

# Ignoring bad news

How behavioral factors influence us to sugarcoat or avoid negative messages



# About the authors

## Mark J. Cotteleer

**Mark J. Cotteleer** is a research director with Deloitte Services LP, affiliated with Deloitte's Center for Integrated Research. His research focuses on operational and financial performance improvement, in particular, through the application of advanced technology.

## Timothy Murphy

**Timothy Murphy** is a research manager with Deloitte Services LP. His research focuses on issues related to advanced technologies as well as the behavioral sciences and their impact on business management.

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# The ostrich syndrome

*"Don't you love my new shirt?" Maybe one of the toughest etiquette questions one has to face. Between the sleeves (or lack thereof) and the bright, contrasting floral patterns, where does one begin? I can tell the truth, but does he really want to know the answer? And if he does, how will he take the feedback? I hope it's not too late to return it.*

**C**URIOSLY, people will often invest time searching for information, yet turn around and ignore or even distort the information they collect when it is "bad news." Have you ever counseled a friend who is in a relationship to take off the rose-colored glasses? Some people seemingly sit in relationships even after collecting a number of serious tells of long-term incompatibility with a mate. Similarly, there are

Simply put, people typically will seek out information when they are uncertain, as long as the costs to acquire the information are less than the expected benefits of reducing their uncertainty.

instances of investors during the financial crisis who willfully did not acknowledge the negative performance of their investment portfolios by simply not opening their account statements.<sup>1</sup> Both of these examples involve individuals who choose to ignore negative information or bad news, and they themselves bear the costs or consequences of their behavior.

In this paper, we examine this phenomenon of ignoring and distorting bad news as it occurs within business. More specifically, we will draw on existing academic research to help explain the existence and drivers of this behavior as well as the potential costs and consequences for organizational performance and learning.

Academic theory explains information-seeking behavior in terms of uncertainty and search cost.<sup>2</sup> Simply put, people typically will seek out information when they are uncertain, as long as the costs to acquire the information are less than the expected benefits of reducing their uncertainty. In other words, people won't necessarily search for additional information just because of uncertainty. Instead, they will search when they believe that more information will add value to their decision-making process and potentially change their current thinking. If someone's mind is made up, searching for added information is probably pointless, given that it would be irrelevant. This helps to explain the behavior of the investor mentioned above. Ignoring the monthly statement makes sense if the investor has a long-term horizon and has decided to stay the course through a market downturn. For the investor, the information about the exact portfolio losses is irrelevant because this information won't change the investor's decision to stay invested for the long term. Based on these findings, the investor's actions are reasonable.

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## A DELOITTE SERIES ON BEHAVIORAL ECONOMICS AND MANAGEMENT

Behavioral economics is the examination of how psychological, social, and emotional factors often conflict with and override economic incentives when individuals or groups make decisions. This article is part of a series that examines the influence and consequences of behavioral principles on the choices people make related to their work. Collectively, these articles, interviews, and reports illustrate how understanding biases and cognitive limitations is a first step to developing countermeasures that limit their impact on an organization. For more information visit <http://dupress.com/collection/behavioral-insights/>.

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However, in business, rarely are decisions made by only one person, or the consequences of decisions made so narrow in scope.

In this paper, we explore how bad news avoidance plays out in an organizational context, where decision making is highly complex, involving many individuals and departments—and where it can be influenced by a vast assortment of data sources, some more easily accessed and trusted than others. How is information ignored or distorted, and what role does social psychology play in decisions to ignore or distort bad news—and how does this impact organizational learning and performance? Finally, what, if anything, can or should businesses do about this phenomenon?

To answer these questions, we employ what we refer to as a **message, messenger,** and the **masses** framework to help guide the reader through three academic studies that highlight the implications of bad news avoidance. In the first study, we see how delivering the “message” can impact the disclosure of bad news. The research article “Cue-responding in a simulated bad news situation: Exploring a stress hypothesis” shows how doctors’ communication strategies for delivering bad news to patients can change based on their own perceived ability to handle stressful situations or possible patient reactions.<sup>3</sup> In other words, how and what is communicated will depend on the person who delivers the message.



A second study, “The role of a bad news reporter in information technology project escalation: A deaf effect perspective,” illustrates how, in addition to an individual’s own risk tolerance, the specific role and person who acts as the messenger of bad news can determine if it is acted upon or ignored.<sup>4</sup> In other words, the “messenger” tasked with providing the information can influence information distortion.

The last study, “When bad news is sugar-coated: Information distortion, organizational search and the behavioral theory of the firm,” shows how we, the collective “masses,” influence information distortion within an organization.<sup>5</sup>

# Misgivings and the message

**D**ELIVERING disappointing news is seldom an easy task, and it's a challenge commonly faced by doctors. With an eye toward understanding their struggles, researchers applied a well-known stress-coping paradigm to investigate if the “communicative reactions” of a physician are correlated to the stress of the task at hand.<sup>6</sup>

Properly delivering a disappointing message is an important skill in health care settings.<sup>7</sup> As we can imagine, this can often be a problematic task for those delivering the message. In this study—the “message” study—researchers looked at physicians’ communication styles to determine if they deliver messages in a manner that minimizes their own discomfort in delivering bad news. The study found that “blocking behaviors,” a communication style that inhibits emotional expression and patient disclosure, can be linked to the stress

of a situation.<sup>9</sup> And the stress of delivering bad news can be so great that physicians may actively avoid these situations in the future. In short, to protect one’s self from the stress of delivering bad news, one may communicate in ways that help the recipient to avoid, distort, or ignore the bad news.

## Study findings

Stress results from a self-perceived inability to handle the emotional reaction(s) of the recipient of bad news. There was a significantly positive correlation between physicians’ perceptions of how challenging a patient’s questions were and the level of emotion the patient communicated. Physicians in the study believed that patient questions or statements pertaining to their condition that contained strong emotion were more difficult to address than those that did not. These results are

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## RESEARCH DESIGN: THE MESSAGE STUDY

Eighty-eight third-year medical students were shown a video simulation of communicating bad news to patients. The participants had no clinical experience or training in doctor-patient communication. Subjects were presented with 10 patient “cues” that varied in perceived difficulty. Researchers investigated if the physicians’ communicative behaviors could be predicted by their perceptions of the difficulty of the cue (question), situational anxiety (patient-specific experienced difficulties), or trait (personal) anxiety.

After each cue, participants were instructed to indicate response difficulty (1 = very easy, 4 = very difficult) from a doctor’s perspective. Also, they were asked to choose one of five possible cue responses by which they would continue the consultation. These five cue responses comprised:

- Two blocking responses: ignoring and minimizing the severity of the cue
- Two easing responses: empathy (a verbal statement made in an attempt to comprehend feelings or concerns conveyed) and clarification (asking for more information and encouraging patient disclosure)
- A mixed response: reassurance (delivering objective medical facts while demonstrating optimism)

Finally, after the simulation, subjects assessed their personal stress level; these results were compared against a baseline assessment completed one week prior.

## The bad news about bad news is that it occurs in a multitude of business contexts: terminating employees, reporting weak operating performance to senior leadership, or communicating project overruns to a client.

consistent with previous findings that show that physicians struggle with how to properly react to a patient's emotional reactions to bad news.<sup>10</sup> Also, many physicians are ill-equipped to read patients' anxiety, and they find it difficult to allow patients to express emotions and fears.<sup>11</sup>

On the other hand, the patient questions or statements that physicians perceived as the easiest to handle were complaints or questions about treatment. These responses, which more closely apply to the doctor's training or knowledge, were perceived as less difficult than the emotionally charged responses. Researchers hypothesized that these questions evoked less stress because doctors tend to respond according to a task-oriented framework. In contrast, doctors were less prepared for emotionally charged questions where they could not lean on their classroom knowledge to provide answers.<sup>12</sup>

**Even physicians who are trained to deal with emotional reactions found that the delivery of disappointing messages is a source of personal stress.** Bad-news discussions vary based on the severity of the news and the deliverer's self-perceived inability to handle the communication. Even after receiving training on patient-centered communicative behaviors, physicians still reported being more stressed about delivering bad news. Even a greater sense of understanding patients' feelings led to stress in exploring these emotions because of the assumed connection between a message and its messenger.<sup>13</sup>

### The message study's workplace implications

Caregivers confront high-stress situations on a daily basis. Research shows that patient-centered communications that bear bad news are stress-provoking for caregivers. Therefore, training caregivers in patient-centered communications should address techniques for relieving the stress they feel from delivering disappointing messages.<sup>14</sup>

The bad news about bad news is that it occurs in a multitude of business contexts: terminating employees, reporting weak operating performance to senior leadership, or communicating project overruns to a client. It's not hard to see how other messages might also provoke stress for the messenger. For example, someone tasked with terminating an employee would likely experience some stress, similar to a physician delivering a poor diagnosis to a patient. While being terminated is not life-threatening, an employee is likely to have an emotional response to being terminated nonetheless.

The message study cites two perceptions that induce stress for those tasked with the message. First, how difficult does the messenger perceive the situation to be? And second, to what extent does the messenger feel equipped to handle the situation?<sup>15</sup> This research suggests that organizations can help prepare managers who are responsible for employee performance and termination discussions by providing training and informational resources. Similar to how physicians viewed questions from patients that allowed them to

rely on their medical training (e.g., “What are my treatment options?”) as less difficult or less stressful, providing managers with training and resources (e.g., severance information, outplacement services) to deal with employee reactions can help them feel more equipped to have difficult discussions and reduce their stress while having them.

Organizations that require managers to deal with high-stress situations may want to

evaluate policies that can reduce stress, such as taking time off, “unwired” holidays, or even job rotation for individuals in high-stress functions like human resources. Some businesses might even consider offering the opportunity to take sabbaticals to enable top-performing managers to take time away from day-to-day stress while simultaneously developing expertise or skills that complement their careers.



# Shooting the messenger

**W**E now shift from the difficulties of delivering the **message** that undermines the sharing of bad news to a study that examines how the bearer of bad news, or the **messenger**, can affect whether or not bad news is heard or incorporated into business decision-making.

In “The role of a bad news reporter in information technology project escalation: A deaf effect perspective”—which we will call the “messenger” study—researchers examined the “deaf effect” response to bad news in an IT project-management context. Specifically, the study examined the tendency for individuals in management positions to frequently ignore bad news when it is reported to them by a person who is not responsible for reporting a project status or is not perceived as credible.<sup>16</sup> Given the notoriety of IT projects missing deadlines and overshooting budget

expectations—19 percent of projects fail, and 46 percent have cost or time overruns—the consequences of ignoring bad news can be significant.<sup>17</sup> But these discouraging figures also illustrate the importance of strategies that can help minimize the deaf effect on organizational performance.

Hearing bad news is difficult, especially when we aren’t realizing the returns we expected.<sup>18</sup> Compounding the issue, leaders who receive bad news often respond by committing even more resources to the poorly performing project. This “escalation of commitment” is typical of IT projects because they operate in highly dynamic settings and involve “complex problems, organizational changes, and business process innovation.”<sup>19</sup> The messenger study examined whether a decision maker’s gender and risk appetite, as well as the specific relevance of the bad news

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## RESEARCH DESIGN: THE MESSENGER STUDY

Researchers conducted a laboratory experiment to study the impact of varying degrees of IT project escalations.

One hundred and five undergraduate students were provided with a scenario involving an information systems project. In the scenario, subjects were asked to envision themselves leading an IT project team at a regional bank. They were then informed that, despite the development team reporting that the new information system was completed for production, a single member of the IT department (the bad news messenger) was suggesting that more rigorous testing was needed to avoid an implementation disaster. Depending on the group the subject was assigned to, the role prescription and the credibility of the bad news messenger were altered in the following ways:

- Role prescription manipulation. The role of the “bad news reporter” was either an auditor who had been specifically tasked with evaluating the systems and reporting any relevant issues, or a peer project lead who had no direct responsibility for reporting problems.
- Credibility manipulation. The “bad news reporter” was described either as “a well-respected expert in the organization” or as “someone not specifically respected or expert in anything.”

Subjects indicated their comfort in moving forward with the scheduled production using a seven-point scale to report their views on factors including role prescription, credibility, message relevance, risk perception, risk propensity, work experience, and commitment.

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message, could compensate for the messenger's perceived lack of credibility, thereby allowing decision makers to hear bad news.

## Study findings

The messenger study's results suggest that three factors influence a decision maker's willingness to ignore or act upon reported bad news: the role of the bad news messenger; the credibility of the bad news messenger; and the gender of the person tasked with making the decisions based on the bad news. All three factors substantially contributed to the likelihood of a deaf-effect response to bad news in the study.

In particular, the findings suggest that a decision maker's evaluation of a message's relevance can influence his or her final decision more strongly than the credibility of the reporter. For example, if someone yells "Fire!" to inform others of a burning building, this message would be so relevant to the building's occupants that most people would exit the building before waiting to see if firefighters confirmed the existence of a fire.

The findings also point to the importance of a role-prescribed messenger. Assuming that the bad news is non-life-threatening and instead pertains to an ongoing business project, the messenger's role has a substantial impact on a decision maker's evaluation of the situation. For example, if a decision maker receives complaints from junior project team members about long hours, he or she would be less likely

to infer project cost overruns from their grumblings than if a senior manager responsible for budget management expressed concerns about cost overruns. The senior manager in this case is "role-prescribed" to oversee the budget, and therefore judged more likely to possess accurate and reliable information.

Two additional attributes play a role in whether or not the deaf effect occurs: risk perception and risk propensity, which were shown to differ in this case between men and women in decision-making roles. Specifically, the study suggests that women have a higher perception of risk and a lower propensity or tolerance for risk. Thus, they were less likely than men to turn a deaf ear to bad news, even when role prescription or credibility were lacking.

## The messenger study's workplace implications

Organizational cultures exist where decision makers ignore bad news and escalate their

commitment to projects even as those projects become increasingly troubled. To guard against this, organizations can establish well-defined roles for reporting a project's status—both the good and the bad—to the relevant stakeholders. Clearly defining these roles, delineating their responsibilities,

and assigning them to credible personnel are critical steps for enabling the messenger to be heard.<sup>20</sup> It may be worth investing in training and certifications to enhance these designated bad news messengers' perceived credibility.

**Broadly and frequently communicating who these individuals are and why they are qualified to hold these positions could give those with knowledge of bad news an appropriate channel to report it.**

Broadly and frequently communicating who these individuals are and why they are qualified to hold these positions could give those with knowledge of bad news an appropriate channel to report it.

Researchers in the messenger study also argued that the deaf ear effect was linked to the individual decision maker's sensitivity and propensity to take risks, which in turn was linked to individual attributes such as gender. Of course, there are always trade-offs. An organization can be negatively impacted by decision makers who take too much as well as too little risk. A balance is needed. We believe that this finding suggests that senior leaders need to pay

attention to the composition of decision-making teams, balancing the individual propensities of those that make important decisions on allocating company resources. Diversity appears to yield benefit in cases such as these.

Beyond gender, perceptions of risk need to be addressed. To assist managers in properly weighing project risks, objective data is a necessity.<sup>21</sup> In addition to data, training is often required to educate project leaders on how to assess and react to the objective information provided. Such guidance can help risk-seeking individuals determine when to continue or cease particular project activities that the data suggest may lead to drastic financial losses.<sup>22</sup>

# The message meets the masses

**WE** now shift from the **messenger** to the **masses**. Researchers in the study “When bad news is sugarcoated: Information distortion, organizational search, and the behavioral theory of the firm”—which we will call the “masses” study—sought to understand how social interactions influence the distortion of information.<sup>23</sup> The masses study illustrates how information distortion impacts organizational learning and performance; how the relationships that exist within businesses, social interactions, and corporate culture can encourage employees to withhold negative performance information from their superiors; and how surprisingly, this is not always a bad thing.

Hierarchies exist, in theory, to drive efficiencies and streamline operations. But hierarchical organizations may introduce an inherent

motivational bias. Many lower-level employees do not believe that reporting project issues to their superiors is in their self-interest.<sup>24</sup> When speaking to their bosses, employees may “simply omit negative feedback or sugarcoat it in such a way that makes it hard to interpret.”<sup>25</sup> Such omissions are pervasive: 70 percent of employees across a variety of industries admit to remaining silent about issues that might compromise performance.<sup>26</sup>

Further, social environments are likely to influence an individual’s likelihood to distort information.<sup>27</sup> Individuals within an organization are socialized, just as children are socialized by their peers. Each employee interacts with, observes, and, at times, may imitate the behaviors of those around them. These interactions and social norms help to establish cultures. If the culture condones failure to

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## RESEARCH DESIGN: THE MASSES STUDY

Researchers used a computational model to vary information distortion and analyze the impact of different rates of sugarcoating with the end goal of understanding how various degrees of sugarcoating impacts organizational performance.

Building on classic models of organizational theory, the researchers’ formal model was constructed based on two hypotheses: 1) organizational members withhold the truth about their performance at varying degrees, and 2) organizational social environments influence one’s propensity to distort information.

The model focused on four primary variables to understand performance’s relationship to sugarcoating. These variables were:

- The organizational construct (i.e., the hierarchal structure)
  - The way information searches were performed in light of feedback (i.e., does “slack search” exist?)
  - The ways individuals are influenced by their environment (both immediately and over time, as individuals are assimilated into an organization’s culture)
  - How individuals assess their own performance (i.e., do they consistently over- or underestimate it?)
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report negative feedback, then this mode of operating can be maintained in an organization over time.<sup>28</sup>

If the sugarcoated version of the truth is all that leaders in an organization hear, they are likely to have a distorted view of how they are tracking against their objectives. This may result in consistently positive—but inaccurate—reporting of organization-wide initiatives. So how does sugarcoating affect organizations' strategic thinking, learning, and performance? And for that matter, is sugarcoating a completely negative development, or are there instances where it can drive positive outcomes?

### Study findings

**In business, a touch of information distortion can benefit overall organizational performance.** As counterintuitive as it may sound, the results of the masses study suggests that optimal information distortion occurs when people slightly *overestimate* their performance. Specifically, the research suggests that organizational performance is optimized when individuals overestimate performance by 10 percent. At the extremes, performance improves at the slowest rate when organizations demonstrate either zero or a 100 percent propensity to distort performance.

Two factors likely fuel these results: abundant “slack search”<sup>29</sup> and imperfect evaluation. When there is too much information distortion (i.e., when sugarcoating dominates), an abundance of slack search can negatively impact organizational performance as companies look too far afield for answers or new opportunities. They may fail to leverage internal assets and be too myopic, pursuing expansive goals at the expense of solving

other “closer to home” problems. Businesses under the impression that everything is going according to plan may be more focused on looking for the next big home run—swinging for the fences, so to speak. They may focus, for example, on an acquisition or new product formulation to such an extent that employees neglect to execute on the simple things required to defend share in the core business, causing lackluster overall performance. Further, individuals can perform imperfect evaluations of search alternatives and commit organizational resources to initiatives that turn out to deliver subpar performance. In other words, the initiative expected to drive returns goes awry and actually ends up diminishing overall performance.

### The masses study's workplace implications

Some sugarcoating can benefit organizations. Research suggests that small amounts of sugarcoating foster a “sense of well-being” that, in turn, encourages people to engage in greater exploratory processes when evaluating potential outcomes.<sup>30</sup> However, the challenge is to limit sugarcoating to a “healthy” amount. Field studies suggest that 50–75 percent of people do not voice potential issues at hand—significantly above the optimal rate of 10 percent.<sup>31</sup> Therefore, managers still need to focus on inducing honest reporting from their subordinates to prevent excess sugarcoating and information distortion.<sup>32</sup> To this end, we see an opportunity for companies to establish or strengthen a team-centered and forgiving culture where honest self-reporting is encouraged by tying overall performance to collective accomplishments rather than individual performance.

Mechanisms are available to foster a more honest, forgiving culture. To become aware of bad news sooner, we suggest providing outlets for employees to surface concerns backed primarily by intuition. Some hospitals, for example, have decreased mortality rates by empowering nurses to follow their professional intuitions and “sound the alarm” if they had any concerns of an issue arising, regardless of their ability to immediately cite the reason.<sup>33</sup> In other words, giving employees a platform to

express concerns early on can help minimize negative consequences.

Managers can enhance team-centered cultures by allowing minority views to thrive.<sup>34</sup> Doing so provides a platform for accurate (and sometimes bad) news to reach the surface. To uncover otherwise hidden information, managers can refrain from prematurely casting judgments on problems as they arise, and they can play devil’s advocate to give dissenting views a platform to be heard.

# Heads out of the sand

**B**AD news is a multidimensional issue. Communicating and reacting to negative information creates several challenges for those affected. Holistically, these challenges pertain to the individual's delivery style (the message); the attributes of those assigned to be the bearer of bad news (the messenger), and the ways that an organization processes negative information

(the masses). Figure 1 provides a quick summary of the implications for each dimension.

As individuals, we are often confronted with the stressfulness of delivering negative messages. If this task is perceived as too difficult, we may distort the message or avoid the topic completely. To help counter this tendency, it is important to train employees

**Figure 1. Implications for the message, messenger, and masses**

<b>Implications for the message: Cue responding and stress</b>	
<i>Research findings</i>	<i>Strategies/tactics</i>
Bad news communications can evoke stress in the deliverer	<ul style="list-style-type: none"> <li>• Train employees in stress-relieving techniques</li> <li>• Job rotation for high-stress roles</li> <li>• Use of time-off, sabbaticals, and unplug holidays to rejuvenate employees with high-stress responsibilities</li> </ul>
Self-perceived inadequacy around communicating bad news can cause stress	<ul style="list-style-type: none"> <li>• Prepare and train employees tasked with delivering bad news</li> </ul>
<b>Implications for the messenger: The deaf effect</b>	
<i>Research findings</i>	<i>Strategies/tactics</i>
Individuals who are "role-prescribed" to provide feedback are more likely to be heard	<ul style="list-style-type: none"> <li>• Create explicit, well-defined roles for communicating project status                             <ul style="list-style-type: none"> <li>– Define and delineate responsibilities to credible employees</li> <li>– Build credibility through training and certifications</li> <li>– Broadly communicate the role and credibility of reporters</li> </ul> </li> </ul>
The deaf effect is linked to decision makers' risk tolerance, which in turn is linked to individual attributes including gender	<ul style="list-style-type: none"> <li>• Empower decision makers who take corrective action                             <ul style="list-style-type: none"> <li>– Maintain gender diversity for appropriate perception of and propensity for risk</li> </ul> </li> <li>• Help managers detect project risks                             <ul style="list-style-type: none"> <li>– Deploy risk-monitoring mechanisms to collect objective data</li> <li>– Train/educate managers on risk-seeking behavior and the related organizational benefits</li> </ul> </li> </ul>
<b>Implications for the masses: Sugarcoating bad news</b>	
<i>Research findings</i>	<i>Strategies/tactics</i>
Organizational performance is optimized when individuals overestimate performance by 10 percent	<ul style="list-style-type: none"> <li>• Build awareness among managers of the tendency for bad news to be sugarcoated or stifled throughout the organization                             <ul style="list-style-type: none"> <li>– Enact safeguards, processes, and training to help organizations confront bad news</li> </ul> </li> </ul>
50–75 percent of people do not voice potential issues at hand	<ul style="list-style-type: none"> <li>• Help managers encourage honest performance reporting from their subordinates                             <ul style="list-style-type: none"> <li>– Establish a forgiving culture</li> <li>– Provide team-centered goals and rewards</li> </ul> </li> </ul>

on the procedural implications of the message. When individuals can speak to the potential outcomes of the message, they often feel more self-assured in delivering negative messages.

Beyond training people to deliver a tough message, it helps to put guardrails in place to increase the likelihood of the message being heard. For this reason, organizations should carefully consider the identity and attributes of the bad news messenger. Is the messenger role prescribed? Clear role definition and credibility are important aspects in preventing a managerial “deaf effect.” Research shows that

those specifically assigned to message delivery are more likely to be heard and taken seriously.

For the organization, the good news is that perfect honesty is not required, or perhaps even desirable. The masses study posits that a little sugarcoating can be good for an organization. We all like to approach the world with confidence that things are going well. It turns out that organizations may be the same way. We don’t want to live in a world of self-deception, but a spoonful of sugar does, oftentimes, help make the medicine go down.



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# Contacts

**Mark Cotteleer**

Research director, Center for  
Integrated Research  
Deloitte Services LP  
+1 414 977 2359  
[mcotteleer@deloitte.com](mailto:mcotteleer@deloitte.com)

**Timothy Murphy**

Manager, Center for Integrated  
Research  
Deloitte Services LP  
+1 414 977 2252  
[timurphy@deloitte.com](mailto:timurphy@deloitte.com)



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