



Charlene Li

bestselling coauthor of *Groundswell*

Founder, Altimeter Group

OPEN
LEADERSHIP

HOW SOCIAL TECHNOLOGY

CAN TRANSFORM THE

WAY YOU LEAD

MORE PRAISE FOR *OPEN LEADERSHIP*

“The struggle in balancing openness and control is a universal human problem. While most leaders agree that greater transparency and authenticity can lead to significant benefits, many remain paralyzed by the risks involved in opening up the lines of communication with their stakeholders. Charlene shows that tapping into the power of social technologies isn’t about mastering the latest shiny technologies, but instead having a clear idea of the relationships you want to form with your stakeholders. A must-read for those eager to embrace ‘the new openness.’”

— Roger Martin, dean, Rotman School of Management,
University of Toronto; author, *The Design of Business*

“Charlene Li is absolutely at the top of her game. She’s an expert in social technology—an absolute essential in driving your company forward today. But what’s more, she clearly lays out what’s required to lead. Throw out the old rulebook and put *Open Leadership* into play.”

— Keith Ferrazzi, author, *Who’s Got Your Back* and *Never Eat Alone*

“If there’s one truism that you can bank on it’s this: the most important currency of the 21st century is trust. However, trust requires openness. The more you share and the more you listen, the more you will be trusted. However, becoming an open business is truly challenging. For most businesses, it’s a cultural shift much more than a technological one. In this great work, Charlene Li details through rich stories just how some institutions are opening up and, in the process, earning the trust of millions.”

— Steve Rubel, SVP/director of Insights for Edelman Digital

“If you are in a quandary about how to use social media and social technologies, *Open Leadership* is a book for you. It provides a road map for corporate leaders grappling with how to use social media in a thoughtful, disciplined way.”

—Renée Mauborgne, coauthor, *Blue Ocean Strategy*

“Yet again Charlene Li is pioneering how companies must transform themselves to be successful in a global economy in a digital world. Her insights will inspire executives to rethink old approaches and adopt new ways of thinking and operating: *Open Leadership* is about how companies can leverage multiple networks of customers, researchers, developers, manufacturers, and other partners, etc., to drive innovation, achieve efficiencies, and grow.”

—Larry Weber, chairman, W2 Group, Inc; author,
Sticks & Stones

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CHARLENE LI

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*To my parents, Daniel and Janet Li,
for the values and love that have carried me through life.*

INTRODUCTION

In the aftermath of Hurricane Katrina, people demanded answers to burning questions. Why wasn't the country more prepared? Why were citizens of the richest country in the world left abandoned for days when it was clear that a disaster had occurred? In the middle of this maelstrom was the American Red Cross, facing criticism for its emergency response. The executive team wanted to be more transparent about the work it was doing and was also worried that detractors on blogs, discussion boards, and social networking sites were hurting the reputation of one of the country's most respected organizations. So in November 2006 they hired Wendy Harman as the organization's first social media manager. "I was hired in part because the leaders knew that people were saying really bad things about the Red Cross's response to Katrina," Harman recalls, "and they wanted someone to make it stop." There was a lot to do—when she arrived, Harman had to lobby IT to get access to the social media sites she was supposed to manage; in their efforts to maintain security, the Red Cross had blocked employee access to sites like MySpace and Facebook.

But although Harman did indeed find some very issue-specific and narrow complaints against the Red Cross in the social networks, for the most part people were passionately positive about the organization and wanted to be involved in the Red Cross's efforts to provide effective disaster relief. So Harman quickly shifted her focus. "I went to my bosses and said, 'We have a huge opportunity here. There are

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people who want to help the Red Cross and who are online every day.’” To help make her case, she culled the most relevant mentions from an average of four hundred comments every day and distributed them via email to the top leadership. She also gathered articles and insights citing the benefits of social media and stuffed them into a four-inch binder that she circulated around the organization.

But most important, Harman addressed with persistence and patience each concern and fear her executives had about engaging in social media, from malware downloads to confidentiality of clients shown in pictures uploaded to Flickr. She made sure that the proper processes and procedures were in place before entering each new media channel. And over the course of two years, Harman gradually added a blog, Flickr, Facebook pages, and Twitter accounts, getting the organization to open up to the new world of social media.¹

Then the calls started coming in from local Red Cross chapters hoping to jumpstart their own social media efforts. The American Red Cross is made up of over seven hundred local chapters and regions, and Harman was concerned that people would have inconsistent experiences when interacting with the Red Cross online. “We had a lot of people naming themselves ‘Clara Barton,’ the founder of the Red Cross, or some other sort of random clever names.” So she wrote a handbook that laid out guidelines, procedures, and best practices on how Red Cross chapters could and should use social media, and she put it online for anyone to see.²

With the equivalent of an operating manual in hand, Red Cross chapters quickly started creating blogs and their own Facebook pages, and even setting up Twitter accounts.³ More important, the large base of Red Crossers—people who are employees, emergency responders, or just blood donors or contributors—became part of the Red Cross’s outreach. When the Red Cross puts up a disaster warning on its Facebook page, a typical volunteer return comment is “My bags are packed and I’m ready to go.” Facebook echoes that comment back to the volunteer’s friends, further amplifying the Red Cross’s message of readiness and response.

A big payoff for the Red Cross's increased openness to social media came when retailer Target ran a Facebook-based fundraising contest for select organizations, among them the American Red Cross. The result: the Red Cross raised \$793 thousand from that campaign alone. Says Harman, "If we hadn't been in this space, we wouldn't have been invited to be a part of it. We were able to leverage our community and tell them to vote for us."

What's fascinating about this story is that the American Red Cross started engaging in social media because it sought to control it, but realized over time that it was better to be open and engage with those who were already engaging *them*. But here's a critical point: the Red Cross didn't simply throw open the doors overnight. It was only when Harman was able to put in place the proper procedures, policies, and guidelines that defined how everyone should and shouldn't behave, that the Red Cross felt comfortable letting go of the impulse to control.

Today, Harman receives the full support of the organization, starting at the top with president and CEO Gail McGovern. And the impact of that support was seen during the Haiti earthquake response in January 2010, when the Red Cross activated mobile giving and raised over \$10 million in three days, driven in great part by people sharing this easy donation channel on Facebook and Twitter.⁴ Moreover, the Red Cross used these new channels to keep people informed about the relief efforts taking place, answering questions ranging from how donations were being used to the situation on the ground. By letting go and embracing social technologies, the Red Cross was better able to complete its mission.

THE PURPOSE OF THIS BOOK

Open Leadership is about how leaders must let go to succeed. It's for leaders like those at the Red Cross who are seeing the ordered world they understand crumbling in the face of customers, employees, and partners empowered by new tools that were almost unimaginable fifteen years ago. They know that greater transparency and authenticity

can bring significant benefits to their organizations, yet they have a gut-wrenching fear that such an opening up involves tremendous risk as well.

This book lays out how organizations and their leaders can approach being open in the face of social technology adoption. It picks up where my previous book, *Groundswell*, left off, by showing readers just *how* they can use these new technologies—Facebook, Twitter, YouTube, Yammer, Jive, new mobile services, and many, many more—to improve efficiency, communication, and decision making for both themselves and their organizations.

I have been talking almost nonstop about the ideas in *Groundswell* since Josh Bernoff and I wrote the book in 2008, and I've spoken to hundreds of groups, ranging in size from five to five thousand interested listeners. I found that people originally picked up *Groundswell* because they wanted to learn more about Web 2.0 and social technologies. But they soon came to realize that tapping into the power of social technologies isn't about mastering the latest shiny technology; it is actually about having a clear idea of the relationship they want to form.

Energized and empowered, these people underlined and dog-eared *Groundswell* studiously and set about to implement social technologies in their organizations. There they ran into the curmudgeons—people who, no matter how much they appreciated and understood the benefits of social technologies, simply couldn't force their heads into a new mind-set and new way of thinking. Or they ran into an executive who simply feared what engaging the groundswell would mean in terms of exposing the company to risk. Essentially, they realized that their companies didn't have the right culture and mind-set—and more important, the right leadership—to engage the groundswell.

These dedicated, loyal souls came back to me, asking me to write the next book to support their efforts. But they didn't want another treatise on social technologies. They wanted something that would explain to their executives how to change and open up their

organizations. No matter how compelling a technology or potential relationship might be, in the face of an immovable mass called company culture, and without the right organization and leadership in place, any digital strategy will fail.

Being open should be not a mantra or philosophy, but a considered, rigorous approach to strategy and leadership that yields real results. This is *not* about total transparency and complete openness, whereby everyone from customers to competitors has access to all information and everyone is involved in all decisions. Such an unrealistic extreme of complete openness is untenable if a business is to sustain its competitive advantage and ability to execute.

At the other, equally unrealistic end of the spectrum is the completely closed organization, in which information and decision making is centrally controlled and everyone follows every instruction not only perfectly, but happily. Every organization from Greenpeace to the CIA falls somewhere along this continuum from closed to open.

So put aside the calls to be more transparent, to be authentic, and—my favorite—to be “real.” The question isn’t whether you will be transparent, authentic, and real, but rather, *how much* you will let go and be open in the face of new technologies. Transparency, authenticity, and the sense that you are being real are the by-products of your decision to be open.

GREATER OPENNESS IS INEVITABLE

As your customers and employees become more adept at using social and other emerging technologies, they will push you to be more open, urging you to let go in ways in which you may not be comfortable. Your natural inclination may be to fight this trend, to see it as a fad that you hope will fade and simply go away. It won’t. Not only is this trend inevitable, but it also is going to force you and your organization to be more open than you are today.

In the past, organizational leaders had the luxury of remaining ensconced in their executive suites, opening up only when they felt the need to. Today there is information leakage everywhere, with

company miscues and missteps spreading all over the Internet in seconds. And all involved—from employees and customers to business partners—feel entitled to give their opinions and get upset when their ideas are not implemented. What’s really going on here? The fundamental rules that have governed how *relationships* work are being rewritten, because of easy, no-cost information sharing.

The challenge therefore is to redefine how those relationships will operate. Just as the Red Cross had to lay out the new rules for social engagement, organizations and their leaders need to lay out the commitments they expect from these new relationships.

It is critical that your organization not enter into these new open relationships without guidelines. Simply opening up and devolving into chaos, or worse, “letting this take its natural course” are certain recipes for disaster. Being open requires more—not less—rigor and effort than being in control. This book will show step by step, with case studies and examples from many different industries and countries, how to bring the rigor of this new openness to your relationships, both inside and outside of the organization.

WHAT’S IN THE PAGES AHEAD

Part One of the book examines what it means to be open. Chapter One shows why greater openness is inevitable in the face of growing adoption of social technologies. I explain the impact that empowered consumers have had on companies like United Airlines, and go into more detail on how Barack Obama was able to manage millions of volunteers in his presidential campaign. In Chapter Two, I define what it means to be open, with case studies from companies as diverse as Mullen Communications and Facebook, Yum! Brands and Cisco. At the end of Chapter Two, I invite you to conduct an openness audit to understand where you are and aren’t open today—this is the starting point to understanding how open you will need to become.

The hard work comes in Part Two, in which we determine your open strategy, weighing the benefits against the risk, and also

understanding the implications of being open. One company I spoke with got the “social media” bug in 2009 and devoted a quarter of its marketing budget to developing Facebook pages, creating blogs and private social networks, and managing Twitter accounts. At the end of the year, they had a lot of activity and “buzz”—but little idea of what it was getting them as a company beyond greater engagement with their customers. To make matters worse, they felt obligated to maintain these new conversations and relationships at significant expense. The problem was, this company’s approach to openness lacked a coherent strategy. Don’t make the same mistake!

In Chapter Three, I explain how to create your open strategy—determining when it makes sense for you to be more open and engaged and when it doesn’t. Organizations like Kohl’s, Ritz-Carlton, and Toronto General Hospital are all using social technologies to become more open to their customers as well as their employees. In Chapter Four, I tackle the issue of how to measure the benefits of being open, and I show how organizations like SunTrust and Dell are becoming more open and are also seeing a significant positive impact on their business. Included in this chapter are details on how to measure and calculate the benefits of social technologies and being open, and also on how to use metrics to manage engagement and increase overall customer lifetime value.

One big concern that comes up around the topic of being open is the tremendous risk involved, especially when employees are free to say what they like in an open forum. In Chapter Five, I’ll detail the guidelines, policies, and procedures that companies like Microsoft and Kaiser Permanente have used to be able to engage with greater confidence. In particular, I’ll explain how pharmaceutical company Johnson & Johnson was able to navigate its legal department and government regulations to start using social technologies such as blogs.

Part Two concludes with Chapter Six, which explains the nuts of bolts of managing your open strategy, ranging from creating robust profiles of how your customers and employees engage to organizing

for openness. Organizations like Ford, Humana, HP, and Wells Fargo shared their secret recipes for how they've orchestrated openness within their organizations.

But it's not enough to have a coherent strategy—you also need open leaders to execute it. Empowered people and organizations are stressing out today's leaders, challenging traditional command-and-control styles. However, they are called upon to do more than simply let go—in essence, leaders are saying, “I am responsible, so I have to have control. But if you are telling me to be open and give up control, then *what is my role?*” This is the crux of the problem: these new relationships are forcing leaders to rethink how they lead and how to get people to follow.

Leadership requires a new approach, new mind-set, and new skills. It isn't enough to be a good communicator. You must be comfortable sharing personal perspectives and feelings to develop closer relationships. Negative online comments can't be avoided or ignored. Instead, you must come to embrace each openness-enabled encounter as an opportunity to learn. And it is not sufficient to just be humble. You need to seek out opportunities to *be humbled* each and every day—to be touched as much by the people who complain as by those who say “Thank you.”

In Part Three, I explore what it means to be a leader in the context of these new empowered relationships. Chapter Seven lays out what it means to be an open leader and details the characteristics, skills, and behaviors of effective open leaders like Cisco's John Chambers and Kodak's Jeffrey Hazlett. Chapter Eight explains how to identify and nurture open leaders within your organization, and I tackle what it means to be authentic and transparent. I'll look at how companies like United Business Media and Best Buy develop “zealots” among their employees.

One essential idea I explore is how to successfully fail. In fact, I think it's just as essential to consider and plan out how to *fail well* as it is to plan how to succeed—because the reality of business is that

you *will* fail, at times, and how you lead and recover through that failure will say more about your ability as a leader than how you lead in times of plenty. This is all the more important for an open organization, as its failures will be more likely to be played out on a public stage. In Chapter Nine, the same organizations and leaders that saw success in earlier chapters—Cisco, Facebook, Kodak, and Microsoft—demonstrate why their ability to embrace failure leads to their success. One telling example is how an organization like Google—one of the most successful, innovative companies today—encourages its organization to take risks and fail.

The last chapter of the book examines how leaders are transforming their organizations to be more open—driven not because of a belief in an ideal, but out of economic and marketplace necessity. Organizations like Procter & Gamble and the State Bank of India have entrenched cultures that in some cases have developed over centuries of careful adherence to an organizational credo. If you are a leader facing daunting organizational and managerial challenges, I hope you'll draw inspiration from how these case studies for how you can turn around your organization.

BEGINNING THE JOURNEY

Being open is hard. But if you can understand not only the benefits, but also the process, it can get easier. You may be in a leadership position—a manager or CEO—of a business that is trying to use social technologies to introduce a new product or to counter a customer backlash. You may be an HR manager or company strategist eager to tap into the ideas of your workforce. Or you may be a church committee leader who is trying to energize listless volunteers, or a school administrator working with vocal parents agitating for change.

The struggle in balancing openness and control is a universal, human problem. As a parent of growing children, I sometimes long for the days when I could simply strap a discontented toddler into

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a car seat and drive off to my destination. Just as children grow and develop their own voices that need to be heard, our customers, employees, and partners want to be brought into the inner sanctum of the organization as well. My hope is that this book will provide guidance and support as you begin your journey into a new world of openness. Bon voyage!

Charlene Li
May 2010

OPEN LEADERSHIP

PART I

THE UPSIDE OF GIVING UP CONTROL

1

WHY GIVING UP CONTROL IS INEVITABLE

You may not know who Dave Carroll is, but United Airlines wishes it had never heard of him.

One March day not long ago, Carroll was a United passenger waiting for takeoff. He looked out of the airplane window and couldn't believe what he was seeing. Out on the tarmac of Chicago's O'Hare airport, he saw baggage handlers tossing suitcases, sometimes dropping them on the ground. Among the items were guitar cases—and the alarmed Carroll, an independent Canadian musician and songwriter, realized that these were *his* guitars being thrown back and forth.

Carroll called over a United flight attendant and asked her to check into what was happening outside. As Carroll related in an interview, “She physically held up her hand and said, ‘Don’t talk to me, talk to the gate agent outside.’ Everybody I talked to after that said either they were not empowered to do anything, or they didn’t care.”¹

Sure enough, when Carroll landed in Omaha, his final destination, he opened his guitar case and found his beloved Taylor guitar badly damaged. Carroll was in a hurry to get to his gig, and he was booked with back-to-back with shows, so it wasn’t until three days later that he contacted United to report the damage. But United refused to compensate Carroll for the \$1,200 repair—the company had a standing policy to not accept claims more than twenty-four hours after a flight, because as time passes it becomes increasingly difficult to pinpoint responsibility for damage.² Because Carroll submitted his claim more than three days after the damage occurred, United said that it would not pay for damages that could have been caused elsewhere.

Carroll pressed his case for months but made no progress. By November 2008, nine months after the incident, he finally got to talk to someone with some decision making power. But alas, it went nowhere. The United representative explained that her hands were tied because of the policy—and politely, but firmly, said there was nothing else that United could do.

Now, if you were a frustrated, deeply wronged *musician* like Carroll, what would you do? You’d write a song about the experience! Carroll actually did more than that—he also made a music video called “United Breaks Guitars” and posted it on YouTube.³ He felt better, and he really didn’t think that more than a dozen people or so would see it.

That was on July 7, 2009. Within three days, the video had over one million views, and Carroll’s anthem became a viral sensation. By the end of 2009, there had been over seven million views and hundreds of news stories about Carroll’s experience.⁴

Understandably, United was aghast. The company immediately reached out to Carroll, who explained that his biggest desire was

to have United's baggage damage policy changed. Tony Cervone, United's SVP of corporate communications, told me, "We engaged directly with Dave as soon as this came out, and said, 'What happened and let us understand this better.' We listened, and then we changed a couple of the policies almost immediately." Indeed, United's willingness to engage Dave Carroll helped to quell the rising groundswell of anger. Carroll posted a heartfelt video statement that explained the incident, applauded United Airlines for its efforts in reaching out to remedy the situation, and even praised the professionalism of United's employees.⁵

United was in a tough situation. The airline industry gets luggage and people to their destinations without a hitch most of the time, and when things do go wrong, the airlines do their best to remedy the situation. But today, all it takes is one (talented) person to replace "Fly the friendly skies" with "United breaks guitars."

THE NEW CULTURE OF SHARING

What's really going on here? The answer, both simple and far-reaching, is that there has been a fundamental shift in power, one in which individuals have the ability to broadcast their views to the world. This shift has come about because of three trends:

- 1. MORE PEOPLE ONLINE.** Not only is the number of people going online growing, but the time they spend and the kinds of things they do online are both also multiplying. According to internetworldstats.com, 1.7 billion people globally are active on the Internet.⁶ Penetration ranges from 6.8 percent in Africa and 19.4 percent in Asia to 74.2 percent in North America.
- 2. THE WIDESPREAD USE OF SOCIAL SITES.** These days, it's hard to find any Internet user who hasn't watched at least one video on YouTube. Adoption has been quick: in September 2006 only 32 percent of all active Internet users around the world had watched a video clip online; by March 2009 it had grown to 83 percent.⁷ Similarly, social networking site usage has jumped, growing from

27 percent of global online users to 63 percent of all users ages eighteen to fifty-four globally. So when people go online, they are now spending a disproportionate amount of time on content that they have created themselves.

3. THE RISE OF SHARING. More than anything else, the past few years have been dominated by the rise of *a culture of sharing*. The activity of sharing is a deeply ingrained human behavior, and with each new wave of technology—printed paper, telegraph, telephones, and email—sharing gets faster, cheaper, and easier.

Now there's a new dimension to sharing. Until about five years ago, unless you knew how to program a Web page, sharing was limited to the number of emails you could send out. And if you sent out too many, you would start to lose your credibility.

Now widespread distribution of information online is as easy as updating your status to your friends on Facebook and Twitter, which you can access from just about any device (Web browser, mobile phone, even your TV).⁸ And new services make it easy to upload not only text, but many different types of content: upload a photo to Flickr or a video to YouTube directly from your mobile device, or create a podcast by simply calling a phone service.⁹ All of these new features have made sharing not only simple, but also scalable. This technological leap has given anyone armed with a mobile phone the ability to share with the world.

GOING PUBLIC

Social media has not only empowered your customers but also given your employees new ways to collaborate with each other—a good thing—and new opportunities to publicly grumble about their jobs—a not-so-good thing. Problems that once were resolved through private channels like phone calls and emails are now played out in public. You never could control what people said over their backyard fences about your brand, your company, or your management style, but until recently the public impact tended to be minimal.

Take, for example, what people think about their jobs. You've probably complained about your job to friends and family members, sharing with them your frustrations at work. In the past, the effect of disgruntled employees was mostly limited to their immediate circle of acquaintances.

But today, one need only go to a site like Glassdoor.com to get the inside scoop on an organization. Employees anonymously review companies and their leadership and also share their titles and salaries, in an effort to help others who may be negotiating a job or raise. Here's an example:

NOT A FUN PLACE TO WORK

PROS

- Interesting technology.
- The people at our location are fantastic.

CONS

- Senior management (officer level) does not communicate in a constructive way.
- It is obvious that senior management does not value the employees of the company.
- Since our company was acquired by Company X, morale and productivity have plummeted.

ADVICE TO SENIOR MANAGEMENT

- Allow business units more autonomy in day-to-day operations. Set goals for business units, then provide the freedom and the resources to get the job done.
- Recognize and reward productive employees.

SAYING GOODBYE TO CONTROL

Business leaders are terrified about the power of social technologies, but they are also intrigued and excited about the opportunities. I've spoken with hundreds of leaders about their desire to tap into the power of social technologies to transform their businesses. They like the idea of being able to hear instantly what their customers are saying about them. They're curious about the ability to obtain new ideas from customers or to lower their support costs by having customers solve each others' problems.

A few have actually taken the steps to embrace social technologies and are doing well; many others began the journey enthusiastically, only to fail. There is neither typical rhyme nor reason in these successes or failures—the size of the company, industry, or even prior experience with social technologies did not dictate the outcome. Instead, my research shows, the biggest indicator of success has been an *open mind-set*—the ability of leaders to let go of control *at the right time, in the right place, and in the right amount*.

The first step is recognizing that you are not in control—your customers, employees, and partners are. If you are among the many executives who long for the “good ol' days” when rules and roles were clear, indulge yourself in that kind of thinking for just a few more minutes—then it's time to get to work. This is a fad that will not fade, but will only grow stronger, with or without you.

LETTING GO TO BUILD RELATIONSHIPS

At this point, you may be thinking that engaging with these newly empowered people is too risky, that your organization isn't ready to deal with unruly mobs. Or as one executive commented, “It is one thing for customers to be aiming a gun at me. It is another thing to invite them onto my site and hand them the gun myself.”

The reason to get proactive about giving up control is that by doing so you can actually regain some semblance of control. It seems counterintuitive, but the act of engaging with people, of accepting