The Management of Information Asymmetry

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For some time I have been warning against what I see as the dangers of treating digital workplace maturity in isolation and not in relation to the multiple supply chains that exist in all organisations. The concept of a supply chain is not just the movement of physical goods but could also be professional services. An organisation with a mature approach to digital working may not be able to gain the full benefits of the investment because other players in the supply chain cannot function in the same way. Very few reports have been published on trans-supply chain collaboration. Few people I have spoken with seem to have come across a report published by Accenture in 2012 entitled Making Cross-Enterprise Collaboration Work, which sets out very clearly the opportunities and challenges. There is also a fascinating but not exactly easy-to-read analysis of the challenges in a technical paper published in 2012 by HP Labs.

A key element of supply chain management is that of managing information flow. Much is now being made by Microsoft and other collaboration application vendors about the ease with which cross-enterprise teams can be set up to share information. Here comes the first paradox. Organisations are content (relatively speaking) to share information that they regard as common ground between them and other members of the supply chain. However, competitive advantage resides in information asymmetry. A pharmaceutical company may be willing to disclose to a national health service that it has a new active entity for cancer treatment but will almost certainly not wish to disclose the synthetic route, as this would enable other chemists to work out what the manufacturing cost would be, and even create generics. For four hundred years this asymmetry has been visible in patents. How much needs to be disclosed to gain protection without prejudicing commercial revenues.

So what is information asymmetry and why is it important to consider it within the context of information management? Wikipedia offers a definition as the study of decisions in transactions where one party has more or better information than the other. A couple of years ago there was a very interesting paper on this topic published in the International Journal of Information Management entitled "Interorganizational information systems visibility and supply chain performance" by Ho Lee, Moon Sun Kim and Kyung Kyu Kim which highlighted the requirement for informal and formal governance on what could be shared.

Autonomy and Control

The focus of the current interest in social networking is to enable the individual to make decisions about how they work, who they work with and what they share to achieve personal and business objectives. Take the concept of Working Out Loud. There is a

wealth of survey and anecdotal evidence that this fosters innovation and is good for employee engagement and many other attributes. However, all organisations work within some form of compliance, with a board of Directors that have defined responsibilities towards the organisation and towards shareholders and stakeholders. A research paper that I return to time and time again is "The role of information in strategic decision-making" by Charles L. Citroen, published in the International Journal of Information Management in 2011, though this is a summary of his PhD thesis that he undertook in his late 60's at the University of Twente. Charles interviewed senior executives in major Dutch companies to find out to what extent they knew how the information they used to make business-critical decisions arrived on their briefing papers for a Board meeting.

The interviews showed that in general there was a very high degree of trust in the information that filtered up to them but there was often no explicit knowledge of how the quality checks were made, and by whom. Back in 2001 when working at the International Monetary Fund, I was fascinated to see that as well as the summary report that went to the Management Board for decisions to be made on loans to countries, there was also a Work Book in which every single fact or opinion was marked down to a specific person, so that if there was a concern about a GDP growth figure "John Olsen" could be contacted to explain the basis for his forecast. This process was put in place after some disastrous decisions about loans to Thailand, for example, in the mid 1990s.

So at some point the information from WOL/collaboration/social information and knowledge collation has to be formalised into something that is rigorous enough to protect the Board against a malfeasance charge at some time in the future. Just say "Volkswagen" to yourself and count out eighteen billion euros quite slowly. Better still bring it up with your manager in your next performance evaluation.

The Importance of Information Management

What no one seems to be considering at present are:

- What should be the governance processes around what information can be shared with people outside of the organisation?
- At what point, and how, does social information need to be formalised so that it forms the basis for decisions that will almost certainly be subject to compliance regulations?

If ever there were a requirement for a formal information management strategy this would be it. Now of course most organisations have some form of "protective marking" to define layers of confidentiality, but this is usually applied to written documents and control of their circulation. In a social setting there may be no awareness of these levels of confidentiality and even if there is it might well be assumed that they did apply to social conversations for which there is no formal record.
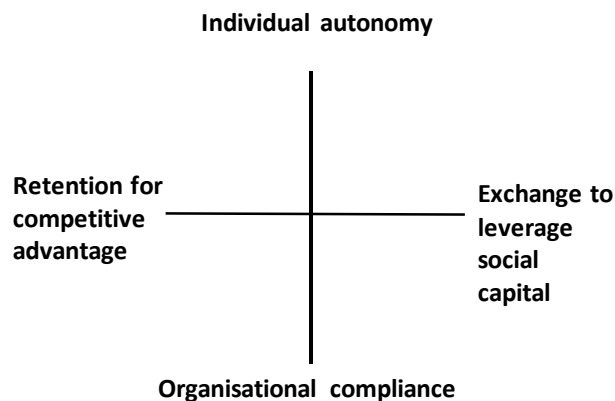
One of the issues here is that if the Information Security policy is written in the context of *ISO Standard 27001 – Information Security* then there will be no reference to protective marking as this is not included in the standard. In the UK there is a Government Security Classifications manual dated on the cover as both October 2013 and April 2014. This sets

out a very structured approach to levels of confidentiality but insists that the document concerned must be "marked". So just how are you going to mark a post to an enterprise social network or an informal exchange between team members in different organisations with different marking schemes?
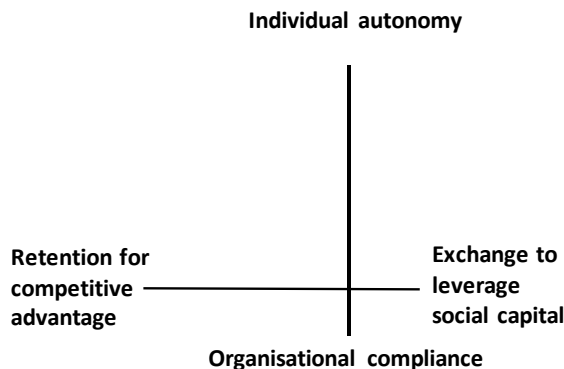
An additional problem, and one that I have experienced at first hand, is that at a meeting comments made by individuals might not on their own disclose anything confidential but if I add in my overall knowledge of the business, the roles of the people and what they have said or not said I can often build a reasonably accurate picture of the reality that has not been disclosed by any specific individual.

Who Decides?

Time for a 2x2 diagram! Organisations are going to have to take informed decisions on the balance between the open exchange of information and absolute confidentiality with business partners. Internally they will have to take a view on the autonomy of employees to work in a very open style and the need for many decisions to be taken on the basis of an audit trail that provides a high degree of veracity of the information.

Individual autonomy

Retention for competitive advantage

Exchange to leverage social capital

Organisational compliance

This reduces my values to two competing axis. My conjecture is that in some companies this might reduce to the following balance, where there is considerable individual autonomy but very significant restrictions placed on what could be shared with business partners.

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Exchange to leverage social capital

Organisational compliance

I will not bore you with the other options. I doubt that few organisations are clear about who makes the decisions about what can be shared and how this is governed in the organisation without (as an example) inhibiting individual autonomy because of the constraints on information sharing with external partners. The ever-wider adoption of enterprise social media and collaboration applications increases the danger that what the organisation regards as restricted information just leaks out into the enterprise cyberspace of a digital workplace with a supply chain with multiple partners, each of which has multiple partners.

Then along the other axis is there a clear gateway through which decisions made on social media are validated as being fit for the purpose of making fully-compliant decisions that could make or break the business?

I don't mind where the balance is along these two dimensions; there is no right and wrong balance. I just hope that someone in your organisation is worrying about it.