

The Dawning of the Age of Transparency

Author David Ticoll tells how smart companies gain the trust of stakeholders by sharing important information.

David Ticoll is the co-author, with Don Tapscott, of *The Naked Corporation: How the Age of Transparency Will Revolutionize Business* (Free Press, 2003). He has performed groundbreaking research on the impact of technology on business for more than 20 years, and was founding CEO of the international think tank Digital 4Sight.

UBIQUITY: What is the idea behind *The Naked Corporation*?

TICOLL: We are in a period of increasing transparency in which the actions of organizations are more visible to external stakeholders. These stakeholders can find out what a company does and organize in response to things that affect their interests. This is a reality of our time probably more so than ever before in history.

UBIQUITY: Who are these stakeholders?

TICOLL: Not just shareholders. The stakeholders are employees, customers, neighbors and people in the global community. They are business partners, suppliers, and trading channels to the marketplace.

UBIQUITY: Does every corporation need transparency?

TICOLL: For corporations, law number one of the network economy is that you're going to be naked whether you like it or not. Law number two is that since you're going to be naked you'd better be buff. Corporations that want to compete effectively and do well in this environment need to pay attention to transparency rather than fight it or deny that it is happening. Smart companies are increasingly becoming active in developing and engaging in a transparency strategy in collaboration with their stakeholders so that all parties benefit.

UBIQUITY: What are some of the benefits of transparency to organizations?

TICOLL: They gain the trust of stakeholders. They may develop products and services that are more marketable. They have more motivated employees. They have less trouble with their

neighbors. Our research demonstrates that these companies perform better in the marketplace and ultimately on their bottom lines.

UBIQUITY: Talk about the roles of secrecy, privacy and proprietary information in a transparent environment.

TICOLL: The question is not whether transparency trumps privacy and secrecy. The question is what are the appropriate boundaries? Clearly, certain information about customers, employees or shareholders must be private. The firm has a responsibility to secure the privacy of that information. Companies also need to protect competitive secrets.

UBIQUITY: What about information on the directors or the executives?

TICOLL: Directors and officers of companies are in some respects like politicians. They've chosen to place themselves in the public eye and they share responsibilities that go beyond those of the typical company employee. Therefore more of their activities ought to fall under scrutiny. For example, if a director or officer of a company is also a director or officer another company then shareholders have a right to know that. I would submit that the public should know if directors and officers make political contributions.

UBIQUITY: Let me ask you about salaries. Dick Grasso, former chairman of the New York Stock Exchange, had a compensation package of almost \$140 million. That was a surprise to most people. Should his salary have been well publicized?

TICOLL: The board members of the of the New York Stock Exchange probably regret the fact that they didn't publicize it. If they had realized that it would get out they quite likely would not have done something that silly to begin with. It is often in the best interest of boards to publicize things because they can use that as a mechanism for a sober second thought. "If we can't defend this publicly, maybe we shouldn't do it."

UBIQUITY: What would the CIO or the information technology people have to offer to a discussion of what should or should not be made available in terms of information?

TICOLL: IT professionals bring to the table tools and technologies for making it possible to communicate more effectively and to manage privacy issues. They can educate their peers in other parts of the business on ways to achieve transparency. For example, let's say a company is building a dam or a new factory. The company wants to have a dialogue with the people in the neighborhood who are affected regarding their concerns about pollution or other environmental impacts of the facility, or about how the construction will disrupt their daily lives. How do you

engage with them? How do you enable the people to report on things that bug them? A lot of it can be done through the Internet. The company can set up discussion groups or provide a Web site for input.

UBIQUITY: Do you have an implicit algorithm for thinking about what should be open and what need not be open?

TICOLL: Yes. Transparency is the accessibility to stakeholders of information that pertains to their interests. That includes any information that would help them if they had it and would hurt them if they didn't have it. That's the basic rule. If you and I have a relationship and you know something that affects my interests, for example my ability to maintain my livelihood or my health, and you fail to share that information with me then you are being opaque – you're not being transparent towards me.

UBIQUITY: How does that apply to the Enron case, for example?

TICOLL: Had shareholders known about all the things that were happening at Enron, they would have sold their shares. Enron was a house of cards. Even before the stock prices went up the shareholders would have known that a lot of the value was based on a false foundation. The word accessibility is a major part of the equation. Accessibility is more than just making the facts available in some footnote in an annual report. That's not accessibility. Accessibility is intelligible, it's complete and it's made prominently and clearly visible to people if it's pertinent to their interests.

UBIQUITY: How does proprietary knowledge fit into that? In other words, it may help a stockholder to know something about the state of R&D activity but the company may not want to share that. Who decides and how do you decide?

TICOLL: That's a matter of business judgment. A shareholder may want to know that the company has an R&D operation with good credentials that is led by an individual with a great track record and that focuses on next-generation products and services. That may be all that is pertinent to shareholders' interests. Revealing some details beyond that may be prejudicial to their interests because it would become publicly known and the firm would lose competitive advantages.

UBIQUITY: Does transparency put an organization at potential disadvantage? For example, if a company is absolutely transparent does that put that in line for sabotage and attacks by extremists who are of the stripe of the Earth Liberation Front (ELF) who want to destroy the company?

TICOLL: Divulging doesn't necessarily make you any more or less vulnerable except to the extent that by sticking your neck out you become more visible. ELF is part of a broad collection of organizations that are generally known as NGOs, non-governmental organizations. NGOs cover the spectrum from the NRA on the right to the others on the left and everything in between. The vast majority of such organizations are not in business to sabotage companies. They're in business to achieve social, environmental or economic goals.

UBIQUITY: That still leaves small percentage that an organization must be concerned about.

TICOLL: Yes. But that's the real world. The point is that we live in a transparent world. You can run from transparency but you can't hide from it. Let's look at the oil industry, for example, because it produces greenhouse gasses, which environmental groups are concerned about. The companies that have chosen to be more transparent and have spent some effort and considerable resources to engage with NGOs -- Shell and BP are two notable examples -- are under much less attack than say an Exxon. Exxon is still not quite fully contrite about the Exxon Valdez oil spill in Alaska. They haven't paid off all of their obligations on it so they're still under far greater attack from environmental groups.

UBIQUITY: What about open institutions, particularly universities. How would you rate the transparency of universities and colleges?

TICOLL: They're all over the map like everybody else. One initiative I like is the open courseware project at MIT. They are publishing the entire undergraduate curriculum on the Internet so that anybody can access it for free. You don't even have to register. It's not transparency in the sense that I've been describing but it drives a lot of transparent behavior because if you're going to publish everything you do and make it available for free then you can't hide many other things about yourself.

UBIQUITY: What about transparency in an organization like *The New York Times*? How much information should they share about their processes and about the background and the politics of, let's say, reporters?

TICOLL: I think that by and large the politics of reporters is fairly transparent. If you're a political reporter, your politics tend to be fairly transparent just by the nature of what you write. I think it is possible to provide basic information without betraying a lot of bias. If you're a columnist, your bias comes out.

UBIQUITY: Your book talks about the music industry. How does transparency relate to music swapping?

TICOLL: The music recording industry has gone through numerous technology transitions in its brief history. Every time there is a technology transition, there is a crisis for the industry. I remember in the 1970s that I bought a huge reel-to-reel tape recorder so I could record my friends' vinyl records. Then we started buying cassette tapes. People have been sharing music for decades. I don't agree with the view that music must be made available for free on the Internet. I don't see why that should be truer of music than for the written word, computer software or any other knowledge product. In other parts of our society we don't discriminate between knowledge-based goods and other goods in terms of people's right to charge for them. We pay a price for television by getting cable TV. We sit through commercials or we buy a device to filter out the commercials. However you slice it, there's a cost. But somehow people have decided that because the music industry has big profits that it should be exempt from property rights.

UBIQUITY: In other words, transparency gone amok?

TICOLL: I think it is transparency gone amok. The real issue is that copyright keeps getting extended. That's a deeper transparency issue because music is a cultural good that builds on previous culture. To have copyrights that extend 70 years beyond the life of an author is outrageous. In the US Congress every time certain copyrights are about to expire -- in particular Disney's Mickey Mouse copyrights -- they get extended again. I'd be more impressed with the people who get emotional about music sharing if they paid more attention to copyright and less attention to the rather defensive view that they have a right to share any and all music. There is a misguided notion that all musical artists don't care about making money from their intellectual property other than through concerts, which is simply not true. Many musicians are not interested in doing concerts, or don't have this option.

UBIQUITY: In your book you contrast active transparency with forced transparency. Talk about that.

TICOLL: *Active transparency* is when a company proactively works with employees, customers, shareholders and other stakeholders to meet their expectations around sharing of information and accountability. It meets its commitments and reports on those commitments to the satisfaction of the stakeholders. *Forced transparency* happens when employees or customers force transparency upon a company. Forced transparency is when employees go to vault.com and share gossip about the nonsense that's happening in their company. It's when the automotive industry has to deal with the fact that their dealer prices are available on the Internet. When

shareholders go to chat lines and start sharing what they can figure out about a company because the actual insiders aren't doing their jobs, well, that's forced transparency.

UBIQUITY: How does forced transparency create problems for an organization?

TICOLL: There are two problems with forced transparency. One is that it creates an atmosphere of mistrust. Your stakeholders don't trust you so they try to figure out things themselves and may organize against you. Second, they might get their facts wrong, resulting in rumor and innuendo. With forced transparency you're not capitalizing on transparency in a way that can benefit your business.

UBIQUITY: Most organizations have a chief technology officer and a chief information officer. Are you suggesting that there should be a chief transparency officer?

TICOLL: Yes, though I wouldn't call it that. There should be someone in the firm who has responsibility for stakeholder engagement and sustainable business practices. That's the broader agenda.

UBIQUITY: What are some of the organizations that you would give high marks to for being an active proponent for transparency?

TICOLL: There's no such thing as a perfectly transparent firm. Some of the better ones are Shell Oil, DuPont, Chiquita, and Hewlett-Packard. GM is pretty good at publishing a lot of stuff although they mess up in other areas. Globally some companies would be British Telecom, the mining company Rio Tinto, and the Danish pharmaceutical firm, Novo Nordisk.

UBIQUITY: In the spirit of transparency, tell us something about your book.

TICOLL: Contrary to what some people may believe, Don and I both wrote the book. Some people think I wrote it and some people think he wrote it. But in fact we both wrote it. It was a true joint collaborative effort. We split up the chapters and then we edited each other's work. We have a real passion for the subject. This book is not a piece of management consulting propaganda. We tried to speak from the heart and to speak the truth in hopes of providing something useful. I'm proud that many reviewers have said the book is a good read.

Source: Ubiquity, Volume 4, Issue 40, Dec. 3 - 9, 2003