NO MORE SECRETS

Individuals, enterprises and even states are increasingly under pressure. The buzzword is transparency: just a fad or will it change business, markets and leadership for ever?

■ ANALYSTS
IT people become businessmen. Their organisations will be subjected to considerable but inevitable upheavals over the next five years.

■ ANOTHER VIEW
Free goods are a weapon, which can be used to command the market. Interview with Olivier Bomsel, Professor in Industrial Economics.

■ BUSINESS & IT
Banks are moving towards integrated risk management, based on cross functional systems. The focus is on the global vision, which entails further developments in IT.

■ FUTURE
Nanotechnologies: continuity or radical change for the IT infrastructure? Impacts on architecture, performance and uses.
Transparency: no more secrets

Transparency is a sign of the times. The development of new technology, and Web 2.0 in particular, delineates yet unknown horizons for transparency. Hence, states, enterprises and people are now demanding greater clarity both for themselves and for others. The public at large is challenging the authorities, at every level, to make the processes of decision-making, budget management and access to documents concerning them much more transparent. Companies –themselves subject to ever increasing regulatory constraints, forcing them to change their structures and therefore their IT systems– are being driven by consumers to apply a code of ethics. And the very same people, who are driving transparency, and who are even digitally exhibitionist in their blogs, are reticent to accept transparency when their daily behaviour is tracked and their privacy threatened.

As seen above, information technology plays a key role in forcing states, sometimes against their will, to adopt more transparency. For example, utilisation of the Internet to develop new forms of e-government is prompting politicians to change the way they speak and act, forcing companies to transform their internal processes and fostering exposure of individuals. Can our society be completely transparent? Are we moving into a world with no secrets?
State Transparency: citizens want more!

Although states, citizens and companies have achieved considerable breakthroughs in making their relations more transparent, governments are still loath to put an end to the cult of secrecy and to disclose their activities. Communication is not necessarily synonymous with transparency.

In a restaurant, the menu and the dining room are well presented but the kitchen, where everything is prepared, is hidden away. Likewise, states are reluctant to reveal publicly what motivates them whether this concerns their internal operations or their relations with the public, the business world and other countries. In fact, the recently-developed concept of transparency is applied by governments under external pressure, which means that transparency mainly concerns democratic nations, at least for the time being. Certain international organisations or jurisdictions such as the European Court of Justice (ECJ) or the World Trade Organisation (WTO) can apply the pressure required. The surveillance of an independent regulatory authority is often necessary and occasionally a citizens’ watchdog or consumers’ association can influence the course of events. But on condition that these organisations themselves implement what they are demanding of the government. Transparency thus involves a constant balance of power. Indeed, there are many examples of how the public opinion has been manipulated by unscrupulous politicians, of how politicians have managed to stay in power and even of how politicians are convinced that they are acting in the interests of the public at large. By giving precedence to conviction rather than to responsibility, politicians run the risk of generating excess state propaganda and the ensuing disastrous consequences. Ranging from the myth that the French borders were impervious to radioactive fallout from the Chernobyl accident to the scandal concerning Iraqi weapons of mass destruction, state secrecy takes a heavy toll every year.

For the last thirty years, the various democracies have been legislating in view of more transparency in their internal operations. Free access to administrative documents and national accounts is available in theory (see box) as demonstrated by laws ranging from the US Government in the Sunshine Act passed in 1976 to the French Lolf (Loi organique relative aux lois de finance or law providing a framework for financial legislation). However, the public services in question have to be organised appropriately and cooperate sufficiently. In actual fact,
Most states aiming for transparency are concerned with being able to assess their performance precisely and accurately and to measure any manifesto or programme as shareholders and analysts do for listed companies. In France, the LoI (Loi organique relative aux lois de finance), mentioned above, organises the state accounts according to the principle of transparency, and the political and social stakes are high. This project needs to be underpinned by a solid IT system not only based on software packages that are widely used in the private sector, cost-accounting and reporting systems with reliable indicators but also on controlled change management (because software packages tend to call into question prior organisation and working methods). Now, all change is subject to the approval of the men and women responsible for its implementation. States have followed in the footsteps of the large corporations, pioneers in adopting the principle of transparency for their accounting systems. This trend should continue since companies are always on the lookout for new tools and methods, particularly in the IT field (see article on page 28), enabling them to create, maintain, improve—or recover—a climate of trust.

On the other hand, transparency has risen up the ranks in the last few years as far as direct relations between the state, the public and the business world are concerned. Under pressure from more-or-less independent non-government authorities (e.g. UN, European Commission, NGOs, US Supreme Court, UK Office of Fair Trading) together with the development of communication and information technology, democracies have improved their communication strategy significantly and become more accessible to the public. All the modern-day states are implementing major projects for more fluid exchanges between their administrations, less conflict, harmonisation of IT etc. within the public sector. The objective for the public services is to take account of the citizen, no longer merely a “user-payer” but a true partner. The rights of each partner are then treated with mutual respect. Even if there is still a long way to go, states are on the route to transparency so long as people keep a weather eye open!
IT is going to make politicians act differently

Peter LEYDEN,
Director of the New Politics Institute

IT Journal: How did the Internet and, especially Web 2.0 with its blogs and content delivered by net surfers, change the political transparency scene?

Peter Leyden: The appearance of new media like the Internet has brought massive upheavals in the way messages are sent and monitored. Dissemination of the old media such as the press and, particularly, radio and TV spans outwards from a tiny central point to the global arena, thus leading to standardised, homogenous distribution of information and messages. Likewise, by centralising the dissemination of information, it can be better controlled. Since Web 2.0 is intrinsically decentralised, it blows the former model completely to pieces. Today, anyone and everyone is free to give an opinion or a criticism, even anonymously, on any subject. The development of the blogosphere and broadband means that we can all become opinion leaders, create our own web content and make it available to the public at large. This changes the way of doing politics and even working in politics on a daily basis.

P.L.: Politicians often lag behind, when it comes to adopting new technologies, at least compared with business people, and others, who have more inquiring minds. Obvious examples of this are the computer and the mobile phone. However, in the case of Web 2.0, for once it is the politicians who have made the first move and got a grasp of this technology whereas the business community doesn’t quite know how to exploit it, and has even been thrown off its stride by the whole new process. Every politician now has his own personal blog which is regularly updated with information, sound and images.

ITJ: How can politicians avoid being outdistanced?

ITJ: Why do they use it? Is this a political move or are they just trying to be trendy?
**P.L.:** I don’t think that they are trying to make a statement. Politicians are massively besieging Web 2.0, under pressure from the public, to get their message across. There is now a strong demand for transparent information on how our institutions operate. For example, as soon as Democrat Nancy Pelosi was elected to US Congress, she had webcams installed at all the committees so that the public could watch them working on the Internet. In other countries, parliamentary debates are also broadcast on TV or on the Internet. These debates are watched, analysed and criticised by web surfers. The demand for transparency has now become a crucial issue in politics especially as web surfers are beginning to organise themselves into influential communities, comprised of up to three million members!

**ITJ:** In this case, can politicians adapt to the strong, new urge for transparency?

**P.L.:** The fact that we are in real time should be highlighted. Sound or images can be transmitted all around the world in a few seconds. Politicians are adapting—or at least trying to adapt—their attitudes to the media. It all depends on how open-minded they are to others. If they are on camera, they have to appear more natural, more familiar, closer to the public. According to the latest research, the more politicians adopt an open-minded attitude to the media, the more consideration they get and the more accessible their message is. Superficiality and introversion don’t go down very well.

**ITJ:** Doesn’t transparency affect politicians’ communication skills, in particular?

**P.L.:** I really believe that transparency in politics, facilitated by the development of the new technologies, will incite politicians to act differently. It’s not just a question of talking well and looking good on TV. Political communication, as we know it, is no longer sufficient. Today, political decisions are not just analysed in detail by specialists and experts. People are really keen to talk about what they should or should not do, and what is good and what is bad for them. And they are doing it by getting organised so that they can influence politics. I think that it’s the right time to move ahead, towards progressive politics. Furthermore, the politicians are going to have to keep in tune with the public.

**ITJ:** How far will this political transparency stretch?

**P.L.:** It’s up to each of one us to draw the line between what should be private and what should be disclosed publicly. Just like Google Earth. You can see the houses in great detail but not what’s inside. Even if our model changes, I think that there will still be a tussle between the need for transparency and the existence of opacity in politics. ■
Investors and the public at large have had their confidence seriously shaken by the recent recurring financial scandals. In view of globalisation and the fast-changing world economy, companies will seriously have to review their reporting models according to certain experts. Good quality and quickly-available information will or will not steer us back onto the route to confidence.

The concept of transparency in the business world is not new. The first legal notices published in Europe date back to the 16th century, and were followed by abundant, fluctuating regulations. Today, this type of announcement, which covers various essential aspects of company life, is driven by the business community’s desire to be properly informed.

After the stock market crash of 1929, the United States undertook to address the issue of transparency, which had come into the limelight due to a massive loss of confidence in the information delivered by companies. So the power had to go back to the shareholders. Listed companies had to present their financial statements according to US GAAP (Generally Accepted Accounting Principles in the USA) and engage the services of auditors in order to certify that the information they disclosed to the public was compliant with these principles. A procedure still valid today. In the 1990s, it was the pension funds that were discontent with their investments and asked the senior management to provide explanations.

Whether in the aftermath of a particular event or, as more recently, under pressure from the financial markets, the array of measures implemented (laws, regulations, codes, etc.) to ensure both greater corporate transparency—particularly at management level—and good quality financial information, have not prevented financial scandals in any country. On the contrary, if we are to judge by the frequency and gravity of the scandals observed over the last few years. For some specialists, this wave of scandals, the worst since 1929, has seriously rocked the confidence of not only investors, analysts, individual shareholders but also… employees, who often hold shares in their own companies. Why did this crisis occur?

It is very simple. The global economy has become increasingly complex, “globalised” and “financialised”. Companies have accelerated their geographical expansion, their contractual relations have become more elaborate and they are using ever more sophisticated financial instruments to finance their businesses. Nowadays, capital is the most internationally mobile of all elements of production. All this has occurred against a backdrop of unprecedented technological change together with the arrival of the Internet, enabling instant worldwide access to information. All these tumultuous
upheavals have generated an array of regulations, particularly at the national level. The essentially-financial information that companies have to publish is either too rigid or too complex to be used effectively, with the end result that a mass of information is available to investors, individual shareholders, and analysts. However, it is not as frequent, relevant or reliable as they would like, which does not foster the return to transparency and regained confidence!

But how transparent should information delivered by companies be?

In a document* issued in November 2006, the executive staff from 6 leading global audit networks gave their vision of what corporate reporting should be and the role of the new technology in what they spontaneously called “the future reporting revolution”. This is why it is vital that such information should be of good quality, correctly collated, reliable and verified (particularly for companies with worldwide ramifications), and frequently available.

With respect to the content of annual reports, the six executives considered that the value of many companies lies in the wide range of intangible assets (employee creativity and loyalty, good supplier and customer relationships, etc.) at their disposal. However, the information required to put a value on such assets is not delivered consistently.

As for the frequency of the above reports in the instantaneous era of the Internet, the document pinpointed the fact that investors have to wait at best three months —if not, six months or a year— to obtain this information. “Why shouldn’t relevant financial information be published more frequently, even on a daily basis,” asked the six executives? Once investors have “real-time access” to financial and other information on companies, quarterly profit forecasts will become redundant, or so they believe.

Lastly the report noted that, thanks to the Internet, consumers and companies can personalise the products and services they purchase. It is easy to imagine then how digitalised content and support from the Internet could enable users of corporate information to receive data that is relevant. Such information would correspond better to their personal interests, and to a pre-defined presentation, than today’s annual reports with their standardised content which only partially address user demands.

The new era cannot be built without technological foundations such as XBRL (see box), a new language facilitating the

Why shouldn’t relevant financial information be published more frequently, even on a daily basis?
transmission, analysis and comparison of financial statements. This initiative should in some ways revolutionise the corporate reporting model e.g. the type of information published, the way in which it is presented and the auditing methods implemented, said the six executives.

The hyper-sensitive field of financial information –source of all confidence– will undoubtedly require a totally new approach, and the auditors intend to be part of it. They believe that they should not only participate in the choice of new technologies for setting up new reporting procedures, but also in the collation, recording, and classification of the information to be made available so that it is consistently reliable and relevant, regardless of the source. Is this going too far? “I’ve always had

The hyper-sensitive field of financial information - source of all confidence - will undoubtedly require a totally new approach

the opinion that problems with the stability of financial institutions should be solved behind closed doors,” said European Commissioner for Internal Market and Services, Charlie McCreevy, last October at the opening of Vachovia Bank International in Dublin.

*Global capital markets and the global economy: A vision from the CEOs of the international audit networks, November 2006

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**XBRL, a key to financial information**

According to XBRL France (French arm of the Global XBRL Initiative), XBRL (eXtensible Business Reporting Language) is a format that uses XML language to automate the description and exchange of standardised financial data (financial statements, accounting records, regulatory information, etc.). Financial data, when digitalised, is currently exchanged in a number of formats, which are unsuitable for analysis, comparison and the preparation of reports for the relevant users. XBRL enables companies to structure and define information with XML “tags” so that when data or facts are tagged as turnover, XBRL applications can determine what type of information is involved, in context, and use it in the appropriate way.

www.xbrl.fr
Power should be exercised and shared with consumers

George COLONY, Founder of Forrester Research

**IT Journal:** What is the relationship between transparency and technology?

**George Colony:** Transparency is driven by social computing. By this, I am referring to a social structure in which technology hands over the power to individual people and to communities. This is a fairly recent phenomenon. Remember, in 1998, there was no one behind the Internet. Now, that is no longer true. People are everywhere. Everyone has his or her word to say.

**ITJ:** What makes you so sure?

**G.C.:** Just look at the statistics on visits to the flagship social computing websites. Take social networks like Facebook, MySpace, etc. 6% of connected North American consumers use this type of website every week whereas there were only 4% in 2004. Blogs are used every week by 10% of North American e-consumers. As for websites that compare products and services, the proportion of the same visitors jumps to 24%. In Europe, 21% of e-consumers use online auction services. Not forgetting the wikis, like Wikipedia. The huge collaborative encyclopedia, documented and improved by its users, has over 3 million pages in almost 200 languages!

**ITJ:** Have the large corporations really taken this phenomenon on board, together with its impact on innovation for example?

**G.C.:** It all depends. Companies like Wal-Mart and General Motors are now fully aware of the importance of building communities, fostering experience and sharing the power among themselves. For example, General Motors invited the best contributors to its blog on innovation to become “GM Insiders”, giving them access to designers and marketing programmes. In fact, the communities thus hold stakes in the company’s innovation methods. And the company can collect thousands of ideas at no cost and save a lot of precious time. The recent advertising campaign launched by the Crédit Mutuel, in France, adopted this approach. “If I were a banker...” was comprised of a website, an idea a day and a web surfer’s vote on the idea. Companies which harbour data and price secrets lose power in the long run.

**ITJ:** So what is the problem?

**G.C.:** Senior managers do not like losing power. However, they do not own their customers. It should be the other way round!

**ITJ:** What is your advice?

**G.C.:** I tell people, who are struggling to understand the new environment, to talk to their children or to their grandchildren!
Transparency means far more than just a share price on a website

James ALEXANDER,
Member of the Zopa Board of Directors

IT Journal: Zopa runs banking activities but is not a bank at all. How would you define yourselves?

James Alexander: We are an online marketplace where people meet to lend or borrow money while sidestepping the traditional banking channels. In fact, our activity is not regulated like a bank since we operate in Great Britain under the Office of Fair Trading*. Zopa is a new type of company—rather like eBay for goods or iTunes for music—which could transform a whole business sector in the long term. It is a combination of new technologies and open business attitude, operating similarly to free software. However, the main point is that there is a human face on it all. We bet on the fact that the lending business can be profitable for all parties and still be human and personal.

ITJ: Why would anyone lend or borrow money through Zopa?

J.A.: When a person lends money, he or she is looking for good returns with low risks. The person who is borrowing money is looking for the best interest rates. With ordinary banks, neither the borrower nor the investor depositing assets are in control. And, above all, the bank has to earn enough to pay for its enormous overheads. None of all that with Zopa. On the one hand, we do not set the interest rates ourselves since it is the lender who goes to the marketplace to “match” a request for a loan, which is comprised of a sum, an interest rate and the repayment term expected. On the other hand, our overheads are very low because we operate with a staff of only 50.
**ITJ**: You say that all parties can earn money. How?

**J.A.**: Lender earnings are generally of the order of 7 to 11%. In 2007, average earnings less commission were 7%. This is a 30% better return than the base rate served overall by the banks. Borrowers get the lowest possible rates in Great Britain i.e. 30% below market rates, on average. As for Zopa, we charge borrowers a single transaction fee of 0.5% and lenders a 0.5% annual servicing fee for the loan. Zopa was founded in 2005 and now has 180,000 members.

**ITJ**: You talk about “members” and not “clients”?

**J.A.**: Because it is, in fact, a community sharing information, even if people don’t actually meet each other in the flesh to discuss the loan. Borrowers like to know where their money is going, to whom they are lending it and why. This is what happens on the website since the borrowers describe their projects, which could be a new roof for their home, setting up a nursery, buying a motorbike or a boat. Some even include a photo. The borrower can then send a message to the lender to thank him or her for the loan and describe how he or she is going to use the funds. Lenders value these personal messages, which contribute to the transparency of the relationship.

**ITJ**: How does Zopa think about and organise transparency?

**J.A.**: Transparency is far more than a stock market price posted on a website. At Zopa, it’s all done via blog and discussion boards, which enable permanent contact with members. We ask them before launching a new product, which is vital since they bring in loads of ideas. On their side, they not only have a sense of belonging but also a feeling of pride. They even take on board any negative comments as if the website were their very own! However, transparency also applies to information on borrowers’ financial profiles because the lender has to be fully reassured on this score. Zopa’s role is to make all the transactions secure.

**ITJ**: How do you do that?

**J.A.**: The loan is checked out and the risk related to each borrower is determined. As a regulated company, we have access to a central credit-rating database. Everyone has a score which is indicated next to the request for a loan. Furthermore, a loan exceeding £500 is spread across at least 50 borrowers. To date, payment default is under 0.2%.

**ITJ**: What is the future for Zopa and this new financial market in general?

**J.A.**: We were the first on the market and have been imitated all over Europe, Asia and the USA. Proliferation will give way to consolidation. For the time being, Zopa is prepared to develop its activities in the US and in Italy.

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Prior to co-founding Zopa, **James Alexander** was Strategy Director of Egg. He is also a trustee of **Green Thing**, an environmental website that mobilises people to act against climate change.

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*The Office of Fair Trading is the United Kingdom’s consumer and competition authority.*
Forgetting technology, think people!

Liam MULHALL, 
CEO of Brewtopia, Australian 
beer company

**IT Journal:** The name of your company refers explicitly to Utopia. Why?

Liam Mulhall: While playing golf, back in 2001, I had the sudden idea of launching good-quality beer at a reasonable price while making a profit. At that time, the Australian market was a longstanding duopoly of powerful, experienced brewers whereas I was working for the IT company Red Hat and had never made or sold the slightest drop of beer! Luckily for me, I knew that the Linux operating system had been developed on the basis of open-source intelligence. The code had been passed onto millions of programmers all over the world so that it could be improved and stabilised prior to marketing by companies like Red Hat. So I just had to do the same to create the first open-source beer.

**ITJ:** The idea seems simple. However, beer is not an immaterial good and the IT-developer community is closer-knit than the beer-drinking community...

L.M.: That’s true but there is an immaterial element to any and every business: human psychology hasn’t changed for the last 5,000 years. People like to be listened to, taken into consideration and acknowledged for their talents. Rather than locking ourselves up in an office to reflect scientifically on consumer preferences, marketing policy and advertising campaigns, we went straight to the source of innovation—the future consumers—in order to build the foundations of our enterprise. And what’s more, it didn’t cost us a cent! We adopted the completely opposite attitude to the secrecy in which product launches are usually shrouded!

**ITJ:** How did you take the plunge?

L.M.: In theory, it’s very simple. Firstly, I sent an e-mail to one hundred and thirty parents and friends saying: I would like to launch a new beer but I’ve got no experience of doing it. Can you help me? Then the difficulties started because word of mouth is very effective and a lot of people have ideas!

**ITJ:** How did you transform these ideas into a proper action plan and the finished product?
We adopted the completely opposite attitude to the secrecy in which product launches are usually shrouded!

L.M.: Over three months, we asked thirteen questions via a website. The questions about the beer itself and its development were very simple, otherwise we would have lost our audience. A choice of two responses was provided per question. For example: do you prefer strong beer or light beer? Or: should the bottle be green or brown? Approximately 16,000 people in all voted. After the initial development stage, we had enough data to launch the product. The information was all the more valuable in that it came from the future consumers. It was the first time that this type of collaborative approach had been used outside the IT sector.

ITJ: Did all the voters become customers?

L.M.: Probably not all. But the product was certainly adopted on a vast scale thanks to the initial questionnaire, which developed incredible loyalty. It is that transparency and collaborative way of working with the public which helped to create the climate of confidence generating the rewards we are reaping now. Furthermore, we undertook to give every voter the right to a share in the company if ever it was listed on the stock market. And we are now listed at the National Stock Exchange of Australia, because the community asked us that. Since the initial public offering, we have acquired thousands of individual shareholders.

ITJ: How do you keep up this collaborative approach?

L.M.: Thanks to all the uncostly, easily-implemented resources available such as wikis, forums, blogs, and the like. Also, we are still in contact with the community so there is a constant flow of ideas, comments and exchanges. All our new products go through this process. For example, we market mineral water also because of the strong demand from the community. We are thinking about an advertising campaign but, there again, our community will be consulted as certain members have very good ideas in that area.

ITJ: What are the limits of transparency?

L.M.: One of the questions in the initial stage was the price of the product i.e. How much do you want to pay for a beer? We did not, of course, manage to bring the price right down to what the public wanted but we do provide a full cost breakdown on our website. If, one day, the question of selling the company were to arise, we would consult the community also even if it is up to us in the long run. With an open mind, there are no silly questions and no wrong answers.
Towards complete transparency?

New technologies are upsetting our private lives and anxiety is brewing. Once consolidated, analysed and processed, could personal data be used for questionable purposes?

The philosophy of Jean-Jacques Rousseau, based on the naturally-transparent individual, fits into the 21st century like a glove. In this world of remote surveillance, reality TV, happy slapping, Web 2.0 with its rich media, traceable personal data, GPS and limitless mobility, the famous Geneva citizen would have been faced with endless choices to meet his metaphysic objectives. Nowadays, anyone can become a star within minutes, whether he or she wants to or not! And there is the paradox. Exhibitionism on the internet is now common. But we want to control what we are broadcasting, what we put in Myspace pages, what we write on blogs... At the same time, our digital identity gets more and more controlled and exposed by others. Whereas screen and other celebrities spend millions on image management, the average man in the street is faced with the very same risks... but he is all alone with no means of defence once involuntarily exposed on the web. Current technologies are undermining the private lives of many.

It is estimated that four million CCTV cameras are in operation in England. Every day, a person has approximately 300 chances of being filmed! This is larger-than-life reality TV. And the widespread use of remote supervision is only in its early stage. France, for example, intends to follow in the footsteps of its British neighbour, just like other European countries. CCTV cameras are reassuring. However, it is not statistically proven that crime rates fall significantly and durably with these systems. According to the Home Office, delinquency is still on the upwards trend despite the development of remote supervision. Nevertheless, it has enabled authorities to identify and arrest several terrorists involved in bomb attacks, such as in Madrid.

In addition to security and its associated espionnage, miniaturisation has developed to the point that images, sound, and video can now be recorded, transformed and broadcasted anywhere in the world via a whole range of equipment. Mobile terminals, for example, combine a whole gamut of telephone services, TV and radio reception, Internet and computer connections. Sales could reach one billion units by 2009, according to the research firm Idate. So YouTube, DailyMotion and other platforms still have a long life ahead of them, for better and for worse.

Surveillance of individuals at the expense...
Traceable personal data

of their private lives does not just comprise video. Firstly, the numbers of official health, employment, tax, educational and other records will certainly increase and be cross-referenced. The State intends to step up controls in order to improve its cost-effectiveness. Secondly, private information is now stored in databases, of which most people are completely unaware. Every time that a telephone, credit card, loyalty card, computer, GPS, the Internet, digital TV or other means of communication is used, the user discloses part of his or her private life, work and tastes to third parties (public and private enterprises, associations, authorities, etc.). Furthermore, this process is only at the beginnings. Today, this type of data is worth its weight in gold, as shown both by the widespread development of cookies and other types of spyware, and by the intensive use of CRM (Customer Relationship Management) software.

Customer relationship management, behavioural analysis, viral marketing, etc. are all raking in the rewards from the collection, analysis and processing of all this private data. With the consolidation of many market players, the opportunities increase for crossing data from various sources in order to fine-tune our profiles as consumers, customers, suppliers and the public. Marketing pushed to such a high technological degree coupled with the development of other technologies, such as biometrics, raises many issues. Safeguards, such as the CNIL (Commission nationale de l’informatique et des libertés, which is the national data protection authority) in France, are pretty thin on the ground. Also, given the massive amounts of files and data to be processed, their powers and control capabilities are often inadequate.

The legislation governing the preservation of data, as authorised for natural persons and legal entities, varies from one country to another. Non-disclosure and privacy rights with regard to such information differ between France, the United States and Japan. Usage also differs. Hence, the protection of private information is a fairly impossible task. Each state, company, employer or association will always attempt to obtain more information on its various subscribers, customers, consumers or staff with the best will in the world. They want to know them better in order to provide new and improved services, to move faster, to become more productive or to get closer.

The main issue, however, is the use of this data. Human beings are not just a sum of digital information. So this data can be a dangerous when it falls into the wrong hands. At the risk of seeing our images multiplied against our will with no means of recourse or control over the identity leak, transparency on a personal level leaves a gnawing feeling of anxiety. Is this why there is such a fad for avatars and virtual lives, generated by websites like Second Life? Do the now-ubiquitous users think that they are in control of their destiny and image which are, of course, marked out...
Transparency is not always a virtue

Barry SCHWARTZ, Professor of Social Theory and Social Action

**ITJournal**: Abundant choice leads to transparency. Is this beneficial?

**Barry Schwartz**: When human beings are deprived of freedom of choice, life is almost intolerable. So our consumer society strives to develop more and more options and to provide the diversity synonymous with independence and free will. In theory! As the number of options rises, the negative aspects of the vast choice become increasingly apparent. Then choice is no longer a liberating factor but a paralysing dilemma. Although choice is a good thing, an overload is not necessarily better. Confusing freedom with choice is a big mistake.

Excessive choice is everywhere. You just have to go to a supermarket to observe this phenomenon which permeates into every field - and not only mobile phones, education, the media, retirement funds, savings and jobs but even marital partners and plastic surgery. All this is based on marketing rationale i.e. reason would have it that increased options are bound to increase consumer satisfaction. This is logical but incorrect since extra effort is required to make decisions.

**ITJ**: What are the limits to all this abundance?

**B.S.**: In the real world, limits are physical but on the Internet, the choice is endless. The Internet can provide unrivalled, up-to-date and precise information. The downside? This source of widely-available information can get to the point of becoming nonsense. Anyone and everyone can express an opinion, whether they know what they are talking about or not. With the avalanche of information, before choosing between the two hundred types of cereals or five thousand insurance companies available, first of all, we have to choose between ten thousand websites offering to transform us into wise consumers. Just imagine. We can determine precisely the information we need, but can we analyse, assess
and sort it? Not so sure. Less choice makes us miserable. Greater choice has three deplorable effects: decision-making requires more effort, mistakes are more frequent and the psychological consequences are far greater. Limitless choice can cause real suffering. Transparency does not just mean available information but accessible information. Too much information means that it is only transparent in theory. When a search engine coughs up one million pages, how can we deal with it? For example, an automotive company published a manual comprising 800 pages, so who could possibly read it? Of course, no choice at all is equally disastrous from a psychological point of view. We need to achieve the right balance.

Transparency does not just mean available information but accessible information

**ITJ:** In your book, “The Paradox of Choice”, you distinguish two types of behaviour. How would you describe them?

**B.S.:** I make a distinction between “maximizers” and “satisfiers”. Maximisers need to be sure that they always make the best possible purchase and the best possible decision. There is only one way of knowing: check all the other options. Thus, they will not be convinced that they have paid the best price until they have compared all the prices. Their decision-making strategy involves harassing work, proportional to the possibilities available. Obviously, it is impossible to do this thoroughly. Satisfiers, on the other hand, are content with something that is “good enough” and do not wonder if they can find better. I am convinced that people who over-maximise are unhappy, particularly in a society that endeavours to offer overwhelming choice both in important and unimportant things.

**ITJ:** How can we behave in a world developing choice transparency?

**B.S.:** A rational choice is made in several stages: determination of one or several objectives, the particular importance of each objective per option, the range of options, the probability of meeting the each particular objective, selection of the appropriate option. This process is no longer implemented as soon as people are faced with hundreds or thousands of options. In reality, they consult their friends for advice. In managing excessive choice, first of all, options should be graded according to importance. This exercise helps to clarify the cost aspects. When choosing a product, the purchaser should ascertain why the decision is important, letting go when none of the options are available while being prepared to create others. It is the “deciders” who create new options, both for themselves and for others. When faced with overwhelming choices, decision-making becomes impossible and we just gather passively whatever is available. Deciders have the time to change their objectives, not gatherers. In an option-saturated world, this means peace of mind.