Leadership in the age of WikiLeaks

By Anthony Goodman
agoodman@tapestrynetworks.com

2010 was been an extraordinary year for leakers. The WikiLeaks release of diplomatic cables was one of the news stories of the year. The US Congress created a financial incentive for whistleblowers to talk to regulators rather than take matters up internally. Starwood and Hilton hotel groups finally settled their ongoing corporate espionage dispute.

WikiLeaks may have aimed its blunderbuss release of 250,000 US diplomatic cables at state actors but many companies were also hit by the digital shrapnel including rumours about BHP Billiton, BP, Pfizer and Shell. WikiLeaks founder Julian Assange has since revealed that the site’s next target is likely to be major US bank early this year.

WikiLeaks has gone after companies before: in 2009, it posted a report on Trafigura, the commodities trading firm, that examined the potential health effects of its disposal of petrochemical waste in the Ivory Coast in 2006; and, in 2008, it released documents about Julius Baer, the Swiss bank, that had been leaked by a senior executive of the bank.

Despite the potential threat presented by WikiLeaks, there are other, better reasons why business leaders should be thinking about how they run their companies in 2011.

Disgruntled employees existed before WikiLeaks and they now have more options. The Dodd-Frank Act in the US provides whistleblowers with financial incentives to report information about securities laws violations directly to the Securities and Exchange Commission which could lead employees to bypass their companies’ internal whistleblower programmes. The legislation creates an incentive payment to whistleblowers that represents 10-30 per cent of any financial recovery in excess of $1m, and as fines increase such payouts could be enormous.

Even without a disgruntled employee, there are problems for leaders to face. Legislators, regulators and enforcement agencies already have the power to search e-mails looking for evidence of wrongdoing. Last year also saw the public discussion at a Senate Permanent Subcommittee on Investigations hearing of e-mails from inside Goldman Sachs that revealed the private feelings of top managers about certain deals.

On top of all this is the multimillion pound corporate espionage industry that is currently bribing and cajoling your employees to release confidential information to aid your competitors. As Rhymer Rigby wrote in this paper: “In general, corporate leaks tend to be of interest only to a very small group of people – an organisation’s competitors or potential buyer.” But, he added:
“The jackpot can be phenomenal – tens of thousands spent on corporate espionage can result in a payback in the millions.”

So how should leaders operate in the age of WikiLeaks? In an interview with Forbes magazine, Mr Assange described his motives in fairly simple terms: “It just means that it’s easier for honest CEOs to run an honest business, if the dishonest businesses are more affected negatively by leaks than honest businesses. That’s the whole idea. In the struggle between open and honest companies and dishonest and closed companies, we’re creating a tremendous reputational tax on the unethical companies.”

On a more practical level Mr Assange recommended – perhaps self-interestedly: “Do things to encourage leaks from dishonest competitors. Be as open and honest as possible. Treat your employees well.”

The use of technology by various stakeholders to find out information about companies led Dan Tapscott and David Ticoll to write their influential 2003 book, The Naked Corporation. The authors noted then that: “The corporation is becoming naked... If you’re going to be naked, you’d better be buff!” If so, Mr Assange is the digital paparazzi snapping illicit screenshots of your corporate body.

Messrs Tapscott and Ticoll argued that transparency, “calls forth a new kind of leader – the executive who has integrity in his or her bones, who leads with intent and by example; who, rather than hunker down in the face of transparency’s power, galvanizes the firm to harness it; and who has the courage to do the right thing and the vision to build corporate character to withstand the vicissitudes of a volatile new century”.

That challenge is even greater in 2011. Leaders need to create a culture in which bad behaviour runs against the corporate grain and there is a zero tolerance approach to those breaching the company’s ethical code.

Chief executives and others will need to conduct their work lives as if their e-mail will one day be in the public domain; this should force them to pause for thought before pressing the send button. Leaders will also need to establish processes to identify internal problems before they become external crises. Some of the processes will be open: hotlines, self-monitoring and reporting structures, incentives for ethical behaviour. Other processes may run more quietly in the background, seeking to identify patterns that accompany increased risk.

Leaders will not wait for whistleblowers to identify issues but when they do they need to be treated as heroes not villains. Finally, leaders need to prepare for leaks with crisis communications plans that are regularly tested.

In a world of naked corporations facing public exposure from leakers and whistleblowers alike, business leaders will need to take their new year’s resolutions to lose weight and get fit very seriously indeed. Just as purveyors of fizzy drinks and crisps may soon face an obesity tax, the flabby corporation will face a WikiLeaks “reputational tax”.

This article first appeared on FT.com.