



# Leadership in the Networked Economy

Don Tapscott



# Unintended Consequences of Citizenship Initiatives

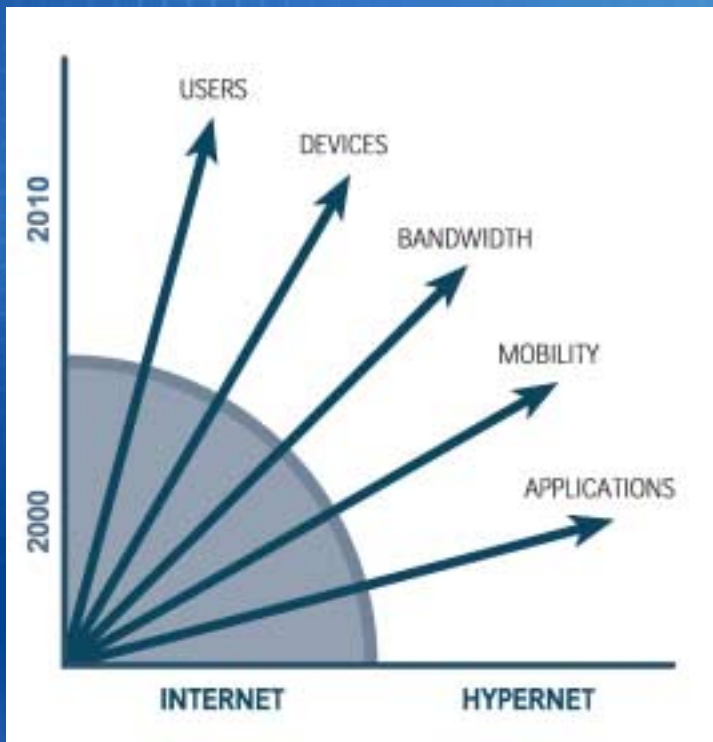
- **Not clear they necessarily enhance competitiveness and shareholder value**
- **If embraced by competitors can lower industry profitability**
- **May invite government oversight**
- **Therefore the business rationale for investments is currently contextual ... CEO's don't invest for competitive business reasons**
- **Urgently needed - the ROI for corporate citizenship**



# The Networked Economy

- **Transparency:** everybody knows your business
- **Speed of communications and change:** catching up to issues
- **Knowledge and innovation:** intangible assets like reputation, relationships and brand become paramount
- **Globalization:** business, government and civil society are adjusting to new roles and responsibilities
- **Power of civil society:** new threat – and partner – to business

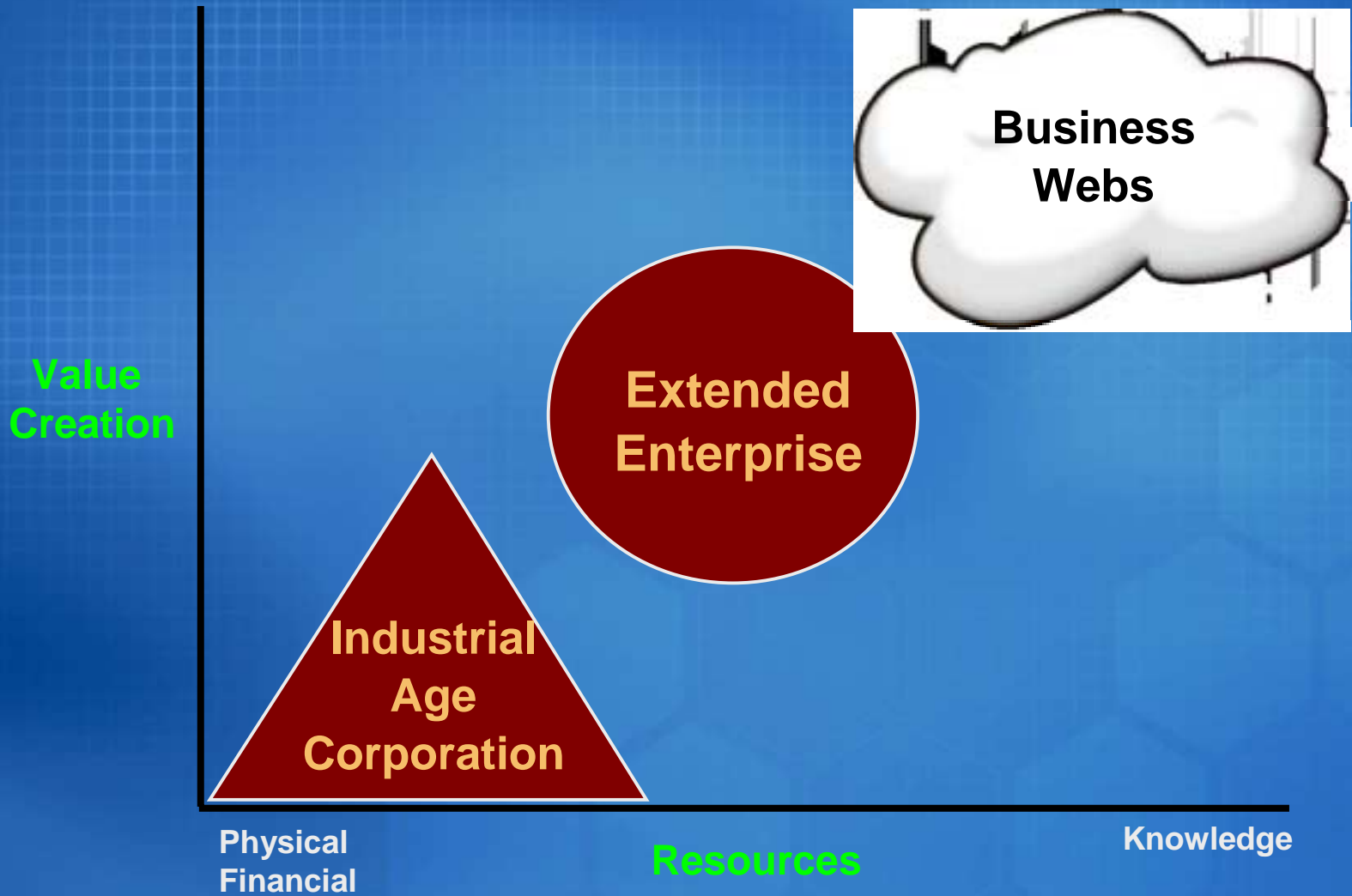
# The Hypernet Increases Interactions and Transparency



- Radically expands the users, bandwidth, applications and devices on the network
- More powerful and pervasive surveillance technologies
- Greater accessibility, immediacy and granularity of information
- New ways to network and empower consumers



# New Competitive Space



# Five Dimensions of Transparency



**Internal transparency:**  
Communications with/among employees

**B-web transparency:**  
Information-sharing among partners and suppliers

**Customer transparency:**  
Customer visibility into firm operations

**Market transparency:**  
Disclosure of market transactions

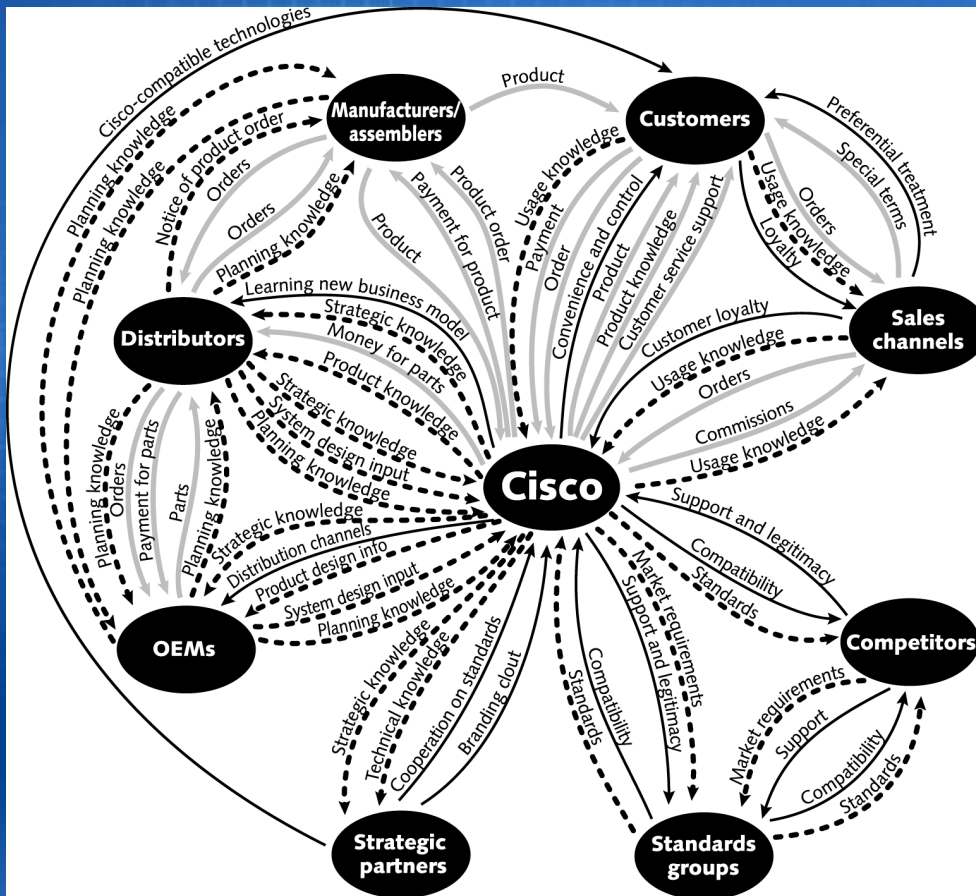
**Public transparency:**  
Public visibility into and scrutiny of firm operations

# Firm Transparency



- Creating a culture of openness and accountability in the firm
- Empowering responsible decision making at all levels of corporate operations
- Eliminating the conditions that promote whistle-blowing

# Business Web Transparency

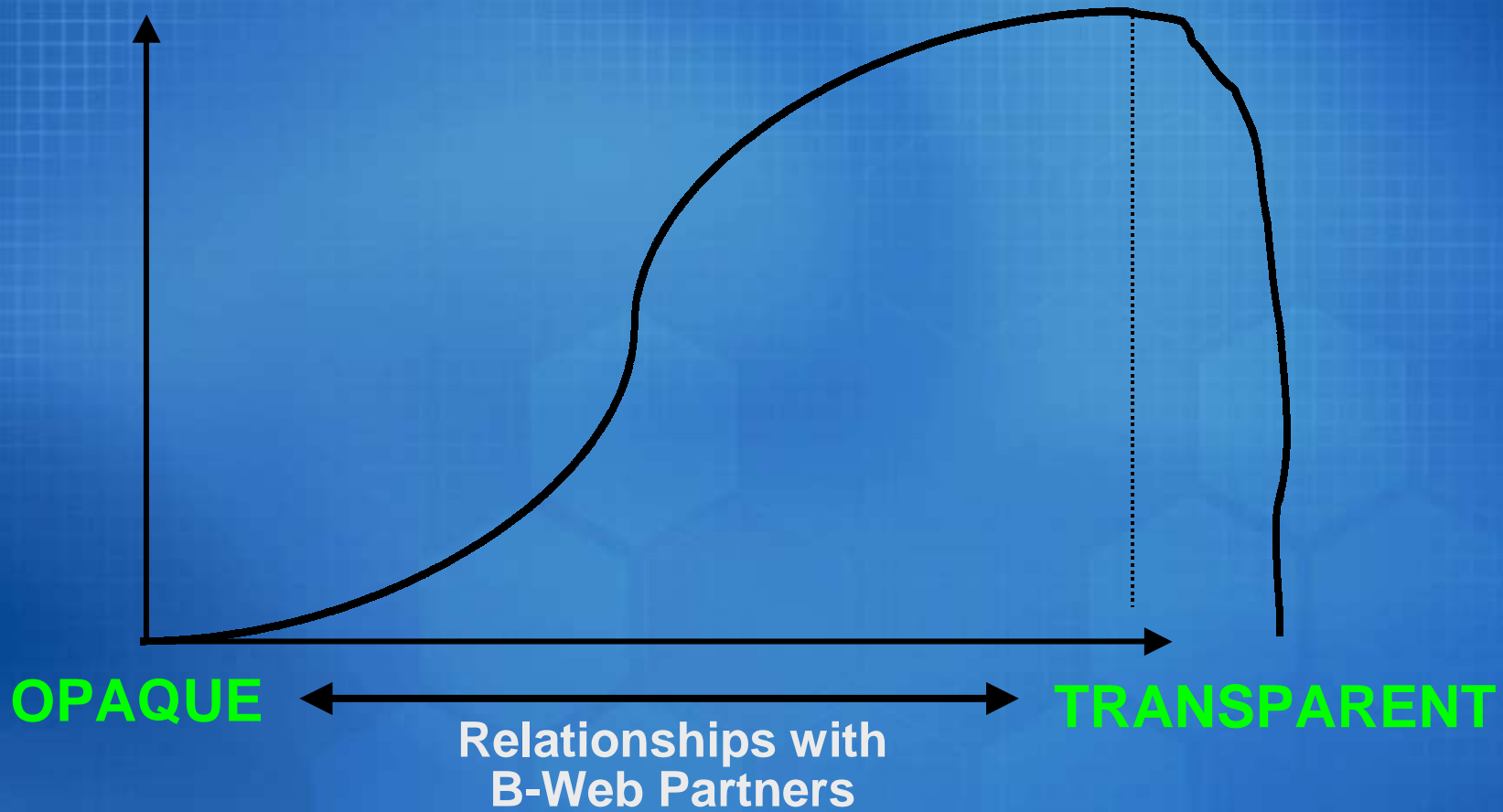


- Open information sharing among partners and suppliers in the business web drives high performance
- B-to-B trust brokers such as GeoTrust and Open Ratings are developing reputation rating schemes for assessing potential business partners



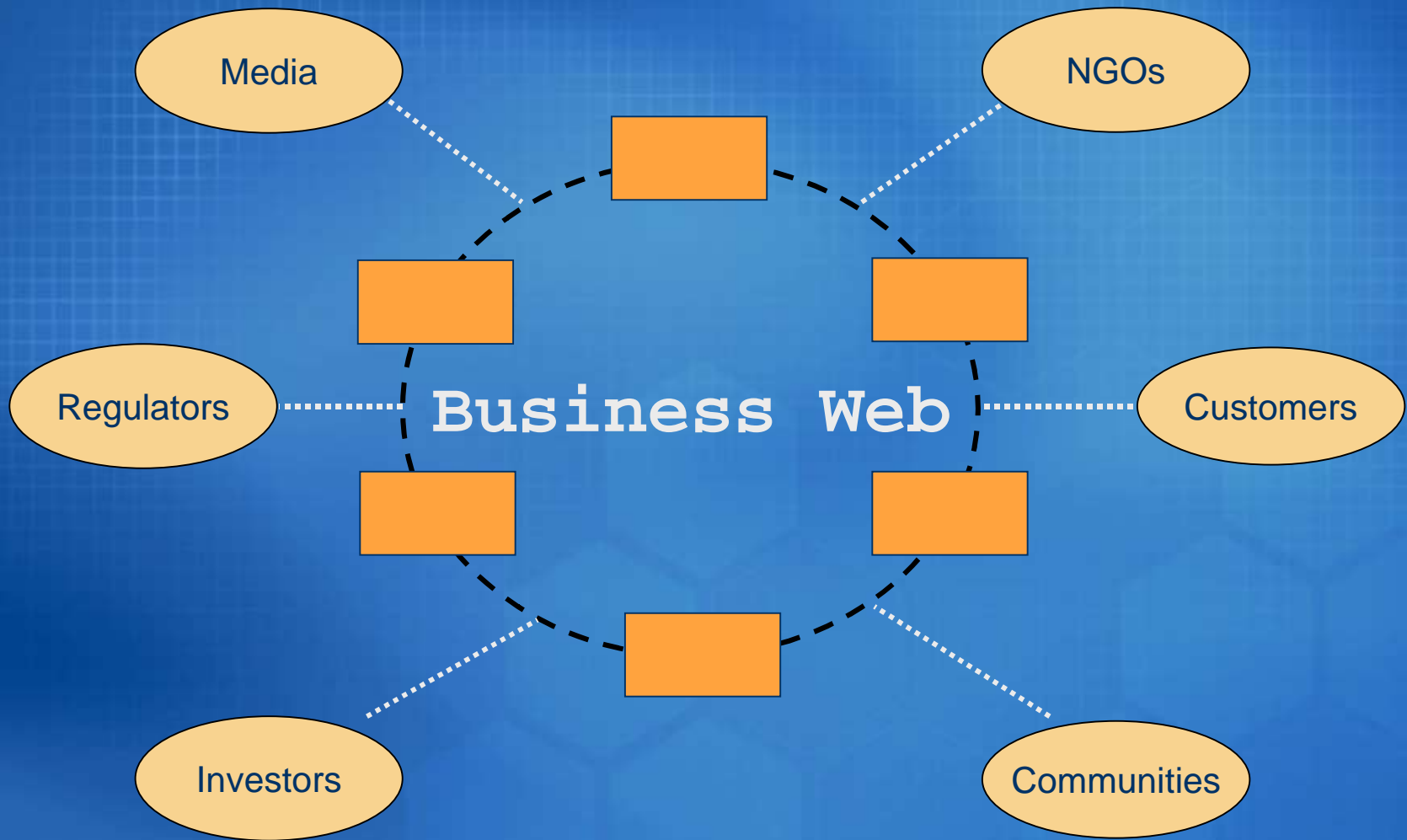


# B-web Effectiveness





# The Boundaries of the Firm are Exploding



# Market Transparency



- Timely, accurate and comprehensive reporting of financial information is central to creating efficient and stable markets
- On a corporate level, market transparency is the key to maintaining credibility with investors

# Public Transparency

**nikewages.org** olympic living wage project 

PROJECT INFO PROJECT TEAM DAILY JOURNAL BACKGROUND RESEARCH

**WE NEED TO ACT NOW!**

THE GOAL OF OLYMPISM  
OLYMPIC LIVING WAGE PROJECT  
PHOTO ARCHIVE  
WHAT YOU CAN DO NOW  
RELATED SITES  
CONTACT  
HOME

**NIKE WAGES PER DAY**

Mia Hamm's endorsement contract 

Indonesian shoe factory worker 

**Global Alliance**  
for Workers and Communities

*"Our focus is squarely on the worker... We are concerned not only about the work environment, but also with the workers' non-work activities and the communities in which they live."*

—Rick Little,  
International Youth Foundation, president 

[About the Alliance](#) | [About IYF](#) | [Members](#) | [Assessment Tools](#) | [Media/News](#) | [Search](#) | [Site Agreement](#) | [Privacy Statement](#) | [Home](#) | [Frequently Asked Questions](#)

Global Alliance for Workers and Communities  
32 South Street, Suite 500  
Baltimore, Maryland 21202 USA  
Email: [info@wages.org](mailto:info@wages.org)

- Customers, regulators and stakeholders can see all the way down the global supply chain
- Companies must demonstrate consistency between values and practices



# Ethical Consumers and Investors

- **49% of citizens** say they form their impressions of individual companies based on social performance factors
- **40% of consumers** overall have or have considered punishing a company they see as being socially irresponsible. In North America the number climbs to 67%
- **90% of citizens** worldwide think that companies should do more than focus on profitability
- **75% of consumers** hold companies responsible for avoiding corruption; preventing child labor in supply chains (90%); not harming the environment or workers (95%)

Source - Environics



# growing up digital

The Rise of the Net Generation



**DON TAPSCOTT**

Author of International Bestseller,  
*The Digital Economy*

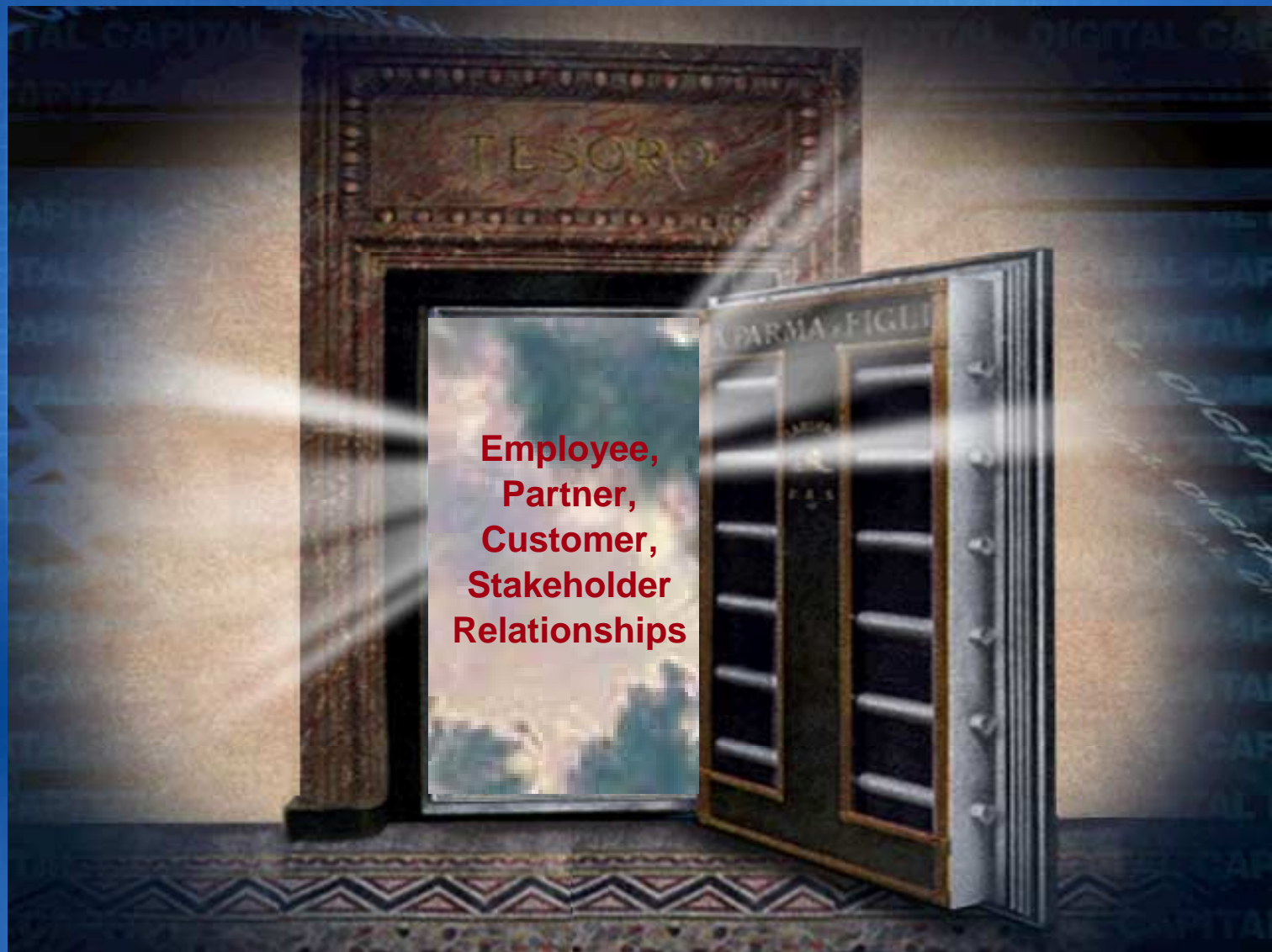


# A New Path to Competitive Advantage?

- Long term competitive advantage is not just a function of the quality, price or availability of products
- Firms can compete and enhance shareholder value through building relationship capital



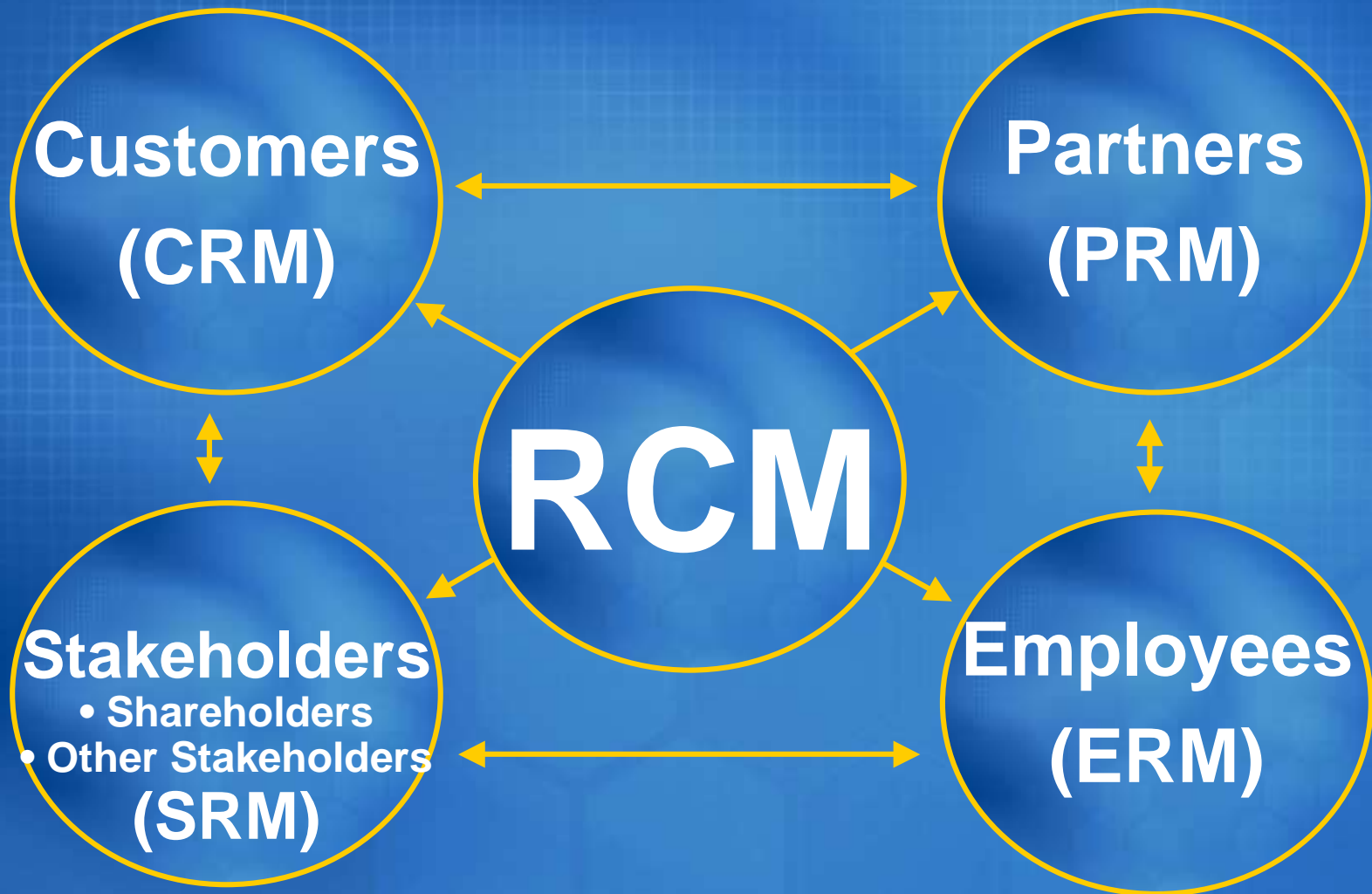
# A New Form of Capital





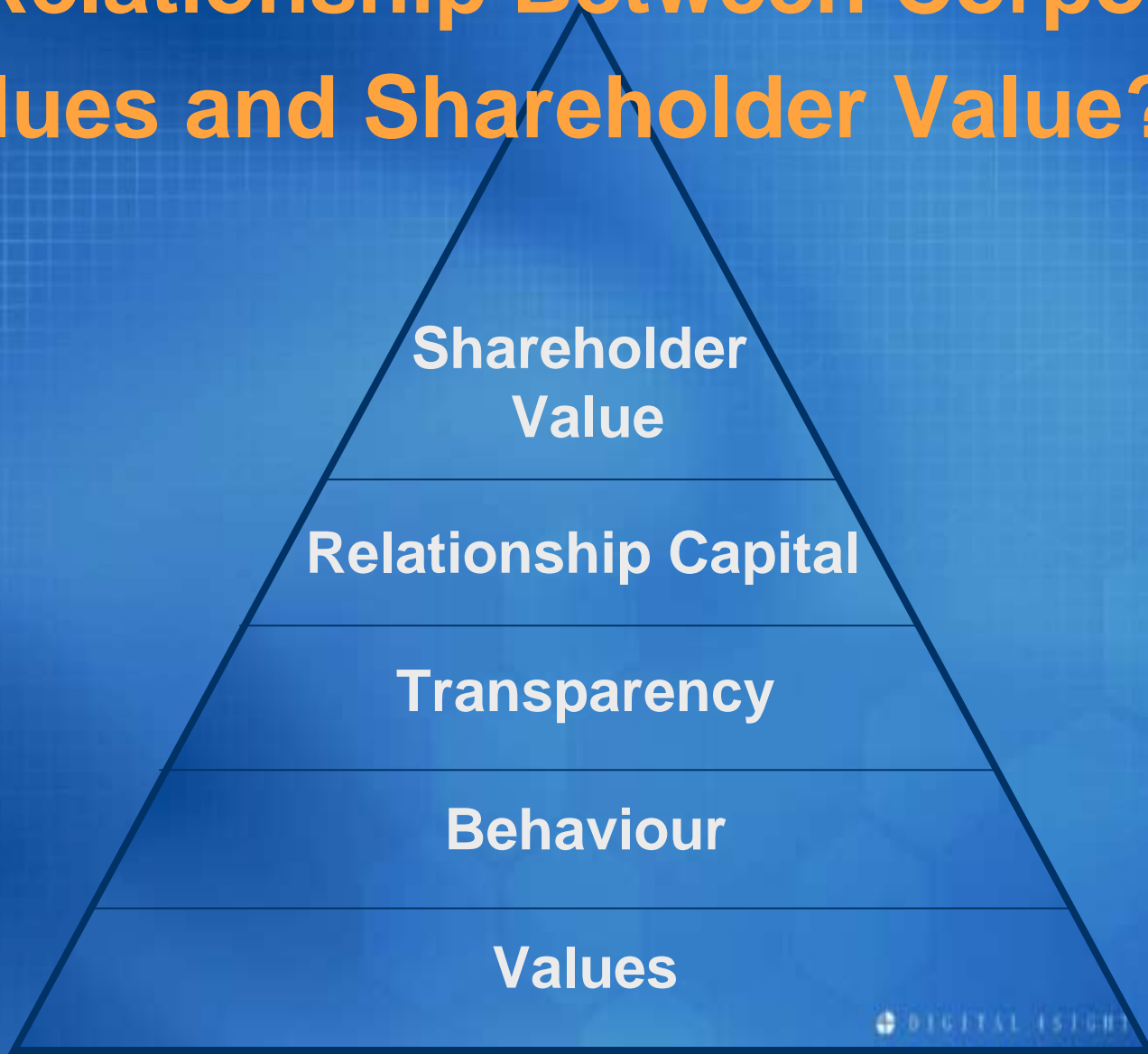


# Relationship Capital Management





# A Relationship Between Corporate Values and Shareholder Value?



DIGITAL 4SIGHT



# The New Color of Business





# The New Color of Business





# Investments in Corporate Citizenship

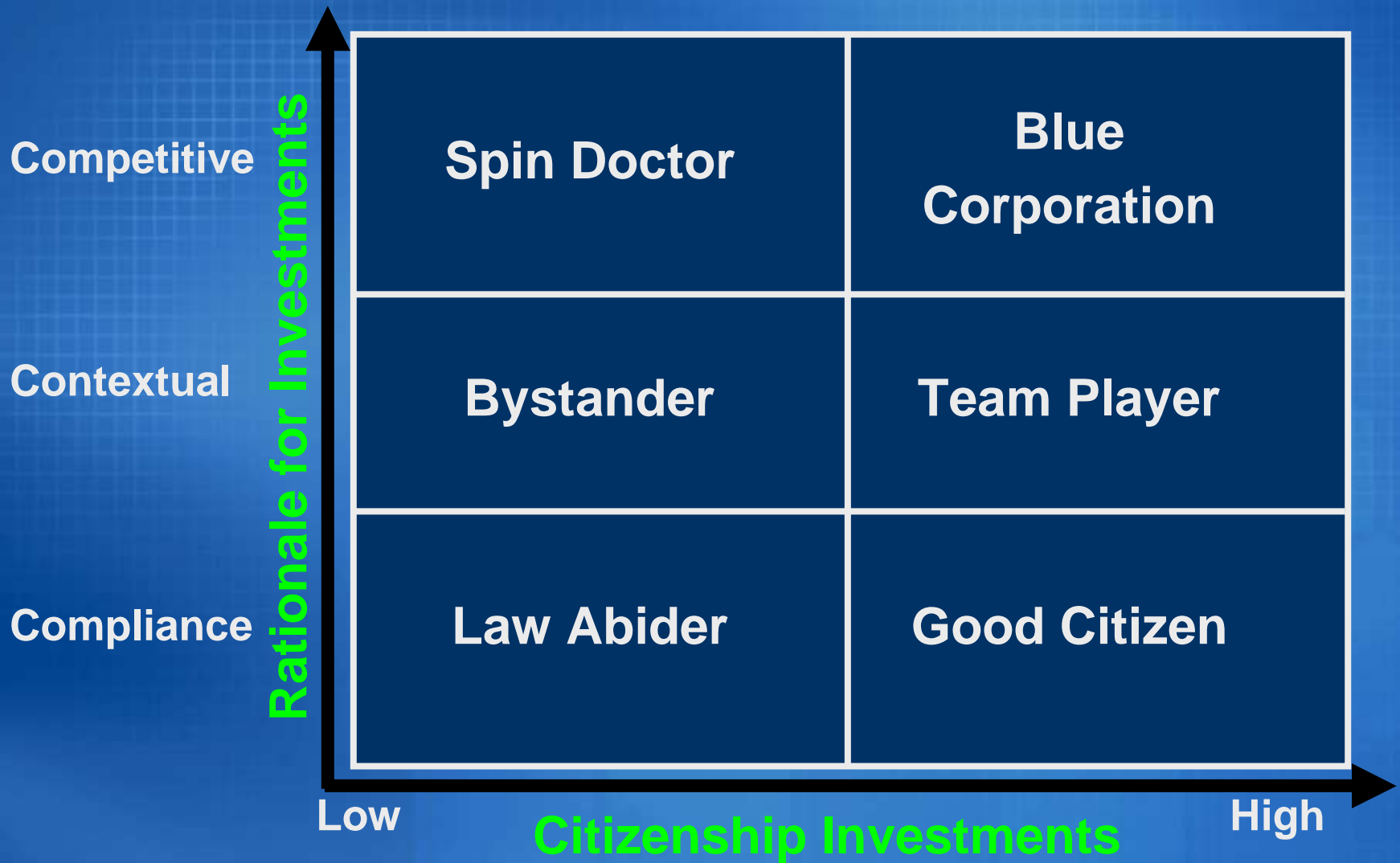
## OLD

## BLUE

- Compliance → Initiative
- Opportunistic → Strategic
- Reactive → Proactive
- Unknown Impact → Enhances Shareholder Value
- “Spin” → Values, Behaviour
- Opacity → Transparency
- Brand as Image → Relationship Capital
- Departmental Activity → In the DNA of the firm



# Investment Profiles





# Stages of Transformation





# Crisis of Leadership

**Paradigm shifts involve dislocation, conflict, confusion, uncertainty.**

**New paradigms are nearly always received with coolness, even mockery or hostility.**

**Those with vested interests fight the change.**

**The shift demands such a different view of things that established leaders are often last to be won over, if at all.** *Marilyn Ferguson*







# Leadership in the Networked Economy

**Don Tapscott**

**don@tapscott.com**

**416-863-8803**