

Is Transparency a Recipe for Innovation?

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Innovation is a key driver in organizational sustainability, and yes, openness and transparency are a recipe for innovation. But, according to Tapscott and Williams, “when it comes to innovation, competitive advantage and organizational success, ‘openness’ is rarely the first word one would use to describe companies and other societal organizations like government agencies or medical institutions. For many, words like ‘insular,’ ‘bureaucratic,’ ‘hierarchical,’ ‘secretive’ and ‘closed’ come to mind instead.”¹ And yet a few months ago, The Tesla Model S just became the world's first open-source car. Elon Musk, CEO of Tesla Motor Vehicles, shared all the patents on Tesla's electric car technology, allowing anyone — including competitors — to use them without fear of litigation. Elon wrote in his post “Yesterday, there was a wall of Tesla patents in the lobby of our Palo Alto headquarters. That is no longer the case. They have been removed, in the spirit of the open source movement, for the advancement of electric vehicle technology.”²



In the public sector, terms such as open government, citizen sourcing, and wiki government are also akin to the notion of open innovation and transparency. As Hilgers and Ihl report, “a good example of this approach is the success of the Future Melbourne program, a Wiki and blog-based approach to shaping the future urban landscape of Australia’s second largest city. The program allowed citizens to directly edit and comment on the plans for the future development of the city. It attracted more than 30,000 individuals, who submitted hundreds of comments and suggestions (futuremelbourne.com.au). Basically, problems concerning design and creativity, future strategy and local culture, and even questions of management and service innovation can be broadcasted on such web-platforms.”³ The authors suggest that there are three dimensions to applying the concept of open innovation to the public sector: citizen ideation and innovation (tapping knowledge and creativity), collaborative administration (user generated new tasks and processes), and collaborative democracy (improve public participation in the policy process).

In another example: in 2012, The British drug company GlaxoSmithKline (GSK) opened up detailed data from their clinical trials to the scrutiny of scientists in a bid to help the discovery of new

¹ Tapscott, D & Williams, A. (2013, Jan 24). *Why radical openness is unnerving and necessary: A Q&A with TED eBook authors Don Tapscott and Anthony D. Williams*. Retrieved from the Ted Blog website: <http://blog.ted.com/2013/01/24/why-radical-openness-is-unnerving-reshaping-and-necessary-a-qa-with-ted-ebook-authors-don-tapscott-and-anthony-d-williams>

² Musk, E. (2014, June 12). *All Our Patent Are Belong To You*. Retrieved from the Tesla Blog website: http://www.teslamotors.com/en_CA/blog/all-our-patent-are-belong-you

³ Hilgers, D., & Ihl, C. (2010). *The International Journal of Public Participation*, 4 (1), PP 75.

medicines and end the suspicions of critics that it has secrets to hide. The chief executive, Andrew Witty, indicated that openness to the public and active collaboration with scientists and firms outside GSK are essential to finding new drugs to treat the diseases plaguing the world, from novel antibiotics to cures for malaria and tuberculosis. He told the Guardian, GSK had already done much to advance transparency in clinical research, including publishing a summary of every drug trial – whether a success or not – on its website.⁴

Finally, according to some recent research from Vanson Bourne, 83 % of consumers stated that they wanted increased transparency and information for food products, in order to be more confident of food products and their ingredients.⁵

While secrecy and opacity have been hallmarks of organizational behavior in the past, these examples clearly indicate a paradigm shift. Furthermore, it appears that the open-source movement has potentially given rise to a philosophy of transparency spurring innovation. In a recent TED talk Don Tapscott summarized the central components of the philosophy: collaboration, transparency, sharing and empowerment.⁶

What is transparency?

It is the opposite of opaqueness, which generates such synonyms as hidden, secretive, uninformative, and vague, to mention a few.

Transparency on the other hand generally utilizes language akin to sharing, openness, clarity, disclosure, accessibility and the shedding of light. Kanter and Fine liken transparency to an ocean sponge.⁷ These pore-bearing organisms let up to twenty thousand times their volume in water pass through them every day. The sponges can withstand open, constant flow without inhibiting it because they are anchored to the ocean floor. Transparent organizations behave like these sponges: anchored to their strategy and yet creating a constant porous flow of information.

The examples of transparency mentioned earlier spur innovation through external linkages. In this form of transparency, there exists a “share-and-share-alike” mentality, in which one shares and/or gives up assets and/or intellectual property. It is also called open innovation, crowdsourcing or co-

⁴ Herper, M. (2012, Oct 11). With Transparency Pledge, Glaxo Makes Promises No Other Drug Company Has. Retrieved from Forbes website: <http://www.forbes.com/sites/matthewherper/2012/10/11/with-transparency-pledge-glaxo-makes-promises-no-other-drug-company-has/>

⁵ Martin, N. (2014, June 4). *Regaining the Trust of the Savvy Shopper - Consumer Research Part 1*. Retrieved from the Trace One Innovation website: <http://www.traceoneview.com/regaining-the-trust-of-the-savvy-shopper-consumer-research-part-1/>

⁶ Tapscott, D. & Williams, A. (2013). *Radical Openness: Four Unexpected Principles for Success*. TED Books Book 28.

⁷ Kanter, B., & Paine, K. (2012). *Measuring the Networked Nonprofit Using Data to Change the World*. Hoboken: Wiley.

creation. It is about bringing external input to an innovation process. The development of Linux software in 1991 is one of the most prominent examples. The underlying source code of Linux could be used, modified, and distributed—commercially or non-commercially—by anyone. The premise being, when hundreds or thousands of “developers” contribute toward a shared purpose, everyone benefits.

This process of open innovation is also adopted by leading firms such as Procter & Gamble, Intel, and Cisco. For example since embracing a radically new external linkage called “Connect and Develop”, P&G have developed extensive research networks (both proprietary and open ones) that regularly lead to the development of new ideas; the percentage of patents in use in their products has increased from less than 10% to better than 50%; their new product success rate has increased from 35% to better than 50%, and finally the percentage of new P&G products that include elements developed outside of the firm has increased from 15% to over 35%.⁸

The end result is that Procter & Gamble is now considered to be one of the most innovative organizations around, and is certainly a world leader in using open innovation. In summary, the idea is that by incorporating a much larger variety of ideas and knowledge into new product and service development, the performance of this process will improve, and the resulting products will have a better fit with customer needs and wants.

The appropriate question then, might well be, “Why should your team reinvent the wheel if an existing solution from another industry might work?” When you can focus your team on finding solutions rather than trying to create solutions, organizational learning speed and technology development initiatives are likely to encounter a higher probability of success. A checklist that may spur innovation through transparent external linkages might be: is there a specific skill set lacking on your team today? Could a fresh set of experienced eyes bring a new approach or solution to a problem? How can you connect to and harness external creativity in a productive way?

What has spurred open innovation? For some it has been the complexity of the challenge, for others it is to serve a higher purpose, or finally to advance the organizational agenda. According to Clayton Christenson there is another recent catalyst, “The rise of social media in recent years has been a significant enabler of open innovation, as it allows firms to develop strong communities of external innovators eager to solve problems.”⁹

⁸ Lindegaard, S. (2010). Critical Lessons, Facts On Open Innovation. Retrieved from 12inno website: <http://www.15inno.com/2010/06/02/criticalfactslessons/> An interview with Stefan Lindegaard and Chris Thoen of P&G outlines some of the outcomes from the “Connect & Develop initiative”. Some of these stats come from him, while others come from other sources.

⁹ Christensen, C. (2012, Sep 19). *Open Innovation and Getting Things Right*. Retrieved from Clayton Christensen website: <http://www.claytonchristensen.com/open-innovation/>

Finally, this approach to innovation through external partnering has also found traction in the area of social innovation where some of the challenges we face today, are too large to tackle in isolation. Issues such as healthcare, transportation, climate change, youth unemployment, financial stability, sustainability and growth may require a new kind of innovative approach to solve these complex challenges. Finally, the rise of open data in the public sector has sparked innovation, driven efficiency, and fueled economic development.

Is there merit in creating transparency internally?

Do organizations have a right to secrecy? Yes organizations do have legitimate confidential information, and fiduciary responsibilities to governments and shareholders to uphold confidentiality over certain matters. Transparency refers to the release or exposure of relevant, applicable and significant information -- information that can assist stakeholders if they have it or harm them if they do not. Nan Russell advocates thoughtful transparency, "in the context of elevating communication and building trust, transparency isn't knowing everything or telling everything. It's creating an environment where people can trust they'll have the pertinent information they need to do great work, make informed decisions, enter into genuine relationships, and operate with self-alignment and integrity. It's grounded in doing what's right without violating confidentiality or having self-serving intentions."¹⁰

How could transparency spur innovation within organizations...vertically and horizontally?

In vertical terms, what if employees and managers had access to relevant, applicable and significant information, and senior managers made purposeful and tactical information disclosure, ensuring accuracy and clarity? Would this spur innovation in our 24 -7, uber connected, networked and decentralized information world? As Tapscott suggests "Knowledge and intelligence is power, and as it becomes more distributed, there's a concomitant distribution and decentralization and disaggregation of power that's underway in the world today".¹¹

If managers infuse greater disclosure, clarity, and accuracy, would the sense of the boundaries of organizations become more porous and fluid and open? Yes, and using internal wiki's is one method of sharing information on strategy, finances, and other critical organizational data. Managers utilizing greater disclosure shows teams that the company's leadership trusts them. One organization practicing this type of disclosure is the mobile payment company Square, which shares

¹⁰ Russell, N. (2014, Mar 4). *5 Tips To Fix Your Broken Communication And Build Trust*. Retrieved from Fast Company website: <http://www.fastcompany.com/3026909/leadership-now/5-fix-your-broken-communications-and-build-trust>

¹¹ Tapscott, D. (2012). *Four principles for the open world*. TED Global 2012. Retrieved from Ted website: http://www.ted.com/talks/don_tapscott_four_principles_for_the_open_world_1

everything with the company's 600+ employees.¹² This means notes on most meetings are sent out to the whole workforce to keep everyone abreast. It also means employees occasionally get a 250-page report emailed from executive board meetings. Social media company Buffer has adopted the idea of radical transparency with open arms. Buffer has internally made public the salaries of every team member, as well as the formula used to calculate these paychecks.¹³ In an attempt not to hold anything back from employees, the company also created a formula to determine equity.¹⁴ What if managers limited the use of technical terminology and fine print in their correspondence; and managers did not bias, embellish, or distort known facts in their communications with stakeholders? According to Heald, "for transparency to be effective, there must be receptors capable of processing, digesting, and using the information."¹⁵ One of the goals of transparency is to improve engagement and morale throughout the organization. When things are transparent, employees are aware and know how large-scale decisions are made, what goals they're working towards, and are perhaps even empowered to track their progress. By giving people a window into its workings, an organization can demonstrate it has a sound process that it's adhering to. It can avoid asking customers to have faith in a black box. In other words, the greater the transparency, potentially the greater the trust. Transparency, even radical transparency is becoming central to building trust between stakeholders and their institutions. In an effort to gain more trust from consumers, McDonald's launched a transparency program in the U.S. called "Our food. Your questions."¹⁶ McDonald's promises to respond to questions with behind-the-scenes webisodes and other social content that provides facts on ingredients, how its food is made and how it's prepared in restaurants.

Innovation systems are networks not hierarchies, they work through trust and diversity of input, not through control

Internal transparency can provide employees a clear sense of how the organization is doing and how their work is impacting that success. It can increase their engagement and motivate them to fix challenges they can clearly see impacting expenses, revenues, and budgets, customer/client/citizen satisfaction and other possible success metrics. It demystifies the "executive layer" and shows the rationale behind the decisions that come down from the executive suite. Finally, it encourages

¹² Alice Truong, Fast Company & Inc "How Jack Dorsey Makes Meetings At Square More Transparent"

<http://www.fastcompany.com/3021208/fast-feed/how-jack-dorsey-makes-meetings-at-square-transparent>

¹³ Jeff Hayden, Inc. "Inside a Completely Transparent Company" <http://www.inc.com/jeff-haden/inside-buffer-company-complete-transparency.html>

¹⁴ Pozin, I. (2014, Apr 2). *How Transparent Is Too Transparent In Business?* Retrieved from Forbes website:

<http://www.forbes.com/sites/ilyapozin/2014/04/02/how-transparent-is-too-transparent/>

¹⁵ Heald, D. (2006). "Varieties of Transparency." *Proceedings of the British Academy*, 135, 25–43. PP 35 Retrieved from:

<http://www.davidheald.com/publications/Healdvarieties.pdf>

¹⁶ Morrison, M. (2014, Oct 3). *What's in a Chicken McNugget Anyway? McDonald's Launches Transparency Campaign.*

Retrieved from Advertising Age website: <http://adage.com/article/cmo-strategy/mcdonald-s-launches-food-transparency-campaign/295395/>

employees to be good corporate citizens and to dig into intelligence data to find opportunities for improvement or to diagnose the root causes of challenges they are tasked with.

Organizations that operate with an approach of hierarchical information access are less innovative because only executives know the true status of the organization. Those who are lower in command have little grasp of the big picture, and because they aren't able to see the challenges for themselves, they don't have a sense of urgency to do everything necessary to help the organization move forward. The full range of their talents is not fully utilized.¹⁷

Enable sharing and collaboration

Horizontally, when there is no transparency within an organization, the work being done in different departments, units, teams or individuals is hidden from others. Similarly, what is also hidden are ideas, knowledge, expertise, and talent.

If organizations are to succeed in improving their responsiveness, productivity and ability to innovate, they need make full use of its main assets — information and people — wherever it is located. They can't afford to have their employees working with limited pertinent information. One solution to ameliorate this situation is to make sure that both people and information are accessible and discoverable across organizations, locations and systems. Organizations need to ensure that the silos that may exist are permeable and transparent. According to Berg, "if people are to build a fabric of trust that stretches beyond teams and locations and makes sharing and collaboration happen throughout the enterprise, they must first be able to see and discover each other."¹⁸ Transparency with goals and daily activities makes it easy for employees to see what other people and teams are working on. This leads to greater collaboration and cross-pollination of ideas and is essential to higher employee engagement.

According to Jeff Gothelf in a blog post, "successful innovative teams and companies share their learnings. They share their successes and their failures. They're honest about what they've tried and what they'll try next. They build collaborative eco-systems that feed fast learning cycles and cross-pollinate innovative insights across the organization. It's this transparency – at the individual, team, department and company levels – that empowers innovation teams to succeed."¹⁹

¹⁷ Berg, O. (2011, Jul 5). *3 Reasons Why Organizations Need to Increase Transparency*. Retrieved from Oscar Berg's twitter account: <http://twitter.com/oscarberg>

¹⁸ Gothelf, J. (2013, Jul 11). *Building In-House Innovation Teams: Transparency*. Retrieved from Jeff Gothelf's blog on the Perception Is The Experience website: <http://www.jeffgothelf.com/blog/building-in-house-innovation-teams-transparency/#sthash.82Yv4Mzj.hkGWXnl8.dpbsJeff>

¹⁹ Avery, C. (2014, Mar 3). *The Benefits of Radical Transparency*. Retrieved from the Christopher Avery and the Leadership Gift website: <http://www.christopheravery.com/blog/the-benefits-of-radical-transparency/>

Perhaps the most important aspect of transparency is that it potentially helps to build interpersonal trust, something which is absolutely essential for getting people to share and collaborate with each other. Adam Grant argues that in order to move forward and succeed, organizations need to take three steps to build a culture of giving or sharing, which helps build trust: organizations benefit from building a culture of givers, where employees are willing to help colleagues and customers without strings attached. In a world where teams and relationships are critical, Grant believes that "giving" leadership styles that share value and foster community are the optimal way to lead.²⁰

"Givers reject the notion that interdependence is weak," says Grant. "Givers are more likely to see interdependence as a source of strength, a way to harness the skills of multiple people for a greater good." Leaders who seek to dominate and control with "powerful communication" also inhibit peer-to-peer sharing, notes Grant. Such leaders "actually undermine group performance" by "preventing members from communicating good ideas." Grant suggests that giving, collaborative leadership styles motivate teams best: "Expressing vulnerability, asking questions, talking tentatively, and seeking advice can open doors."²¹

Conclusion

It appears that the open-source movement has potentially given rise to a philosophy of transparency spurring innovation. To date, broader transparency as a potential recipe for internal organizational innovation has shown tremendous potential, as examples of early adopters confirm. Transparency is a paradigm shift requiring different mindsets. Changing mindsets is disruptive and challenging.

"If we want things to stay as they are, things will have to change." The words, uttered by a Sicilian aristocrat on the eve of Italian unification in Giuseppe Tomasi di Lampedusa's classic "The Leopard", neatly sums up the reality that the technology genie is out of the bottle. Some forms of transparency are here to stay and will spur greater levels of innovation in the profit, government and not-for-profit sectors.

²⁰ Leddy, C. (2014, Jan 3). *Prof. Adam Grant: Successful Leadership Styles Include Giving*. Retrieved from National Centre for the Middle Market website: <http://www.middlemarketcenter.org/expert-perspectives/prof-adam-grant-successful-leadership-styles-include-giving>

²¹ Grant, A. (2013). In the Company of Givers and Takers. *Harvard Review*, April 2013. Retrieved from the Harvard Business Review website: <https://hbr.org/2013/04/in-the-company-of-givers-and-takers/ar/1>

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Dr. Bastiaan Heemsbergen is an internationally acclaimed facilitator, educator, author and organizational psychologist and the winner of several teaching awards in business education and leadership development. Dr. Heemsbergen has also been featured on the CBC, The Globe and Mail, and radio stations. His book *The Leader's Brain* was featured on CITY TV. As faculty at the Banff Centre, he is the recipient of the Faculty of the Year Award as well as the Significant Impact of the Year Award. Dr. Heemsbergen has been an adjunct faculty at Dalhousie University/ Institute of Canadian Bankers, the University of Alberta, the University of Lethbridge and the University of Calgary. He has also been a Director and Senior Executive in Strategic Management for the Alberta Government.

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