

THE SEE THROUGH CEO

www.wired.com

Fire the publicist. Go off message. Let all your employees blab and blog. In the new world of radical transparency, the path to business success is clear.



By Clive Thompson

Pretend for a second that you're a CEO. Would you reveal your deepest, darkest secrets online? Would you confess that you're an indecisive weakling, that your colleagues are inept, that you're not really sure if you can meet payroll? Sounds crazy, right? After all, Coke doesn't tell Pepsi what's in the formula. Nobody sane strips down naked in front of their peers. But that's exactly what Glenn Kelman did. And he thinks it saved his business.

Last year, Kelman was the newly hired CEO of Redfin, an online brokerage firm that was, as he puts it, "the ugly red-haired child" in the real estate world. Redfin was trying to turn the industry upside down by

refunding people two-thirds of the commission that real estate agents normally charge. Customers loved the idea - why the heck did you need to hand over 6 percent of the price of your house, anyway? But agents hated it for destroying their fat margins, so they began blacklisting Redfin, refusing to sell houses to anyone who used the service. Kelman was struggling to close deals for his clients.

His first reaction was to keep the situation quiet and pretend everything was OK. "We were really ashamed that our customers were getting pushed around, so we tried to keep it this dirty little secret," he says. But when months went by without any

improvement, he decided to take a different tack.

Kelman set up a Redfin blog and began posting witty screeds about the nasty underbelly of the real estate business. He denounced traditional brokers, accusing them of screwing customers with clubby, closed-door practices. ("If we don't reform ourselves, and take out all the sales baloney, too, people will come to hate real estate agents the way they hate tobacco companies or Big Oil," he wrote.) He publicized Redfin's internal debates, even arguments about the design of its Web site. He mocked himself: One post described how he had sat at a college job fair for hours, waiting

in vain for a single student to approach him. ("This was particularly sobering because it meant we had out-losered our neighbor to the right, Ford Motor Company," he wrote.) Meanwhile, in the blog's comments, old-school agents were unleashing hissing attacks on Redfin. Kelman left the critiques and lashed right back, in full view of his customers.

His enemies got nervous. All this intestinal spew seemed masochistic. Worse, it was probably bad for business. Everyone's business.

But customers loved it. More and more signed on to use Redfin, and by the beginning of this year, Kelman and his crew were closing several deals a day. "Instead of discouraging customers, being open about our problems radicalized them," Kelman says. "They rallied and started pulling for us."

Like some crazed convert, he trumpeted his epiphany: "I honestly believe that if Redfin were stripped absolutely bare for all the world to see, naked and humiliated in the sunlight, more people would do business with us." Follow me, he urged.

And many have. Radical forms of transparency are now the norm at startups - and even some Fortune 500 companies. It is a strange and abrupt reversal of corporate values. Not long ago, the only public statements a company ever made were professionally written press releases and the rare, stage-managed speech by the CEO. Now firms spill information in torrents, posting internal memos and strategy goals, letting everyone from the top dog to shop-floor workers blog publicly about what their firm is doing right - and wrong. Jonathan Schwartz, the CEO of Sun Microsystems, dishes company dirt and apologizes to startups he's accidentally screwed. Venture capitalists now demand that CEOs be fluent in blogpeak. In February, after JetBlue trapped passengers for hours in its storm-grounded planes and canceled 1,100 flights, CEO David Neeleman tried to deflect the blast of bad publicity by using YouTube to air his own blunt mea culpa. Microsoft, once a paragon of buttoned-down control, now posts uncensored internal videos - and encourages its engineers to blog freely about their projects (see page 140). The very process

of developing ideas, products, and messages is changing - from musing about it in a room with your top people to throwing it out on the Web and asking the global smart mob for a little help. That's how this article was written: I've been blogging about it since I started, and some of the reader input I received is reproduced on these pages.

The Internet has inverted the social physics of information. Companies used to assume that details about their internal workings were valuable precisely because they were secret. If you were cagey about your plans, you had the upper hand; if you kept your next big idea to yourself, people couldn't steal it. Now, billion-dollar ideas come to CEOs who give them away; corporations that publicize their failings grow stronger. Power comes not from your Rolodex but from how many bloggers link to you - and everyone trembles before search engine rankings. Kelman rewired the system and thinks anyone else could, too. But are we really ready to do all our business in the buff?

"You can't hide anything anymore," Don Tapscott says. Coauthor of *The Naked Corporation*, a book about corporate transparency, and *Wikinomics*, Tapscott is explaining a core truth of the see-through age: If you engage in corporate flimflam, people will find out. He ticks off example after example of corporations that have recently been humiliated after being caught trying to conceal stupid blunders. There's Sony, which put a rootkit - a piece of spyware - on music CDs as a secret copy-protection technique, only to wind up in court when bloggers revealed that the code left their computers vulnerable to hacker intrusions. There's Microsoft, this time on the wrong side of the transparent shower curtain, offering to pay people to buff up the company's Wikipedia entry. And Diebold, which insisted its voting machines were unhackable - until a professor posted a video of himself rigging a mock election on them. The video went viral and racked up some 300,000 YouTube views.

Secrecy is dying. It's probably already dead. In a world where Eli Lilly's internal drug-development memos, Paris Hilton's phone-cam images, Enron's emails, and even the governor of California's private conversations can be

instantly forwarded across the planet, trying to hide something illicit - trying to hide anything, really - is an unwise gamble. So many blogs rely on scoops to drive their traffic that muckraking has become a sort of mass global hobby. Radical transparency has even reached the ultra secretive world of Washington politics: The nonprofit Sunlight Foundation has begun putting zillions of public documents in elegantly searchable online databases, leaving it to interested citizens to connect the dots. One adroit digger recently discovered that former House Speaker Dennis Hastert had earmarked \$200 million for a highway to be built near a property he had a stake in. When the property was sold, Hastert made a 500 percent profit on his original investment, provoking a wave of negative coverage.

All of which explains why the cult of transparency has so many high tech converts these days. Transparency is a judo move. Your customers are going to poke around in your business anyway, and your workers are going to blab about internal info - so why not make it work for you by turning everyone into a partner in the process and inviting them to do so?

Take Southwest Airlines, which last spring set up an "online water-cooler" - a blog where 30 employees ranging from marketing executives to pilots and ticket agents post weekly entries about their jobs and personal lives. By last summer, the site was so well read that when CEO Gary Kelly posted about the possibility of Southwest adopting assigned seating - ending its first come, first seated policy - more than 600 people swarmed the discussion area to weigh in. (The consensus? "If it ain't broke, don't fix it," says Paula Berg, who runs Southwest's site. "People who fly us all the time already know how to work the system.")

Some of this isn't even about business; it's a cultural shift, a redrawing of the lines between what's private and what's public. A generation has grown up blogging, posting a daily phonecam picture on Flickr and listing its geographic position in real time on Dodgeball and Google Maps. For them, authenticity comes from online exposure. It's hard to trust anyone who doesn't list their dreams and fears on Facebook.

So maybe it's not very surprising that at firms like Zappos.com, the rapidly growing online shoe retailer, CEO Tony Hsieh can experiment with levels of disclosure that most executives would consider freakish. A company-wide wiki lets staff members complain about problems and suggest solutions. Hsieh and other executives work at desks sprinkled among the banks of customer-service phone agents ("Anyone can hear our conversation," Hsieh said when I called). If customers can't find the shoes they want at Zappos, agents are encouraged to point them to other stores. Suppliers are given detailed information about which shoes are selling and how much profit Zappos has made off them. None of this hurts Zappos; on the contrary, Hsieh figures it makes his employees, suppliers, and customers more forgiving of everyday snafus. "The more they know about us, the more they'll like us," he predicts.

Being "liked" sounds awfully touchy-feely - yet it's central to this flowering of glasnost. Today's public has been serially disenchanted by years of corporate scandals and on-the-cheap customer service so inhuman it couldn't pass the Turing test. "I think that most of the rage people feel toward these big institutions, like government or corporations or media, is that they feel they're not listened to, that no one's there," says Shel Israel, coauthor of *Naked Conversations*. By seeming "basically like a normal human," a company can quickly generate a surge of goodwill. As Redfin's Kelman puts it, "There's a whole class of CEOs who can hardly write an email. But I feel like in this new digital world, there are haves and have-nots, and people who can't write convincingly - they're leaving themselves defenseless. The people who clearly enjoy writing and blogging are like CEOs 2.0 - they have competitive advantage over other CEOs."

The new breed of naked executives also discover that once people are interested in you, they're interested in helping you out - by offering ideas, critiques, and extra brain cycles. Customers become working partners. Kelman used to spend valuable work time arguing why the real estate business had to change; now his customers do battle for him, wading into Redfin's



It's not secrets that are dying, as one reader named gjudd noted, but lies.

online forums to haggle with old-school agents.

When I posted a long entry on my blog describing this story in detail - normally a huge no-no in the competitive magazine business - interesting ideas came pouring across the transom. One reader, a software designer in France, told me he'd recently published the source code of his proprietary programs - and that doing so had increased sales. Clients were more likely to trust his wares, he found, when they knew what was going on beneath the hood.

Others enjoyed ripping apart my new theories. Several pointed out that secrecy can be necessary - CEOs are often required by law to keep mum, and many creative endeavors benefit from being closed: Steve Jobs came up with a terrific iPhone precisely because he acts like an artist and doesn't consult everyone. In fact, secrecy is sometimes part of the fun. Who wants to know how this season of 24 is going to end? It's not secrets that are dying, as one reader named gjudd noted, but lies.

Nearly everyone I spoke to had a warning for would-be transparent CEOs: You can't go halfway naked. It's all or nothing. Executives who promise they'll be open have to stay open. The minute they become evasive about troubling news, transparency's implied social compact crumbles.

Jason Goldberg, CEO of the job-finding site Jobster, discovered this the hard way. In December, rumors began swirling that he was planning layoffs. On his blog, Goldberg stoutly denied everything: "Everybody's all a-speculating. A lot of falsehoods are being bandied about." But he was also dropping coy and ominous clues. He posted a list of songs he was listening to, including "And I'm Telling You I'm Not Going" and "Dirty Laundry," and he reminded staff to use up their vacation days.

A week later, he announced that Jobster was - whoops - laying off 40 percent of its staff. Goldberg had to have known all along. Critics savaged him as a hypocrite, and mocking blog entries piled up.

Goldberg probably hopes that little incident will quietly fade away. But it won't, for one simple reason: When you type "Jason Goldberg" into Google, a link to an International Herald Tribune story detailing the entire debacle appears near the top of the first page of results. Anyone who searches for Goldberg will immediately trip over the biggest faux pas of his career. It has entered, as it were, his permanent record.

Which illustrates an interesting aspect of the Inter net age: Google is not a search engine. Google is a reputation-management system. And that's one of

the most powerful reasons so many CEOs have become more transparent: Online, your rep is quantifiable, findable, and totally unavoidable. In other words, radical transparency is a double-edged sword, but once you know the new rules, you can use it to control your image in ways you never could before.

Think about how Google works. When you type in a term, the search engine puts the site with the most links pointing toward it at the top of the list. That means bloggers and discussion boards are extremely powerful in influencing Google's search results, because bloggers and discussion-board posters are promiscuous linkers, constantly pointing to things they love or hate. Google hoovers up those links and makes recommendations based on them. Jason Goldberg may prefer that people didn't read that Herald Tribune story, but it doesn't matter. Tons of bloggers and online writers have decided to link to it, and they have the final word. Companies have watched their biggest screw ups quickly migrate to the top of a Google search. When Shel Israel and blogger Jeff Jarvis wrote about wretched treatment by Dell's customer service, their posts were so gleefully linked to that for a while they appeared as the number one and two search results for "Dell."

"Online is where reputations are made now," says Leslie Gaines Ross, chief reputation strategist - yes, that's her actual title - with the PR firm Weber Shandwick. She regularly speaks to companies that realize a single Google search determines more about how they're perceived than a multimillion-dollar ad campaign. "It used to be that you'd look only at your reputation in newspapers and broadcast media, positive and negative. But now the blogosphere is equally powerful, and it has different rules. Public relations used to be about having stuff taken down, and you can't do that with the Internet."

But here's the interesting paradox: The reputation economy creates an incentive to be more open, not less. Since Internet commentary is inescapable, the only way to influence it is to be part of it. Being transparent, opening up, posting interesting material frequently and often is the only way to amass positive links to yourself and thus to directly influence

your Googleable reputation. Putting out more evasion or PR puffery won't work, because people will either ignore it and not link to it - or worse, pick the spin apart and enshrine those criticisms high on your Google list of life.

This is precisely what Richard Edelman realized after his own PR firm landed in hot water. Edelman had long urged his client firms to engage openly and honestly with customers online. But last fall, bloggers exposed the fact that Edelman's firm had been involved in some icky subterfuge: His employees had created a set of "flogs" for Wal-Mart - fake blogs that pretended to be written by genuine, real-life Wal-Mart fans. Angry posts began working their way up to the first page of a Google search on "Edelman." So Edelman himself did the only thing he could do: He apologized on his own blog, apologized some more, and began posting his own responses on blogs that were attacking him. He was wildly promiscuous, personally putting the message out anywhere he could, in what became a largely successful attempt to swamp the Google bots and prevent the critique from metastasizing. "If you're not out there playing, then you're kind of missing your left arm," he says.

Indeed, network algorithms do not favor the cagey or secretive. They favor the prolific, the outgoing, the shameless. In the Reputation Economy, even a healthy, happy company needs to worry about its good name if only six or seven people are talking about (and linking to) it. When that's the case, "a casual reader has only a few opinions to determine what sort of company or person you are," says Peter Hirshberg, chair of the blog search engine Technorati. One bad blog post can kill you. But if you've got hundreds or thousands of sites linking to you and commenting on you, the law of averages takes over, and odds are the opinion will be accurate: The cranks will be outweighed by cooler heads. Again, the Net rewards the transparent.

In January, bloggers began passing around a story that was disastrous for Southwest Airlines: The company had allegedly refused to let an overweight man with hepatitis C board a flight unless he bought two seats - even though he'd gained weight because of the disease and was traveling to a lifesaving operation.

Southwest immediately posted an apology and explanation for the error. It even allowed a link to the negative story and then - in one of those judo moves - managed the torrent of hits and links into a net positive. "People don't want to hear about it in *The Wall Street Journal* - they want to hear about it on the blog," Southwest's Berg says. Most commenters accepted the apology, and some plunged into a sophisticated discussion of the economics of carrying overweight passengers.

There's no going back, yet many young CEOs worry that they're on a treadmill: Once they've started blogging, they can't stop, and that takes valuable time away from running their businesses. They also worry that all their witty little missives are simply giving critics fuel for later pyres. One new firm, Reputation Defender, last year began offering services to "clean up your tracks" online - by emailing sites and discussion forums that contain unflattering information and asking, nicely, to have it removed. "We do search and destroy," says Michael Fertik, the company's founder.

One can imagine how the twin engines of reputation and transparency will warp every corner of life in years to come, for good and ill. The political culture in Washington might be affected - especially when the first MySpace candidate gains the trust of the electorate by openly posting about every closed-door meeting, importunate lobbyist, and campaign strategy session.⁸ (The Sunlight Foundation is already encouraging politicians to do this.) Perhaps the first day of your new job, you'll be given a laptop, a keycard - and a public blog you'll be expected to post to 10 times a day. Or maybe one day a firm's reputation will collapse in a matter of hours when a minor gaffe is instantly amplified by a global Google mob. The future could be a brushed-chrome machine made of truth and honesty - or some gothic nightmare in which the whole economy is driven by gossipy high school dynamics. Either way, there's no use trying to resist. You're already naked.

By Clive Thompson