not a topic anyone is rewarded for raising until it fails.

What leaders do that makes dissent rational

Five behaviours with observable evidence

Behaviour	What it looks like	Evidence it is working
Frame the work as uncertain	"We have not done this before; we will get things wrong."	People propose alternatives without being asked.
Ask genuine questions	"What is the strongest argument against this?"	Someone answers substantively rather than reassuringly.
Respond well to bad news	Thank the person, ask what they need, act.	The same person raises something again within a month.
Acknowledge your own errors	Specifically and without ceremony.	Others begin to do the same in reviews.
Separate the report from the reporter	The messenger is not held responsible for the message.	Problems arrive earlier and less complete — which is the point.

THE ROW THAT DECIDES IT

The third row is the whole thing. One badly handled piece of bad news costs more safety than a year of stated openness creates.

Candour has a working range

Both ends produce worse decisions

SUPPRESSED Concerns unvoiced. Decisions made on incomplete information and problems surface late, expensively.	PRODUCTIVE CANDOUR Concerns voiced early, about the work, with a decision attached. Uncomfortable and efficient.	CORROSIVE Continuous objection with no resolution mechanism. Decisions never settle and disagreement becomes identity.
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WHAT KEEPS IT IN RANGE

Practice	What it prevents
Disagree, then commit — explicitly.	Endless relitigation after a decision is made.
A named decider for every open question.	Debate continuing because nobody can close it.
A time limit on the dissent slot.	Objection becoming the dominant mode of contribution.

Three ways candour is claimed and absent

All three are sincerely believed by leadership

The open-door claim

Looks like "My door is always open."

Why it fails It places the cost of initiating entirely on the person with least power.

Fix Go to them, and ask a specific question rather than a general one.

Candour as licence

Looks like Blunt personal criticism, defended as honesty.

Why it fails It is relationship conflict, which reliably degrades decisions.

Fix Behaviour and impact only; never disposition.

Punishing the messenger once

Looks like A single defensive reaction to bad news.

Why it fails It is observed, remembered and generalised across the organisation.

Fix Repair it publicly; the repair is also observed.

CASE STUDY

Synapse

A reconciliation weakness that stayed invisible until customers could not withdraw their money.

The problem nobody escalated

Invisible in the customer experience until it was unfixable

THE HIDDEN PROBLEM

A control gap nobody surfaced

THE STRUCTURE

“For the Benefit Of” pooled accounts connecting fintech platforms with sponsor banks.

THE WEAKNESS

The FBO structure lacked sufficient individual-account transparency — pooled balances could not be reliably attributed to end users.

WHY IT STAYED HIDDEN

The failure was in reconciliation records, not in the customer experience. Nothing looked wrong from outside.

WHEN IT SURFACED

At the worst possible moment

THE FAILURE

Synapse failed in April 2024, blocking more than 100,000 customers from over \$265 million.

THE SCALE OF THE GAP

A shortfall of up to \$95 million between funds held and amounts owed.

THE RESPONSE

More than 25% FDIC actions and over 20% OCC actions; nearly 30% of programmes considered retreat.

READING THE CASE

The visible failure was a frozen withdrawal. The underlying weakness was a reconciliation gap that nobody escalated while it was still cheap to fix.

Drawn from the session case pack.

Bringing the theory to LumenLedger

Making early escalation the rational choice

Step	What you put in place	LumenLedger example
Name the uncertain areas	Where being wrong is expected.	Reconciliation, partner onboarding, and anything customer-fund related.
Assign dissent	A role, not a risk.	Each material decision has a named person arguing the opposing case.
Create a direct channel	Bypassing the chain, for defined categories.	Any fund-attribution concern goes straight to the CFO and the audit committee.
Instrument the unglamorous	Risks nobody is rewarded for raising.	Daily reconciliation break count reported whether or not it is zero.
Handle bad news well, visibly	The first instance sets the norm.	Thanks recorded in the review notes; the action taken named.
Close decisions	Disagree and commit, explicitly.	Decision, dissent recorded, and the review date set.

WHAT COMES NEXT

Session 2.3 looks at the informal power that decides whose concerns actually travel.

What to carry out of this session

1

Safety and standards are independent.

High standards without safety conceals problems until they are unfixable.

2

Silence is a rational calculation.

Immediate personal cost against diffuse deferred benefit — change the arithmetic, not the exhortation.

3

Keep conflict on the task.

Disagreement about the work improves decisions; disagreement about the person degrades them.

4

Ask what you are missing.

It is the step that tests your interpretation, and it is the one usually skipped.

5

Unglamorous risks travel worst.

Nobody is rewarded for raising reconciliation quality until \$265 million is frozen.

Sources for this session

Primary references behind each concept

PSYCHOLOGICAL SAFETY	Edmondson, A. (1999). Psychological safety and learning behavior in work teams. <i>Administrative Science Quarterly</i> , 44(2), 350–383.
PRACTICE	Edmondson, A. (2018). <i>The Fearless Organization</i> . Hoboken: Wiley.
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LEARNING FROM FAILURE	Edmondson, A. (2011). Strategies for learning from failure. <i>Harvard Business Review</i> , 89(4), 48–55.