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The digital emperor has no clothes

Are business leaders ready for a world of radical transparency?

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Trust lies at the heart of digital transformation. As digital technologies open up new opportunities for growth, they also expose organizations and business leaders to greater scrutiny. Successful leaders must be prepared to embrace a world of radical transparency. With a personal and professional commitment to engender trust, leaders will need to demonstrate a dynamic, ethical approach toward their employees, their customers and society at large.

A digital dichotomy

Few business leaders would disagree that digital transformation is a source of innovation and growth—new markets, creative business models and groundbreaking products and services. Accenture Strategy analysis, in collaboration with the World Economic Forum, shows that digital transformation in just four industries could lead to a valuable opportunity of around US$8.4 trillion by 2025.[1]

But digital transformation brings its own complexities. Savvy customers, with a global voice and omnichannel knowledge are intolerant of exploitation, either of themselves or others. Businesses using advanced analytics to deliver new products and services are under pressure to respect the boundaries of data rights and train their workforces to do the same. Poor use of data can mean organizations not only potentially lose customers, but also risk fines, litigation costs, reputational damage and even experience a drop in their share price in the short term.

According to the 2016 Accenture Technology Vision survey, 83 percent of respondents say trust is the cornerstone of the digital economy.[2] For business leaders, the stakes could not be higher as their individual and institutional conduct is exposed to unparalleled levels of transparency. But by revitalizing their organizations' ethical culture—reinventing governance, employee buy-in and overall accountability—leaders can embed a more progressive approach to ethics and trust. In this way, they can take advantage of the growth opportunities digital brings, while being better prepared for the scrutiny of a digital world.

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Three visibility challenges

Without trust, businesses lose their license to innovate through digital technologies. But digital technologies disrupt how business leaders and organizations establish trust and ethical behaviors (see Figure 1). There are a number of fundamental challenges that need to be addressed.

Figure 1. Digital impact on business ethics and trust

Analogue	Issues	Digital
Broad cross-sectoral consensus	Ethical expectations	Multiple stakeholder perspectives
Fairly clear	Data rights' boundaries	Disputed
Fairly opaque	Transparency of operations and leadership	Highly visible
Top-down legal driven	Regulatory instruments	Outpaced by innovation
Narrow, controlled, scheduled	Leaders' communications	Far-reaching, responsive, 24/7

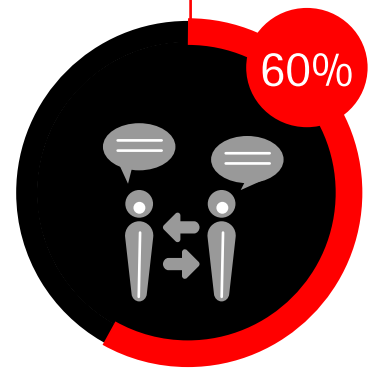| Analogue	Solutions	Digital
Careful deliberation/ human judgment	Ethical response	Ongoing deliberation/ human judgment
Slow, expensive	Crowdsourcing ethical perspectives	Quick, low cost
Centralized, one-way communications	Brand control and trust	Decentralized, co-created communications
Push strategy, "official" corporate channels	Stakeholder information	Self-sourced, "informal" channels
Resource-intensive, episodic	Corporate communications	Digitally enabled, real-time

1. Leaders are ill-prepared for radical transparency

Today, good or bad news not only travels fast, but also, thanks to social media, is seemingly without limits. The growing popularity of social recruitment and ratings site, Glassdoor, confirms that employees are ready and willing to share their views.[3] Recent research from Accenture Strategy found that 60 percent of employees admit to sharing information on their rewards, salaries or opinions of the performance of their managers on public social sites.[4] This openness places additional demands on business leaders, putting a premium on their ability to "walk the talk" and build collective trust throughout their organizations. Leadership ratings matter and, increasingly, are being considered as further input to the due diligence companies undertake when considering new alliances or acquisitions.
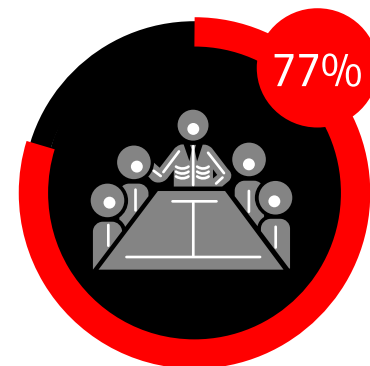
While Accenture Strategy analysis has identified the top three behaviors for leaders who enable collective trust—inspiring others, visionary capability, and adaptability—many leaders have yet to grow the qualities necessary to encourage collective ownership and reinforce an organization's ethical standards. But these qualities can reap rewards. One CEO from a leading global consumer products company has expanded its traditional leadership on personal, business and societal levels. Using a future-oriented and pioneering model, the company has generated US$20 million in immediate additional bottom-line revenue and has sparked an enormous boost of energy throughout the company.

2. Leaders must push the boundaries of existing regulations

Digital innovation has not changed the objective of regulation: promoting consumer welfare. But how to do it—applying rules that deliver the best outcomes—has become more complicated.[5] Nowhere is this more evident than in the management of data. Seventy-seven percent of business leaders in the technology industries believe that the secure and responsible use of data is a strategic, board-level issue.[6] Given the pace of change, leaders can no longer rely on regulators to establish clear ethical guidelines. Yet, evidence suggests they continue to do so—nearly three-quarters of business executives said regulation can help to bring clarity regarding the appropriate use of personal data.[7]

60%

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77%

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Leading companies will take responsibility for establishing their own standards and codes of digital ethics, requiring more collaborative, public-private dialogue between business leaders and policymakers. Indeed, some regulators recognize that they are not moving fast enough to meet the speed with which industry is changing. In a conference on new aviation frontiers, Michelle Schwartz, Chief of Staff of the Federal Aviation Administration, said the FAA is more collaborative with industry than ever before, recognizing that with "industry moving at the speed of Silicon Valley, FAA can't be moving at the speed of government."[8]

3. Leaders must adopt strong digital ethics to sustain digital innovation

According to Accenture research, 82 percent of respondents agree that a lack of security and ethical controls on data could exclude them from participating in digital platforms or ecosystems. Clearly, digital technologies do test ethical boundaries—from how businesses apply data insights to the use of algorithms to make ethical decisions. These are boundaries that many businesses are already struggling to identify. For example, Facebook experimented with the emotional impact of negative news stories on 700,000 users[10]—in the days following this experiment coming to light, Facebook's share price took a 35 percent hit. Such situations are almost bound to arise and should be considered a learning experience. Indeed, Facebook's ethics and policy staff have since provided a detailed overview of the company's research review process, including the specific steps taken to review its internal research work, which is being hailed as an important step forward for corporate research ethics.[11] It is a leader's ability to rapidly respond and demonstrate a willingness to self-regulate that will help an organization to maintain credibility.

As digital innovation becomes more sophisticated, the questions posed by it become more challenging. Since retailers can predict the onset of different medical conditions through analyzing customer purchasing behaviors, should they act on those insights? When an insurance company learns through social media monitoring that a client has a terminal illness, should it automatically adjust its premiums? What about a connected car that might identify that a driver is intoxicated, based on driving patterns and time or location data—is it right to automatically alert the police?

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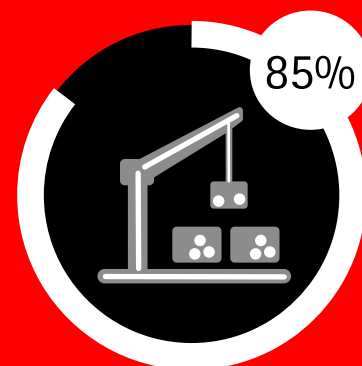Michelle Schwartz, Chief of Staff, Federal Aviation Administration

82%

Eighty-two percent of respondents agree that a lack of security and ethical controls on data could exclude them from participating in digital platforms or ecosystems.

Such questions are multiplying. The scale of digital innovation means that strategy and ethics frequently overlap. Increasingly, leaders are engaging their workforces in delivering the corporate strategy, using their values as a differentiator. For many organizations, being a digital business has increased their ethics training. Initiatives can be introduced such as a global life cycle program to chart employees' progress in their ethics and compliance training.

Dressing the digital emperor

The road to building trust in a world of radical transparency is unfamiliar to business leaders—and there are hazards along the way. Three steps business leaders can take to set the tone and direction include:

- **Use digital to break down barriers** Whether employees or consumers, people seek out authenticity. Creating a more dynamic, adaptive culture to deal with the speed of digital disruption requires leaders to undertake their own digital evolution. Leaders at all levels must champion the digital capabilities and tools needed to share information quickly, facilitate networking and help break down organizational siloes. Critically, organizations still lag in digital solutions. For example, fully 85 percent of manufacturing executives Accenture interviewed expect human-machine-centric environments to be commonplace in their plants by 2020, and they also recognize the promised benefits. Yet, only 22 percent of respondents have actually implemented measures designed to realize the potential of a connected industrial workforce.[11] Leaders everywhere need to adopt strategies and behaviors that are meaningful in a digital world.

- **Create inside-out transparency** In a digital economy it is often faster to act than to plan. Piloting and iterating ethical policies—for example, around privacy—can help organizations adapt quickly to changing customer expectations. Leaders can use approaches such as ethical hackathons, micro-action crowdsourcing and 30-day challenges to generate dynamic standards of conduct from the inside out. Tested approaches can be shared with regulators and legislators and opened up to external scrutiny in ways that build trust with consumers and stakeholders.

85%

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- **Build "ethical muscle"** Many leaders are building more diverse workforces, tapping into a range of talent that can help their organizations become more resilient in a digital ecosystem. This mix of ages, genders, ethnicities and educational backgrounds enables organizations to incorporate different perspectives into their ethical decision making. In the same way developers undertake code reviews today, data scientists should perform regular reviews of the ethical decisions they are making during the life cycle of an analysis— from data procurement and cleansing, algorithm selection and training data, through to visualizations. Ethical behaviors can be further reinforced through the use of collaboration tools and other digital technologies. For example, leaders can encourage ethical judgment by employing online coaching, game-based simulations, and a variety of peer communities to engage in networks outside the organization.

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Ethics evolution

Digital is dramatically changing demands on leaders' approach to trust and ethics. From cost effective, "always on" communications to the Internet's open door that enables corporates and citizens to be better informed, the need to drive higher levels of ethical conduct is becoming more urgent. Technology systems can help, but it is new capabilities and approaches by business leaders that will play a pivotal role in managing radical transparency.

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Notes

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