Part One

STRATEGY

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WHAT IS TRANSPARENCY?

A Working Definition

As Christmas approached in 2006, a blog appeared called "All I Want for Christmas Is a PSP." Charlie was trying to help his buddy Jeremy get the popular but expensive handheld entertainment system as a holiday gift. It took only a short time for dozens of people to check the publicly available domain registration and learn the site was registered to a marketing agency called Zipatoni.

The firestorm erupted. Some of the comments posted to the blog included these:

> "This site makes me want to get rid of my PSP."
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> "Things must be going really bad for Sony if all they can afford to promote one of their flagship products are you monkeys."
>
> "If you want a PSP badly enough you should get together with an ad agency. Then try to sell the product through a lame Web site while attempting to speak down to what you consider your target audience."

Even after having been exposed as a fake blog, a deceptive marketing practice, the character Charlie continued trying to convince readers they were wrong. Writing in faux hip-hop style, Charlie said, "Yo where all u hatas com from . . . juz cuz you aint feelin the flow of PSP dun mean its sum mad faek Website or summ . . . you all be trippin." But the denials only sparked further commentary, which spilled over into message boards. Eventually Sony had to come clean, posting this message on the blog:

> Busted. Nailed. Snagged. As many of you have figured out (maybe our speech was a little too funky fresh???), Charlie isn't a real hip-hop maven and this site was actually developed by Sony. Guess we were trying to be just a little too clever. From this point forward, we will just stick to making cool products, and use this site to give you nothing but the facts on the PSP.—Sony Computer Entertainment America

The site is gone now. Recognizing it as the embarrassment it was, Zipatoni and Sony pulled it down. However, if you want to see what it looked like when it launched, halfway through its life, or just before it was deleted in mid-2007, all you have to do is visit the WayBack Machine at Archive.org, where Web sites live on forever.

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In September 2005, media critic, blogger, and former *TV Guide* editor Jeff Jarvis wrote a post taking Dell, Inc. to task for its failures of customer service and technical support in his efforts to resolve computer problems. Jarvis's series of posts turned into a saga that was followed, reported on, analyzed, and spread by hundreds of thousands of people. One man's complaint dragged Dell's already fragile reputation through the mud and affected its share price.

It was a defining moment for Dell, which responded with an overhaul of its approach to customer service and technical support, including the launch of a blog. "Direct2Dell" which lays the company bare. Here company leaders, communicators, support personnel, and product managers engage in serious conversation with customers. Following the blog's success, Dell introduced the "Dell IdeaStorm," a site that allows any customer (or any employee, for that matter) to submit an idea. Other customers read the ideas, add their own comments, and vote to promote or demote them. Those that achieve broad support, gauged by the number of votes to promote, are turned into action items for management to consider. Several customer-introduced ideas have become reality, including the availability of Dell models running the Linux, not Windows, operating system. Dell also employs people to find and address customer problems reported on blogs like Jarvis's.

Dell's reputation has done a complete one-eighty. Even Jarvis is praising its efforts.

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These two stories from real companies, Sony and Dell, portray the extremes of business transparency. Sony introduced a fake identity into an environment where reputation is based on authenticity. It was caught, as inevitably any attempt to deceive will be unveiled, and paid the price with a damaged reputation. Dell, however, began respecting the issues people raised and making their employees accessible to customers. Dell talked openly about problems and engaged customers in conversation about how to fix them. And Dell was rewarded with increased customer loyalty and a reinvigorated reputation.

The Transparency Debate

Raise the issue of transparency among businesspeople, and you are likely to spark instant and heartfelt disagreement. Transparency means different things to different people. Scholars tend to identify two categories:

- *Financial transparency*. Companies are required to disclose some financial information, such as earnings and profits, particularly if they are public companies. Other data, such as budgets and reports, may be disclosed if it serves the company's interests. Research has documented a relationship between the accuracy of analyst forecasts (for public companies) and financial transparency.

- *Governance transparency.* Exposure of the rules, processes, and behaviors that characterize how a company is run have been under a microscope since the business scandals that toppled companies like Enron and WorldCom.

There are books that address transparency from a holistic business standpoint, recommending the sharing of information among organizations and the exposure of data once carefully guarded by organizations. In their book, *The Naked Corporation*, for example, authors Dan Tapscott and David Ticoll recount the experience of a mining company that made its precious and proprietary geological data publicly available, along with a reward for anyone who could use the data to help the company find gold.[1]

These and others all are accurate and real definitions of *transparency*. In this book, however, we are most concerned with a company's reputation, the impact of forced transparency on a company's reputation, and the tools that companies can employ in order to bolster their reputation through transparency. It's a concept that encounters a lot of resistance, mostly because of a lack of clarity about what this kind of transparency means.

Before we get to a definition, though, let's tick off a few things transparency is not. First, it is not full disclosure. In other words, transparency does not mean you have to share absolutely everything about your organization. The idea that transparency could mean this is absurd. After all, most companies are prohibited by law from disclosing certain information. For example, companies agreeing to merge must maintain a mandated quiet period during which "no comment" is the only acceptable answer. Another example: a company that released its employees' health records would violate the Health Insurance Portability and Accountability Act. Companies can elect to keep all manner of information secret and not risk being viewed as opaque. "Being transparent doesn't mean I give you access to how much business

I booked yesterday or share with you what a customer in the intelligence community told me about how they want their systems designed," says Jonathan Schwartz, president and CEO of Sun Microsystems, an unabashed advocate of organizational transparency. "It means you're authentic with the marketplace."

Releasing information about products under development, for example, would give competitors an unfair advantage and could prove costly. Talks with governments about entering a new market could be very sensitive; public attention could derail them. Labor contract negotiations also belong behind closed doors. As General Motors' Christopher Barger noted on GM's "FYI" blog regarding a brief United Auto Workers strike, "These are sensitive times involving sensitive negotiations; a public blog is not the appropriate place for us to be commenting about them, nor do we think it's constructive to entertain a discussion of labor issues here."

In addition, being transparent does not require that you produce a never-ending sea of data and information, including copies of documentation the government requires be disclosed, in order to bolster the perception that you are keeping nothing hidden. Nor is it an endless series of meetings in which the same kind of information is offered face-to-face, accompanied by tedious PowerPoint presentations.

How Did We Get Here?

A definition of *transparency* to anchor this book must be based on the realities associated with doing business in today's business environment. Those realities have emerged as the result of the convergence of two separate and distinct trends: declining trust in business as usual and the increased public scrutiny under which companies find themselves thanks to the evolution of social media.

Declining Trust

In the days before the industrial revolution, a consumer (who wouldn't have a clue what you meant if you called her that) who needed a new pair of shoes would visit a cobbler. The cobbler would listen to what the customer wanted and then take the measurements he would use to cobble a pair of shoes that were just what the customer wanted. If while walking down the street, the heel separated from the sidewall, the customer could take it back to the cobbler who made it and have it fixed.

Today a consumer needing a pair of shoes goes to a department store that carries thirty brands. The clerk in the shoe department knows a bit about each one and helps the customer select the shoe that comes closest to what she had in mind, and then he gets the size that is closest to the size of the customer's feet. (She's probably somewhere between a 6 and a 6-1/2, but those are the only choices.) Should something go wrong with the shoe after the purchase, the shoemaker who made it—well, he's in the Philippines and doesn't speak English.

One of the consequences of the industrial revolution and its shift from individual craftspeople to manufacturing-oriented businesses was a widening chasm between customer and employee. In order to accommodate a global customer base and the command-and-control nature of the organization chart, companies began employing customer service representatives who responded to queries with canned, programmed responses. A company that had to communicate with the public did so through carefully crafted statements employing obfuscating corporatese and issued by designated corporate spokespeople.

The chasm between customer and employee thus widened. Companies grew more opaque, keeping their operations, leaders, and decision-making processes behind closed doors. Being opaque meant that it became unacceptable to reveal mistakes, problems, and failures; those were kept hidden in locked closets, which themselves were kept behind closed doors.

Most companies, even those embracing the behind-closed-doors approach to business, are run by decent people intending to run honest businesses in ethical ways. But there are always those who believe their opacity gives them license to engage in all kinds of deception in pursuit of personal power or financial gain. This belief that opacity shields a company from the glare of scrutiny led leaders from firms like Enron to engage in behaviors that shocked and enraged the population when they were exposed.

Those behaviors led to legislation forcing companies to be more open in their dealings, but the introduction of new regulations didn't quell consumer fury. Attitudes toward business began to change far beyond simple disgust. Customers began viewing their relationship with companies differently, as a partnership.

Coupled with these expectations about how they would be perceived by companies, customers began increasing the faith they put in buzz—the word of mouth being spread by people they know and trust.

The Evolution of Social Media

The original promise of the Internet when its existence became commonly known was clear. In the days before the Net, *New Yorker* media critic A. J. Leibling had it right: "Freedom of the press is guaranteed only to those who own one."[2] The Internet ensured the democratization of communication, that is, the ability for anyone to publish.

Unfortunately, publishing to the Net was not child's play. These were the days before HTML was a recognized initialism, before domain names could be obtained for $4.95 from GoDaddy.com, before hosting services that made server space available for pennies a day, before content management systems made creating an article as easy as filling in a form. Some intrepid souls nevertheless ventured into the Web creation space in order to stake their own claims to what was then referred to as "cyberspace."

They were joined only by programmers and coders working for Web development companies who feverishly slaved away creating sites for businesses, which dominated the Web. Everyone else sat back and lamented the geekiness required to participate on this so-called level playing field. In other words, creating Web content was expensive and technically challenging.

Neither is true any longer. Of course, you can still pay an interactive marketing agency plenty of money to create a dramatic, enticing Web site. But if all you want to do is tell your story, share your experiences, and talk with others who share the same desire, you can do it for free. A visit to Blogger.com or Wordpress.com, two minutes completing a registration form, and two minutes entering a headline and some text are all that's needed to become a publisher of online content.

The erosion of the technical and economic barriers to online publishing is not limited to Web pages. Consider video, which once was the sole province of professional video production shops. Sure, moms and dads shot video of their families, but the idea that a company could ever use a handheld camera and the editing software that comes with a computer to produce a video to convey a company message to thousands of people would have struck marketers or public relations practitioners as absurd. Today companies actually question whether they need a "YouTube strategy."

At the same time the barriers to online communication were coming down, the ease of publishing was inspiring greater collaboration online. Message boards (also known as bulletin boards, newsgroups, and forums) have always thrived online, but they were populated mostly by people who took the time and trouble to figure out how to use them. The new crop of tools was easy for anybody to use.

Motivated by the desire to provide and receive word of mouth, the result of the declining trust in corporate messaging, people flocked to these tools. Blogs were the first of the social media tools to erupt onto the business scene, making it easy for people to swap information with the members of communities of people who share the same interests. The concept that underlies blogging, for all the analysis and research to which blogging has been subjected, is simple:

- You can write about whatever you want. Your most recent article appears at the top of the blog's home page.
- Others can comment about what you've written.
- People can write about what you have written on their own blogs and link to your original article.

These fundamental concepts heralded a seismic shift in the way business is done. Before blogs, people unhappy with your business would tell ten friends (as the old marketing saying goes), who might tell ten friends, who might tell ten more friends. Today an unhappy Comcast customer videotapes a technician who fell asleep on his couch, and the video is viewed by millions on YouTube, becomes a source of discussion in both the blogosphere and the mainstream media, and morphs into a genuine reputational crisis for Comcast.

Consider just a few of the better-known instances when bloggers have pooled their collective expertise and resources to shine a light on blemishes that might never have been exposed in the days before social media:

- One document presented by the TV news magazine *60 Minutes II* as evidence of U.S. President George W. Bush's shirking of duty while a member of the Air National Guard was proven to be a forgery, ultimately leading to CBS anchor Dan Rather's departure from the network.
- A couple blogging about their journey across the United States in a motor home, spending their nights in Wal-Mart parking lots, were proven to be employed, and the motor home paid for, by a front organization created by Wal-Mart through its public relations agency.

- A Brooklyn-based camera retailer was driven out of business by its lost reputation after a blogger exposed its unethical business practices.

Yet these same bloggers—people sharing stories and experiences—have embraced organizations that open themselves to a closer look by the public at large. Here are some examples:

- Southwest Airlines' sole blog, "Nuts About Southwest," is a collaborative effort by a number of employees who represent the broad scope of workers, ranging from pilots and flight attendants to behind-the-scenes workers, mechanics, ticket agents, gate agents and baggage handlers. The CEO and the president chime in when appropriate. If there's a problem, it is addressed on the blog in the authentic voice of the person who's dealing with it.
- Another collaborative blog, "Fastlane," has provided auto enthusiasts, car buyers, and the auto press with a unique perspective inside the workings of one of the biggest companies in the world, General Motors. The blog is written primarily by vice chairman Bob Lutz, the company's top car guy, along with several of the members of the team who report to him.
- A newer entry into the collaborative blogging space, "Evolution of Security," is written by a handful of employees from the Transportation Security Administration (TSA), those uniformed people at airports who screen you and your baggage. Early reviews acknowledge that the TSA appears to be doing as much listening as talking; the blog is explicit in its solicitation of feedback.
- Microsoft, as we will see later in the book, initiated a complete reversal of its image by allowing its employees to blog. Instead of being viewed as a large, predatory, monolithic, and secretive organization, Microsoft is now seen as the aggregate of all those great individual employees who

through their blogs talk candidly about everything from the scripting code being written for Internet Explorer 7 to how the company recruits employees.

But the social media space, with all its implications for the speed with which information about organizations moves, has evolved far beyond blogs and their audio cousins, podcasts. There are social networks of all stripes: democratized content networks where anybody can contribute to the information resources and add his or her two cents to how important any piece of content is; presence networks (also known as microblogging) that let people share information at the speed of light; content-sharing networks, where videos and images make the rounds; and virtual networking platforms like Second Life that transform the two-dimensional social networks of the Web into breathtaking three-dimensional worlds.

At one time, the need for transparency as an organization cultural imperative was far less vital than today. Getting a story into the *Wall Street Journal* could be enough to attract the attention of investors, and getting ink in the *New York Times* could motivate customers to part with their dollars in exchange for your products. Today the Internet provides organizations with their own means of distribution; reliance on traditional channels is dissipating.

"Is [*New York Times* technology writer John Markoff] valuable because he's at the *New York Times* or is he valuable because he's John Markoff?" asks Jonathan Schwartz. "Blogging suggests that it's because of the individual dialogue he has with the marketplace." There was a time, Schwartz says, that the importance assigned to a person or a product derived from the media outlet that chose to distribute it. "With free software, free content, blogging, all of that is being disruptive now," he says. "Facebook didn't need help from anybody to become Facebook. They are their own distribution, they are their own authentic engagement with the marketplace."

The lesson becomes increasingly clear as the social networking space evolves and matures. Be honest, authentic, and willing to engage in conversations—even conversations about things that are not exactly flattering—and your company will be respected. Goodwill accrues that can see you through difficult times. Reinforce the walls between you and your stakeholders, and they will turn against you using tools with far more serious repercussions than the old "tell ten friends" approach ever produced.

Our Definition

This book is about *tactical* transparency. Our concern is not philosophical but practical. What tools can you use, and how can you make them succeed in order to be sincerely but prudently transparent in the ways that matter to your stakeholders? We talk very little about regulatory compliance but a lot about what customers, consumers, investors, interest groups, and other publics can see when they try to look into your company.

To guide us in this exploration of the tactics of effective transparency, we have adopted the following definition:

> *Transparency* is the degree to which an organization shares the following with its stakeholder publics:
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> - *Its leaders:* The leaders of transparent companies are accessible and are straightforward when talking with members of key audiences.
> - *Its employees:* Employees of transparent companies are accessible to reinforce the public view of the company and to help people where appropriate.
> - *Its values:* Ethical behavior, fair treatment, and other values are on full display in transparent companies.
> - *Its culture:* How a company does things is more important today than what it does. The way things get done is not a secret in transparent companies.

- *The results of its business practices, both good and bad:* Successes, failures, problems, and victories all are communicated by transparent companies.
- *Its business strategy:* Of particular importance to the investment community but also of interest to several other audiences, a company's strategy is a key basis for investment decisions. Misalignment of a company's strategy and investors' expectations almost always result in disaster.

None of these dimensions of transparency is all or nothing. Leaders need to be accessible, but sensitive negotiations need to take place behind closed doors. Reporting problems that will affect the customer is a sound strategy; revealing every compound a scientist in R&D tried that failed to result in a viable product is the excessive flooding of people with unnecessary minutiae. The need to be transparent in this age of scrutiny always needs to be balanced with what is in the organization's best interests.

Conclusion

Transparency is not a choice. The business environment requires it. It is futile to try to hide bad news because somebody will expose it. It is equally futile to build walls in order to mask questionable business practices because they'll be revealed. It is in a company's own best interests to behave ethically and talk candidly.

"Nobody expects us to be perfect," Sun Microsystems' Schwartz says. "They do increasingly expect us to be genuine. Developers and customers want to do business with companies that are transparent. They know what's next for a product, how we are going to manage our relationship with them, how we are going to treat them."

Shining that kind of light on a company where people work hard, believe in what they do, and do it in a manner of which they can be proud will pay dividends to that organization. Yet transparency does not come easily, and it must be embraced across the entire company. At the same time, it's important to know what can't be shared. A defense contractor doesn't want the nature of its top-secret project broadcast to the world, nor does the government agency paying for this project.

To ensure transparency is practiced as a core company value but that it does not create undue problems, companies need transparency strategies. And they need to know how to use the same tools to practice transparency that are used to scrutinize them. They need to know how to become open members of the same networks their customers belong to. They need to know how to be transparent through conversation. These strategies and tactics occupy us for the rest of this book.