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≫ Radical transparency: how to make the most of technology and boost stakeholder dialogue

Statistics[1] abound showing we live in a digitalized society. One need only consider the many eyes glued to mobile devices at any given time or place.

As a result of this global phenomenon, it is also clear institutions and corporations are subjected to what some call "hypertransparency" (Cortes and Pino, 2016). Political and corporate scandals are frequently reported on around the world using social media, personal experiences, private data and confidential documents.

But it seems most companies have yet to focus on managing the fine line between private and public aspects of corporate information in the digital transformation context.

Corporate transparency, as we know it, is no longer enough—a point researcher Elisa Baraibar stressed in her thesis on this subject (Baraibar, 2013). She insisted it is vital, as a result of modern technology, to incorporate social modification and the transformation of company-stakeholders' relationships.
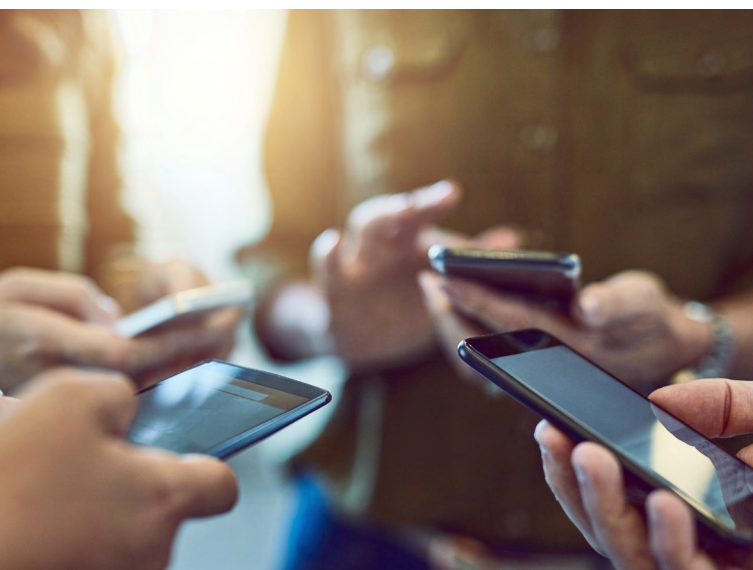
RADICAL TRANSPARENCY

Baraibar's research explains the concept of radical transparency, quoting Thompson (2007) to define a model of transparency management that implies the ability of a company's senior management to use new internet-based technologies to create direct and ongoing dialogue with customers and other stakeholders. This transparency is often observed in the first steps of start-ups, and it is being adopted by some technological firms that are among the biggest companies in the world.

The work of prestigious analysts of the digital economy (Anderson, 2006; Beal and Strauss, 2008; Holtz and Havens, 2009; Tapscott and Ticoll, 2003) allows us to identify the behavioral guidelines and shared beliefs that make up the culture of radical transparency. The guidelines and beliefs are at odds, in several aspects, with those of conventional transparency, which hamper the response of traditional companies to the expectations of their interest groups in a digitalized society.[2]

Regarding the recipient. The recipient of the information, defined as an interest group or a stakeholder in the company, is often overlooked in conventional transparency, which fails to consider the essential belief of empowerment of the individual, which is the foundation of the digital transformation.

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[1] According to the Digital Society in Spain 2017 report (Fundación Telefónica, 2018, 84.6% of people between 16 and 74 used the internet during the last three months of 2017, an increase of 5% over the previous year, amounting to 29 million individuals.

[2] To give shape to this idea, we take as a reference the "contextualization of transparency in integrating elements of corporate communications" proposed by Baraibar (2013).

Conversely, the radical transparency culture assumes the idea that customers, employees, suppliers, shareholders and private citizens are the main protagonists in corporate communications, promoting corporate transparency through their active participation in online social media.

Regarding the channel. There are hundreds of studies—in print and online form—on corporate reporting requirements as the principal channel for corporate transparency. This is the most broadly applied guideline, based on precisely defined models (IFRS, GRI, IR, etc.)

Much less has been written to defend online social media as legitimate channels of corporate transparency, although they characterize the day-to-day reality of radical transparency. This is especially relevant when we consider the way in which the leaders of these companies themselves use their personal social networks.

Regarding the message. Guidelines on corporate information disclosure—whether this involves financial information or ESG criteria (environmental, social or governance)—also abound in documents and references that offer the classic definition of transparency (Aldama Commission, 2003). In this sense, the following classification of these messages is worth noting:

- *The volume of information:* the trend seems to favor quality over quantity, in line with the integrated reporting approach.

- *The materiality of information:* the basis for transparency lies in accounting rules, especially in requirements of data precision and reliability.

- *The timeframe for information:* the emphasis is on periodicity or regularity for releasing reported information for it to be of use.

- *Engagement with recipients:* the debate focuses on equitable or symmetrical accessibility (physical and intellectual) of the information for different interest groups.

If we look at these same attributes from the perspective of radical transparency, we will find highly challenging points of view for the management of information in a context of digital transformation:

- *The volume of information:* search engine and social networks algorithms seem to play a vital role in managing the quantity and quality of corporate information that ultimately reaches interest groups. This highlights the importance of message-positioning techniques known as search engine optimization (SEO) and social media optimization (SMO).

"Regarding the channel. There are hundreds of studies -in print and online form- on corporate reporting requirements as the principal channel for corporate transparency"

- *The materiality of information:* concern today focuses on ensuring verification of corporate messages (fact checking) in view of the exponential scope for manipulating and falsifying these messages on social media (fake news).

- *The temporary nature of information:* clearly, the challenge for management is about more than just periodicity to meet ongoing demand for information and interaction from interest groups in real time on online social media.

- *Engagement with recipients:* according to the tenets of radical transparency, messages are considered to have met their goals not only when recipients access them but when they interact with them, engaging in dialogue with the company.

Regarding the issuer. The essential shared belief of transparency involves the moral obligation of accountability in response to the burden of responsibility. Historically, this has been understood as a responsibility that a political authority gives to a company (as the issuer of corporate information) by way of codes and rules of conduct.

However, according to the radical view of transparency, this responsibility is given to companies by their interest groups, which also expect and demand to see the issuer's accountability in observance of the same codes of online and social media: visual, personal and in real time.

Therefore, to be considered transparent, companies must internalize two fundamental beliefs:

- The first relates to the concept of reputation[3] and implies interest groups' or stakeholders' expectations are a constant point of reference throughout the communications process.

- The second relates to corporate responsibility, which involves being responsible for informing each and every interest group about the company's economic performance, as well as social and environmental impact.

Additionally, in the current context of digital transformation, a transparent company would need to adopt at least four rules of conduct that are characteristic of brand journalism (Tascon and Pino, 2014) and authentic advocacy (Pedrol et al., 2018; Gonzalez and Perez, 2018):

- Involving executives in the process of communicating corporate transparency using their own digital identities as channels.

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[3] The LLORENTE & CUENCA reputation model "Reputational Relevance" includes "transparency" as an expectation among interest groups regarding corporate behavior (Cardona y Tolsa, 2018).

- Maintaining a "verification discipline" for information related to the company, in accordance with the best journalism practices.

- Constantly practicing active listening and real-time interaction with interest groups through online social media.

- Applying SEO and SMO criteria to corporate messages.

ELON MUSK (TESLA): "FUNDING SECURED"

Tesla CEO Elon Musk may be considered one of the main representatives of radical transparency in the business world, with all his pros and cons. After several unfortunate tweets and amid a climate of shareholder mistrust toward the company's future, Musk launched through his Twitter profile the following message: "[I am] considering taking Tesla private at $420. Funding secured."

In the resulting controversy, hundreds and even thousands of headlines, posts, comments and messages circled the globe, criticizing, evaluating and analyzing those 52 characters. At first, most thought the information was just another extravagance of the visionary entrepreneur. However, looking back at the events, perhaps it was not as innocent or as unfortunate as it may have seemed.

The debate generated by his tweet had two consequences. The first was seen on the same day: the price of Tesla stock rose 11 percent, although it subsequently fell, which served as a means of gauging the market's response to a potential privatization of the company. This was a highly significant evaluation for such an indebted company, in which bondholders may convert their debt securities to equity after reaching a certain value, thus sparing the company from having to deal with the redemption of the bonds.

The second consequence was that, for two intense weeks, the entire financial world (investment banks, stock-market regulators, institutional investors, shareholders, etc.) was forced to take a position regarding Tesla's plans, in one sense or another. Many of those who seriously questioned the company's future before the controversial tweet contributed to the confirmation of Tesla's continuity on the stock market. Musk responded, saying, "Given the feedback I've received, it's apparent that most of Tesla's existing shareholders believe we are better off as a public company" (BBC, 28 August 2018).

Now then, what actually happened? Was it an exercise in radical transparency or a huge joke that may have legal consequences? The U.S. stock-market regulator SEC launched an investigation of the matter, spurred by the concerns of several investors.

We know the proposed privatization had been effectively suggested by a Saudi sovereign fund holding 5 percent of the company's shares, and, before the controversial tweet, the idea had been discussed by the company's board of directors, which resolved to form a committee to study the initiative with the guidance of consultants Silver Lake and Goldman Sachs.

There was a conscious effort to forego the use of the formal financial information channels of conventional transparency. The usual 8-K form for these matters was not used, nor was there any mention of privatization in form 10-K of the company's most recent quarterly financial statements, although the matter had been dealt with at the same board meeting that authorized the accounts.

Instead, Musk chose to use Twitter to conduct an open debate on the company's plans, which the SEC allows, provided investors have been previously informed of the use of said channels for announcements (De Haro, 10 August 2018). In this sense, Tesla stated to its shareholders November 2013 that Musk's Twitter feed would become an additional source of information on the electric-car manufacturer.

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Iván Pino, Partner and Senior Director of the Digital Area of LLORENTE & CUENCA. He is a journalist with a degree in media studies from the UCM. He holds a master's degree in corporate sustainability and responsibility from UNED-UJI and has 20 years of experience in the field of corporate communication and reputation. He specializes in digital communication. He is the co-author of "Claves del Nuevo Marketing. Cómo sacarle partido a la Web 2.0" (2009, Gestión 2000) and the publisher of the first e-book in Spanish on corporate communication in social media: *Tu Plan de Comunicación en Internet. Paso a Paso* (2008). In addition, he participates as a speaker and teacher in the Customer Experience Management executive program of the IE Business School, in corporate and institutional communication of the Carlos III University, and in the master's program for corporate and advertising communication of the Complutense University of Madrid.

ipino@llorenteycuenca.com

Jorge López Zafra, Senior Director of the Corporate and Financial Communications Area at LLORENTE & CUENCA. He is an expert in strategic planning, financial communications and competitive intelligence (the analysis of sectors and trends). He joined LLORENTE & CUENCA on October 2016 after a period spent actively collaborating with the company. Previously, he worked for Iberdrola for eight years, where he helped develop strategies and coordinate communication projects (OPS, M&A, General Shareholders' Meetings and other corporate matters). In addition, he held a variety of positions in the company, including head of strategic communications, digital communications and brand intelligence and reputation. Lopez Zafra also worked for Hispania Service and Airtel.

jlopez@llorenteycuenca.com

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