

Being Open Without Giving Away the Store

The Secret Is a Sandbox Covenant

Charlene Li



The Meeting

Many people in business have sat through a meeting that goes essentially like this:

Chief Marketing Officer: “We need to get closer to our customers—be more transparent with them. Why don’t we start a blog and get on Twitter?”

VP Customer Service: “That’s not going to work. All we’ll get is complaints. We can’t win in that kind of situation.”

VP Product Development: “But we need to get feedback on what our customers like and don’t like—otherwise we’ll never create products better than our competitors.”

Director of Sales: “Our competitors will exploit areas where our customers are unhappy and they’ll swoop in to steal the sale.”

CMO: “Better we find out directly. We should have a place on our website where customers can review our products so we know what’s broken and needs fixing.”

CEO: “But having negative reviews on our own site will kill sales.”

VP Product Development: “Other companies are doing this. Dell for example.”

CEO: “We’re not Dell.”

Every organization has a compelling reason to be open (or not), to keep control (or not). But, in today’s world, the reasons to be open trump the reasons to be closed and, paradoxically, giving up certain kinds of control can actually give a leader more control.

What's often missing when leaders try to decide how open they should be is a coherent open strategy, something I call "open-driven objectives." With an open strategy, decision shifts from *if you should be open*—because social technology demands a certain amount of openness—to how open you *need* to be to accomplish your overall strategic goals. In today's world, organizations and their leaders must be open or suffer the consequences—distrust, leaks, resentment, and institutional sclerosis.

In my work with a wide range of companies, I find over and over four underlying objectives integrated into almost every successful strategic plan. The objectives apply to both internal and external situations, to an audience primarily of employees as well as to one of customers and partners. These objectives are to:

Learn. Astute leaders know they must learn from employees, customers, and partners before they can do anything else. And you must learn first before pursuing any other goal—otherwise, you risk operating in a vacuum.

Dialog. Internal and external communication transforms a relationship from that of shouting out one-way messages to a dialog between equals. People in the conversation become more and more engaged to the point where they have a dialog without you having to be present.

Support. People both inside and outside the organization need help at different times, from pre-sale to post-sale.

Innovate. Creativity needs to be fostered, again both inside and outside the organization. Without innovation in products or services or both, processes, and policies an organization stagnates and more innovative competitors replace it.

In the past, we learned from visiting customers, from market research, in focus groups, and by walking around the office and talking to people. By monitoring today's social technology, managers now have research tools that offer speed (real time, fast), scale (lots of points of input, not just 20 people in a focus group, or 400 people in a survey), lower costs (can be as cheap as simply monitoring to gain insights) and distributed (people outside of market research can access it).

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It's not all cookies and milk, however. Social media monitoring results in a great deal of noise—many comments, blog posts, and especially Twitter updates—that are simply not relevant to what the company wants to know. Also, the insights that come out of private communities are not representative so you have to be smart about the data. The responses of 800 people who answer an on-line questionnaire, for example, may be much less representative of the market than the responses of 400 people scientifically selected to represent a market statistically. Because the 800 decided to answer the survey, their answers are somewhat (or largely) skewed. Lastly, the new distributed nature of learning often threatens the market research department. These new techniques don't supplant traditional research methods like focus groups and surveys, however, they supplement them.

The Benefits of Greater Openness

In my research, I've found that there are some major benefits created by the open-driven objectives, in that they:

Remove friction. When you remove barriers and access to information and people, you lower the cost of information-sharing and decision-making and it is also simply easier to do. Think of the time—and money—you can save when an associate or a customer knows who has (or is likely to have) the answer to a question and can make a decision on the spot.

Scale efforts. The culture of sharing means information, ideas, and insights spread faster and wider within the organization than when employees have to wait for the official memo. The more accurate information available to people who work in an organization, the less gossip and rumor. In my experience, I've found that people who do not know the facts tend to invent something—and it's usually negative.

Enable fast response. The real-time nature of social technologies means that you can respond quickly to the rumor, gossip, or genuine bad news. In fact, if you are not there to head off the growing wave, you risk being overrun. We regularly see leaders trying to respond not to an mishap but to the organization's attempt to hide it, which, thanks to today's social technology, is now public. (Think Toyota.)

Gain commitment. Probably the hardest to quantify but the most important, with greater openness you win the hearts and minds of your employees and customers.

The benefits differ of course depending on whether the focus is on external audiences (customer and partners) or internal employees and stakeholders, but the benefits are real and can be significant. The challenge of course is to be open without giving away the store.

Establish Sandbox Covenants

People sometimes say to me that to be open you just have to trust people. “Put your faith in people and let them do what they think is right.” The problem is, what happens if what they think is right doesn’t align with each other, or with the organization’s goals? Chaos ensues. Openness needs structure and prioritization—you have to determine what you will be open about, what you will *not* be open about, what you will permit, what you will not. There must be limits.

To that end, the new relationships you create with openness and social technologies need to have structure to them. You are building relationships that have not existed before.

Most of us understand the rules and etiquette of social interaction—for example, upon meeting a stranger for the first time at a dinner party, we follow certain protocols and don’t ask about the new acquaintance’s sex life, income, or for a loan of \$500. But in the new open relationships possible through social media—Facebook, MySpace, Twitter, YouTube, Blogger, and dozens more—the power shift is such that none of us are quite sure how we should be acting, and it sometimes feels as if we are looking in on an alien world with its own language and social mores.

So it goes with the new relationships you craft with empowered customers and employees. If you give up power, how will you know that someone will use the power responsibly? If you open up and put your trust in someone, what kind of accountability do you expect there to be?

These agreements don’t happen in a vacuum. You have to make the time and effort to define the rules for these new relationships, setting expectations and clearly communicating them so that trust can develop over time. Open leadership requires you to create structure, process, and discipline around openness when there is none so people know what to expect, how to behave in a new, open environment. Don’t be shy, go ahead and make the rules, involving your employees and customers as you do so. Think of this as one of your first openness initiatives—writing what I call the “sandbox covenant” that will govern how you will enter into these new relationships.

With an open strategy, decision shifts from *if* you should be open ... to how open you *need* to be to accomplish your overall strategic goals.

One way to think about openness is to use a sandbox metaphor. On the one hand, there are clearly defined boundaries to the sandbox and within those boundaries, it's a safe place to play. On the other hand, the sandbox still has rules: no throwing sand at other players, no taking someone's truck unless you have permission. In the business sandbox you still have deadlines and it's not nice to take all the credit for a team effort. Let's start first with building the sandbox itself.

The first step is to define the walls of the sandbox—how big will it be, and what activities do and do not belong there. Where are you comfortable in terms of what people can and can't do? Where do you anticipate you will need to be more open, and what limits will you set? For example: Someone has to use his real name and identify his affiliation. You can go through and decide what the rules will be for information sharing and decision-making. You are laying the groundwork for how you will operate, for your organization and for yourself.

Every organization will have a different size sandbox, dependent on how open it wants to be. You can also imagine that different teams within an organization will have bigger or smaller sandboxes depending on what they are trying to accomplish and the roles that people play inside that team. Some companies have very, very big sandboxes.

When Microsoft first embraced blogging, for example, they decided to let any employee blog. They had an informal blogging policy that consisted of just two rules: "Remember the confidentiality agreement you signed when you became employed here," and "Be smart."

Microsoft said, in effect, “We hired you because you’re smart, because you’re a thinking rational person.” They trusted people to use their best judgment when it came to knowing what to blog and what not to blog. As a result of hiring great people and trusting them, the sandbox at Microsoft is huge.

Zappos is another company with a giant sandbox—they don’t have a social media policy. Instead, they put new hires through a rigorous training program so they are imbued with the company’s core values around customer service and also learn how to properly use social media. As a result, Zappos not only openly encourages employees to engage via social media, but also aggregates and highlights employee Twitter updates at twitter.zappos.com.

Both Microsoft and Zappos have the confidence to be able to let go and know that things will get done, that, for the most part, bad things won’t happen. The evidence is clear that this approach works—in the past year, the number of incidents involving employees at companies with very open social media policies (including Sun, Intel, and IBM as well) is a whopping... zero.

But other organizations do not feel they can trust their employees to use social media at all in the workplace. An October 2009 survey by Robert Half Technology of 1,400 CIOs of U.S. companies reported that 54 percent of them block the use of social media sites like Facebook, Twitter, LinkedIn, and MySpace in the workplace. Another 19 percent allow access only for business purposes, 16 percent allow limited personal use, and only 10 percent allow full access during work hours. The concern: employees will spend time on these sites rather than doing their work. In other words, they can’t trust employees to do their jobs, or their managers to monitor productivity. But if you can’t trust your employees, why are they working for you? If they will waste your time, why won’t they also waste your money, materials, and merchandise? For these organizations, the sandbox is non-existent, and leaders may feel they are “in control” of the situation simply by banning the activity. But they’re not.

This is the wrong approach, especially with access to these social media sites now nearly ubiquitous on mobile devices. Moreover, outright bans give executives and managers an excuse to not have to deal with social media use in the workplace. But deal with it they must, because employee use of these sites happens on mobile phones at work, and at home in the evenings. And what they do as employees, and what they discuss as it pertains to work, is of utmost importance.

I believe every company needs to have a sandbox definition, some type of openness or social media policy, even if it is, as in the case with Zappos, that the organization will not have a policy and rely on existing company norms, values, and processes. And even if your organization insists on blocking access to these sites, you still need to define the sandbox in terms of what employees are expected to do or not do in social media.

Don't be concerned if you build a fairly small and limited sandbox at first; be realistic about how much openness you and your organization can take on when you start. But be prepared to revise the sandbox size over time. As trust builds with successful open engagement, everyone will feel more comfortable growing the sandbox. If you don't widen the boundaries, employee resentment and rebellion can build.

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Covenants Not Policies

I prefer to use the word “covenants” instead of “policies” or “contracts.” Covenants are promises that people make with each other, which differ from traditional corporate policies and procedures that *dictate* how things will operate within organizations. The philosophy behind covenants is more suited to openness strategies, because the promises, bargains, and contracts reflect a real trade-off and transfer of power and responsibility. When leaders open up and give up control, they trust that employees will do what they promise, that customers will respond and engage in a civil manner.

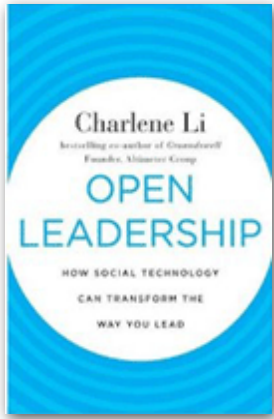
Note that a covenant includes accountability, spelling out what happens if either party doesn’t keep their side of the bargain. In the case of employees, if they don’t act responsibly with the freedom, it will be taken away. If customers act inappropriately and offend other members of the community, they will be kicked out. Also, employees and customers can hold *leaders* accountable if they haven’t acted in the way they have promised. For example, if an executive promises to share good and bad news with all employees, he better do so or face being called out by disappointed workers.

On the surface, it appears I’m advocating a contradiction: the control of openness. But rather than thinking of this as limiting openness, think of it as providing the guardrails within which being open can take place. Unless you clearly define what the limitations are—and *every* organization and person has limits to how open they can and want to be—people will not have the trust and confidence to *be open* in the first place. How are they to know that it’s okay to talk with customers directly in a discussion forum? When can a manager approach an employee about their private, individual social media activities that may be putting the company in a negative light? What topics are off limits for legal or regulatory reasons?

In the end, your sandbox covenant describes in detail the kind of relationship you want to have with your employees and customers. So the purpose of the covenant should be first and foremost to encourage a more open relationship, crafted and written with the purpose of enabling the new relationship to develop. As a leader, it is up to you to lay the groundwork, the foundations for these relationships. Otherwise, few people are going to stick out their necks and begin.

A few last words of advice around the whole concept of setting up rules and processes for control: I take as inspiration from how Netflix approaches processes, in that they identify “good” processes that help people get more done, and “bad” processes that seek to prevent recoverable mistakes. Netflix believes in creative environments, versus manufacturing environments—that preventing errors can actually inhibit excellent work. So they actively try to get rid of “bad” rules that get in the way of excellence.

They did exactly that when they got rid of their vacation policy. Until 2004, they had the standard “N” number of vacation days that each employee could take. But the reality is that everyone worked evenings, checked email at odd hours, and also took time off in the afternoons for personal time. Netflix wasn’t tracking how many hours people worked, so why did it make sense to track how many days they weren’t working? It didn’t. To quote from Netflix, “Just as we don’t have a 9-5 day policy, we don’t need a vacation policy.” So, Netflix doesn’t have a vacation policy or tracking in place... and it seems to be doing fine. 📌



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ABOUT THE AUTHOR

Charlene Li is the founder of [Altimeter Group](#) and the author of *Open Leadership: How Social Technology Can Transform the Way You Lead* (Jossey-Bass; hardcover; May 24, 2010). She is one of the leading independent voices in business today, with a special focus on the strategic use of emerging technologies. She is coauthor of *Groundswell: Winning in a World Transformed by Social Technologies*, named by both Amazon and *strategy+business* magazine as one of the best business books of 2008.

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