

# The Naked Company

HOW THE SOCIAL MEDIA REVOLUTION MAKES AUTHENTIC  
EMPLOYEE ENGAGEMENT VITAL

## WITNESS TO A REVOLUTION

**Twenty-three years ago**, pretending to be a tourist on vacation, I hid a camcorder in my handbag and chatted my way through Berlin's Checkpoint Charlie into East Germany. In truth, I was a journalist for ABC News, and I was going undercover to track down rumors of big, anti-government protests in Leipzig. The communist government had banned all western journalists, but I was determined to penetrate the Iron Curtain and bring home the story.

For a week, I met with nervous underground democracy activists, filmed growing street demonstrations with the lens of my video camera poking from an improvised bag, and managed to elude the secret police trying to follow me. Then, after crossing back into West Germany, I found a phone booth and phoned ABC with the first hard news and images of the growing revolution. Less than a day later, I was on the Concorde jetting across the Atlantic toward ABC headquarters in New York, clutching the videotapes that would lead that night's national newscast. Within months, the Berlin Wall would fall and the Soviet Empire began breaking up.

Flash forward a couple of decades, to the Arab Spring. Despite the efforts of autocrats and dictators across the Middle East, tens of thousands of ordinary citizens used their cell phones and laptops to post video, photos, tweets and commentary for the entire world to witness—and not through journalists, but via the democratic, unmediated Web. And the results, while not uniform, were stunning, as people threw off the yoke of autocrats and

began demanding a voice in their own future.

This revolutionary shift in communications technology over the past two decades—as well as the democratization of who controls it—contains critical lessons for companies whose leaders have yet to recognize and embrace the new realities of social media. The truth is that social media has upended the traditional balance of power in shaping public perception—not just about public, political events, but about public and private companies that have long hidden behind press releases and parsimonious spokespeople to shield themselves from meaningful scrutiny. For the first time in history, employees hold the upper hand.

## THE BIRTH OF THE NAKED COMPANY

Consider the following, recent examples. In March, a disillusioned, mid-level Goldman Sachs banker named Greg Smith resigned from the company and published a scathing Op-Ed in *The New York Times* that decried the changes in culture he'd

witnessed over his 12 years with the company. “I can honestly say that the environment is as toxic and destructive as I have ever seen it,” he wrote, exposing from the inside what he described as a culture of greed at the company. He went on to write that this culture was established at the very top level of the company, and that Goldman bankers often derogatorily referred to clients as “Muppets” and often put the bank's own profits ahead of client interests. Within hours, the Op-Ed went viral as Goldman struggled to contain the damage. Analysts estimate that, all told, Smith's 1271-word essay ended up costing Goldman Sachs more than \$2 billion.

The firestorm Smith ignited came only a day after a former senior Google engineer named James Whittaker blogged that his former company had abandoned its democratic spirit of innovation in a vain, top-down pursuit of its competitor, Facebook. “The Google I was passionate about was a technology company that empowered its employees to innovate. The Google I left was an advertising company with a single corporate-mandated focus,” he wrote.

Whittaker left Google for Microsoft in 2009, after a lot of soul-searching.



Greg Smith's Op-Ed in *The New York Times*

A company he'd once eagerly promoted to prospective high-profile job candidates no longer fired his passion. "No one had to ask me twice to promote Google, and no one was more surprised than me when I could no longer do so," he wrote. Smith, who like Whittaker long helped recruit candidates to Goldman Sachs, wrote of a similar, diminishing ability to endorse his employer as a good place to work.

A third example is that of the two North Carolina Domino's Pizza employees who in 2009 uploaded a video, since removed from YouTube, that appeared to show them introducing their own special "ingredients" into customers' food, including spit. When the video went viral, Domino's fired the pair—but not before the pizza company's brand (already troubled) had taken a hit that would cost hundreds of millions of dollars to fix.

These three examples—and there are many others I could cite—illustrate in stark terms the impact that a few disengaged employees can have on corporations that spend millions (and have the resources to spend billions) trying to polish their public image. In this new world, what we're witnessing is nothing less than the birth of what I call The Naked

## *At many companies, the clothes are already halfway off, yet their executives don't even know they are exposed.*

Company—enterprises that no longer have the power to hide their dirty laundry, but must instead listen to and engage employees or watch that laundry hung out for public review and backlash.

Now, thanks to social media (and its corporate cousin, social business) nearly everything that was once internal and private is now potentially public. And if it's juicy enough, probably will be. This new reality means that the traditional divisions between internal and external communication have all but crumbled, and companies need to ask themselves a new, fundamental question: How does my company look naked?

### THE EMPLOYEE AS CHARLES ATLAS

As communications professionals, we need to embrace this new

landscape and exploit its full potential for true employee engagement.

Those who fail to do this could end up much like the phone book, which after more than a century of dominance as an invaluable resource now usually finds itself tossed at the curb for recycling, often still in its plastic shrink-wrap. And yet, while many may think they're on top of these rapid changes, few actually are. At many companies, the clothes are already halfway off, yet their executives don't even know they are exposed. The only thing that's saved them embarrassment to date is that many employees don't yet fully recognize their new found power.

The Edelman Trust Barometer is an annual global survey of public trust in business, government, Non-Governmental Organizations and media. Its 2012 report, which drew on the responses of more than 30,000 survey participants

## Trust

### IN EMPLOYEES



### IN CEOS



in 25 countries, revealed that people's trust in CEOs plummeted by 12 points from the previous year, to 38%. It was the largest drop for CEOs in the 12 years that Edelman, the global public relations firm, has been taking the survey.

At the same time, however, trust in fellow employees rose 16 points to 50%. Similarly, trust in "a person like yourself" jumped 22 points to 65%, the largest year-to-year increase in that category since 2004.

"As government officials and CEOs become less a source of trusted information, people are once again turning to their peers," the Edelman Trust Barometer found, noting that "A person like me" has emerged as one of the three most credible types of spokespeople (academic and technical experts take the top two spots).

"Smart businesses will take advantage of this dispersion of authority," the report continued. "They will talk to their employees first, and empower them to drive the conversation among their peers about the company and its role in society."

That's why companies that underestimate (or kick metaphorical sand in the face of) their employees are likely to find themselves, sooner or later, paying a price for their indifference or overconfidence.

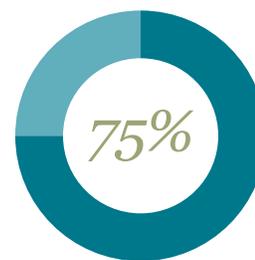
## IN PURSUIT OF THE ENGAGED EMPLOYEE

In Mandarin, the character for crisis is a combination of two others: danger and opportunity. And as much as leaders of a naked company might

*\$370 billion*



Amount that lost productivity of actively disengaged employees costs the U.S. economy annually



Amount of leaders who have no engagement plan or strategy

focus on the danger of employees with a global electronic soapbox—and those dangers are real—the more enlightened executives will focus on the tremendous opportunity. In reality, focusing on the opportunity to engage employees and make them informed, enthusiastic, articulate advocates for the enterprise is the only way to mitigate the danger.

Consider the following data:

- 78% of engaged employees would recommend their company's products or services, while only 13% of disengaged employees would (Gallup);
- 70% of engaged employees indicate they have a good understanding of how to meet customer needs; only 17% of non-engaged employees say the same (Wright Management);
- 67% of engaged employees would advocate for their company or organization, while only 3% of disengaged employees would (Gallup); and
- The lost productivity of actively disengaged employees costs the U.S. economy \$370 billion annually (Gallup).

As the following data suggest,

integration of social business tools into daily work and culture can help companies increase the engagement that drives superior performance.

- Companies using Web 2.0 tools achieved an 18% increase in employee engagement versus 1% among those that didn't (socialworkplace.com);
- Employees with the most extensive digital networks are 7% more productive than their colleagues (MIT); and
- 52% of organizations using Web 2.0 technology such as social media achieved Best-in-Class performance; of those that didn't, only 5% outperformed their competitors (Aberdeen Group).

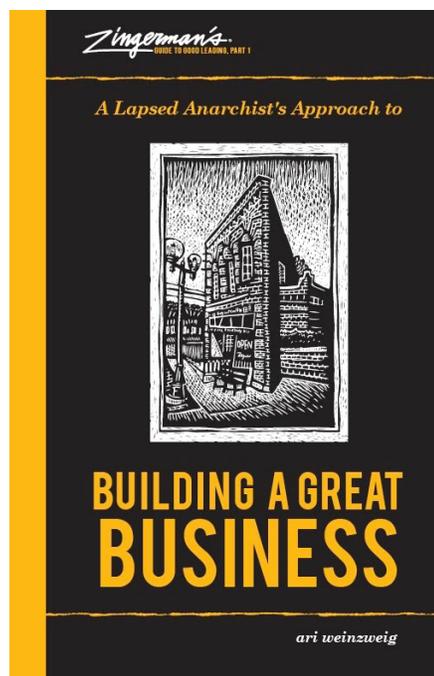
But as important as social business technology is, the critical differentiator is the cultivation of trust and good judgment throughout an organization. Company leaders now need to ask themselves: How do we engage, inform and motivate more effectively? What tone do we set? How well do we listen to employees? And how well do we translate employee concerns or ideas into action? If survey data is any indication, such questions are easier than the answers. In fact, according to one study, 75% of leaders have no engagement plan or

strategy even though 90% of them say engagement impacts business success.

## LIBERTY LEADING THE PEOPLE

The most effective corporate leaders today welcome the contributions of all employees, no matter what their title. They recognize the humanity and individuality of all their employees, recognizing that acknowledging and celebrating people in all their diverse dimensions builds both trust and engagement. In practical terms, this means:

- Demonstrating consistent humility. Consider the example of Sir Richard Branson, who has even appeared naked in his commercials. If a billionaire knight has nothing to hide, can't we all become a little more comfortable with the risk of humility?
- Being more transparent about



Zingerman's Guide to Great Leading, Part 1

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company processes and performance. Consider taking a look at the insights of successful entrepreneur Ari Weinzwieg in Zingerman's *Guide to Great Leading, Part 1: A Lapsed Anarchist's Approach to Building a Great Business*.

- Letting go of control, with a new emphasis on setting clear, realistic goals without micromanaging how people achieve them. Consider the Southwest Airlines flight attendant, David Holmes, who turned the required pre-flight safety announcement into a rap, earning plaudits from his passengers and fame on YouTube.

So, now that employees have the world at their fingertips, what's going to happen? It's hard to predict, except that transparency will likely increase and that, over time, this will make companies stronger, empower employees and customers alike with more information, and hopefully produce flatter, more energized organizations that perform better than ever before.

## THE FUTURE OF ENTERPRISE COMMUNICATIONS

The Arthur W. Page Society and its members have devoted much energy in recent years to understanding



David Holmes, Southwest Airlines flight attendant

how the communications profession needs to evolve in this changing world. The organization just released the publication *Building Belief: A New Model for Activating Corporate Character and Authentic Advocacy*, which is an enlightened roadmap for navigating the future. The model describes two dimensions of communication leadership:

### 1. Defining and Activating Corporate Character

This refers to the unique identity (purpose, mission and values) of an enterprise. Not just defining it, but also ensuring that people embody its character day-to-day. "It is no longer sufficient to manage reputations and brands—our external personas—separately from our workforces and cultures. They need to be managed as one. And to do that, we need to define and activate our corporate character."

## 2. Building Advocacy at Scale

Billions of individuals now have the means to share their experiences, opinions and ideas—and to organize for action—at scale. This aspect of the model addresses how an enterprise engages individuals, in addition to audiences, publics or segments of specific populations. Its goal is not merely to shape the opinion, sentiment and perception of those individuals, but to spur them to action, ongoing behavior and advocacy.

And, appropriately, this new model is grounded in and reinforces the progressive Page Philosophy and Principles, originally drafted in the 1930s – 40s, which, when followed, make any enterprise look great naked. One principle in particular

speaks to the importance of employee engagement: “Realize a company’s true character is expressed by its people. The strongest opinions—good or bad—about a company are shaped by the words and deeds of its employees. As a result, every employee—active or retired—is involved with public relations. It is the responsibility of corporate communications to support each employee’s capability and desire to be an honest, knowledgeable ambassador to customers, friends, shareowners and public officials.”

Our goal as communication professionals must be to create the channels and culture that catalyze and encourage authentic employee engagement at every level of the organization. We need to help our companies recognize that they’re

now naked, and encourage them to empower employees with the information and sense of ownership they need in this new, connected and more democratic marketplace of ideas.

As we have seen time and again, revolutions are inevitable—in the world at large, and in the world of business. The conceptual Berlin Wall that once divided internal and external communication has now fallen, and the corporations that fail to acknowledge this—those whose executives are still guarding their own Checkpoint Charlies—will soon discover that history has left them behind. It’s a brave new world out there, and for those who embrace employees as true and full partners in their chosen enterprise, the barricades to success are falling fast. ■

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*Connecting and inspiring employees through the power of communication*

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