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# Intellectual Honesty Is Critical for Innovation



By [Nathan Furr](#) , INSEAD

## **Here's how to balance psychological safety and intellectual honesty for better team performance.**

When top Amazon executives were debating in the mid-2000s whether to greenlight Kindle, the now ubiquitous e-reader, sparks flew in the boardroom. Jeff Wilke, the CEO of Amazon's retail business at the time, openly challenged Jeff Bezos in front of the board. Wilke argued that the venture would fail because Amazon lacked experience creating hardware. Bezos conceded Wilke had a point but argued that the value of the experiment creating software-embedded devices outweighed the risk to Amazon.

Later, Wilke said: "Turns out I was right on everything that I called out, and Jeff was still right to say we should do it." He added, "[We] created a valuable skill set that we can use to invent new things on behalf of customers."

That debate – part of Amazon's "disagree and commit process" – is part of why Amazon has so successfully created so many new lines of business. It

also reveals a paradox: Leaders today are increasingly striving to create a sense of social cohesion, sometimes described as **psychological safety**, where people feel included and that their views matter.

But if intellectual honesty, where you proactively voice disagreement in a rational way, is handled improperly, it can chip away at the social cohesion often at the heart of psychological safety. In the most extreme cases, intellectual honesty can even destroy psychological safety, leading to highly vocal debates and environments charged with anxiety.

Striking the right balance between psychological safety and intellectual honesty is crucial but challenging. In a study of more than 60 start-ups and established firms in a variety of industries, my collaborators\* and I found that many teams prioritise psychological safety without realising that it can sometimes undermine intellectual honesty – and vice-versa.

### **Distressed, anxious, comfortable, innovative - what's your team culture?**

Our study identified several principles that are critical for fostering an **innovative, high-performance team** culture that balances intellectual honesty and psychological safety. But first, let's examine four typical team cultures that have varying degrees and combinations of psychological safety and intellectual honesty, and how these cultures facilitate or hinder innovation and learning. Greater awareness of a team's culture could help leaders improve team performance.

#### *Distressed*

Distressed teams lack both psychological safety and intellectual honesty. As a result, they struggle with learning and innovating. Such teams are common in organisations where individuals lack emotional intelligence. In such environments, leaders often can't admit that they are wrong and no one is willing to acknowledge that the company itself is under threat.

A salutary example is **Nokia**. Executives and managers who worked there in the late 2000s described a culture of fear and intimidation in which senior leaders pressured managers to perform without revealing the extent of threats from competitors. Anyone who dissented was punished and employees were afraid to deliver bad news, including that the company's cellphone strategy was failing.

## *Anxious*

Anxious teams score high on intellectual honesty and moderate to low on psychological safety. Team members are encouraged to be brutally honest even if it harms their relationships. In interviews, people on teams with an anxious culture told us that they often don't feel safe or respected. They worry that they are in constant competition with their colleagues and what the team thinks of their ideas.

Anxious cultures have high turnover rates. Ray Dalio, who pushed for radical truth and transparency at the hedge fund Bridgewater Associates he founded, once reported that 25 percent of new employees left within 18 months. And according to one [analysis](#), blunt-speaking Tesla CEO Elon Musk loses 27 percent of his executive team every year.

## *Comfortable*

The opposite of an anxious culture, a comfortable culture is characterised by high psychological safety and moderate to low intellectual honesty. Team members are typically agreeable, need to be liked and are less assertive or proactive. They feel safe speaking up but choose not to, believing that avoiding potential negative conflict is better for morale and the productivity of the team in the long run. They may not care enough about the mission of the team or organisation to rock the boat.

Comfortable teams tend to perform consistently, but they rarely produce pioneering innovations because members don't push one another to improve. One manager at a professional services firm told us that he was not assertive when challenging colleagues' ideas unless his work was directly affected. Further, according to one [study](#), people in psychologically safe environments tend to be less motivated and don't work as hard as people who expect their performance to be critiqued.

## *Innovative*

The most innovative teams are those that balance psychological safety with intellectual honesty. Members feel safe to voice their opinions and openly debate ideas. They take decisive action, but they do so in ways that maintains respect among team members. In contrast to people in distressed cultures, they are able to swallow their pride and accept another viewpoint.

“People who can’t handle the truth can’t admit a mistake, and so they go blindfolded off the cliff,” explained Martin van den Brink, chief technology officer at ASML. Van den Brink led a decade-long effort to create extreme ultraviolet lithography machines, a technology used to make advanced microchips. “I never pretend I will be right. I just say, ‘This is what I think; tell me the flaw in my thinking.’”

## **Principles for building innovative cultures**

We have identified four principles that are most important to achieving an innovative, high-performance team culture.

### *Principle 1: Foster emotional intelligence*

Emotional intelligence is the mortar that binds psychological safety with intellectual honesty. It includes self-awareness (awareness of your emotions), self-management (regulation of your emotions), social awareness (empathy and the ability to see others’ viewpoints), and relationship management (the ability to find common ground and build rapport).

Leaders should be particularly skilled at social awareness and relationship management. By listening with empathy, seeing others’ perspectives and defusing conflict, they are more likely to foster intellectual honesty while preserving safety. They are also able to engage in self-reflection, show humility, use humour to relieve tense situations and tell people they are valued.

### *Principle 2: Hire and develop proactive employees*

**Research** shows that personal initiative is more than twice as important as psychological safety in predicting whether someone will offer their ideas or raise questions. When Charles Gorintin founded the French company Alan in 2016 with the aim to create innovative digital offerings for health insurance and healthcare, he hired executives who were proactive and willing to challenge one another’s ideas. They created a culture in which leaders are encouraged to make decisions swiftly with the best information available and to change course quickly when new information emerges.

Gorintin explained: “It is often better to make the wrong decision, act and learn how to fix it than wait to make a decision in the first place.”

### *Principle 3: Legitimise and encourage honesty*

Organisations can address employees' fear of retribution for speaking up through management principles or processes that legitimise and encourage honesty, such as the one practised at Amazon. **Research** suggests that task conflict – or disagreement about work – within teams leads to more entrepreneurial strategies, more innovation and higher performance.

#### *Principle 4: Subordinate egos to unifying goals*

When employees feel engaged with and responsible for the team's or organisation's mission, they are more likely to speak up about problems and issues that could jeopardise the mission. This sense of working towards a common goal is stronger than psychological safety in driving intellectual honesty.

"I find that candour emerges when people are committed to the mission and feel dependent on their teammates for getting the mission accomplished," said Sterling Anderson, a former Tesla executive and founder of Aurora Innovation, a US\$3 billion startup that sells self-driving vehicle technology.

Psychological safety and intellectual honesty can sometimes work against each other. The challenge for leaders is to promote candid debate that is focused on the problems the team needs to solve and defuse interpersonal conflict. By doing so, they can nurture a culture that leads to higher performance.

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