The Accountability Web: Weaving Corporate Accountability and Interactive Technology

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Corporate Social Responsibility Initiative

The Corporate Social Responsibility Initiative at the Harvard Kennedy School of Government is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance and strategy, public policy, and the media. It bridges theory and practice, builds leadership skills, and supports constructive dialogue and collaboration among different sectors. It was founded in 2004 with the support of Walter H. Shorenstein, Chevron Corporation, The Coca-Cola Company, and General Motors.

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THE ACCOUNTABILITY WEB:
WEAVING CORPORATE ACCOUNTABILITY AND INTERACTIVE TECHNOLOGY

BILL BAUE AND MARCY MURNINGHAN

A WORKING PAPER OF THE CORPORATE SOCIAL RESPONSIBILITY INITIATIVE

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A. EXECUTIVE SUMMARY

Corporate accountability and Web 2.0 share a common thread: both are rooted in interaction and thrive on engagement. This overlap creates opportunities for corporate accountability and Web 2.0 to join forces to create mutual benefits for firms and their stakeholders. However, this has yet to happen comprehensively – the use of interactive technologies for accountability purposes remains in its early stages, with current business use of Web 2.0 tools focused more on improving performance and increasing efficiencies inside the firm, and on brand management, customer relations, or crisis management outside it.

At a time when our economy is navigating a crisis, and public trust of business activity is in short supply, the intersection of concerns about corporate sustainability, accountability, transparency, and ethics with the proliferation of Web 2.0 communication tools offers an opportunity for new forms of collaborative leadership and participation, and for shaping a new agenda. In many ways we are witnessing the transformation of long-held notions about the boundary of the firm, and, with that, an evolution in the concept of who is "inside" and who is "outside" the organization. In this report, we call this creative and expanding network of intersections the *Accountability Web*.

The World Wide Web has interactivity embedded in its DNA; Web 2.0 simply activates the latent potential built into the Web's architecture, delayed from actualization by the lag in the technical development of interactive tools and the human rate of adaptation. And we are already witnessing the early emergence of Web 3.0 in various forms – most prominently the Semantic Web, where computers independently make connections and identify meaning buried in the clouds of data now surrounding us. Other early trends starting to define Web 3.0 include the mobile Web, which gears the Web toward portable technologies such as iPhones; the ubiquitous Web, where connectivity blankets the world and reaches technologies previously not included in the Web, such as household appliances; universal accessibility, allowing seamless browsing between various password-protected environments; and the Web as a profitable business model.

Corporate accountability is similarly undergoing progressive development. In this research paper, we posit a new label for this evolution, borrowing from computer semantics: *Accountability 1.0* leading to *Accountability 2.0*.

What is the difference among these concepts and categories? *Accountability 1.0* is marked by one-way proclamations, campaigns, and PR communications. Companies and stakeholders talk *at* each other more than *with* each other. Because it is more about speaking than listening, *Accountability 1.0* processes sometimes unintentionally fuel antagonism, confrontation, and mistrust between companies and stakeholders. *Accountability 2.0* rests on the assumption of two-way communication, cooperation, and mutual engagement. *Accountability 2.0* allows actors in the accountability ecosystem to disagree over substantive issues while engaging in respectful dialogue that seeks mutual understanding and more consensus-oriented solutions.

To help map the *Accountability Web*, the report presents a matrix (see Table 3 in Section D), with the progression of corporate accountability on the horizontal axis and the progression of Web 2.0 on the vertical axis, graphically representing the broad spectrum of intersections. The specific steps in these progressions – where each step deepens engagement – follow:

Corporate Accountability Progression

- **Proclaim** in one-way pronouncements or accusations;
- **React**, often in defensive response;
- **Interact** in transactional mode;
- **Dialogue** to **Adopt** new practices and **Adapt** to new realities;
- **Collaborate** and **Co-Create** mutually beneficial solutions.

Web Progression

- **Blogs** use **RSS Feeds** to syndicate content, including audio **Podcasts** and **Videos**;
- **Tagging** content, for example through **XBRL** keywords, to enable user interaction;
- **Webinars** and **Webchats** connect participants in discussion;
- **Microblogs** such as Twitter and **Social Networking** such as Facebook interconnects participants across the social web, while **Wikis** use **Crowdsourcing** to generate understanding and meaning, and **Games** such as MUVEs (multi-user virtual environments) and Augmented Reality simulate scenarios; and
- **Web 2.0 Platforms** empower users to collaborate and co-create.

To illustrate these points of intersection, the report presents seven case studies located in various cells in the matrix. For example:

- Reporting tools such as video tags in the **Phillips 2008 Sustainability Report** exemplify **interaction** through **tagging**, and the materiality analysis in the **SAP 2008 Sustainability Report**, which was crowdsourced from stakeholder input, exemplifies **dialogue** on a **Web 2.0 platform**;
- Shareowner engagement on proxy issues through intermediaries such as **MoxyVote.com**, **ProxyDemocracy.org**, and **Shareowners.org** exemplify **interaction** through **Web 2.0 platforms**; and
- Stakeholder engagement, including the **Shell Dialogue on *JustMeans*, *NaturaConecta*, and **Timberland's *Voices of Challenge***, exemplify **blended engagement** to **dialogue** (and in some instances **collaborate** and **co-create** solutions) mixing interaction on **Web 2.0 platforms** with **face-to-face engagement**.

The final section of the report analyzes seven **trends** identified in the case studies, together with related **gaps** in the form of needs, challenges, barriers, and opportunities that exist. It then makes **recommendations** for companies and stakeholders to consider, as well as a set of broader recommendations for further research and development.

TRENDS, GAPS, AND RECOMMENDATIONS

1. **ADAPT, DON'T JUST ADOPT.** Companies – and stakeholders – are **adopting** Web 2.0 technologies primarily in ways that extend their existing modes and styles of communication, instead of **adapting** to new media environments. Companies are using Web 2.0 for marketing, brand enhancement, and customer engagement, while stakeholders often use online tools for campaigns.

    ♦   *Recommendation:* **Utilize Web 2.0 for stakeholder engagement,** using online interactive tools for dialogue between companies and stakeholders to enhance accountability.

2. **CULTIVATE PARTICIPATION.** In many instances, companies and stakeholders build Web 2.0 platforms, but fall short on building communities to populate them, or adapting the technology to community needs. In other words, **if you build it, will they come?**

    ♦   *Recommendation:* **Build community and technology in parallel**. Determine the goals for social interaction and choose the best technological tools to achieve them.

3. **DEVELOP CLEAR TERMS OF ENGAGEMENT.** Some companies and stakeholders have launched into Web 2.0 engagement without clear agreement on guidelines or expectations for respectful and productive communication. Electronic mediums are particularly susceptible to miscommunication and misunderstanding.

    ♦   *Recommendation:* **Set terms of engagement that encourage respect for diverse perspectives**. For example, create guidelines or agreements for critiquing *practices* and *policies*, not *people*.

    ♦   *Recommendation:* **Monitor what works and what does not**. Put in place assessment and feedback mechanisms to identify keys to success and flag problems.

4. **FOSTER MUTUAL ACCOUNTABILITY.** Instead of focusing solely on the other party's accountability, the two-way interactivity of Web 2.0 can promote mutual accountability, where companies and stakeholders alike recognize their responsibilities toward each other.

    ♦   *Recommendation*: **Model self-accountability when asking other parties to hold themselves accountable** to create a culture of mutual accountability.

5.   **USE BLENDED ENGAGEMENT.** Online and offline engagement styles can differ significantly, creating opportunities to diversify interactions through "blended engagement" that augment Web-based communication with face-to-face meetings.

  ♦   *Recommendation*: **Design strategies with Web-based and in-person engagement built into the plan.** Determine which medium (online and face-to-face) best serves objectives in particular circumstances, and mix them accordingly to benefit from diverse environments.

6.   **BROADEN THE MEDIA PALETTE.** Using new communication tools such as social networking and wikis for stakeholder engagement is already pushing the envelope for many companies and stakeholders, so trying out even more innovative tools seems risky.

  ♦   *Recommendation*: **Experiment internally with other Web 2.0 tools** such as augmented reality (AR) and multi-user virtual environments (MUVE) to assess their usefulness in external engagement. Professionals in other fields find them to be effective mechanisms for unfreezing thinking and promoting fresh approaches to stubborn problems.

7.   **BUILD COMMUNITIES OF INQUIRY AND PRACTICE.** The most advanced initiatives are at the very early stages of **cultivating communities of inquiry and practice**, where members develop a shared set of skills and approaches that broaden understanding, enhance performance, and even create new knowledge.

  ♦   *Recommendation*: **Utilize experts with experience in building communities of inquiry and practice** to convene, facilitate, moderate, and/or curate online engagement.

RECOMMENDATIONS FOR FURTHER RESEARCH AND DEVELOPMENT

In addition to these pragmatic steps, there are many areas worth continued examination, model-building, testing, and development. They include:

- **Explore the feasibility of developing executive education programs for corporate executives and stakeholders** hosted by universities or think tanks to develop and enhance online engagement skills and knowledge.

- **Pursue sector- and issue-specific stakeholder engagement** to address systemic sustainability and ethical issues that affect numbers of companies and impact multiple stakeholders.

- **Analyze the implications of connecting integrated financial and sustainability reporting to online interaction and blended engagement**, which represents a

departure from the traditional practice of printed annual reports and annual general meetings.

- **Develop methods and metrics to calculate the return on investment** for stakeholder engagement in Web 2.0 environments.

- **Create generally accepted standards of best practice** for Web-based stakeholder engagement.

If current trends continue, interactive technology and corporate accountability will evolve independently toward deeper engagement and customization. Greater promise, however, resides in weaving the two together to mutually reinforce their common roots in engagement and interaction. The *Accountability Web* holds the potential to transform traditional relationships, with companies and stakeholders now collaborating to solve problems and generate constructive new ideas and solutions that neither easily could imagine on their own.

More broadly, the convergence of concerns regarding corporate sustainability, accountability, and ethics with the rapid growth and use of interactive technologies can help to bolster existing checks and balances on companies. It can help to bind the immediate concerns of shareowners and other stakeholders whose assets or welfare are at risk to the broader claims of the public interest, thereby contributing towards a rebuilding of trust in capital markets. By fostering an ethic of transparency, accountable performance, adaptation, and renewal, the *Accountability Web* also can play a role in connecting economic enterprise more directly with social, environmental, and moral needs in the 21st Century.

B. INTRODUCTION

"This is a world of transparency, openness, two-way dialogue with your constituents...I just think that's part of the game today. If you're not willing to be completely transparent on just about everything you do, and if you can't tolerate life in a world where you're sharing information openly and getting input from lots of different people, where they have the ability to critique, criticize, have inputs... you'd better find a new profession."
     --GE CEO Jeff Immelt to Bill Baue at the Web 2.0 Summit, October 2009

"When we look at the tools Web 2.0 represents, they have the potential to be game changing for those working to advance a progressive vision of the relationship of business to society [that] asks companies to be accountable for things it does – good, bad, or indifferent – to the environment, our communities, employees, or individuals.
     --Steve Rochlin of AccountAbility and James Farrar of SAP
     in the *Financial Times*, 2008

Corporate accountability and Web 2.0 share a common thread: both are rooted in interaction and thrive on engagement. Given this overlap, it is natural to expect them to join forces to create mutual benefits for firms and their stakeholders. However, this has yet to happen comprehensively – the use of interactive technologies for accountability purposes remains in its early stages, with current business use of Web 2.0 tools focused more on improving performance and increasing efficiencies inside the firm, and on brand management, customer relations, or crisis management outside it.

At a time when our economy is navigating a crisis, and public trust of business activity is in short supply, the intersection of concerns about corporate sustainability, accountability, transparency, and ethics with the proliferation of Web 2.0 communication tools offers an opportunity for new forms of collaborative leadership and participation, and for shaping a new agenda. In many ways we are witnessing the transformation of long-held notions about the boundary of the firm, and, with that, an evolution in the concept of who is "inside" and who is "outside" the organization. In this report, we call this creative and expanding nexus the *Accountability Web*.

The Corporate Social Responsibility Initiative (the CSR Initiative) of the Mossavar-Rahmani Center for Business & Government at Harvard University's John F. Kennedy School of Government supported a research fellowship to look at this interface between Web 2.0 and accountability in more depth. This report is the product of that research. It maps the landscape of how Web 2.0 applications are being used to advance interactive corporate accountability (that is, forms of accountability that engage both companies and their stakeholders). It also examines what current applications or potential innovations are most likely to advance this agenda, and most likely to be scalable across companies, sectors, and societies.

1. METHODOLOGY

This research project used both primary and secondary sources to map corporate use of digital technologies for accountability purposes. We conducted seventeen interviews with corporate officials, technology and sustainability experts, academics, and public policy advisors with knowledge and experience in Web 2.0 and/or corporate accountability (see Appendix A for a list of interviewees). We organized a consultation in New York with prominent authorities on Web 2.0 and/or corporate accountability to present our preliminary research for feedback. (see Appendix B for a list of consultation participants).

In October 2009, we attended three conferences on corporate social responsibility and Web 2.0. Finally, in November 2009, we presented our preliminary findings at a webcasted meeting of the New Leaders / Policy Innovations Program of the Carnegie Council on Ethics and International Affairs, in New York. We integrated suggestions and feedback from all these conversations and interviews into our analysis.

To supplement these, we reviewed literature in the areas of business management, leadership, disclosure, Web 2.0 innovations, and online learning. We conducted extensive Web-based searches, using relevant keywords, establishing RSS feeds, creating automatic alerts generated by Web browsers and search engines, and following online platforms.

To determine which companies might serve as case studies and examples, we solicited peer-based recommendations, as well as reviewing established universes of companies already demonstrating exemplary CSR work, such as the Domini 400 Social Index, FTSE4Good, Dow Jones Sustainability Index (DJSI), Nasdaq Global Sustainability 50 Index, and the Janzi Social Index. We also examined lists such as *Working Mother* and *Fortune* Magazine's 100 Best Companies to Work For, as well as winners of the Ceres-ACCA North American Awards for Sustainability Reporting and the Global Reporting Initiative's Readers' Choice Awards. We reviewed members of Ceres, the Global Reporting Initiative (GRI), the Investor Network for Climate Risk (INCR), the International Network for Corporate Governance (INCG), signatories to the UN's Global Compact, Boston College's Center for Corporate Citizenship, and the U.S. Climate Action Partnership.

Finally, we used three surveys on corporate use of online technologies: SustainAbility's *Enhancing Stakeholder Engagement Through Web 2.0*; Radley Yeldar's *Trends in Online Sustainability Reporting* for the GRI, and Lundquist's list of Global Leaders for online CSR reporting. From these we were able to generate a list of companies that use interactive technology. Next, we identified which specific online tools companies and stakeholders used, as well as the relative degree of stakeholder engagement, to create the framework we called the *Accountability Web Matrix*.

The *Accountability Web Matrix* maps the progression in corporate accountability on one axis and the progression of Web 2.0 tools on the other, and provides examples within the resultant cells. The matrix guided our choice of case studies, distributing the examples as

evenly as possible across matrix cells, with a particular concentration of the most innovative examples in the upper-right "most interactive" quadrant. Because this is a work-in-progress, particularly as more companies discover the benefits of social media and online interaction, the Accountability Web Matrix represents a preliminary inventory of exemplary developments in what remains a rapidly developing field.

2. REPORT STRUCTURE

This report comprises four main sections: Introduction; Context; Mapping and Case Studies; and Analysis.

In the Context section, we review the relevant literature and define our terms. More specifically, we first trace the historical progression of Web 2.0 and describe interactive technologies and tools; we then trace the historical progression of corporate accountability, identify specific actors in the accountability ecosystem and present forms of corporate- and stakeholder-initiated accountability; and finally, we broadly assess developments at the intersection of corporate accountability and Web 2.0 and explore the specific example of sustainability reporting in depth to illustrate this intersection.

In the Mapping and Case Studies section, we present the *Accountability Web Matrix* to visually represent the dynamic interplay between corporate accountability and Web 2.0 progressions, and to locate specific examples within cells in the intersecting nodes. We discuss in detail seven case studies that exemplify best practices and illustrate trends.

In the Analysis section, we discuss current trends in the advancement of the *Accountability Web*, as well as gaps and impediments to forward progress, along with recommendations for solutions to these specific issues. We also include a set of broader recommendations for further research and development.

C. CONTEXT

1. WEB PROGRESSION

The World Wide Web has interactivity embedded into its DNA. At its inception, the Web combined two then-prominent technological applications:

- the *Internet*, a "hardware and software infrastructure that provides connectivity between computers" conceived in the 1960s and operationalized in the 1970s ("Internet" 2009); and
- *hypertext*, a term coined in the 1960s by Ted Nelson to describe text linked to other text through a computer – akin to an electronic footnote (Nelson 1965).

In the 1980s, British physicist (now Sir) Tim Berners-Lee came up with the idea of fusing computer and textual interconnectivity to achieve human interactivity. Working at the European Organization for Nuclear Research (CERN), Berners-Lee tackled a problem affecting professional and scientific advancement for physicists at CERN and throughout the world: how to easily share and update research data stored on computers. Berners-Lee figured out how to do this, and by the end of the decade, proposed that CERN create a "universal linked information system" using "distributed hypertext" (Berners-Lee, 1989; "History of the World Wide Web," 2009)

The next year, in 1990, Berners-Lee and his CERN colleague Robert Cailliau collaborated on a more detailed proposal for a six-month, two-phase project to launch a "WorldWideWeb." They projected the first three-month phase to focus on creating a "read-only" Web, and the second three-month phase to introduce interactivity through "automatic notification of a reader when new material of interest to him/her has become available" and "the creation of new links and new material by readers [so that] authorship becomes universal" (Berners-Lee and Cailliau 1990).

After internal development, CERN opened the Web to the public in August 1991, and its April 1993 agreement to allow fee-free use of Web protocol and code led to widespread proliferation ("History of the World Wide Web" 2009). The "read-only" nature of the proposed first phase ended up extending throughout the Web's first decade, described by web designer Darcy DiNucci as "the Web we know now, which loads a browser window in essentially static screenfuls" (DiNucci 1999). DiNucci used this characterization as a launching pad to coin the term *Web 2.0*, where the Web functions as "a transport mechanism, the ether through which interactivity happens." In simple terms, Web 2.0 described the transition from one-way communication to two-way (or multi-directional) interactivity.

The 2004 advent of the *Web 2.0 Conference*, now an annual summit and expo produced by O'Reilly Media and TechWeb, proved instrumental in popularizing the term. Sarah Milstein, now Co-Chair of the Web 2.0 Expo for TechWeb, related this story from when she was Senior Editor at O'Reilly:

A number of employees at O'Reilly [were] talking about how the Web was changing and . . . a guy named Dale Dougherty, who is a long-time partner in the O'Reilly business and runs the Maker Media division now, said, 'You know, it seems like what we're seeing is the Web, 2.0'. He doesn't tend to get credit for it – Tim [O'Reilly] tends to get the credit, or the company gets the credit, although Dale was the person to coin the term. And the thinking at the time was that we were starting to see a collection of trends that represented both an evolution in terms of what the Web could do, but also, we're starting to fulfill the promise of what people early on had thought the Web could turn into.

I think part of what people recognized – years before it was possible – was that the Web would allow for massive connectivity, would allow for contributions and participation from all kinds of people all over the world, that it would involve collecting massive amounts of data that could be searched and leveraged and reused in many different ways. And I think it would allow for a certain kind of immediacy (Milstein 2009).

In his seminal essay, "What is Web 2.0?" O'Reilly Media CEO Tim O'Reilly (2005) proposed a series of foundational definitions, several of which underline Web 2.0's interactive nature: "trusting users as co-developers," and "harnessing collective intelligence."

The shift of "the people formerly known as the audience" (a phrase coined by Jay Rosen) into participants in the creative act reflects a much broader trend returning to what Harvard Professor Lawrence Lessig calls "read/write" culture, which he distinguishes from "read-only" culture, an aberration of the 20th Century that commodified creative acts by transforming the audience into mere passive consumers (Lessig 2006; Bollier 2008, 2009). Lessig's concepts map closely to the transition from static Web 1.0 to interactive Web 2.0 – though his use of text-specific metaphors ("read/write") falls short of capturing the richer scope of multimedia opening up to interactivity, including visual images, video, audio, and even computer coding, among many other venues.

Berners-Lee considers the term Web 2.0 to be "a piece of jargon, nobody even knows what it means." In an interview, he pointed out that the Web "was designed to be a collaborative space where people can interact . . . [it] was all about connecting people" (Laningham 2007). In other words, Web 2.0 simply activates the latent potential built into the Web's architecture, delayed from actualization by the lag time for technical development of interactive tools and for human adaptation to new environments.

Looking forward, Berners-Lee foresees a transition to what he calls the Semantic Web, where computers independently analyze content to make connections and identify meaning buried in the clouds of data now surrounding us (2001). The Semantic Web is one of several trajectories vying for a place in the Web's next wave, or Web 3.0 (Shannon 2006). Other related developments trending toward Web 3.0 include the mobile Web, which gears the Web toward portable technologies such as iPhones; the ubiquitous

Web, where connectivity blankets the world and reaches technologies previously not included in the Web, such as household appliances; universal accessibility, allowing seamless browsing between various password-protected environments; integrated interactivity, where users build their own customized Web 2.0 platforms suited to their own needs; and the Web as a profitable business model (Armbrester 2009; Hempel 2009). In reality, all of these strands are developing interdependently to create what is becoming Web 3.0.

(a) INTERACTIVE TECHNOLOGY TOOLS

In the digital world of computers, Internet-based interactive technologies such as e-mail, Usenet, listservs, and Bulletin Board Systems (BBSs) pre-date the advent of the Web. What invests Web 2.0 with power is not its novelty, but rather the integration of interactivity onto a global electronic platform, where interactivity not only transpires amongst people, but also enables the meshing (or "mashing") of content, applications, and software, among other things.

The technological progression toward Web 2.0 was not linear, but rather discursive and dispersed, as multiple strands developed simultaneously and slowly morphed from Web 1.0 to Web 2.0. The following section describes a number of these strands.

RSS, or "really simple syndication" – the technology behind web syndication alerting subscribers of new content (and delivering it) – exemplifies this dynamic. The roots of RSS trace back to 1995, and include many differing iterations, including Meta Content Framework (MCF) at Apple, Resource Description Framework (RDF) at Netscape, and Channel Definition Format (CDF) at Microsoft. Controversy over rightful claims to the development of RSS as it matured also plagued the early progression. The November 2002 adoption of RSS by the *New York Times* as its syndication technology represented a "tipping point," after which RSS use exploded (Winer 2006).

RSS rests somewhere on the continuum between Web 1.0 and Web 2.0: a step away from the static nature of website content in that it allows the audience more control over their interaction with Web content. RSS technology gave rise to weblogs, or **blogs**, opening the door for everyday web users to create their own content and "broadcast" it to the world through RSS. Blogging gave rise to "citizen journalism," where "the people formerly known as the audience" became the creators. The 2007 Scooter Libby perjury trial exemplified this dynamic, as one of the first federal cases to grant press credentials to bloggers such as *FireDogLake*, resulting in the "fullest, fastest public report available," according to the *New York Times* (Shane 2007).

RSS also gave rise to **podcasting**, or syndicated alerts and delivery of audio files for downloading to computers or onto portable media players such as iPods. Here again, podcasting is primarily a *one-way* communication, albeit one that empowers the audience through greater control. Video can also be syndicated by RSS, called **videocasting, video podcasting,** or the more generic **netcasting** (the term coined to avoid copyright issues in associating with Apple's iPod.) As if this isn't confusing enough, the term

webcast or **webstream** refers to audio or video content that streams over the Internet, thus removing the syndication and downloading element of podcasting.

Webinars (or web-based seminars) – which are essentially synonymous with **video conferences** and **web conferences** – introduced the element of interactivity, as participants engage with one another over distance via the Web, connected by audio or video linkups. Climate change and peak oil may become the primary drivers of web conferencing, as concerns rise over price, availability, and emissions of energy required for in-person meetings (Carli 2009).

"The people formerly known as the audience" are also the driving force behind **crowdsourcing** and **user-generated content**, most prominently enacted through **wikis**. Wiki software – first developed by Ward Cunningham, who coined the term from the Hawaiian word for "quick" after riding on the Wiki Wiki Shuttles at the Honolulu International Airport – enables multiple users to contribute content to a website, allowing for the "wisdom of the crowd" to emerge ("Wiki" 2010; Surowiecki 2004). While there is some debate over which is better, the wisdom of crowds or experts, crowdsourcing and user-generated content have embedded themselves in Web-savvy culture, with particularly effective uses in defined communities, such as on corporate intranets.

The explosion of *Facebook* and *MySpace* demonstrates the power and reach of **social networking** or **social media**, perhaps the defining Web 2.0 technology. Social media enables individuals to interconnect on the Web, allowing them to follow the updates of family and friends, as well as network to make new connections. Web 2.0 social networking platforms also apply to specific communities, such as *LinkedIn* for professional interactions, and *JustMeans* and *Development Crossing* for the CSR community.

Twitter – which imported the concept of **text messaging** (or **Short Message Service – SMS**) from the world of cellphones to the World Wide Web – has propelled the popularity of **microblogging**, so named after the 140-character limit for content (Milstein 2009). Twitter has proven its usefulness as an efficient, real-time, dispersed communication tool in the 2008 terrorist attacks in Mumbai, India, and as an organizing tool after allegations of election fraud in Iran in June 2009.

Tagging, or the organization of content into taxonomies based on keywords, bridges from Web 1.0 to Web 3.0. The tagging of information is not in itself particularly interactive; as with blogging, tagging does not necessarily lead to user generated content, but rather allows users to better control and navigate content. However, tags represent a meta-language fueling the rise of the **Semantic Web**, where content searching, integration, and aggregation can be automated. The Semantic Web version of Web 3.0 foresees a world where smart programs generate new meaning and value from the semantics embedded within the cloud of data surrounding us. It also enables a world where botnets (or automated computer programs) can run amok or undermine civil and privacy rights (Carli 2009).

2. THE PROGRESSION OF CORPORATE ACCOUNTABILITY

The term "stakeholder" was coined in an internal memo at the Stanford Research Institute (now SRI International) in 1963 to describe "those groups without whose support the organization would cease to exist," and the list of constituents comprising stakeholders originally included "shareowners, employees, customers, suppliers, lenders, and society" (Freeman and Reed 1983). SRI was among the first to break from the prevalent view of the primacy of the shareholder as the sole relevant stakeholder in management decision-making, asserting that "successful strategies are those that integrate the interests of all stakeholders, rather than maximize the position of one group within limitations provided by the others" (Freeman and McVea 2001).

R. Edward Freeman's 1984 book *Strategic Management: A Stakeholder Approach* helped establish the "new conceptual framework" of *stakeholder theory* and advanced his classic definition: "A stakeholder in an organization is (by definition) any group or individual who can affect or be affected by the achievement of an organization's objectives" (Freeman 1984:46). Freeman subsequently proposed that a company's key stakeholders consist of its employees, financiers, customers, suppliers, and communities (Freeman 1994). Other commentators have added to this list wider groups such as government, non-governmental organizations (NGOs), unions, and the environment itself.

Stakeholder action to hold companies accountable dates back to the advent of corporations themselves. In 1602, the Dutch East India Company became the world's first initial public offering (IPO) for trading corporate shares on a stock market. It simultaneously became the first target of stakeholder activism. Dutch religious pacifists, appalled by the reliance of the company's business model on the "generous application of warfare, blockade, piracy, assassination, imprisonment, plunder, terror, slavery, [and] bribery," campaigned by lamplight house-to-house to gather signatures for a notarized public petition, to boycott investment, and to make a show of selling shares in protest (Baue 2008; Davis et al. 2006:175-6).

Engagement by shareowners – perhaps the best positioned of stakeholders to leverage corporate accountability – followed a mere seven years later. On January 24, 1609, Isaac Le Maire, the largest minority investor of the Dutch East India Company, submitted history's first recorded dissident shareowner petition against management over abuses of shareowner rights – such as keeping financial accounts secret, denying shareowners a say in selecting managers or creating policies, and refusing to pay dividends (Baue 2008; Davis et al. 2006:33-4).

In both instances, the company stonewalled, setting the stage for the kind of confrontational interaction between stakeholders and corporations often seen since, which Bendell (2004) characterizes as "the corporate accountability movement." This dynamic was largely avoided by early corporate chartering where the state incorporated projects

that advanced the common good, such as windmills, dams, and bridges, and then dissolved them when they had fulfilled specific civic needs for their stakeholders.

Throughout the early history of the United States, state and federal governments systematically increased corporate reach far beyond these defined constraints, extending their lifetime into perpetuity and expanding their scope of purpose (Korten 1995:59; cited in Bendell 2004) – significantly enhancing corporate power in the process. The tipping point came with the 1886 *Santa Clara County v. Southern Pacific Railroad Company* case, in which the U.S. Supreme Court defined corporations as "persons" under the 14th Amendment (enacted to define former slaves as persons) entitled to full Constitutional protection (Hartmann 2002). While granting corporations more rights, the U.S. government did not attach commensurate responsibilities of accountability for actions and impacts, as it does with natural persons.[1]

With government so limiting its duty to hold corporate "persons" accountable, the job fell on those impacted by companies, namely, their stakeholders – a dynamic Zadek (2001) calls "civil regulation," where individuals seek to influence the terms of their co-existence with companies.

In the 1960s, the corporate accountability movement in the U.S. reclaimed its most effective lever: shareowner power to directly petition the company over its policies, practices, and performance. This right had been secured in the U.S. by John and Lewis Gilbert, who filed resolutions with companies through the 1920s and '30s – until challenged in court. A 1947 Securities and Exchange Commission ruling favored the Gilbert brothers, confirming shareowners' right to communicate directly with companies through the proxy ballot at annual general meetings (Baue 2008; Minow and Bingham 1992; Massie 1997).

Twenty years later, activist shareowners revitalized this strategy by filing resolutions on social and environmental issues. At the 1967 Eastman Kodak annual meeting, community organizer Saul Alinsky's FIGHT (Freedom, Intergration, God, Honor – Today) coalition asked the company to hold itself accountable for discrimination against black employees (Massie 1997). Resolutions followed in 1969 seeking to hold Dow accountable for the environmental and human health impacts of Agent Orange, and in 1971 at General Motors, most famously asking the company to end its complicity in South Africa's apartheid regime (Massie 1997; Teicher 2004; Baue 2008).[2] This engagement expanded thereafter, not only to shareowners of other companies but also to other stakeholders that companies impact financially as well as socially and environmentally. For example, the Interfaith Center on Corporate Responsibility launched in 1971 to coordinate shareholder

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[1] On January 21, 2010, as this report was in the editing phase, the U.S. Supreme Court issued a 5-4 split decision in the *Citizens United v. Federal Election Commission* case extending First Amendment free speech rights to corporations, specifically allowing corporations the right to unlimited campaign contributions to political candidates – a move that enhances the case for corporate accountability through stakeholder engagement.

[2] The anti-apartheid resolution was one of the two resolutions to make it past corporate challenges at the SEC, which disallowed seven other resolutions filed that year as part of Ralph Nader's "Campaign GM" (Murninghan 1994; Massie 1997).

activism amongst religious denominations with their pension fund investments, and issue-specific non-governmental organizations advocating for specific stakeholders (such as factory workers or the environment) proliferated (Massie 1997).

Consequently, stakeholder activism exploded in the 1990s, primarily in a confrontation/defense dance between stakeholders and corporations (Bendell 2004). Bendell classifies the confrontational tools of consumer boycotts, demonstrations, and campaigns as "forcing change" tactics in his typology of civil society engagement with business (Bendell 2004).

> Such forcing change tactics often led to different approaches when corporations began responding positively. This was because once an issue was put on the corporate agenda, the subsequent responses were key in determining how the problem might be improved. Over time, new forms of engagement emerged. Some civil groups and companies formed partnerships to develop new products, techniques or management practices. Civil groups began advising companies on best practices, and endorsing or promoting such practice. Codes of conduct and certification schemes, often as part of multi-stakeholder initiatives, grew significantly during the 1990s (Bendell 2004).

A "certification revolution" is what Conroy (2007) called this shift from confrontational campaigning to stakeholder-company cooperation in creating codes of conduct and certification schemes – such as the Forest Stewardship Council for timber and the Marine Stewardship Council for seafood. Particularly for consumer-facing brands, the business case for shifting from passively defending questionable corporate practices to actively managing these reputational risks by co-creating systematic solutions gained credence.

From the stakeholder activist perspective, Bendell (2004) characterized this shift from "us-versus-them" as a move from "corporate boxing" to "corporate judo," the martial arts dance of redirecting aggression into more benign or even constructive energy.

From the business perspective, Simon Zadek (2004) called this transition the "Path to Corporate Responsibility," a five-stage typology of organizational growth toward greater accountability through stakeholder engagement.

TABLE 1: PATH TO CORPORATE ACCOUNTABILITY

Defensive	Deny practices, outcomes, or responsibilities ("It's not our job to fix that")
Compliant	Adopt a policy-based compliance approach as a cost of doing business ("We'll do just as much as we have to")
Managerial	Embed the societal issue in their core management processes ("It's the business, stupid")
Strategic	Integrate the societal issue in their core business strategies ("It gives us a competitive edge")
Civil	Promote broad industry participation in corporate responsibility ("We need to make sure everybody does it")

Source: Zadek 2004

These two perspectives – the stakeholder activist and the corporate – do not, of course, exist in isolated vacuums, but rather in dynamic interrelationship.[3] Stated simply, they are in discourse, or even more simply, accountability is by definition a dialogue. According to Andrea Schedler (1999), accountability "establishes a dialogic relationship" between actors on both sides of the accountability equation – in this case, companies and stakeholders. "It makes both parties speak and engages them both in public debate" (Schedler 1999). Each actor in the accountability equation has a personal version of what specific attributes comprise accountability in a given situation, and the dialogic negotiation between actors determines the commonly agreed terms of accountability.

Digging deeper into the definition of accountability, its root carries a double-connotation: the "account" a bookkeeper tallies *in numbers*, and the "account" a storyteller conveys *in narrative* (Schedler 1999). Lawmakers and regulators have long held corporations accountable for obeying laws such as reporting accurate numbers in their books, a dynamic that Peter Newell (2002:92; cited in Bendell 2004) calls *enforceability*: "punishment or sanctions for poor performance or illegal conduct." Civil society has increasingly held companies accountable for telling accurate stories about their social and environmental impacts, a dynamic that Newell calls *answerability*: "providing an account for actions undertaken." Civil society stakeholders pursued corporate *answerability* in part because legislation and regulation typically fail to include or enforce meaningful limits on corporate social and environmental impacts, and these impacts may indeed not

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[3] A third perspective also exists. In a review of Naomi Klein's 2007 book, *Shock Doctrine: The Rise of Disaster Capitalism*, Becca Fisher (2009) points out a critique absent from Klein's argument – namely, the dynamic of corporate co-option of civil society. Claire Fauset (2006) earlier proposed that "CSR is a clear part of the industry's attempts to coopt the environmental movement," and cited a strategy "outlined in detail by Ronald Duchin, senior vice- president of PR spy firm Mongoven, Biscoe and Duchin (MBD). MBD works to divide and conquer activist movements, Activists, he explained, fall into four distinct categories: 'radicals,' 'opportunists,' 'idealists,' and 'realists.' He outlined a three-step strategy: isolate the radicals; 'cultivate' the idealists and 'educate' them into becoming realists; then co-opt the realists into agreeing with industry.

lend themselves as readily to being represented in purely quantified terms.

Bendell's framing of corporate accountability as a "movement" (2004) instead of simply a trend creates common ground, placing the "persons" within civil society and corporations side-by-side in a joint cause, even if they don't always agree on strategies and tactics or share power comfortably. It also underlines the sense of progression toward a shared goal of more comprehensive accountability. "Progress therefore relied on people in civil groups and companies transcending the real and metaphorical barricades that separated them, and identifying with a collective movement for reshaping the relationship of corporations with society" (Bendell 2004).

(a) THE PROGRESSION FROM ACCOUNTABILITY 1.0 TO ACCOUNTABILITY 2.0

In this research paper, we posit a new label for this progression, borrowing from computer semantics: *Accountability 1.0* leading to *Accountability 2.0*. Accountability 1.0 is characterized by one-way proclamations, campaigns, and PR communications, with companies and stakeholders talking *at* each other more than *with* each other. This dynamic often fuels antagonism, confrontation, and mistrust between companies and stakeholders.

The transition to Accountability 2.0 is characterized by two-way communication, cooperation, and mutual engagement. Accountability 2.0 allows actors in the accountability ecosystem to continue disagreeing over substantive issues while engaging in respectful dialogue toward the goal of mutual understanding and potential compromise.

This progression also shifts from the uni-directional Accountability 1.0 practice of one group seeking to hold the other accountable, to the multi-directional Accountability 2.0 practice of groups being accountable vis-à-vis each other – otherwise known as mutual accountability, a core concept in civil society and the field of sustainable development institutionalized in the *Paris Declaration on Aid Effectiveness* (OECD 2005; Brown 2008).

We recognize that Accountability 2.0 will not completely replace Accountability 1.0, as these more uni-dimensional practices will continue to play an important role in advancing corporate accountability. Specifically, when one party (be it a company or a stakeholder) refuses to countenance engagement and remains entrenched in 1.0 modes of behavior, the other party is forced to respond in kind with the equivalent modes. For example, when a company stonewalls stakeholder concerns, the stakeholders logically engage in campaign mode, a power tactic to get their concerns addressed.

The practice of corporate accountability and stakeholder engagement has evolved into a set of fairly standardized forms initiated by companies and stakeholders.

TABLE 2: ACCOUNTABILITY FORMS

STAKEHOLDER-INITIATED	CORPORATE-INITIATED
Communications, such as press releases and spokesperson statements	
Activist campaigns and company, brand, or product boycotts	Corporate reputation management, crisis response, and defense against activist campaigns and boycotts
Grievances and legal challenges, such as class action and Alien Tort Claims Act lawsuits	Grievance mechanisms, such as feedback websites and complaint hotlines, ombudsman and legal defense
Analytical reports and quantitative studies	Reporting, such as financial filings and sustainability reports
External verification and assurance statements	Auditing, assurance, and verification of financial and sustainability data
Shareowner resolutions, proxy voting, and statements at Annual General Meetings	Annual General Meetings, including proxy statements
	Corporate policies on social and environmental commitments
Stakeholder engagement and dialogue, including sector-wide and multi-stakeholder initiatives	
Petitions and advocacy for governmental regulation	Advocacy for governmental regulation to level the playing field
Product ratings on social and environmental impacts	Product information on social and environmental impacts
Social and/or environmental sustainability certification standards	

3. THE INTERSECTION OF CORPORATE ACCOUNTABILITY AND WEB 2.0

The remainder of this report examines the intersection of corporate accountability and Web 2.0, focusing both on the practical front, where stakeholders and corporations are *already* using Internet-based tools to advance their agendas (primarily using Accountability 1.0 tactics), and on the theoretical frontier, where the interactivity of accountability and Web 2.0 poses the potential for a range of intersections between the two fields that creates new dynamics.

We label this network of intersections the *Accountability Web*, where interactive technologies bolster the shift toward interactive accountability to create a more democratic, participatory, and mutually respectful culture that helps align corporate action with social expectations. The research identifies a limited but growing number of cases using Web 2.0 to advance Accountability 2.0.

The most promising of these cases implement "blended engagement" – that is, a mix of Web-based and direct human interaction – to leverage the benefits of virtual environments with those of face-to-face contact. When it comes to this convergence of social and electronic networks, we are at very early stages of maturation (Shirky 2008;

Jenkins, 2006; Tapscott and Williams 2006), suggesting implications for future developments when it comes to stakeholder engagement and corporate accountability.

In most instances, corporate uses of interactive technology with external stakeholders – particularly social media – concentrate on product information-sharing and relationship management, rather than innovation, performance improvement, problem solving, longer-term strategic planning, and, most importantly for this research stream, stakeholder engagement on corporate accountability issues. With a few exceptions, companies have yet to understand, let alone embrace, the full meaning of and opportunities for innovation and improved performance posed by digital enterprise. They tend to view it as a supplement to existing approaches, rather than a challenge to many of their assumptions about how the company should operate, and how it can generate scalable value.

Generally, firms are caught between the "old" and the "new" as they struggle to stay ahead while meeting the demands of the new digital infrastructure and public policy environment (Brown 2009). They seek to incorporate interactive digital tools as best they can to carry out familiar responsibilities: public communication; customer relations management; advertising, marketing, and brand maintenance; risk management; and, in cases where a critical event might disrupt or has occurred, dialogue, problem solving, and dispute resolution. The notion of real time, ongoing interactive reporting, disclosure, and dialogue around accountability has yet to be achieved.

In the course of 2009, a number of publications examined the implications of Web 2.0 applications for business operations (McAfee 2009; Hoffman 2009; McKinsey Quarterly 2009). A much smaller number addressed the use of digital tools for enhancing the accountability of firms to stakeholders and society (Bengtson 2009; Fry et al. 2009; Kiewiet de Jonge and Shah 2009), with others covering this intersection from a descriptive, strategic, and/or theoretical perspective (Isenmann, Gómez and Süpke 2009; Gunther 2009; Eccles and Krzus 2010).

A few companies such as Shell, Natura, and Timberland have moved to the vanguard, utilizing interactive platforms for dialogue and reporting. The majority of companies, however, have engaged with the web at most by posting their sustainability reports (Radley Yeldar and Global Reporting Initiative 2009) or a limited range of information online (Lundquist 2009), or have limited themselves to professing aspirations to utilize interactive platforms (2009 Cisco Corporate Social Responsibility Report 2009).

However, as Web 2.0 tools such as Facebook and YouTube become more widely used, interactive technology is likely to be viewed by a growing number of companies as more than just a novelty. Some other fields and disciplines reached this conclusion early on. For example, within news media, there are numerous discussions about the implications of digital technologies for the future of journalism, including interactive technology for citizen journalism, "Public Media 2.0," non-profit business models for sustainable journalism, and participatory democracy in a digital age.

Educators have been active in this space for more than 30 years as the field of online education has ripened (Bonk 2009). They have developed ideas about teaching for deeper understanding as well as improving performance by linking research to practice (Wiske 2005), scaling up technology-based educational innovations (Dede, Honan and Peters 2005), and using networked technologies to communicate and interact long-distance, thus sustaining dialogue, reflection, and collaboration (Wiske and Perkins 2005; Garrison and Anderson 2003; Mason and Rennie 2008). Furthermore, the idea of professional development along the lines of the "reflective practitioner" (Schön 1983; Argyris and Schön 1974) and "communities of practice" (Wenger 1998) have been elaborated upon and refined to include a wide range of diverse professional communities (Daniel, O'Brien and Sarkar 2009).

Meanwhile, in 2009, a wealth of software design and pedagogical innovations – including the use of multi-user virtual environments (MUVE) and augmented reality (AR) interfaces (Clarke, Dede and Dieterle, in press) moved us closer to a world where teaching and learning are more open, accessible, pervasive, collaborative, and fun. Barack Obama was able to utilize digital forms of community building and engagement to mobilize campaign workers during the 2007 US Presidential election campaign. These ideas of using digital tools to foster more transparent and participatory government are part of the current Administration's plan, ideas that also are being developed at state and local levels as well as by advocacy organizations (Neumann 2008; Open Government: Defining, Designing, and Sustaining Transparency 2009).

Finally, professionals working with or within nonprofit organizations are utilizing interactive technology, motivated in part by its low cost, but also in recognition of the vastly different "reach" it provides for fund-raising, real-time public communication, and constituency-building purposes (The Communications Network: Strengthening the Voice of Philanthropy 2009; Kanter 2009; Kanter and Fine 2010).

The corporate sector's adoption of Web 2.0 tools to advance accountability is moving along a slower trajectory. The next section provides an illustration of how one accountability form has evolved and begun to integrate Web 2.0 tools into its practices: sustainability reporting.

(a) AN ILLUSTRATION: SUSTAINABILITY REPORTING AND WEB 2.0

Going back at least 60 years, academics, accountants, policymakers, and practitioners in the United States, Canada, and Great Britain have tackled the interrelated topics of "social auditing" and "social accounting" as a means of measuring and appraising corporate social responsibility in addition to economic performance. In doing so, they have wrestled with the scale and scope of definitions and with how to develop comparable forms of assessment (American Accounting Association 1971; Bauer and Fenn 1972; Ackerman 1975; Carroll and Beiler 1975; Estes 1976; Dierkes and Preston 1977; Post and Epstein 1977; Brooks 1986; Gray 2001; Epstein 2004). Some of these efforts set the stage for normative accounting methods as a complement to financial metrics. In the meantime, many companies in the Netherlands, Sweden, Germany, and

India also reported on their social and environmental performance, which supplemented their annual reports but were not integrated with corporate decision-making (Gröjer and Stark 1977; Lessem 1977).

The late Howard Bowen is credited with coining the term "corporate social responsibility" and "social audit" (which he argued should be conducted every five years by an independent agent) with the publication of *Social Responsibilities of the Businessman* (Bowen 1953). By the early 1970s, the Boston consulting firm of Abt Associates created a social accounting instrument that combined qualitative and quantitative criteria, based on Clark C. Abt's work described in *The Social Audit for Management* (Abt 1976). Because the book was published during a period of social unrest in the U.S., particularly directed to issues of military contracting and racial justice, most companies were reluctant to reveal this kind of information to outsiders, and thus become vulnerable to boycotting or other forms of sanctions.

During the 1980s, a different approach emerged involving comparative rating schemes that addressed broad areas of concern, such as equality and labor standards or environmental stewardship. The success in the 1970s and 1980s of the Sullivan Principles on labor conditions in South Africa, which included an explicit rating system implemented by Arthur D. Little, served as the prototype for subsequent ratings models (Massie 1997). They included the MacBride Principles (regarding corporate activity in Northern Ireland), and the Valdez Principles (named after the 1989 Exxon tanker *Valdez* oil spill in Alaska's Prince William Sound, and subsequently dubbed the Ceres Principles after the investor-environmentalist NGO that founded them.).

Since then, the notion of CSR rating has expanded greatly, driven by a combination of: wider acceptance of the legitimacy of integrating sustainability concerns into business practices; more sophisticated stakeholder strategies and tactics; and changes in the public policy environment that raise public expectations while placing business under greater scrutiny.

The Global Reporting Initiative (GRI) has played a crucial role in driving acceptance of reporting on social, environmental, and economic performance (Eccles and Krzus 2010).[4] In 1997, Allen White and Robert Kinloch Massie conceived the GRI to create a publicly verifiable disclosure framework for corporate environmental, social, and governance reporting. Following a period of global consultation involving hundreds of stakeholders, in 2000 the GRI's first Sustainability Guidelines were issued, with 50 organizations releasing reports based upon them (Global Reporting Initiative 2009c). By 2008, the global number of companies issuing CSR reports had reached an all-time high, with more than 1,000 relying upon the G3 Guidelines – the latest generation of guidelines, issued in 2006 (Global Reporting Initiative 2009b).[5]

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[4] The work of KLD Research & Analytics (recently acquired by the RiskMetrics Group); the work of TruCost; the balanced scorecard concept developed by Robert Kaplan and David Norton (Kaplan and Norton 1996); and the ValueReporting Framework developed by PricewaterhouseCoopers (PwC) have also played important roles in advancing sustainability reporting (Eccles and Krzus 2010).
[5] This represents a 46 percent increase from 2007, when 685 firms published sustainability reports

At a 2010 meeting of the SEC's new Investor Advisory Committee, the Investor as Owner subcommittee proposed a workplan to examine the value of environmental, social, and governance (ESG) disclosure based on GRI and Carbon Disclosure Project frameworks (Baue 2010). Sweden already requires all state-owned companies to publish annual GRI-based sustainability reports, and other countries – including Denmark, Norway, and China – are developing similar policies (Baue 2008c.) And the GRI and others are urging governments more widely to extend sustainability reporting requirements as a matter of urgency.

Finally, recent calls for the integration of financial and non-financial data into one unified corporate report are also now being taken more seriously, in recognition of both the materiality of ESG considerations to overall business success, and the urgency of a longer-term sustainability vision to overall planetary well-being (Eccles and Krzus 2010).

In parallel with this evolution in sustainability reporting, the proliferation of innovative digital tools for the production of accurate, verifiable information make it possible for real-time, location-specific, widely accessible distribution to virtually anyone who wants it – even though few companies currently avail themselves of such options.

Web 2.0 holds the promise of greatly facilitating and enhancing the effectiveness of sustainability reporting as a vehicle for corporate accountability. However, the intersection of Web 2.0 with sustainability reporting, let alone with integrated financial and non-financial reporting, is only just emerging in practice. During 2009, some attempts were made to describe systematically the current connection between sustainability reporting and online participation (Radley Yeldar and Global Reporting Initiative 2009; Lundquist 2009), as well as what might be possible (Cramer 2009; Fry Hester, et al. 2009; Kiewiet de Jonge and Shah 2009). The Radley Yeldar/GRI research demonstrated the still limited and somewhat superficial usage by companies of the Web when it comes to reporting. Among the research findings summarized in *Trends in Online Sustainability Reporting*:

- 30 percent of reporting companies have a direct link on their homepage to their online sustainability report;

- Roughly half of the companies simply posted their .pdf reports online without making use of more interactive technologies such as XBRL tagging or platforms enabling stakeholder dialogue (see below for definition and full discussion of XBRL);

- 60 percent report GRI information in more than one place, with only forty percent having any links to the GRI Content Index, thus posing barriers to online access.

- 82.5 percent of organizations make more than one report on sustainability available online – with older reports and regional reports being common secondary report types;

- 7.5 percent had an RSS feed or email service to keep stakeholders abreast of sustainability issues, with ten percent providing an online feedback form;

- Where digitally rich applications were used, they tended to be for aesthetic or design purposes – such as the use of multimedia or Adobe Flash to enhance the look and feel of the report – rather than for collaborative engagement or dialogue;

- Even though all companies had some online sustainability presence, most were using Web 2.0 technologies elsewhere as part of their broader corporate communications strategy, rather than as a part of their ESG reporting (Radley Yeldar and Global Reporting Initiative 2009).

In a July 2009 concept paper, Business for Social Responsibility (BSR) described seven trends they believe will shape the future of CSR reporting – including two with direct relevance to the *Accountability Web*:

- **Revision of the print – Web relationship**, so companies can have a more coordinated and coherent approach to web and print-based reporting, especially since "many target audiences are increasingly interested in more interactive and innovative web-based methods of communications"; and
- The utilization of **Web 2.0 technologies** "to broaden [corporate] reach, improve the accessibility of reports, and enable two-way conversations."[6]

BSR cited vanguard companies using interactive technology for stakeholder engagement, including:

- **Coca-Cola** for its LivePositively.com website, where users can explore different aspects of Coke's citizenship activities through video text, and interactive environments;
- **SAP** for its invitation to report readers to discuss and rank the materiality of various sustainability factors, with results displayed in real time, as well as for its invitation to discuss options for further reducing greenhouse gas emissions (see case study below); and
- **Timberland** for its EarthKeepers website, as well as quarterly posting of its sustainability performance to the JustMeans website (see case study below) (Business for Social Responsibility 2009).

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[6] The other five trends include: Materiality, Country Reports, Stakeholder Commentary, Robust Reporting Cycles, and Key Performance Indicators.

Similar to the GRI, BSR considers the reporting process as one entry point, not the end point, for stakeholder engagement. Extending this further, the reporting process is not linear, but rather discursive, with stakeholder dialogue informing reporting throughout the process. Online interactive technologies support this more constant, iterative process, allowing corporate managers to engage with stakeholders in real time, transforming the report from an artifact into more of a "living" document.

The advent of digital tools also loosens company control over how audiences perceive and react to corporate communications. The public has greater access and more platforms from which they can issue their views, from virtually anywhere in the world, at any time (Isenmann, Gómez and Süpke 2009; Cramer 2009; Eccles and Krzus 2010). At the same time, digital technologies open up a number of avenues in the continuing development of corporate reporting. These technologies include: a variety of social media platforms, such as *Facebook* and *Twitter*, to communicate with the world; corporate-hosted online platforms for ongoing stakeholder conversation; open source platforms such as wikis for collaborative creation; and tagging, most importantly through eXtensible Business Reporting Language, or XBRL – which illustrates well the potential for Web 2.0 tools to enhance corporate sustainability reporting.

XBRL is a subset of the broader family of tagging tools ("XML" or eXtensible Markup Languages) helping to make the Semantic Web a reality. Stated simply, XBRL uses "tags" to identify specific categories of commonly used data and qualitative information, allowing users to navigate to the specific datapoints and narrative content they seek. XBRL enhances the navigability of individual corporate reports, and perhaps more importantly, facilitates the comparison of disclosures across companies, sectors, geographies, and time periods, allowing for much more sophisticated analysis, evaluation, and aggregation of corporate data. In the United States, the SEC requires companies to apply XBRL tagging in their financial filings.

The emergence of common platforms of tags, or "taxonomies," helps drive the standardization of XBRL across diverse fields and languages, creating a global digital "commons" for co-mingling corporate data in new webs of interaction. For example, in 2006 the GRI commissioned PricewaterhouseCoopers to create a taxonomy of XBRL tags for environmental, social, and goverenance data geared to G3 Guidelines. "Creating the taxonomy is the easy part, in a way, because XBRL is a relatively flexible language – XBRL is just a way to label things, so you can put almost anything you want into XBRL," said Sean Gilbert, at that time GRI's director of technical development, in an April 2007 article by Bill Baue. Baue continued:

> Giving companies a way to put the sustainability information they're already gathering into the same language as their financial statement information will also offer new opportunities to communicate the total value their company is creating for investors. (Baue 2007).

Sanford Lewis of StrategicCounsel.net observes that:

> Web 2.0 technologies such as Reframeit have already made it possible for corporate annual reports to be annotated by any member of the public. It is only a matter of time until such tools are applied in a manner that brings much more information into the hands of the investing public . . . Various stakeholders could then comment or even question the accuracy of information in the reports. I think that will create a very interesting opportunity, much like Wikipedia, where people can get much more information than the company itself puts into such reports (Lewis 2009, 2010).

Not everyone agrees, however, that XBRL will be able to deliver on its promise. "This is a good example of where people thought it was the next big thing, and that's not quite so," says Richard Kirby, technical director at CRedit360, a web-based firm founded in 2002 that specializes in corporate responsibility and sustainability data management and communications. XBRL "consumers don't necessarily have an accounting background. This has changed a bit due to carbon reporting and the growth of carbon registries, but it still is very complicated and costly" (Kirby and O'Connell 2009).

Liv Watson, who with Charles Hoffman co-authored *XBRL for Dummies*, agrees that XBRL is complicated, but believes things are changing for the better, and that future possibilities for aggregation, education, and advocacy are extensive. Watson believes that future reporting will move from expensive, inconsistent processes that rely heavily on proprietary filing solutions from a variety of vendors, to something much more open source and efficient – and that these solutions will be built upon the unifying XBRL standard (Watson, email to Murninghan 2009).

XBRL and the other aforementioned tools create opportunities to shift reporting from a one-way dissemination of information to a multi-directional conversation to collectively critique, discuss, brainstorm, and crowdsource, thereby using the report as a mechanism for generating new knowledge and understanding.

The primary challenge posed by these digital technologies is navigating between the temptation to simply apply these technological tools to existing reporting mechanisms and practices (which developed in "offline" realities), and re-inventing reporting protocols that leverage online realities that can transform the reporting process to increase its effectiveness through interactive co-creation. Yet, despite these game-changing implications, few companies have exploited the potential Web 2.0 offers them to move beyond one-directional communications to more interactive relationships. In the next section, two of the case studies look at companies that are leading the way.

D. MAPPING THE ACCOUNTABILITY WEB

1. THE ACCOUNTABILITY WEB MATRIX

To map the *Accountability Web*, we conceive of a matrix that visually illustrates the dynamic interaction between the accountability progression and the Web progression we identify. The specific steps in these progressions (which necessarily simplify more complex realities) follow.

The horizontal axis contains columns representing steps in the progression from Accountability 1.0 to Accountability 2.0 and beyond:

- **Proclaim** in one-way pronouncements or accusations;
- **React**, often in defensive response;
- **Interact** in transactional mode;
- **Dialogue** to **Adopt** new practices and **Adapt** to new realities;
- **Collaborate** and **Co-Create** mutually beneficial solutions.

The vertical axis contains rows representing steps in the progression from Web 1.0 to Web 2.0 and beyond:

- **Blogs** use **RSS Feeds** to syndicate content, including audio **Podcasts** and **Videos;**
- **Tagging** content, for example through **XBRL** keywords, enables user interaction;
- **Webinars** and **Webchats** connect participants in **Discussion**;
- **Microblogs** such as Twitter and **Social Networking** such as Facebook interconnects participants across the social web, while **Wikis** use **Crowdsourcing** to generate understanding and meaning and **Games** such as MUVEs (multi-user virtual environments) and Augmented Reality simulate scenarios; and
- **Web 2.0 Platforms** empower users to collaborate and co-create.

We populated the cells with specific examples covered in this report, placed corresponding to their relative progression toward deeper interactivity in the *Accountability Web*.

For example, in the lower left cell at the **blogs, videos** / **proclaim** intersection, we locate two blogs devoted to corporate social responsibility. First, McDonald's embeds its *Open for Discussion* blog, which launched in 2006, within its *Values in Practice* CSR suite that includes videos and the company's corporate responsibility report. Second, the CSR@Intel blog launched in June 2007, and features more than 25 Intel bloggers, including then-CEO Craig Barrett writing about a joint venture between Intel and Nobel Laureate Muhammed Yunus of the Grameen Bank. These examples inhabit the lower left cell because, as blogs and videos, they are primarily one-way communications that "proclaim" the companies' CSR activities.

Nestlé Waters' *Things to Know* video website, which launched in October 2009 "to help raise awareness of the true impact of the bottled water industry on the environment," is located one cell to the right, as the **videos** primarily **react** to stakeholder criticism, but do not provide opportunities for stakeholders to engage with the company on the site. Indeed, the company ran into problems for this approach when Christine Arena blogged on the launch of the videos, where she called into question Nestlé's representation of facts. She also questioned the company's savvy in online stakeholder engagement. "Nestlé broke every cardinal rule in social media, stakeholder engagement and transparency with it's one-sided, "set the record straight" public relations effort. There is no meaningful opportunity to interact with the company, no way to leave a comment" (Arena 2009c).

ColaLife, "an initiative to get Coca-Cola to open up its distribution channels in developing countries to save lives … by carrying much needed 'social products' such as oral rehydration salts and high-dose vitamin A tablets," is located two cells above the lower left corner, at the intersection of **social networking, crowdsourcing** and **proclaim**. The initiative had its roots in an idea conceived in 1988 by Simon Berry while working for the British Government's aid programme: "What about Coca Cola using their distribution channels (which are amazing in developing countries) to distribute rehydration salts? Maybe by dedicating one compartment in every 10 crates as 'the life saving' compartment?" (ColaLife 2010).
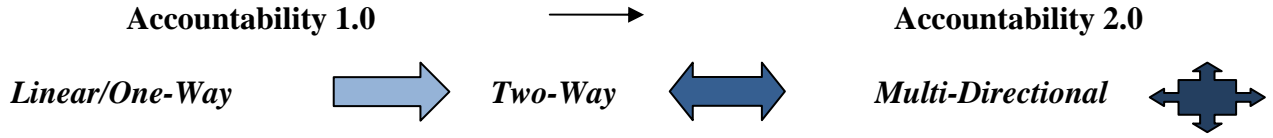
Berry could not get any traction behind the idea for two decades – until he tried one last time to float the idea, in a May 2008 blog post that "went viral" to create a huge community of supporters for the idea. Berry launched a Facebook page to gain additional support, and eventually shifted across the horizontal axis from "proclaim" to "react" to "interact" when he entered into discussions with Coca-Cola to trial a modified version of his original ColaLife idea.

Moving to the upper right corner, IBM's Global Jams pioneered the use of **Web 2.0 Platforms** to **collaborate** globally online to **co-create** innovative solutions to vexing problems. "These online moderated chat blogs are a very effective way of pulling ideas from our 400,000 employees, as well as customers and business partners, and then using a combination of manual and digital tools to sift out the themes that emerge. It's like a crowdsourcing exercise using Web 2.0," said Cameron Brooks of IBM's Big Green Innovations team (Brooks 2010). For example, IBM hosted a Global Innovation Jam in 2007 that harvested feedback pointing the company toward a sustainability focus, which led to the launch of its Big Green Innovations team that acts as an incubator for new ideas on how to use electronic tools to solve social and environmental conundrums.

We populate the remainder of the *Accountability Web Matrix* with the case studies, as well as other examples described throughout the body of this report. We color code the examples to distinguish between those illustrating interactivity broadly speaking, those using interactivity to advance corporate social responsibility, and those exemplifying the *Accountability Web* through the use of Web 2.0 tools to enhance corporate accountability and stakeholder engagement.

TABLE 3: *THE ACCOUNTABILITY WEB* MATRIX
Progression of Accountability Engagement + Technological Tools

Accountability 1.0   →   **Accountability 2.0**

Linear/One-Way   ⇒   *Two-Way*   ⬌   *Multi-Directional*   ✛

Progression of Tech Tools	Progression of Accountability Engagement				
	Proclaim	React	Interact	Dialogue	Collaborate & Co-Create
Web 2.0 Platforms			♦ MoxyVote.com ♦ ProxyDemocracy.org ♦ TransparentDemocracy.org ♦ Shareowners.org GoodGuide.com	♦ *JustMeans* Shell Dialogue ♦ SAP Sustainability Report / Collabroation Workspace ♦ Development Crossing	♦ Timberland *Voices of Challenge* ♦ *NaturaConecta* ♦ IBM Global Jams
Microblogs / Wikis / Crowdsourcing / Social Networking Games		♦ ColaLife	♦ BASESwiki ♦ Chevron's Energyville ♦ Walmart Sustainable Products Index and Earthster ♦ Coca-Cola LivePositively.com ♦ Yammer		
Webinars / Webchats			♦ ShellDialogues		♦ Intel Blended Annual Meeting
Tagging			♦ Philips Sustainability Report		
Blogs / Podcasts / Video	♦ McDonald's *Values In Practice* ♦ CSR@Intel	♦ Nestlé Waters *Things to Know* Videos			

Color Key:

Interactive only   **Interactive CSR**   *Accountability Web:* **Interactive Accountability**

2. THE ACCOUNTABILITY WEB CASE STUDIES

This section presents seven case studies that exemplify various aspects of *The Accountability Web,* organized into three broad categories: reporting, shareowner engagement, and stakeholder engagement. The case study titles describe the trend illustrated and the organization or practice profiled, which can be viewed on the *Accountability Web Matrix* within the appropriate cell designating degree of interactivity.

(A) REPORTING

(i) VIDEO TAGGING: PHILIPS SUSTAINABILITY REPORT

As discussed above, the integration of traditional financial reporting with sustainability reporting remains very early in its development. So does the integration of Web 2.0 tools and platforms into corporate reporting – with "triangulated" integration (financial and sustainability reporting in Web 2.0 environments) even earlier in its development. One company stands out at the forefront of this intersection: Philips Electronics, the Dutch lighting and health care company.

Philips' 2008 annual report fully integrated all of its financial and non-financial information into one paper document, a harmonizing process that also is reflected on its corporate website (Philips Electronics N.V. 2008). Philips discloses the standards and methodology used for both its financial and non-financial categories: the U.S. Generally Accepted Accounting Principles, the International Financial Reporting Standards and the GRI's G3 Guidelines respectively. They also include a chart showing the GRI performance indicators covered in the report (Philips Electronics N.V. 2009).

FIGURE 1: PHILIPS WEB-BASED ANNUAL REPORT

Source: http://www.annualreport2008.philips.com/
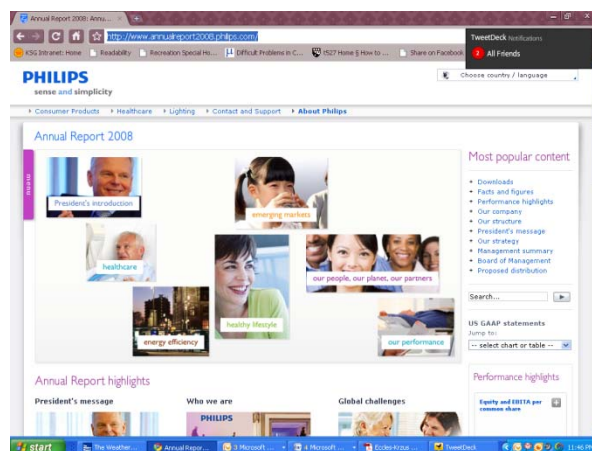
The user-friendly design of Philips' multilingual (more than 30 languages) web report features a blend of audio, video, and .pdf content that can be accessed by pointing and clicking. By clicking a topic – the President's introduction; healthcare; energy efficiency; emerging markets; healthy lifestyle; our people, our planet, our partners; our performance – a video or document pops up explaining more. All the chapters, sections, and notes contained in the paper Annual Report are separately .pdf-formatted so that a reader can create a customized version according to preference. Financial statements can be downloaded as .pdf documents or converted into an Excel spreadsheet.

Perhaps Philips' most innovative design dimension is the report's searchability function. In addition to print content, all of the audio and video materials are tagged to make them keyword-searchable. This development moves in the direction of the Semantic Web definition of Web 3.0, enabling meaning and interconnection using linguistic signposts. Until now, the Semantic Web has focused primarily on textual interconnections; the tagging of multimedia content folds video and audio into the Semantic Web.

Significantly, the Philips report embeds tags directly in the section *within* the video or audio that contain the keyword, just as a keyword search brings readers to the exact section where the desired word appears in the text. This development transforms multimedia content from window-dressing into more usable content, allowing the audience to navigate to precisely the sections bearing the relevant content for their needs.

Philips also includes a one-minute, 7-question Web survey, featuring a mix of open-ended questions: *"Suggestions for improving the report?" "Are there certain areas of interest that were not covered?" "Did you struggle with anything on the website?" "What is the first information you check in an annual report?" "For what purpose do you want to use the information?" "What does the information from the annual report help you with?" "What motivated your visit?"*

(ii) CROWDSOURCING MATERIALITY: SAP'S *COLLABORATIVE SUSTAINABILITY PLATFORM*

As a multinational company that specializes in collaborative business enterprise software, SAP is well placed to grow the *Accountability Web*, not only through its products but also through its direct experience in creating and embracing interactive technology as a tool for improved sustainability performance and innovation, achieved through collaborative means. Headquartered in Walldorf, Germany, SAP seeks "to improve sustainability on a grand scale" through its technology solutions (SAP 2010). Specifically, SAP developed its Sustainability Performance Management suite of applications to help companies aggregate information internally, often from disparate and far-flung locations, to generate sustainability reports.

SAP acknowledges that in addition to internal business use, interactive tools can also be used by stakeholders and social activists. SAP welcomes this form of what James Farrar, formerly SAP's Vice President of Global Corporate Citizenship, has called "disruptive innovation." At a 2008 Carnegie Council seminar on the use of Web 2.0 for enhancing corporate social responsibility, Farrar noted that in theory, interactive tools provide opportunities for activists to "extend their reach back into the enterprise and demand accountability and openness and responsiveness" (Carnegie Council Policy Innovations 2008).

This commitment to collaborative sustainability makes SAP a leader in building the *Accountability Web*, yet highlights the fact that technology is only part of the equation: it also requires a motivated community with a commitment to shared purpose if collaborative engagement is to occur in any significant way. Moreover, in addition to user-friendly communication tools, you need to cultivate social interaction and knowledge development if you want to generate authentic idea sharing, innovation, and problem solving.

FIGURE 2: SAP HOME PAGE

Source: http://www.sap.com/index.epx
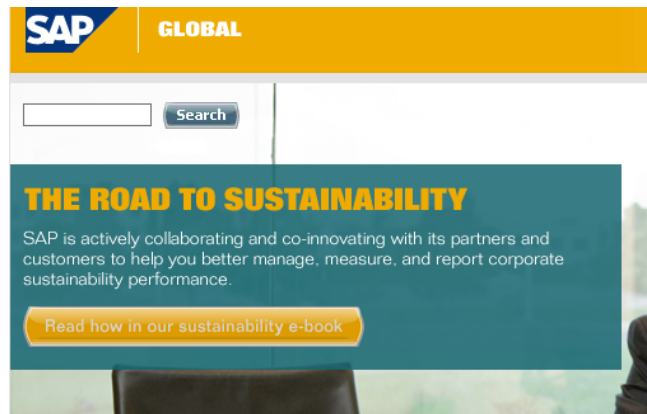
As with other firms we have studied, SAP's own sustainability commitment has evolved, particularly with respect to reporting. The company issued its first sustainability report in 2007, but in 2008 utilized an online, interactive platform. SAP's 2008 Sustainability Report, in contrast to its static 2007 report, provides opportunities for users to explore and analyze SAP's sustainability performance through interactive charts and graphs. Engaging and user-friendly, the 2008 Sustainability Report is deliberately designed "to provide a greater interactive experience and provide a clear view to our stakeholders" and views sustainability as "an ongoing journey" that requires dialogue with stakeholders to "challenge and guide our approach" (SAP 2008).

FIGURE 3: SAP 2008 SUSTAINABILITY REPORT

Source: http://www.sapsustainabilityreport.com/
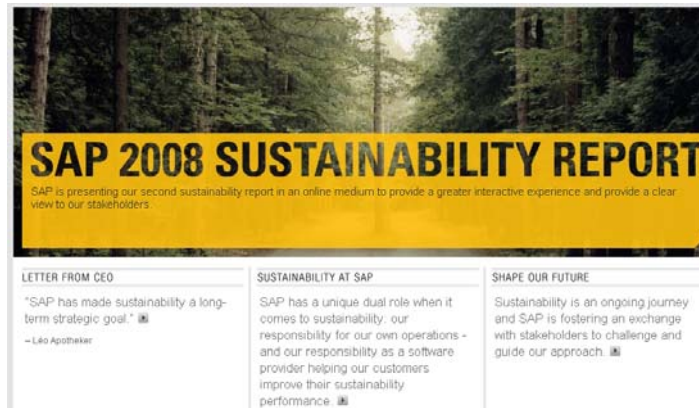
SAP discovered that more people have visited the interactive site – a fivefold increase since its static 2007 Sustainability Report was posted online – with many returning more than once. SAP believes this is due to the online "analytical dashboards" enabling users to capture information of greatest interest and relevance to them (Eccles and Krzus 2010). SAP's dashboards leverage the firm's BusinessObjects technology, and are organized across four broad global priorities: Climate Change, Digital Inclusion, World Class People, and Accountability. Each of these priority categories includes subsections featuring SAP's View, Goals, and Solutions. SAP also uses the GRI Index as a framework for organizing its sustainability performance data. Finally, through following hyperlinks, the user can continue to obtain further contextual information from an array of external organizations, in addition to that proffered by SAP.

Although more companies are beginning to display their sustainability reports in an interactive format, SAP goes one step further by inviting commentary from users. In 2009, the company modified its "Collaboration Workspace" to accommodate discussion of sustainability issues. The Collaboration Workspace was established originally to foster collaboration between SAP, its customers, and partners, with a goal of scaling and accelerating worldwide co-innovation within a user friendly, efficient, and secure environment. This process of collaboration – what SAP calls "Orchestrated Ecosystem Participation" – has proven to be quite successful, with 1.4 million people involved. User-generated groups can be formed, following certain protocols and vetting, on topics of their choosing.

Within this Collaboration Workspace, SAP also posted a "Materiality Analysis", a matrix of the issues SAP considers most important to stakeholders, which also have a significant strategic impact with respect to SAP's business risk and opportunity. SAP crafted its Materiality Analysis through a variety of consultation and research activities, including:

- Direct stakeholder engagement facilitated by AccountAbility;
- SAP participation in the Business for Social Responsibility Software Industry Materiality Working Group;

- A McKinsey survey of more than 50 SAP customers;
- Customer contracts and disclosures as part of SAP's customers' sustainable supply chain management;
- General requirements of Dow Jones Sustainability Index and FTSE4Good;
- Direct engagement of NGO and Investor Analysts on SAP's CO2 targets;
- SAP stakeholder survey (with more than 1,150 participants);
- Direct engagement with key Industry analysts and other thought leaders; and
- Other *ad hoc* conferences and academic interest (SAP 2010).

The resulting list of material issues includes items such as: digital inclusion; biodiversity; human rights; community relations; waste discharge; water use; SAP's customer carbon footprint; and SAP's own GHG footprint.

FIGURE 4: SAP MATERIALITY ANALYSIS

Source: https://cw.sdn.sap.com/cw/community/sustainabilityatsap/materiality
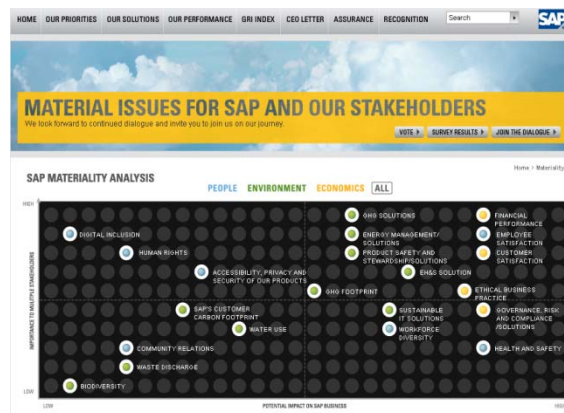
SAP invites readers to rank the materiality of these issues, and then displays the results in real time, with links to an online discussion board. For example, on 6 May 2009, Peter Graf, SAP's Chief Sustainability Officer, asked readers: "What are your most important Economic Issues?" "What are you[r] most important People related issues?" and "What are your most important Environmental issues?" (SAP 2010) As of 22 February 2010, however, SAP had received only two responses to these three questions. By contrast, each question received several hundred page views. This experience illustrates the challenge of motivating visitors from passive "lurkers" to active engagers.

SAP's Sustainability09 Discussion page features a bit more stakeholder participation on similar topics by prominent thought leaders and practitioners in the sustainability field. Michael Buetler, Sustainability Performance Director at SAP, addresses the challenges of inspiring participation beyond the "usual suspects":

> We have this cool thing online, which is a great model for other companies, but a challenge we have is getting a dialogue beyond the echo chamber – in terms of how do we promote, how do we generate stickiness on it? We want to get more people involved. My concern is *not* that we

have people get up there and bash SAP and customers, but that we don't
get enough interest. My biggest concern is, how do we drive interest to
what we are doing? Without controversy, or a direct connection to how
we impact people's lives, it's difficult for us to get people engaged.
Because it's like, where do your story and their story intersect?

James Farrar is sanguine about what lies ahead. As companies use digital systems
architecture to extend their communication and reach, they are able to tweak the tools to
become more open and responsive. The explosive growth in social media, used both by
companies for customer relations management and activists to scale their activist agenda,
can result in greater demands for corporate accountability and responsibility. "I think the
interesting thing going forward is how the technology that businesses use, the technology
that consumers and citizens use, will come together, and how both civil society and
responsible enterprises can work together" (Carnegie Council Policy Innovations 2008).

The question remains as to what will motivate stakeholders and other parts of civil
society to come – and come back, and participate in ways that result in collaborative
engagement, learning, innovation, and constructive change.

(B) SHAREOWNER ENGAGEMENT

(i) INTERACTIVE PROXIES: TRANSPARENTDEMOCRACY.ORG, PROXYDEMOCRACY.ORG, MOXYVOTE.COM, AND SHAREOWNERS.ORG

The arrival each spring of large envelopes containing corporate proxy statements with
complex information on executive compensation and shareholder resolutions on
environmental, social, and governance matters often prompts everyday investors to toss
their proxy ballots in the recycling bin. Economists call this response "rational apathy," a
natural reaction to the overwhelming and confusing onslaught of information (Alpern
2009; Holton 2006). *Web 2.0* may help solve this problem, enabling average investors to
reclaim the proxy franchise as originally intended. In fact, this voting block – the 51
percent of U.S. households that hold stock directly or indirectly through mutual funds or
401(k)s, representing 41 percent of outstanding U.S. equities – represents a crucial voice
in enacting corporate accountability, as Robert A.G. Monks, Nell Minow, and a legion of
corporate governance and social responsibility activists and academics have been arguing
for more than 25 years (Monks and Minow 1992; Monks 2010; Murninghan 1994;
Alpern 2009).

Three *Web 2.0* applications – TransparentDemocracy.org, ProxyDemocracy.org, and
MoxyVote.com – put accountability tools at the fingertips (or mouse clicks) of
shareowners. All three obviously provide the information contained in the proxies, which
typically includes candidates for board seats and shareowner resolutions. The primary
value they add is to provide voting recommendations from a wide variety of institutional
investors – from the California Public Employees Retirement System to unions such as
Change to Win to socially responsible investors such as Calvert. Through the power of

the Web, they allow investors to align their own votes with their preferred recommendations, in blocks or individually tailored.

ProxyDemocracy adds mutual fund voting analysis, allowing investors to compare how their mutual funds voted on shareowner resolutions with "focus lists" from diverse organizations, such as Green America (formerly Co-op America) and the AFL-CIO. It also calculates an "activism score" tabulating how often a fund votes against management recommendations.

MoxyVote, the only for-profit venture of the three, adds value as a one-stop shop, allowing investors to link to their brokerage accounts, receive their proxies on the site, and vote shares right through the site (Alpern 2009; McRitchie 2009). MoxyVote also employs a form of client-directed voting that can automate voting according to a number of variables. Users can set their own parameters, such as always voting against management, or vote along with institutional investor or activist recommendations (McRitchie 2009).

MoxyVote adds a layer of transparency by displaying statistics on how investors vote through the site. "That's going to be a powerful tool in building involvement," says James McRitchie (2009). "Yes, you may only be voting 40 shares with the recommendations of Calvert or Change to Win but if you see on the site that 100, 1,000, or 10,000 others did the same, you begin to see that small votes do add up." In effect, it broadcasts the accretive value of votes, visually representing the aggregation of individual voters as they combine into a larger collective voice. Shareowner advocates recognize the power of this information to spread the word on – and gauge support for – their causes.

Companies may also recognize the power of the platform to gauge the pulse of shareowner sentiment, and to communicate their own messages. This last dynamic more fully utilizes the interactive power of Web 2.0, which currently remains latent in all three sites. Interaction and communication occurs predominantly by proxy, so to speak, with investors not voicing themselves as much as resonating with other voices – more meta-conversation than true dialogue.

Several other sites focus more on community-building. iSuffrage.org and its offspring, the U.S. Proxy Exchange, use more static Web 1.0 tools for one-way communications intended to create a movement toward shareowner democracy in reality. However, ShareOwners.org is a bona fide Web 2.0 social networking platform. Launched in June 2009 as a non-profit, it was "founded to create a voice for the average retail investor" by establishing a "grassroots network [and a] 'people powered' organization that connects small investors to help them act collectively to improve the transparency, efficiency, and accountability in the way financial markets operate" (Shareowners.org 2009; 2010).

Shareowners.org uses "cutting-edge forms of Web- and non-Web outreach, communications and education" such as "online social networking to create a base of shareowner activists and then use contemporary technology to teach them about the most

pressing issues such as CEO compensation, shareowner rights, and enhanced protection under securities laws" (Shareowners.org 2010).

The Hastings Group, a Washington, D.C.-based public relations consulting firm specializing in social responsibility activism and investor education, built the Shareowners.org website on a Ning backbone. Ning provides off-the-shelf social networking platform templates for customization. However, building a Web 2.0 platform does not automatically guarantee robust interactivity, as a number of variables impact interaction. Language, for example, plays an important role in accessibility. Content on Shareowners.org tends more toward the technical terminology of corporate governance insiders than the language of everyday investors who Shareowners.org aspires to transform into grassroots activists.

Former New York State Governor and Attorney General Eliot Spitzer identified "at least two critical hurdles" that Web 2.0 portals such as Shareowners.org and MoxyVote.com are trying to overcome: first, shareowner non-voting, on the assumption that "their votes don't matter" because "shareholder votes are almost never close"; and second, "there is no water cooler for corporate democracy" (Spitzer 2010). In Spitzer's words:

> [B]ringing the technologies of the 'new politics' to the corporate context will make information access easier and ultimately even permit direct shareholder-to-shareholder communication. In the long run, reinvigorating corporate democracy is almost as important as reinvigorating political democracy. Much as we may believe that a new regulatory regime will fix our corporate sector, the more important levers of influence will, and should, come from the activities of shareholders, aided by new technology (Spitzer 2010).

(ii) BLENDED ANNUAL GENERAL MEETINGS: INTEL

The annual general meeting (AGM) represents the primary locus of accountability, as company board members and senior executives interact directly with their shareowners and increasingly with some of their wider stakeholders. Technology allows for webcasting annual meetings, an idea with widespread support (Boros 2004; Holton 2009; Smith 2009; Lewis 2009). Delaware, the state with the most extensive corporate law where the most US-based firms are incorporated, passed a law in the first year of the millennium allowing virtual annual meetings (Thomsen 2000). However, by the next year no companies had exercised this right, due to shareowner opposition (Kane 2001). That year, shareowners likewise opposed a provision in a Massachusetts bill allowing companies to hold annual meetings online exclusively, resulting in a compromise allowing online broadcast of AGMs, but still requiring face-to-face meetings (Thomsen 2001).

In November 2009, Intel and Broadridge announced their intentions to hold virtual-only AGMs in 2010, revitalizing this line of opposition (Holton 2009; Smith 2009). Holton presents a series of scenarios that illustrate shareowner concerns with virtual-only AGMs:

- A well-known shareholder activist plans to ask some pointed questions at the shareholder meeting, but his connection to the meeting somehow fails. He is left wondering if he was targeted or if there truly was an honest technical problem.
- A shareholder wants to challenge the chair's conduct of the meeting with a point of order. She is within her rights to do so and may interrupt the chair for this purpose, but she finds that the electronic forum software won't allow her to do so ... one more shareholder right lost.
- A shareholder wants to make a floor amendment, but the software doesn't allow that either.
- The meeting software provides no means of group communication, such as applause or booing, so shareholders come away from meetings with no sense of how other shareholders felt.
- Corporate executives decide to pre-record their comments for a virtual shareholder meeting, including answers to pre-selected "shareholder questions." The executives then don't bother logging in during the actual "meeting" (Holton 2009).

Boros (2004) states similar concerns from a more theoretical perspective:

> Courts have noted that a physical gathering provides a forum for deliberation and confrontation. Commentators have similarly observed that the feature of confrontation or "face-to-face accountability" is particularly valuable to retail shareholders. Courts and commentators both also note that views expressed at a meeting by minority shareholders can change the course of corporate policy, even if they do not carry the vote.

Boros (2004), Holton (2009), Smith (2009), and Lewis (2009) all support the notion of a face-to-face AGM augmented by online components. Boros (2004) notes the benefits of reducing costs and expanding geographic reach, while also creating an "auditable trail of how voting rights are exercised, which may be particularly valuable to institutional shareholders."

Lewis (2009) proposes augmenting face-to-face dialogue at the AGM with real-time online forums or chat rooms for general discussion or to address particular topics that "could be very interesting and rich." He notes the prevalent use of microblogging – primarily on Twitter – whereby virtual communication can connect shareowners within the AGM in real time, while also generating interactivity with other stakeholders who are wired, wherever they are in the world. And companies routinely monitor the Twittersphere, allowing them to actively engage or passively update themselves on shareowner feedback.

"There is every reason to believe that, with strong safeguards, virtual shareholder meetings could enhance shareholder participation in meetings while protecting – even

restoring – shareholder rights that have atrophied over the decades," stated Holton (2009).

In January 2010, Intel reversed its intention to hold a web-only AGM, and instead hosted a "blended" AGM (as it has for the past decade.)   On January 19, Intel Corporate Secretary Cary Klafter sent an email to Tim Smith of Walden Asset Management and Mike Lapham of United for a Fair Economy (which had filed a resolution opposing the web-only AGM) to inform them of Intel's change of heart:

> We believe that the web-only meeting is a concept that has tremendous
> potential to increase stockholder engagement in the 21st century.
> However, we heard the concerns and questions from stockholders about a
> web-only meeting. For that reason, while we still support the idea of
> conducting web-only annual meetings, we will again hold a physical
> meeting with web access this year (Klafter 2010).

This "both/and approach" to AGMs (Smith 2009) aligns with the notion of blended engagement which merges the benefits of online environments and applications with the strengths of in-person interaction. Other companies taking this hybrid, blended approach to AGMS in 2010 include Best Buy, American Water Works, and Charles Schwab, prompting prominent corporate governance blogger Broc Romanek to ask, "Is this a trend that is here to stay? My guess is 'yes.'" (Romanek 2010)

(C) STAKEHOLDER ENGAGEMENT

(i) ORGANIC BLENDED ENGAGEMENT: *JUSTMEANS* SHELL DIALOGUE

Christine Arena *9 June 2009*
After 13 years, Shell settles deadly human rights case for $15.5 million. Shell earned $458 billion in 2008 http://tinyurl.com/ko7rth

Posted by a prominent CSR blogger and *The High-Purpose Company* author Christine Arena early one Tuesday morning, this concise, microblog-length comment sparked a conversation that mushroomed to over 100 responses by the weekend from a diversity of stakeholder voices who asked questions, shared information, compared perspectives, articulated concerns, and, above all, sought answers and accountability (Arena 2009a).

The conversation grew organically in microblog mode on *JustMeans*, a Web 2.0-based social networking platform for the CSR community, which ups the character limit to 1000 for subsequent posts in a thread to allow for more detailed discussion. Indeed, the thread quickly moved beyond JustMeans and into offsite blog posts, emails and conference calls, and direct engagement with the company, before culminating in real-time person-to-person dialogue in webcast mode. This progression exemplifies the

progression from Accountability 1.0 tactics to Accountability 2.0 interaction and exchange, as well as the progression toward blended engagement.

From the very first post, participants posted links to external sources to inform the dialogue with facts and diverse perspectives about the background of the court case and settlement. In a nutshell: on Monday, June 8, 2009, Royal Dutch Shell agreed to pay $15.5 million to settle a lawsuit filed by the families of Ogoni author and activist Ken Saro-Wiwa and others, alleging Shell's complicity in the 1995 execution of the activists by the Nigerian government (on charges that they murdered four of their own chiefs – whose bodies have never been found.) (Ordonez and Gold 2009).

The dialogue developed in three distinct phases loosely corresponding to three blog entries Arena posted:

- the First Phase ran from June 9 through 15 and was characterized primarily by *Accountability 1.0* tactics that included company stonewalling and stakeholder calls for petitions and boycotts – as well as calls for balanced judgments and reflective thinking;
- the Second Phase ran from June 15 through June 25 and shifted toward the *Accountability 2.0* realm, with company executives engaging directly with stakeholders; and
- the Third Phase unfolded on June 25, as the dialogue shifted toward *blended engagement* when company and stakeholders moved to more direct contact in a web-enabled conference call.

PHASE ONE

Arena (2009a) framed the stakeholder claim as follows very early in the discussion:

> From what I can gather the company seems to be taking a reactive versus proactive PR / crisis management approach. The company's view is that "government and local communities must take the lead in ending conflict but we are also determined to help." That stance is too passive for three reasons: (1.) Nigeria's main source of wealth is oil, (2.) that wealth is controlled by a fraction of the population, and (3.) the controlling population / government uses unmitigated violence to protect its main income source (i.e., oil companies like Shell). That means Shell is not only involved in the cycle of violence and oppression, but at the very root of it.

Within an hour, JustMeans CEO Martin Smith offered to invite Shell to join the dialogue – and on June 11, two days later, he reported their response: "right now there is no appetite to engage authentically on Justmeans."

This news only fueled critics, with some pushing towards classic *Accountability 1.0* campaign mode. Calls to "punish Shell at the pump" came within a half-day of Arena's very first post, following a blog "thanking" Shell for "making me complicit in your

terrorism" (Jarvis 2009).   Other stakeholders pushed back, asking what the specific objective of a boycott would be. They suggested shifting from a "retributive justice" to a "restorative justice" model focused on learning, rehabilitation, and reconciliation.

Unfortunately, the conciliatory line of dialogue from participants seeking to engage with Shell bumped up against the reality of Shell's refusal to engage, generating further tension. The Friday after Shell declined to engage, Arena voiced the collective frustration by reprinting passages from the petition in her blog post, "Stakeholder Engagement? Shell Says: 'No, Thanks'" (Arena 2009d).

PHASE TWO

The following Monday, two of Shell's top stakeholder engagers joined the conversation: "I was totally stumped about the statement that we don't want to talk," said Bjorn Edlund, Shell's Executive Vice President of Communications.

Participants greeted them enthusiastically, and Arena posted a new blog entry: "Stakeholder Engagement? Shell Says, 'Well, OK,'" in which she broadcasted the date and time for a real-time web-based dialogue between the company and its stakeholders (Arena 2009e).

Two days after Shell entered the discussion, a lawyer who worked on issues affecting the Niger Delta, lambasted the company over what he considered unfair distribution of oil revenues to local communities and over gas flaring. The dialogue deepened again: "Now is the time for deep listening," said one participant, who asked the lawyer to "please help everyone better understand the issues. What can be done and how can this conversation continue in a meaningful and functional way?" Viewed through the *Accountability Web* lens, this comment sought to shift from Accountability 1.0 tactics to an Accountability 2.0 setting.

Shell's Bjorn Edlund answered the lawyer with questions, perhaps in an attempt to defuse the tension of the lawyer's allegations and accusations. The questions did not elicit answers, but rather more fact-sharing and finger-pointing from the lawyer, including on the issue of gas-flaring. "You see[m] to have made up your mind," responded Edlund. "Like so many. Regardless of the question, the answer is: Shell is [g]uilty. When you decide to listen, let's talk."

From an *Accountability Web* perspective, this was a pivotal moment, as Edlund predicated his engagement on the mutually respectful terms characteristic of Accountability 2.0. Another participant asked the lawyer whether he would engage on the one point of agreement he appeared to have with Shell, regarding the role of the Nigerian Government. The lawyer did not respond to this post.

The existing record up to this point demonstrates two dynamics. First, it shows the potential for dialogue participants to talk "past" one another in a threaded, web-based conversation, responding selectively and ignoring certain lines of discussion or

questions (dynamics which also apply in face-to-face dialogue). Second, it starts to demonstrate the quality and depth of engagement that can be achieved in an atmosphere of mutual respect characterizing Accountability 2.0.

FINAL PHASE

About two hours before the dialogue shifted from virtual engagement on the JustMeans website to real-time, direct engagement on a Web-enabled conference call, news came in that MEND (the Movement for the Emancipation of the Niger Delta), a group that has been fighting against government and companies in the Niger Delta for years (often resorting to terrorist tactics), had attacked Shell's pipelines. Christine Arena, acting as moderator of the dialogue, opened the call with this information, and invited the company to explain in more depth.

"What started as action by communities has over the years grown into a criminal movement," said Nick Welch, Shell's Head of Policy and External Relations, adding that 133 Shell employees and contractors have been kidnapped and five have been killed in the last three years (Arena 2009e).

Starting the call on this note appears to have had a disarming effect on all participants, corporate and stakeholder. It gave the company the "ability to establish a context that you didn't find explained on the corporate website," Arena said (2009b).

The shift of context also transformed stakeholder expectations and attitudes: "I think [the stakeholders] went in guns a-blazing, angry and fired up at the company, and [the MEND news] caused them to sit back and go, 'Oh!'" Arena said. "When it came to the Q&A, I only got two 'hostile' questions," (Arena 2009b). In other words, when interacting with humanized company officials, not caricatures of corporate irresponsibility, the stakeholders shifted into more authentic engagement. In *Accountability Web* terms, the dialogue shifted from the Accountability 1.0 accuse/defend dichotomy to the Accountability 2.0 realm of creating common ground for mutual understanding.

Nick Wood of Shell conveyed the company's perspective: "We are trying to make ourselves available by using different avenues of social media to reach out to more people with a response. It's our goal to respond as human beings, not as some big corporate machine. If this conversation stimulates people to want to learn more, then that will be all the better" (Arena 2009e). In line with this approach, less than a month later Shell hosted a text-based "webchat" entitled "Doing Business in Nigeria: Challenges and Questions" on its own web-based stakeholder engagement platform, ShellDialogues.com. While the transcript of this dialogue reveals some shortcomings (such as the non-threaded discussion leading to repeat questions and limited inquiry into stakeholder perspectives on the company's part), the dialogue also elicited some creative suggestions from stakeholders. For example, a stakeholder suggested an alternative solution to gas flaring by building "skid mounted bottling plants that would draw on the gas stream going to flares[and could] be part of a community program to provide jobs and income by donating bottled gas to the local community." (Shell 2009)

The company's response was non-committal, while welcoming the notion of seeing "the flares put to good use" and benefiting the communities. Stakeholders will not know whether the company follows up on this crowd-sourced idea unless it discloses that information in the future.

(ii) RELATIONSHIP MANAGEMENT: *NATURACONECTA*

In 2006, the Brazilian natural cosmetics company Natura created the Office of the Ombudsman to address its shifting perception of stakeholder engagement from the traditional business risk view to recognizing it as a strategic strength for innovating solutions, according to Ombudsman Estelita Thiele. Along with Stakeholder Relationship Coordinator Camila Fornazari, Thiele is responsible for relationship management, a primary purview of the office. In this sense, stakeholders represent a kind of barometer, which Natura gauges to foresee the future of its license to operate and to conduct strategic planning. It does so using the Web. Estelita Thiele:

> We started – without electronic media – by talking about the problems the stakeholders have with us, and trying to solve these problems. In 2007, we started to talk about a process to measure the improvement of the relationship, and think about how to translate something that isn't tangible into something you can measure in a process that could be proactive – and then we think about how to get together *in not a present way* with the stakeholders. The point was, how do we get together people that are really engaged with some cause or with Natura. Then we thought about using Web 2.0 to start the dialogue in a virtual way – to be more close with these people who are really interested, not only on the Web but also *in a present way* (Thiele and Fornazari 2010).

In other words, Natura recognized that *blended engagement* – interacting with stakeholders both in person and on-line – was necessary to fully understand and anticipate their interests and concerns. So in 2008, Natura started hosting workshops to meet its stakeholders face-to-face – about 300 of them at first. The very next year, the company launched *NaturaConecta*, an online forum for interacting with stakeholders – whose ranks swelled to over 8,000. In *Accountability Web* terms, Natura nurtured a *community of practice* to harness innovation through *crowdsourcing*.

FIGURE 5: NATURACONECTA INTERACTIVE PLATFORM

Source: http://naturaconecta.educartis.com/

Thiele describes the benefits and logistics of blended engagement, specifically touching on how in-person interaction dovetails with virtual engagement:

> I have to say that it's very important to identify the really engaged people to participate in the process . . . We can do a present [in-person] meeting with stakeholders. We choose some of them who participated more in a virtual debate, and we invite them to discuss the topics more deeply. We are still working with present [in-person] meetings with stakeholders, but in the virtual way, we can talk to more people, where we can get more opinions . . . we can listen to people that we couldn't find easily if we had to choose only people [we know] personally. So in a virtual way, we can find people who really share dreams about sustainability (Thiele and Fornazari 2010).

Thiele sees great potential and promise for stakeholder engagement to fuel the company's creative thinking – though she acknowledges that Natura still has some way to go: "We think that we can really innovate and develop competence through shared thinking and intelligence with our stakeholders . . . But we are not in the process phase that gives us the jump to the innovation and breakthrough that we believe stakeholder engagement could bring us" (Thiele and Fornazari 2010). Natura intends to devote 2010 to evolving and developing its stakeholder engagement through *NaturaConecta* and in-person meetings.

TABLE 4: NATURA'S *RELATIONSHIP MANAGEMENT* JOURNEY TIMELINE

2006	Established Ombudsman Office
2007	Built process to manage stakeholder engagement in a proactive way.
2008	Hosted in-person stakeholder workshops
2009	Launched *NaturaConecta* Web 2.0 community
2010	Evolving and developing this stakeholder engagement platform model

Source: Thiele and Fornazari 2010

Natura's engagement with stakeholders amounts to strategic planning: the company is moving toward having stakeholders play a key role in the company's visioning and strategizing of where they collectively want to head in the future. The company thus avoids strategic paths that may run into problems with stakeholders in the future, because it discusses issues with its stakeholders upfront.

Thiele stressed the importance of diversifying the stakeholders the company interacts with, making sure to reach different profiles – such as diverse ages and social classes. She cites the example of consumers: Natura has a large database of customers who have contacted the company to file complaints, as well as those who reach out to praise the company, but it's harder to reach the middle ground. "We don't want to have just one kind of consumer" involved in stakeholder dialogue, Thiele said (Thiele and Fornazari 2010). "We don't want to have only the complainers, or only the happy ones, but a mix of *all* these consumers."

Before migrating its engagement onto the Web, Natura did a stakeholder mapping to identify its eight key stakeholder groups, and a materiality analysis to identify those with the most salient interest.

TABLE 5: NATURA'S EIGHT KEY STAKEHOLDERS

Employees
Consultants (direct sellers)
Suppliers
Supplier Communities (biodiversity)
Surrounding Communities
Consumers
Investors
Press

Source: Thiele and Fornazari 2010

Natura has a particular regard for the salience of its supplier communities – those communities that steward the biodiversity that feeds the company's products. From a materiality perspective, this stakeholder group plays a vital role in the company's

sustainability – from social, environmental, and economic perspectives – because it relies so heavily on the stability of its supply chains that source raw materials from nature.

"On materiality, we look at where our side and the stakeholders' side cross, and find the main problems and questions and wishes to draw up the planning," said Camila Fornazari (Thiele and Fornazari 2010). The intersection of company and stakeholder concerns represents Natura's most effective zone.

To examine this intersection even closer, Natura performed a self-evaluation on its own perspective of its relationship with each of these stakeholder groups. The company shared the results with its stakeholders at a December 2009 in-person meeting for their feedback. The breakthrough in this process is the company's recognition of the value of shifting slowly from just discussing current, day-by-day problems, to a more forward-looking view with stakeholders. "The self-evaluation has more to do with our strategic planning. When we talk about the planning, we have always to think where we are and where we would like to be," Fornazari said (Thiele and Fornazari 2010).

To better manage stakeholder relationships, Natura created a process structure by appointing executives as "owners" of the relationships, responsible for tracking and facilitating interactions with one of the eight stakeholder groups. The "owners" of the various Natura stakeholder groups may or may not have direct oversight of activities involving those groups, which sometimes means that the owner "has to talk to other people who are involved in the process," Thiele explained.

Natura manages the content of *NaturaConecta*, which is built on a Ning backbone, but Theile and Fornazari stressed that "the community is *owned* by the people. The people that are involved in this community will decide the success or failure of [*NaturaConecta*]. So what we try to do is to orchestrate, organize, lead, and promote discussion by bringing to the community some interesting issues and content."

Wikis play a key role on the *NaturaConecta* platform, as the company seeds dialogue on specific themes on discrete wikis, with discussion facilitated by external consultant Educatis. "We have a specified time that we invite people to talk about this theme," Thiele explained. For example, one wiki focused on developing relationship principles (akin to an ethical code) with Natura's surrounding communities. Thiele underlined the value of Natura articulating its understanding of its relationship commitments, and hearing its stakeholders say, "No, we don't agree," and proposing alternative commitments.

The *NaturaConecta* social networking platform will continue to evolve its stakeholder engagement through both interactive technologies and face-to-face meetings. What drives Natura's work using Web 2.0 to advance stakeholder engagement is the underlying alignment with its core identity and mission. Estelita Thiele:

> Natura has in its essence talking about the values of the company – that
> relationship is what brings us development. We have relationship as the

main structure of our organization, so we've started to open our management to listen to what those outside the company have to say to us to help us to develop the management system, not only with the thinking and the intelligence that we have inside the company, but also listen to everybody that is an interested part of the company (Thiele and Fornazari 2010).

(iii) TOWARDS COLLABORATION AND CO-CREATION: TIMBERLAND'S *VOICES OF CHALLENGE*

Timberland, a New Hampshire-based outdoor footwear and clothing manufacturer and retailer, has methodically migrated its sustainability reporting and stakeholder engagement (as well as consumer-facing brand exposure) onto web-based platforms – an experience that illustrates the benefits and challenges of conducting corporate accountability in Web 2.0 environments.

In 2008, Timberland announced its decision to move its sustainability reporting to a dedicated online platform on JustMeans, shifting from annual to biennial print reports. It filled in the gap with quarterly online sustainability updates and stakeholder engagement calls hosted by CEO Jeffrey Swartz to create an "accountability feedback loop" (Baue 2008b). Timberland had already established a strong online presence for its consumer-facing sustainability advocacy initiative at Earthkeeper.com. This online consumer engagement portal encouraged Timberland's customers to engage around the company mission "to equip people to make a difference in their world". (Timberland 2009). As of January 2010, Timberland moved all of its sustainability reporting from JustMeans to Earthkeeper.com (Holzman 2010a).

Source: http://www.earthkeeper.com/
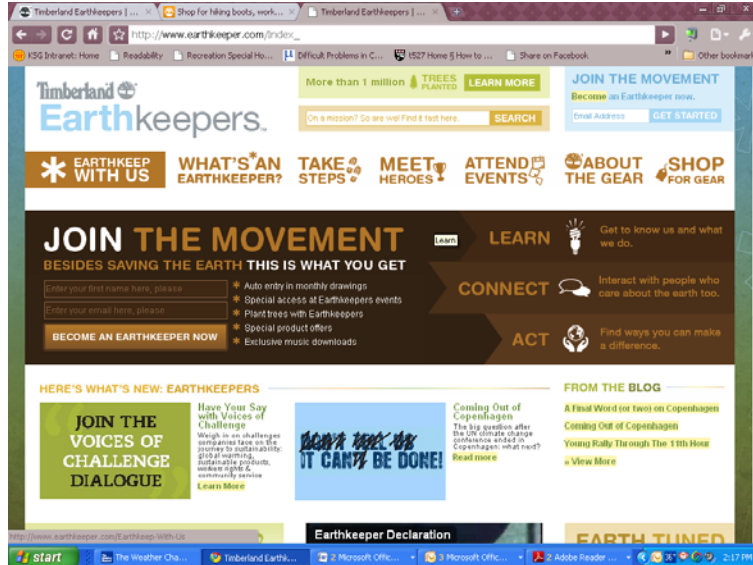
Timberland manages its CSR program (including business strategy, sustainability reporting, and stakeholder engagement) in four "pillars" reflective of what it sees as its core material impacts. These pillars – which embrace goals, methods, and performance measures drawing upon the Global Reporting Initiative's G3 Guidelines – are:

- **Energy / Climate Change**, with a goal of becoming carbon neutral by 2010;
- **Product Stewardship**, with a goal of designing a cradle-to-cradle product;
- **Workplaces**, with a goal of promoting fair, safe, and non-discriminatory workplaces throughout their supply chain; and
- **Service**, with the goal of engaging employees in community service..

Each quarter, Timberland's CSR Stakeholder Calls (one tactic for stakeholder engagement) focus on one pillar. However, Timberland pushed this further by migrating its stakeholder dialogue to a completely online format, allowing stakeholders to engage 24/7.

In October 2009, Timberland launched the *Voices of Challenge (VoC)* online stakeholder engagement platform on its Earthkeeper.com website. Timberland CSR Strategy & Reporting Manager Beth Holzman explained the reasoning behind the move:

> On Earthkeeper.com, we launched *Voices of Challenge* as an opportunity for stakeholders to weigh in on tough challenges that responsible businesses face. We purposefully picked topics that matched our material issues such as climate change, product sustainability, global human rights, and community service. And we also posed questions that we don't necessarily have answers to. Our goal is to have earnest conversation that

can be incorporated into strategy refinement and collaborative problem-solving (Boston College Center for Corporate Citizenship 2009).

Chris Jarvis, a familiar voice in the CSR / Web 2.0 space, posted a telling response in the "comments" section after this article on the Boston College Center for Corporate Citizenship website:

> "…posing pertinent questions that you may not have answers to is exactly what CSR should be generating within social media. Why? Because it leads to better questions. And creates open and free space to explore all the possibilities. Most importantly, it creates safe space for people to belong to the conversation. And belonging to the conversation is more powerful than using the conversation or 'having' a dialogue." (Boston College Center for Corporate Citizenship 2009).

The online dialogues begin with challenging questions (one in each pillar area about what it means for companies to be responsible contributors to a sustainable society. Following each question is a "Have your say" button for readers to contribute their thoughts and ideas. For example, Timberland "seeded" conversation under the *Energy* pillar with the question, *What type of collaboration would best reduce our collective contribution to global warming?* (Timberland 2009b).

Respected experts in the field – such as Bill McKibben of 350.org for *Energy/ Climate*, Joel Makower of GreenBiz.com for *Product*, and New York City Mayor Michael Bloomberg in *Service* – got the conversations rolling with brief answers (in the form of online responses) articulating the greatest challenges, from their perspective, facing Timberland and other actors who want to improve corporate performance in these specific areas.

FIGURE 7: TIMBERLAND'S *VOICES OF CHALLENGE* WEBSITE

Source: http://www.earthkeeper.com/voicesofchallenge

The expressed goals of *VoC* are to "present ideas for future innovation—for Timberland, for our industry, and for others in the social and environmental arenas" (Timberland 2009). At another level, however, Timberland is creating a new model of multi-party stakeholder engagement – one that relies on multiple digital platforms featuring a blend of real time (that is, synchronous) and outside-of-time (that is, asynchronous) communication, as well as face-to-face and virtual contact – which can be a prototype for other companies. This mix enables collaboration, reflective engagement and practice, critical assessment and revision, and the generation of new knowledge. According to Beth Holzman:

> Online engagement should support, not replace, other engagement
> opportunities. We see our online tools as an opportunity to enhance and
> broaden our more traditional forms of engagement and the folks we're
> interacting with. The feedback we're getting proves the point – new and
> diverse perspectives are showing up. However, this doesn't replace our
> continued work with environmental and social partners or our face-to-face
> engagements that focus on problem solving. I see the key as balancing all
> of these tools so they support our company's overall CSR strategy (Boston
> College Center for Corporate Citizenship 2009).

As the social media landscape continues to evolve, so does Timberland's interactions with stakeholders through such tools, ranging from Jeff Swartz' frequent Tweets (@Timberland_Jeff) to Timberland's multiple presences on Facebook, YouTube, Twitter, JustMeans, and Changents, a social networking site dedicated to connecting and supporting change agents globally.

The innovative approach Timberland is taking with respect to the intersection of Web 2.0 and accountability is not without challenges. The *Voices of Challenge* platform offers opportunities for anyone who visits the site to actively shape the conversation, regardless of their intentions or expertise. The downside of such user-generated content is that unvetted commentary can lack substance, relevance, credibility, and factual accuracy. Further more, the linear nature of commentary, with comments listed sequentially in the order posted, makes it difficult to maintain (and subsequently follow) discussion threads, reference earlier comments, engage in side conversations related to the theme, avoid redundancies, and ascertain when questions have been answered.

Further challenges for Timberland in making a success of this platform, include:

- the availability of resources (technological; staff; managerial; financial; temporal) with which to make necessary changes;
- the nature of ongoing facilitation / moderating / standard setting to keep the conversation going, manage conflicts respectfully, and maintain a group dynamic conducive to trust, authenticity, productivity, and respect for dissent;
- the tendency of the conversation to gravitate towards superficial generalities and interpretations that can undermine diverse viewpoints and potential solutions that accommodate them;
- the readiness of the company as a whole to listen to stakeholders and act on feedback;
- how Timberland determines and articulates its understanding of "success" for the site.

Timberland's approach also poses a challenge to many external stakeholders' traditional modes of interacting with corporations. The campaign model of stakeholder activism typically takes an unyielding stand on an issue, often leveraging public pressure by criticizing company practices as a means of putting corporate reputation at risk. In this light, the term "challenge" in *Voices of Challenge* applies not only to the company, but also the stakeholders, inviting them to enage more thoughtfully in a process of reflective conversation, one that invites constructive expression and, where appropriate, respectful dissent. The objective is to sustain an ongoing process of discussion and synthesis so that ideas and views can be debated, misconceptions be clarified, gaps between espoused values and actual behavior exposed, and proposals for change considered.

Doing this involves a series of complex shifts in individual and institutional behavior, so that authentic learning and change can occur. Because of the interactivity between Timberland and the *Voice of Challenge* conversational partners, the complexities and challenges multiply. Existing loyalties and commitments might be in competition with each other as "outsiders" engage with "insiders", and possibly run the risk of being perceived as "selling out" or being "co-opted". People may or may not be listening to each other, speaking past each other, or speaking authentically; they may say only what is expedient or what has "worked" in the past. Those who are uncomfortable with conflict, or unaccustomed to such open platforms, might withdraw or cease to participate, especially when it appears that the conversation is dominated by a few.

In sum, by utilizing Web 2.0 tools, Timberland is fostering a participatory culture, which represents a departure from the traditional confrontational / oppositional mode that chacterized so much of social activism directed to corporate change. This participatory culture involves, by necessity, a great deal of experimentation; distributed and informal learning; critical reflection; cultivation of the ability to distinguish between what is meaningful and what is not; persistence and patience in creating a community of shared inquiry that also leaves room for the unexpected; and ongoing assessment to assure that the wisdom of crowds is harnessed, not hampered.

Exchanges between Timberland and Jeffrey Ballinger, a well-known labour rights activist and frequent outspoken commentator on Timberland's "Workplaces Pillar", illustrate this shift in dynamic. For example, in early 2010, Ballinger posted an idea on *VoC* that he had previously proposed for adoption by the International Labor Organization (Ballinger 2009). His idea was to use interactive technology to map country-by-country regulatory regimes, codes, and compliance with respect to labor rights. The goal was to enable real-time monitoring and up-to-date information exchange, which would enable country-by-country comparisons.

The actual feasibility of implementing this idea (variations of which have been suggested by others as well) clearly extends beyond the control of Timberland, suggesting the need for applying *Accountability Web* strategies at sector- and issue-level. Timberland Vice President for CSR Gordon Peterson, along with Beth Holzman and Code of Conduct Senior Manager Colleen Von Haden, met in person with Ballinger in early 2010 to discuss this recommendation and a host of other critical feedback, demonstrating that blended engagement can be used for individual as well as group-wide interactions.

Two months after the launch of *Voices of Challenge*, Peterson wrote the following in the "Workplace and Global Human Rights" pillar conversation, demonstrating how the company is taking on board some key stakeholder feedback:

> The influx of questions and ideas that we've received on this site so far has been extremely valuable – they've led us to evaluate our position on certain issues and to gain greater clarity for ourselves and for you, our site visitors, on how we're actually working to make positive change. In an effort to continue this valuable conversation, we're planning to convene a stakeholder forum in the first half of 2010 to discuss concrete and comprehensive strategies for creating fair, safe, and non-discriminatory workplaces across our industry – including the topic of wages, which is of particular concern to Timberland and many on this site. After this meeting takes place, we'll share its outcomes and implications here on Voices of Challenge. In the mean time, you can find Timberland's perspective on the key issues that have been discussed on this site at http://bit.ly/7YUytF (Timberland 2009).

E. ANALYSIS

People have come to expect swift action and authentic engagement from companies because of Web 2.0. So any kind of a canned public statement or corporate rhetoric or any kind of dismissive attitude toward social or environmental issues, I think is often seen as a sign of hostility against the greater good. And I think the companies that are most trusted are the ones that exhibit the highest levels of candor. They're the ones that get out from behind those rehearsed statements and really engage with people.

If they made a mistake, they're out there saying, "we made a mistake, and here's what we're doing to fix the problem." They don't just hope that nobody catches them. They're very forthright, they behave in a different way, they're very different about the chemistry of making a mistake, and the way they clean them up. And they use Web 2.0 as a tool for cleaning it up.

> – Christine Arena, interviewed by Bill Baue and Marcy Murninghan,
> December 2009

This research project unfolded during a time of continued growth and progress in online communication, social media, and other forms of interactive technology, with new examples and innovations constantly emerging. Change is happening at such a rapid pace that no printed report with several months of research and production time can keep up with the innovations that are unfolding.

Nevertheless, there are some broad generalizations, propositions, and predictions that we can make, based upon both the empirical evidence at the time of writing and the larger context in which it exists. This section organizes these reflections into four categories:

- *Trends:* practices we observed;
- *Gaps:* needs, challenges, barriers, and opportunities that exist;
- *Recommendations:* potential solutions to these specific gaps, and to broader challenges; and
- *Horizon Issues:* scenarios and possibilities we believe warrant further attention.

The trends and gaps we identified are frequently related – even opposite sides of the same coin – so we present them side by side, followed by corresponding recommendations. We also propose a series of broader recommendations for further research and development.

1. TRENDS, GAPS, AND RECOMMENDATIONS

(a) ADAPT, DON'T JUST ADOPT

> ***Trend / Gap:*** Companies – and stakeholders – are **adopting** Web 2.0 technologies primarily in ways that extend their existing modes and styles of communication, instead of **adapting** to new media environments. Companies are using Web 2.0 for marketing, brand enhancement, and customer engagement, while stakeholders often use online tools for campaigns.
>
> ♦ ***Recommendation:*** **Utilize Web 2.0 for stakeholder engagement,** using online interactive tools for dialogue between companies and stakeholders to enhance accountability.

Technology is being used to open up and catalogue information flows to reduce corporate costs of communication, travel, and operations, while improving decision making both within and across company borders. For example, sixty thousand companies use Yammer, a micro-blogging program resembling Twitter that enables real-time internal business messaging. Tools such as Wikis and crowdsourcing permit collaboration across timezones and business units. The Semantic Web and other forms of "algorithmic intermediaries" can analyze electronically vast quantities of data to spot trends and formulate solutions.

According to a McKinsey global survey, the most popular Web 2.0 tools tend to be RSS feeds, blogs, YouTube, podcasts, and social media (McKinsey Quarterly 2009). Companies now recognize the potent implications of social media, particularly the use of Facebook and Twitter, for marketing and investor relations purposes as a supplement to traditional channels of communications and disclosure.

In general, the use of these applications has little to do with sustainability and corporate social responsibility. The corporate strategic focus tends to be on brand exposure and reputation management, rather than stakeholder engagement, corporate reporting, or broader forms of accountability.

However, there are signs of progress. Some companies are using internal and business-to-business mechanisms such as Earthster and the Walmart Sustainable Products Index to hold themselves accountable for their social and environmental impacts throughout the value chain. Consumers are beginning to use interactive applications such as GoodGuide.com to make more responsible purchasing decisions. As we described earlier, individual shareholders have a variety of options with which they can become informed and make better decisions.

Mostly, though, as we show in our Matrix, the limited interactivity of these efforts place them at early stages of accountability engagement because they still rely heavily on "one-to-many" proclamations: unilateral forms of communication made from the company to

the world. While laudable, proclamations tend not to invite people into a conversation, or elicit views about improving performance. Nor do they elicit long-term participation. In those instances where participation is encouraged, there usually is very little response, beyond one or two posts.

We found many instances where social media strategies appeared to be bolted onto corporate communications efforts, without consideration of the new, highly dispersed and participatory world in which communication now occurs. In those cases where firms dedicated staff to social media interactions, the process seemed to remain within the confines of these external relations units, rather than linked to corporate operations and strategy, or institutionalized in ways that affect management systems and corporate decision making.

Within an environment demanding fuller transparency and disclosure, particularly with respect to corporate governance and performance, we can expect that more companies and intermediaries will figure out ways of using interactive technology to meet the challenge, and do so with more enduring success.

The use of digital technologies should not mean the "outsourcing" of communication away from a company's strategic decision making, but should rather be viewed as another form of feedback that can enrich and inform it. This will require some adaptive adjustments on the *inside* of organizations, for companies, intermediaries, and stakeholders. The adaptive challenge is very real, as stakeholders – be they customers, shareowners, regulators, suppliers, vendors, civil society, and other members of a firm's ecosystem – become more adept at reading between the lines of Twitter or Facebook posts and demand fuller evidence that they are being heard. Authentic collaborative engagement carries with it implications for adaptive leadership and organizational change, on all sides of the dialogue.

(b) CULTIVATE PARTICIPATION

> *Trend / Gap:* In many instances, companies and stakeholders build Web 2.0 platforms, but fall short on building communities to populate them, or adapting the technology to community needs. In other words, **if you build it, will they come?**
>
> ♦   *Recommendation:* **Build community and technology in parallel**. Determine the goals for social interaction and choose the best technological tools to achieve them.

Contrary to Kevin Costner's dictum from the film *Field of Dreams* that "if you build it, they will come," simply building an interactive technological platform does not ensure its use, which typically requires methodical community-building. This necessitates technical and human resources; clearly understood goals; rich and compelling topics; designs enabling shared responsibility for leadership; pedagogical knowledge about how people learn and behave; guidelines for constructive engagement; awareness of likely obstacles and how to surmount them; and methods for ongoing assessment and fine-tuning.

At this early stage in *The Accountability Web*, these gaps are understandable. In a Web 1.0, unilateral world of communication, you create your message and put it where you hope people will see it. But in a Web 2.0, interactive world, you create your message knowing that just about anyone with web access can see it – as long as you are connected to the right networks – but you want it to be something more: the beginning of a more fruitful, generative exchange.

We found that the chief challenge facing firms and intermediaries that have created online stakeholder engagement platforms is getting people to show up, beyond the initial novelty phase. It is even harder to promote continuous participation. Even if online managers have spelled out their collaborative goals and are good at designing and managing content, they may find it more difficult to develop a sense of social presence that encourages open communication and free interplay of ideas and views. They may have trouble facilitating discourse, connecting and applying new ideas, focussing discussion, correcting misconceptions, distinguishing between facts and opinions, or managing conflict. They also might find there are few diverse perspectives, particularly if those visiting the site tend to come from homogoneous groups with similar beliefs, values, and cultures. Getting beyond commonly-used rhetoric and well-known advocacy positions to find innovative solutions can be just as hard in a virtual environment as it is face-to-face, particularly if there is little sense of group cohesion or trust. To manage this successfully, companies need to have skilled facilitators and moderators who are well-versed in constructing online collaborative communities.

A prime example of this phenomenon is BASESwiki (Business and Society Engaging for Solutions), a Web 2.0 platform for information exchange and learning about business-to-society dispute resolution. Conceived out of a two-year stakeholder consultation conducted on behalf of John Ruggie, UN Special Representative of the Secretary-General (SRSG) on Business and Human Rights, the platform was launched in January 2009 by the Corporate Social Responsibility Initiative at Harvard Kennedy School. However, it soon found itself underutilized. The website design and community-building were un-synchronized. The site re-launched in January 2010, after the BASESwiki team, responding to user feedback, coordinated community-building and web design to mutually reinforce one another.

Like a teacher in a class filled with silent students, those responsible for managing online interactive platforms may discover that, after a while, discussion – and participants – may evaporate if not actively cultivated. Therefore, they need to know how to welcome, encourage, and support "lurkers" who may be in the background, and promote intra-group connections among those already involved. In addition, corporate (or intermediary) online managers must be conversational in tone, and not too formal. They need to be able to devise ways of encouraging a sense of belonging, recognition, respect, and trust, so that when people are motivated to participate, they do so with the knowledge that there are real people involved who, while having corporate loyalties, are not bland or blind bureaucrats, and that their efforts are not just for appearance's sake, but actually mean something.

The choice of stimulating topics also can provoke interest and participation. Within a sustainability context, there is no shortage of challenging issues and thorny problems that have no "right" or "wrong" answer, may be insolvable due to their complexity, have no endpoint (climate change, for example), and are constantly evolving and shifting. The challenge for online managers is to establish purpose and direction in exploring these problems from various angles, gathering and exchanging relevant information about them, and integrating and making sense of this information by connecting it to ideas in a meaningful way.

Facilitators can approach a topic through a variety of entry points, offer multiple forms of interaction, and assess the process frequently using public criteria connected to the company's original goals. Companies need to demonstrate that they do not have all the answers – and that there are no "ulterior motives" for reaching out to stakeholders to "co-opt" them – so that a participatory culture of authentic conversation and collaboration might occur.

Visually rich platforms that are easily accessible and navigable are other elements of successful architecture and design, even if they need to be updated and modified. Finding the right balance between too much and not enough information is not as easy as it appears; nothing is more off-putting than visiting a website and not knowing where or how one is able to engage due to the visual clutter or absence of clearly marked guideposts.

During our investigation, we discovered several examples of substantial organizational investment in technology design, without attention to whether or not it would achieve the desired results or was cost effective in doing so. Technology, by itself, does not produce reflective engagement and collaboration. People do. Therefore, before embarking on a Web 2.0 design process, organizations need the capacity to select appropriate technology and tools that are well-suited to the project's goals, and can be used by a range of users, from those well-versed in virtual conversation to those more apt to sit on the sidelines.

Learning to use Web 2.0 technologies to their fullest is a gradual process of experimentation, of trial and error. To assure optimal engagement, companies (and intermediaries) need to select topics and activities on the basis of their potential for promoting thoughtful discussion and constructive ideas. Open-ended questions such as "What do you think?" are less likely to evoke a response than a more specific query about a subject that already has proven to be interesting and important. Asking people for their practical suggestions, for example, of how to decrease a company's carbon footprint, as MyStarbucks.com did, can establish a larger sense of meaning and purpose that draws people in.

Building the *Accountability Web* therefore becomes a process of co-creation, with new insights, information, and knowledge emerging from these interactions, which can be tremendously motivating.

(c) DEVELOP TERMS OF ENGAGEMENT

> ***Trend / Gap:*** Some companies and stakeholders have launched into Web 2.0 engagement without clear agreement on guidelines or expectations for respectful and productive communication. Electronic mediums are particularly susceptible to miscommunication and misunderstanding.
>
> ♦ ***Recommendation:*** **Set terms of engagement that encourage respect for diverse perspectives**. For example, create guidelines or agreements for critiquing *practices* and *policies*, not *people*.
>
> ♦ ***Recommendation:*** **Monitor what works and what does not**. Put in place assessment and feedback mechanisms to identify keys to success and flag problems.

Setting goals and terms of engagement is an important pre-condition for productive dialogue. Companies will continue to conduct "stakeholder mapping" and "materiality analyses" to determine the most salient constituencies to engage and the most relevant issues to address. However, the democratizing tendency of Web 2.0 opens the door to new and diverse stakeholders, who come with a wide array of experience and expectations on how to engage, forcing companies to reconsider just how to map stakeholders in a Web 2.0 setting. For example, Web 2.0 allows for anonymity and identity-masking, which can make gauging the validity of comments more difficult.

Other challenges abound. Pioneering efforts to use crowdsourcing and user-generated content (UGC) to harness collective intelligence can lead to innovation, but also means eliminating the "white noise" and filtering the information barrage so that viable solutions can be identified. Meanwhile, for some people, online conversations can increase vulnerability and risk, which suggests the need for creating more private "safe spaces" for conducting dialogue on controversial issues. Risk of unforeseen litigation drives many companies to set rules that preclude candid communication (even internally due to the long reach of subpoenas), which can have a chilling effect on Web 2.0 dialogue (Dolan 2010).

Also, we found many examples of online conversations populated – and sometimes dominated – by familiar voices that often were present on other platforms, due to overlapping interests and affinities. This can impede participation of newcomers, or leave an impression that the initiative is for insiders only.

Meanwhile, even with web analytics and so-called "data scraping" – which provide demographic information about who visits which sites – it can be difficult to know who is "listening" in on others, and what they are thinking. There are many online spectators, as well as those who use the Web infrequently. Nevertheless, trust and credibility can be nurtured by establishing rules, structure, and direction at the outset, with skilled facilitators who know how to create and manage the right conversational tone while maintaining a focus on the substantive issues. Having access to content experts also is

important, as well as a media palette from which to choose. Mechanisms for continued evaluation and assessment of progress provide cues about where to make adjustments. Because this is a new realm for everyone, public candor about what does and does not seem to work in the online space can go a long way toward building credibility and incentives for people to join in.

To complement the organic growth of norms in specific initiatives and Web 2.0 platforms, the development of over-arching standards hold potential for nurturing the maturation of the *Accountability Web.* Such standard-setting remains in its very early stages. Specifically, the UK-based consultancy AccountAbility recently drafted new AA1000 Stakeholder Engagement Standards (AA1000SES) that are open to public comment on a Web-based wiki. Neither the draft standards themselves, nor the public comments, appear to address standards for the use of Web 2.0 interactive technologies in stakeholder engagement. According to Alan Knight of AccountAbility, AA1000SES will address Web 2.0 in an accompanying workbook that includes step-by-step tools, templates, and case materials (Knight 2010).

(d) FOSTER MUTUAL ACCOUNTABILITY

> ***Trend / Gap:*** Traditional engagement between companies and stakeholders tends to focus primarily on the other party's accountability. The two-way interactivity of Web 2.0 can promote **mutual accountability**, where companies and stakeholders alike recognize their responsibilities toward each other.
>
> ♦   ***Recommendation***: **Model self-accountability when asking other parties to hold themselves accountable** to create a culture of mutual accountability.

In *Rethinking Democratic Accountability,* Robert Behn of the Harvard Kennedy School calls for a new compact of mutual, collective responsibility that he calls a "responsibility compact".[7] Behn refers to the need for a new concept of democratic accountability, something more than forms, rules, and punishment. "Something other" means a voluntary set of agreements in which all actors in the "accountability environment" have obligations; e.g., a "compact of mutual, collective responsibility." Put another way, *everyone* is held accountable – even punishable – for failing to live up to their responsibilities and the demands of finance, fairness, and performance (Behn 2001).

L. David Brown of the Harvard Kennedy School's Hauser Center for Nonprofit Organizations strikes a similar chord in his work on accountability, NGOs, and sustainable development. Brown has long examined the impact of multiple and often conflicting claims of stakeholders on organizational accountability and legitimacy. He, too, addresses the need for "mutual accountability," underlining the notion that all players in the development game – developed and developing country governments, funders and

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[7] Behn's concept closely resembles the notion of a "corporate covenant" introduced by Marcy Murninghan over a decade-and-a-half ago (Murninghan 1994).

recipients, investors and NGOs – must hold themselves (and be held) to high standards of accountability. The democratizing "flat" nature of Web 2.0, which disperses power and influence, heightens this need (Brown 2001, 2005, 2008).

(e) USE BLENDED ENGAGEMENT

> ***Trend / Gap:*** Online and offline engagement styles can differ significantly, creating opportunities to diversify interactions through blended engagement that augment Web-based communication with face-to-face meetings.
>
> ♦ ***Recommendation***: **Design strategies with Web-based and in-person engagement built into the plan.** Determine which medium (online or face-to-face) best serves objectives in particular circumstances, and mix them accordingly to benefit from diverse environments.

The term "blended engagement" or "blended learning" became popular in the 1990s when online education and training took off, but the idea of it is very old. For our purposes, the working definition of blended engagement is that it represents the ongoing convergence of traditional face-to-face encounters with those that are mediated by technology, and thus distributed across space and time. Face-to-face encounters occur in real time. Technological innovations, as we have seen, also make possible real time interaction, and much more. Blended engagement combines both—although one can envision some future time when the term "blended" will be dropped, and the focus will be on conditions of *quality* engagement, whether or not it is "blended".

Over the past fifteen years, many groups have promoted standards for environmental, social, and governance disclosure to give direction and comparability to information providers and users. As disclosure demand has grown, so, too, have consulting firms and NGOs offering frameworks and standards, indicators and guidance, about how companies could develop people, culture, strategies, structures, organizational alignment, and management systems to improve their sustainability performance. Professional associations, conferences, articles, reports, training institutes, academic research, courses of study—the proliferation of these, as well as the broader socially responsible investment industry, have changed the infrastructure of corporate social responsibility and accountability (Waddock 2006).

Thus far, there is little evidence that Web 2.0 has been integrated into any of this collective thinking and practice. Blended engagement offers a means by which this can happen, without introducing too much disruption, because the practice encompasses the following characteristics. Blended engagement:

- permits attention to *context* – which often is missing in one-off face-to-face meetings or online postings related to complex issues;
- allows for a process of sorting, where stakeholders can choose what and where they would like to "show up", based on what they consider important;

- enables multiple entry points to a topic, so people can examine it from different perspectives and with different cognitive styles; and
- incoporates a visual record: videos can be replayed, for example, or conversation threads read over several times, whereas a face-to-face meeting may not be as easily "remembered" or archived.

Blended engagement also promotes constructive use of "in between" times – for instance through on-line interaction between quarterly meetings or other regularly scheduled events, or, conversely, with face-to-face meet-ups to supplement online dialogue. Blended engagement affords the opportunity to combine informal, spontaneous – even unconventional – exchanges with more formal, disciplined, ritualized ones. Finally, blended engagement can provide participants with the opportunity for serious and sustained exploration of a complex problem or issue—maybe even incubate new knowledge and insights as to how it might be addressed productively.

(f) BROADEN THE MEDIA PALETTE

> ***Trend / Gap:*** Using new communication tools such as social networking and wikis for stakeholder engagement is already pushing the envelope for many companies and stakeholders, so trying out even more innovative tools seems risky.
>
> ♦ ***Recommendation***: **Experiment internally with other Web 2.0 tools** such as augmented reality (AR) and multi-user virtual environments (MUVE) to assess their usefulness in external engagement. Professionals in other fields find them to be effective mechanisms for unfreezing thinking and promoting fresh approaches to stubborn problems.

We organized our Matrix according to the relationship between technological tools and degree of interactivity. These categories are mutable and overlapping, but there are good reasons why some tools are more frequently used than others. The use of tagging, blogs, Twitter, podcasts, YouTube, bookmarking, informational websites, RSS feeds, and surveys, for example, do not necessarily involve dynamic exchange. They are vehicles for making statements that are distributed throughout the world, and are not reliant on feedback or participatory response. If they do, it usually is through a "comments" section, where readers can post their views without the expectation that there will be a subsequent reaction.

As accountability engagement evolves, greater interaction and dialogue occurs, which involves the use of different tools. Companies such as Timberland, Patagonia, Starbucks, Natura, and Shell, as well as intermediaries such as JustMeans and Development Crossing, have dedicated platforms – often using Ning, a proprietary vehicle enabling the creation of customized social media networks – for dialogue and discussion. We found very few examples of other Web 2.0 tools, such as mobile learning, personal learning networks, mashups, the construction of communities of practice, or interactive games and simulations.

Forty years ago, Clark Abt – who also was an early pioneer in the field of social accounting (Abt 1976) – wrote a book entitled *Serious Games* because he recognized that interactive games and simulations can increase motivation and invite greater participation in planning and decision making. Simulation games, he wrote, "are their own motivation, and popular involvement in them provides a method by which problems may be analyzed and courses of action proposed" (Abt 1970).

The advent of digital games adds further dimensions to Abt's insight. More recently, in *Total Engagement: Using Games and Virtual Worlds to Change the Way People Work and Businesses Compete,* Byron Reeves and J. Leighton Read discuss the business use of games to help employees develop a range of collaboration and innovation skills (Reeves and Read 2009). Multiplayer digital games feature high levels of interactivity, with "high-speed pacing, constant feedback, transparent [achievement] levels and reputations, compelling narratives, and interesting methods for self-representation in the action" (Reeves and Read 2009).

Examples of current uses of interactive simulation and gaming technologies to teach sustainability concepts include:

- MIT, the Sustainability Institute, and others collaborated to create the Climate Bathtub Simulator, an online tool that demonstrates the dynamic interaction between carbon emissions and carbon absorption / sequestration by allowing users to control the filling and draining of a bathtub as a simplified visual image (Sustainability Institute 2010).

- Chevron uses game technology in Energyville, which it developed in conjunction with the Economist Group (Ecogamer.org 2010). Energyville allows users to choose energy options while they build a virtual city. Players also learn about the challenge of matching energy needs to the realities of politics and other environmental, social, financial, and security concerns. While there is less interactivity with other people, Energyville is rich in content, and is an example of how learning objectives can be embedded in the mechanics of play.

Interactive games and simulations might similarly be used to enhance corporate accountability, building scenarios and enabling multiple stakeholders to sort through complex issues and test solutions.

(g) BUILD COMMUNITIES OF INQUIRY AND PRACTICE

> *Trend / Gap:* The most advanced initiatives are at the very early stages of **cultivating communities of inquiry and practice**, where members develop a shared set of skills and approaches that broaden understanding, enhance performance, and even create new knowledge.

♦ *Recommendation*: **Utilize experts with experience in building communities of inquiry and practice** to convene, facilitate, moderate, and/or curate online engagement.

The idea of communities of inquiry and practice is rooted in ancient guild relationships, where practitioners learn from those who have mastered their craft. It is modernized by interactive tools, which tend to flatten hierarchical relationships, and blur the boundaries between "amateur" and "expert". Generally speaking, members of communities of inquiry and practice are practitioners who "develop a shared repertoire of resources: experiences, stories, tools, ways of addressing recurring problems—in short a shared practice. This takes time and sustained interaction" (Wenger 2006).

Within the *Accountability Web* context, there are many forms this might take, including communities of practice devoted to issues specific to a *company;* a *sector* or *industry;* a *professional role* or *association;* individual or allied *stakeholders*; or a *broader topic*, such as human rights, regulatory reform, climate change, or corporate governance. In a handful of cases, smaller communities of practice are supported by existing platforms such as LinkedIn, Facebook, and Twitter, through various member-initiated discussion groups.

The formation of such communities of practice can promote knowledge creation, contribute to improved professional performance, and help to set standards in areas that have yet to be recognized and formalized.

The final three case studies – the *JustMeans* Shell Dialogue, *NaturaConecta*, and Timberland's *Voices of Challenge* – represent first steps in planting the seeds that may evolve into communities of inquiry and practice – and eventually, what Chris Dede calls "communities of wisdom" (2009).

2. RECOMMENDATIONS FOR FURTHER RESEARCH AND DEVELOPMENT

In addition to the above pragmatic steps, there are some broader areas worth continued examination, development, and testing. They include:

- **Explore the feasibility of developing executive education programs for corporate executives and stakeholders** hosted by universities or think tanks to develop and enhance online engagement skills and knowledge.

- **Pursue sector- and issue-specific online stakeholder engagement** to address systemic sustainability and ethical issues that affect numbers of companies and impact multiple stakeholders.

- **Analyze the implications of connecting integrated financial and sustainability reporting to online interaction and blended engagement**, which represents a departure from the traditional practice of printed annual reports and annual general meetings.

- **Develop methods and metrics to calculate the return on investment** for stakeholder engagement in Web 2.0 environments.

- **Create generally accepted standards of best practice** for Web-based stakeholder engagement.

3. CONCLUSION

If current trends continue, interactive technology and corporate accountability will evolve independently toward deeper engagement and customization. Greater promise, however, resides in weaving the two together to mutually reinforce their common roots in engagement and interaction. The *Accountability Web* holds the potential to transform traditional relationships, with companies and stakeholders now collaborating to solve problems and generate constructive new ideas and solutions that neither easily could imagine on their own.

More broadly, the convergence of concerns regarding corporate sustainability, accountability, and ethics with the rapid growth and use of interactive technologies can help to bolster existing checks and balances on companies. It can help to bind the immediate concerns of shareowners and other stakeholders whose assets or welfare are at risk to the broader claims of the public interest, thereby contributing towards a rebuilding of trust in capital markets. By fostering an ethic of transparency, accountable performance, adaptation, and renewal, the *Accountability Web* also can play a role in connecting economic enterprise more directly with social, environmental, and moral needs of the 21st Century.

APPENDIX A:
INTERVIEWS

David Bollier | *Author, Viral Spiral | Editor, OntheCommons.org | Senior Fellow, USC Annenberg School for Communication, The Norman Lear Center*
26 August 2009

Beth Holzman | *CSR Strategy & Reporting Manager | The Timberland Company*
3 September 2009

Don Carli | *Senior Research Fellow | Institute for Sustainable Communication*
4 September 2009

Richard Kirby & Christina O'Connell | *Technical Director & Business Development Director, North America | credit360*
15 September 2009

Felipe Arango | *Partner, BSD Group | Director, BSD Colombia*
16 September 2009

Chris Landry | *Co-Founder | AtOrigin*
21 September 2009

Daniel Goleman | *Author, Ecological Intelligence*
24 September 2009

Dick Sclove | *Senior Advisor, World Wide Views on Global Warming*
1 October 2009

Chris Dede | *Timothy E. Wirth Professor in Learning Technologies Education | Harvard School of Education*
8 October 2009

Sarah Milstein | CoChair, Web 2.0 Expo, TechWeb | *Co-Author, The Twitter Book*
20 October 2009 @ Web 2.0 Summit, San Francisco

Sanford Lewis | *Strategic Counsel for Corporate Accountability | Investor Environmental Health Network*
19 November 2009

Cristiano Faria | *Research Associate, Harvard Kennedy School's Ash Institute for Democratic Governance & Innovation*
Legislative Project Manager of Brazilian House of Representatives | eDemocracia
3 December 2009

Christine Arena | *Author, The High Purpose Company |Facilitator, Stakeholder Dialogue*

with Shell on JustMeans
7 December 2009

Jeffrey Ballinger | *Stakeholder, Timberland Voices of Challenge Dialogue*
10 December 2009

Michael Buetler | *Director of Sustainability Performance | SAP*
14 December 2009

Estelita Thiele and Camila Fornazari | *Ombudsman, Stakeholders Relationship Coordinator | Natura*
15 January 2010

Bob Dolan | *Senior Research Scientist | Pearson*
21 January 2010

Kermit "KC" Burton | *Deputy Director | Interfaith Center on Corporate Responsibility*

Don Carli | *Senior Research Fellow | Institute for Sustainable Communication*

Laura Commike Gitman | *Director of Advisory Services | Business for Social Responsibility*

Alex Hammer | *Analyst, Engaging Stakeholders Program | SustainAbility*

Jeff Hittner | *IBM Global Business Services*

Adam Kanzer | *Managing Director and General Counsel | Domini Social Investments*

Sanford Lewis | *Strategic Counsel on Corporate Accountability*

Curtis Ravenel | *Global Head of Sustainability Initiatives | Bloomberg, L.P.*

<center>**APPENDIX C:**
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APPENDIX D:
PROJECT TEAM BIOGRAPHIES

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BILL BAUE | *Sea Change Media*

Bill has been covering sustainability for over a decade in print, on the web and radio, and in the classroom, most recently as Executive Director of Sea Change Media, and Executive Producer/Host of Sea Change Radio, a nationally syndicated show and podcast with a global audience. Bill designed and teaches the *Communication, Persuasion, and Negotiation* course in the Marlboro MBA for Managing in Sustainability. Bill is Co-Producer/Host of the *Arc of Change* podcast series telling the near 40-year history of the Interfaith Center on Corporate Responsibility. He produced and moderated the *Future Scenarios: Energy & Economy* panel for Audubon, sponsored by Shell. And he has written and edited articles, reports, book chapters, and other content for organizations across the sustainability ecosystem: United Nations, Worldwatch Institute, Ceres, Investor Environmental Health Network, *The Economist*, *Audubon Magazine*, SocialFunds, CSRwire, 3BL Media, and Wal-Mart's Sustainability Report.

Bill's connection to interactive technologies goes way back: he wrote his Master's Thesis in 1996 on using e-mail in the writing classroom, and his biological grandfather Burton Adkinson, who served as Director of the Reference Department of the Library of Congress from 1949 to 1957 and Head of the Office of Science Information Service of the National Science Foundation from 1957 to 1971, was an early proponent of the use of electronic information technologies to enhance availability and interconnection.

MARCY MURNINGHAN | *CSR Initiative, Mossavar-Rahmani Center for Business and Government, Kennedy School of Government, Harvard University*

For more than 30 years, Marcy has concentrated on the application of scholarly and practical insights and integration of moral values into institutional governance and accountability from a variety of perspectives, including managerial, judicial, regulatory, political, and fiduciary. She has worked with Fortune 500 business corporations and complex public bureaucracies, as well institutional investors and nonprofit organizations. In 2009 she advised the Interfaith Center on Corporate Responsibility (ICCR) on the use of Web 2.0 technology, and the Global Reporting Initiative (GRI) on the growth of their American presence. Just before the market crashed in 2008, she and Bob Massie co-founded the Consultation on Sustainability and Transparency in the US (COST US), a nationwide network of leaders in the CSR, SRI, governance, and sustainability movement. The goal of COST US is to serve as a community of inquiry, practice, and advocacy, relying upon a blended model of virtual and face-to-face engagement. She has taught courses on philanthropy and "morality, media, and money" at Babson College and Harvard Divinity School, where she also designed and carried out a research project on the spiritual values of CEOs in the media and financial services industries, and continues to find ways in which a "fiduciary ethic" of governance and accountability, rooted in institutional mission and values yet aimed at advancing prosperity and civic virtue, can be fulfilled. She especially is enthusiastic about how interactive technology can help further these aims.