

The Accountability Web: Weaving Corporate Accountability and Interactive Technology



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EXECUTIVE SUMMARY

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Corporate Social Responsibility Initiative

The Corporate Social Responsibility Initiative at the Harvard Kennedy School of Government is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance and strategy, public policy, and the media. It bridges theory and practice, builds leadership skills, and supports constructive dialogue and collaboration among different sectors. It was founded in 2004 with the support of Walter H. Shorenstein, Chevron Corporation, The Coca-Cola Company, and General Motors.

The views expressed in this paper are those of the authors and do not imply endorsement by the Corporate Social Responsibility Initiative, the John F. Kennedy School of Government, or Harvard University.

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The homepage for the Corporate Social Responsibility Initiative can be found at: <http://www.hks.harvard.edu/m-rcbg/CSRI/>

THE ACCOUNTABILITY WEB: WEAVING CORPORATE ACCOUNTABILITY AND INTERACTIVE TECHNOLOGY

BILL BAUE AND MARCY MURNINGHAN

**A WORKING PAPER OF THE
CORPORATE SOCIAL RESPONSIBILITY INITIATIVE**

EXECUTIVE SUMMARY

Corporate accountability and Web 2.0 share a common thread: both are rooted in interaction and thrive on engagement. This overlap creates opportunities for corporate accountability and Web 2.0 to join forces to create mutual benefits for firms and their stakeholders. However, this has yet to happen comprehensively – the use of interactive technologies for accountability purposes remains in its early stages, with current business use of Web 2.0 tools focused more on improving performance and increasing efficiencies inside the firm, and on brand management, customer relations, or crisis management outside it.

At a time when our economy is navigating a crisis, and public trust of business activity is in short supply, the intersection of concerns about corporate sustainability, accountability, transparency, and ethics with the proliferation of Web 2.0 communication tools offers an opportunity for new forms of collaborative leadership and participation, and for shaping a new agenda. In many ways we are witnessing the transformation of long-held notions about the boundary of the firm, and, with that, an evolution in the concept of who is "inside" and who is "outside" the organization. In this report, we call this creative and expanding network of intersections the *Accountability Web*.

The World Wide Web has interactivity embedded in its DNA; Web 2.0 simply activates the latent potential built into the Web's architecture, delayed from actualization by the lag in the technical development of interactive tools and the human rate of adaptation. And we are already witnessing the early emergence of Web 3.0 in various forms – most prominently the Semantic Web, where computers independently make connections and identify meaning buried in the clouds of data now surrounding us. Other early trends starting to define Web 3.0 include the mobile Web, which gears the Web toward portable technologies such as iPhones; the ubiquitous Web, where connectivity blankets the world and reaches technologies previously not included in the Web, such as household appliances; universal accessibility, allowing seamless browsing between various password-protected environments; and the Web as a profitable business model.

Corporate accountability is similarly undergoing progressive development. In this research paper, we posit a new label for this evolution, borrowing from computer semantics: *Accountability 1.0* leading to *Accountability 2.0*.

What is the difference among these concepts and categories? *Accountability 1.0* is marked by one-way proclamations, campaigns, and PR communications. Companies and stakeholders talk *at* each other more than *with* each other. Because it is more about speaking than listening, *Accountability 1.0* processes sometimes unintentionally fuel antagonism, confrontation, and mistrust between companies and stakeholders. *Accountability 2.0* rests on the assumption of two-way communication, cooperation, and mutual engagement. *Accountability 2.0* allows actors in the accountability ecosystem to disagree over substantive issues while engaging in respectful dialogue that seeks mutual understanding and more consensus-oriented solutions.

To help map the *Accountability Web*, the report presents a matrix (see Table 3 in Section D), with the progression of corporate accountability on the horizontal axis and the progression of Web 2.0 on the vertical axis, graphically representing the broad spectrum of intersections. The specific steps in these progressions – where each step deepens engagement – follow:

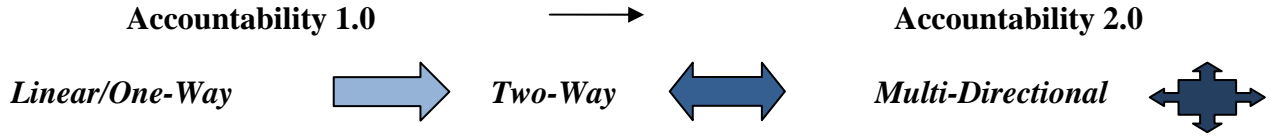
Corporate Accountability Progression

- **Proclaim** in one-way pronouncements or accusations;
- **React**, often in defensive response;
- **Interact** in transactional mode;
- **Dialogue** to **Adopt** new practices and **Adapt** to new realities;
- **Collaborate** and **Co-Create** mutually beneficial solutions.

Web Progression

- **Blogs** use **RSS Feeds** to syndicate content, including audio **Podcasts** and **Videos**;
- **Tagging** content, for example through **XBRL** keywords, to enable user interaction;
- **Webinars** and **Webchats** connect participants in discussion;
- **Microblogs** such as Twitter and **Social Networking** such as Facebook interconnects participants across the social web, while **Wikis** use **Crowdsourcing** to generate understanding and meaning, and **Games** such as MUVES (multi-user virtual environments) and Augmented Reality simulate scenarios; and
- **Web 2.0 Platforms** empower users to collaborate and co-create.

THE ACCOUNTABILITY WEB MATRIX
Progression of Accountability Engagement + Technological Tools



Progression of Tech Tools	Progression of Accountability Engagement				
	Proclaim	React	Interact	Dialogue	Collaborate & Co-Create
Web 2.0 Platforms			<ul style="list-style-type: none"> ◆ MoxyVote.com ◆ ProxyDemocracy.org ◆ TransparentDemocracy.org ◆ Shareowners.org ◆ GoodGuide.com 	<ul style="list-style-type: none"> ◆ JustMeans Shell Dialogue ◆ SAP Sustainability Report / Collaboration Workspace ◆ Development Crossing 	<ul style="list-style-type: none"> ◆ Timberland Voices of Challenge ◆ NaturaConecta ◆ IBM Global Jams
Microblogs / Wikis / Crowdsourcing / Social Networking Games		<ul style="list-style-type: none"> ◆ ColaLife 	<ul style="list-style-type: none"> ◆ BASESwiki ◆ Chevron's Energyville ◆ Walmart Sustainable Products Index and Earthster ◆ Coca-Cola LivePositively.com ◆ Yammer 		
Webinars / Webchats			<ul style="list-style-type: none"> ◆ ShellDialogues 		<ul style="list-style-type: none"> ◆ Intel Blended Annual Meeting
Tagging			<ul style="list-style-type: none"> ◆ Philips Sustainability Report 		
Blogs / Podcasts / Video	<ul style="list-style-type: none"> ◆ McDonald's Values In Practice ◆ CSR@Intel 	<ul style="list-style-type: none"> ◆ Nestlé Waters Things to Know Videos 			

Color Key:

Interactive only

Interactive CSR

Accountability Web: Interactive Accountability

To illustrate these points of intersection, the report presents seven case studies located in various cells in the matrix. For example:

- Reporting tools such as video tags in the **Phillips 2008 Sustainability Report** exemplify **interaction** through **tagging**, and the materiality analysis in the **SAP 2008 Sustainability Report**, which was crowdsourced from stakeholder input, exemplifies **dialogue** on a **Web 2.0 platform**;
- Shareowner engagement on proxy issues through intermediaries such as **MoxyVote.com**, **ProxyDemocracy.org**, and **Shareowners.org** exemplify **interaction** through **Web 2.0 platforms**; and
- Stakeholder engagement, including the **Shell Dialogue on JustMeans**, **NaturaConecta**, and **Timberland's Voices of Challenge**, exemplify **blended engagement** to **dialogue** (and in some instances **collaborate** and **co-create** solutions) mixing interaction on **Web 2.0 platforms** with **face-to-face engagement**.

The final section of the report analyzes seven **trends** identified in the case studies, together with related **gaps** in the form of needs, challenges, barriers, and opportunities that exist. It then makes **recommendations** for companies and stakeholders to consider, as well as a set of broader recommendations for further research and development.

TRENDS, GAPS, AND RECOMMENDATIONS

- 1. ADAPT, DON'T JUST ADOPT.** Companies – and stakeholders – are **adopting** Web 2.0 technologies primarily in ways that extend their existing modes and styles of communication, instead of **adapting** to new media environments. Companies are using Web 2.0 for marketing, brand enhancement, and customer engagement, while stakeholders often use online tools for campaigns.
 - ◆ **Recommendation: Utilize Web 2.0 for stakeholder engagement**, using online interactive tools for dialogue between companies and stakeholders to enhance accountability.
- 2. CULTIVATE PARTICIPATION.** In many instances, companies and stakeholders build Web 2.0 platforms, but fall short on building communities to populate them, or adapting the technology to community needs. In other words, **if you build it, will they come?**
 - ◆ **Recommendation: Build community and technology in parallel.** Determine the goals for social interaction and choose the best technological tools to achieve them.
- 3. DEVELOP CLEAR TERMS OF ENGAGEMENT.** Some companies and stakeholders have launched into Web 2.0 engagement without clear agreement on guidelines or expectations for respectful and productive communication.

Electronic mediums are particularly susceptible to miscommunication and misunderstanding.

- ◆ **Recommendation: Set terms of engagement that encourage respect for diverse perspectives.** For example, create guidelines or agreements for critiquing *practices* and *policies*, not *people*.
- ◆ **Recommendation: Monitor what works and what does not.** Put in place assessment and feedback mechanisms to identify keys to success and flag problems.

4. **FOSTER MUTUAL ACCOUNTABILITY.** Instead of focusing solely on the other party's accountability, the two-way interactivity of Web 2.0 can promote mutual accountability, where companies and stakeholders alike recognize their responsibilities toward each other.

- ◆ **Recommendation: Model self-accountability when asking other parties to hold themselves accountable** to create a culture of mutual accountability.

5. **USE BLENDED ENGAGEMENT.** Online and offline engagement styles can differ significantly, creating opportunities to diversify interactions through "blended engagement" that augment Web-based communication with face-to-face meetings.

- ◆ **Recommendation: Design strategies with Web-based and in-person engagement built into the plan.** Determine which medium (online and face-to-face) best serves objectives in particular circumstances, and mix them accordingly to benefit from diverse environments.

6. **BROADEN THE MEDIA PALETTE.** Using new communication tools such as social networking and wikis for stakeholder engagement is already pushing the envelope for many companies and stakeholders, so trying out even more innovative tools seems risky.

- ◆ **Recommendation: Experiment internally with other Web 2.0 tools** such as augmented reality (AR) and multi-user virtual environments (MUVE) to assess their usefulness in external engagement. Professionals in other fields find them to be effective mechanisms for unfreezing thinking and promoting fresh approaches to stubborn problems.

7. **BUILD COMMUNITIES OF INQUIRY AND PRACTICE.** The most advanced initiatives are at the very early stages of **cultivating communities of inquiry and practice**, where members develop a shared set of skills and approaches that broaden understanding, enhance performance, and even create new knowledge.

- ◆ **Recommendation: Utilize experts with experience in building communities of inquiry and practice** to convene, facilitate, moderate, and/or curate online engagement.

RECOMMENDATIONS FOR FURTHER RESEARCH AND DEVELOPMENT

In addition to these pragmatic steps, there are many areas worth continued examination, model-building, testing, and development. They include:

- **Explore the feasibility of developing executive education programs for corporate executives and stakeholders** hosted by universities or think tanks to develop and enhance online engagement skills and knowledge.
- **Pursue sector- and issue-specific stakeholder engagement** to address systemic sustainability and ethical issues that affect numbers of companies and impact multiple stakeholders.
- **Analyze the implications of connecting integrated financial and sustainability reporting to online interaction and blended engagement**, which represents a departure from the traditional practice of printed annual reports and annual general meetings.
- **Develop methods and metrics to calculate the return on investment** for stakeholder engagement in Web 2.0 environments.
- **Create generally accepted standards of best practice** for Web-based stakeholder engagement.

If current trends continue, interactive technology and corporate accountability will evolve independently toward deeper engagement and customization. Greater promise, however, resides in weaving the two together to mutually reinforce their common roots in engagement and interaction. The *Accountability Web* holds the potential to transform traditional relationships, with companies and stakeholders now collaborating to solve problems and generate constructive new ideas and solutions that neither easily could imagine on their own.

More broadly, the convergence of concerns regarding corporate sustainability, accountability, and ethics with the rapid growth and use of interactive technologies can help to bolster existing checks and balances on companies. It can help to bind the immediate concerns of shareowners and other stakeholders whose assets or welfare are at risk to the broader claims of the public interest, thereby contributing towards a rebuilding of trust in capital markets. By fostering an ethic of transparency, accountable performance, adaptation, and renewal, the *Accountability Web* also can play a role in connecting economic enterprise more directly with social, environmental, and moral needs in the 21st Century.