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Welcome to a Web 2.0 World

Why-and how-so many CEOs are suddenly embracing Web 2.0.

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Web 2.0 is suddenly transforming the way CEOs manage companies. This is a big change after years of resisting the Web 2.0 revolution.

What happened?

Many corporations have resisted Web 2.0 because its underlying logic, emphasizing the power of horizontal networks, is at odds with how companies are managed. Traditionally, management models have been fitted to vertical, topdown organizational structures focused on manufacturing products, marketing brands and communicating to consumers in a one-way media path. Inside organizations, CEOs were generally regarded as quasi-infallible leaders whose judgment and decisions are expected to be obeyed and executed.

No wonder many corporate executives initially dismissed horizontal, networked Web 2.0 platforms like Facebook, YouTube and wikis as a time-wasting distraction. Worse, they regarded Web 2.0 as a potential risk-management problem due to security breaches, privacy issues and legal liabilities.

Why are so many CEOs suddenly embracing Web 2.0? One reason, it cannot be doubted, is the economic downturn. The crisis has forced CEOs to take a harder, bottomline look at the potential benefits of deploying social media tools. At the same time, Web 2.0 has been gaining momentum and legitimacy on its own merits. CEOs are becoming aware that the Web 2.0 explosion is not just a technological phenomenon, but represents a fundamental shift in values and perception that can enhance value. Web 2.0 tools are not merely a technology add-on to be managed by the IT department; they must be integrated into a company's operations to transform the underlying values of its corporate culture.

One thing remains certain. Organizational transformation cannot be achieved without committed leadership. The logic of Web 2.0 requires a management style that recognizes the essentially social architecture of companies and the networked dynamic of communications both inside and outside organizational walls. This change demands a new kind of corporate leadership that we call CEO 2.0.

CEOs have long functioned in closed, bunkered environments, operating according to an "I know best" ethos, complicated by a tendency to be inordinately risk-averse, even sometimes paranoid about mistakes and missteps. CEOs lead through top-down authority, manage vertical hierarchies and assert power through the implied threat of "sticks."

The Web 2.0 model assumes that the CEO does not know it all—and consequently does not always know what is right. The CEO engages with different stakeholders to listen and learn. More importantly, the CEO works through networks instead of hierarchies, and thus is open to inputs from sources beyond the vertical command system that furnishes information through the corporate bureaucracy. This requires a great deal of openness and humility—both core values to the Web 2.0 leadership.

YouTube and You

More pragmatically, Web 2.0 tools like blogs and wikis can help CEOs to influence action by coming into more direct contact with employees, customers and other stakeholders. These tools allow CEOs to cut through multiple layers of middle management, which are frequently motivated by their own agendas and frustrate change through foot dragging and vicious compliance. While control-oriented PR handlers often get nervous when a CEO wants to connect directly with the media, shareholders, employees and public, a CEO who intelligently uses a blog or YouTube video can enhance the value of his/her personal brand as an intangible corporate asset while delivering to the bottom line.

A highly effective example of this is Blendtec CEO Tom Dickson, who became a star on YouTube while driving his company's sales thanks to Web 2.0 platforms. Blendtec, which makes kitchen blenders, launched a series of YouTube videos called "Will It Blend?" The videos featured Dickson in a variety of humorous situations as he clinically stuck all manner of objects—from hockey pucks and golf balls to credit cards and cell phones —in one of his Total Blender products. Sounds ludicrous, but it worked. The viral YouTube campaign was so successful that it attracted more than 100 million views.

Thanks to Web 2.0 marketing, Blendtec went from an unknown brand to a household name. Even better, the videos cost virtually nothing. In the old model of mass media branding, corporations paid large sums to advertising agencies and PR firms to produce marketing campaigns, buy media, and generate buzz through television, radio, newspapers and magazines. This broadcast model of marketing through mass media, which regarded consumers as passive receivers of "pushed" messages, has been eroded by Web-based viral marketing.

Thanks to Web 2.0 networks like YouTube, viral branding campaigns can leverage powerful network effects at virtually no cost. The elimination of entry barriers puts small companies with little-known brands on the same playing field as global brands like Coca-Cola, McDonald's, General Electric and Nokia. What's more, viral marketing is not only less costly, but frequently more effective. Indeed, the "Will It Blend?" videos were a bottom-line blockbuster. Sales of the company's blenders soared 500 percent.

The CEO 2.0 is also focused on engaging. Most traditional CEOs, as noted, are cut off from the companies they lead and from their key stakeholders. Located at the summit of complex decision-making systems, CEOs are structurally prevented from communicating directly and meaningfully with anyone in the corporate hierarchy below their immediate associates.

CEOs, moreover, tend to deal with their key stakeholders in a highly compartmentalized way: employees, shareholders, customers, government and so forth. Since a CEO's time is valuable, the pressures to deal with so many different constituencies, each with its own set of demands, means that the gatekeeper power shifts to managerial handlers who brief and script the CEO for communicating in these different settings. In many instances, the result is that the scope and quality of the CEO's engagement with these stakeholder groups suffers.

Web 2.0 tools allow CEOs to have a wide and direct engagement with a number of, if not all, stakeholder groups —often simultaneously. A blog, podcast or YouTube video can reach everybody inside, and outside, an organization much more effectively.

Sun Microsystems CEO Jonathan Schwartz, the first Fortune 500 CEO to keep a blog, leverages his blog to increase both the effectiveness and scope of his communication. Schwartz's leading example is today being followed by many other CEOs who see the value in Web 2.0 tools as an efficient and effective way to communicate. It presumes, of course, that the CEO desires to communicate in an open and forthright manner with all stakeholder groups. That is a core value assumption that underlies the Web 2.0 leadership model.

This admittedly can be challenging for many CEOs. Most companies regard communications as a "push" function that broadcasts messages to various constituencies—memos to staff, press releases to the media, earnings statements to shareholders and so forth. This form of communicating rarely provides a conduit for immediate two-way feedback, much less for a horizontal conversation bringing together a variety of stakeholder groups. It is, moreover, highly formalized, stagemanaged and, in many instances, over-rehearsed. Think of a CEO press conference, an executive conference call with analysts or an annual shareholder meeting. None of these settings can be described as a setting where open and transparent communicating is highly valued.

Opening a Dialogue

The Web 2.0 model, by contrast, encourages proactive use of platforms like blogs and Twitter to have authentic conversations with key stakeholders both inside and outside the company. For CEOs, engaging directly and honestly with stakeholders not only enhances their credibility, it also generates trust in the company's brand and products. Communicating is not a "push" function; it's a conversation based on a two-way dialogue. Sometimes it's even a networked discussion.

CEOs who leverage Web 2.0 platforms recognize the importance of being fully engaged in informal conversations and open to new ideas from employees and customers. A company that has become famous for using Web 2.0 platforms to engage with consumers is online retailer Zappos. The company, which posted more than $1 billion in 2008 sales, integrated social media into its entire corporate culture. Some 450 of its 1,400 employees use Twitter to engage with customers in a friendly, personal way that has proved highly effective. And the example is set at the top. Zappos CEO Tony Hsieh personally sends "tweets" (or Twitter messages) and has thousands of followers on Twitter and his blog.

In early 2009, Fortune magazine ranked Zappos 23rd in its annual "100 Best Companies to Work For" list. Zappos also counts more than 10,000 fans on its Facebook page. In the Web 2.0 spirit of openness, Hsieh even blogged his announcement about cutting the company's workforce by 8 percent due to the economic downturn. In most traditional companies, that uncomfortable fact would have been buried in a press release. At Zappos, the CEO was personally open, direct, honest and informal about bad news.

The CEO 2.0 is also open to learning. Most CEOs, as previously noted, operate in closed, bunkered environments in which they are in contact mainly with their closest advisers and senior corporate officers—CFO, executive vice president, general counsel, CIO, VP of corporate communications and so forth. As a result, many CEOs are cut off from vital information inputs that would give them the full picture and help them learn what employees and customers are saying. Corporations actually spend large sums to find out what people think of them, but that information is usually filtered before it gets to the CEO. Many CEOs, in a word, are structurally prevented from learning.

This fact is powerfully ironic when you consider that the CEO embodies a monopoly of knowledge at the top of the organization. Traditional corporate cultures encourage a view of the CEO as infallible and all-knowing. The CEO's decisions are not to be questioned, only executed. When the CEO does not benefit from perfect information due to frustrated learning mechanisms, it is easy to see how a traditional leadership model can produce nonoptimal results, if not serious dysfunctions.

The Web 2.0 model, by contrast, affirms that anybody can be a source of knowledge. Expertise is not theoretically monopolized at the top of an organization; there is acknowledgement that it is diffused towards the periphery, including customers. The Web 2.0 corporate leader not only speaks, but more importantly listens and learns.

CEOs can use tools like wikis and blog feedback to learn from the collective wisdom of employees, suppliers, customers and the public. Communicating on Web 2.0 platforms, as noted, is a conversation. By keeping a personal blog, a CEO can learn directly what the people who matter most to the business think about the company.

Risks and ROI

Is there a downside risk to Web 2.0 platforms for CEOs?

Yes, there are pitfalls that corporate leaders must seek to avoid, such as confidentiality breaches related to financial disclosures, reputational damage when employees blog and interact with the public, and negative blowback from the blogosphere. Sometimes Web 2.0 initiatives have failed because management felt too uncomfortable with—and even sabotaged—a bottom-up corporate culture. CEOs must be aware that, while they personally may be convinced by the ROI case for Web 2.0, entrenched interests further down the hierarchy may not share their enthusiasm. The fear factor about Web 2.0 is still strong in many organizations.

When CEOs encourage the use of Web 2.0 platforms like blogs, YouTube and podcasts, they must be mindful of rules and regulations, even if regarded as outmoded, regarding financial disclosure. Also, CEOs must understand that if they, or any other employee, show a lack of judgment when using Web 2.0 tools, the negative consequences can be serious for both the chief executive and the company. Post a tasteless YouTube video and negative blowback could be swift and merciless.

A textbook case study in what not to do on the Web was supplied by a CEO: Whole Foods president John Mackey. He paid a heavy reputational price, for himself and his company, for blogging with a phony identity to trash a competing food retailer, Wild Oats, when it turned out that Whole Foods was in fact making a takeover attempt on Wild Oats. One of Mackey's blog postings on a Yahoo stock forum was unequivocally selfinterested: "Would Whole Foods buy Wild Oats? Almost surely not at current prices."

The U.S. Securities and Exchange Commission launched an investigation into Mackey's conduct. The Wall Street Journal, meanwhile, published an editorial castigating his conduct. "That'll teach Mr. Mackey to flog the virtues of his company on the Web," said the newspaper. "He made the mistake—in today's hyper-regulated world—of giving the impression in his blogging that he was just another Internet-surfing schmoe with an opinion."

CEOs who use Web 2.0 must understand that the fundamental dynamics of Web 2.0 platforms are not top-down and one-way, but open, horizontal and egalitarian. Everybody has a voice, and every voice counts—including when your own customers use your brand to create user-generated content on platforms like YouTube. Sometimes there will be negative opinions expressed about your brand on Facebook and blogs. This means that CEOs will encounter negative opinions, and therefore must learn how to engage criticism in an open conservation.

CEOs must abandon the old reflexes that regard criticism as a potential crisis, to be prevented or controlled. Corporate legal departments must abandon old reflexes to sue and seek court orders to shut down websites. Mashing, jamming, flaming and all the other social forms of expression on Web 2.0 networks are part of the learning experience. Except in extreme cases, they should not be suppressed, but accepted—even encouraged.

CEOs must also grasp that Web 2.0 is not just a flavor of the month, but requires a long-term commitment, focused on changing corporate values. And that takes strong leadership. The time for the CEO 2.0 has arrived.

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