Organizational Transparency

Gustavo de Oliveira Almeida
Federal University of the State of Rio de Janeiro, Brazil

Claudia Cappelli
Federal University of the State of Rio de Janeiro, Brazil

Cristiano Maciel
Federal University of Mato Grosso, Brazil

INTRODUCTION

Transparency is one of the most frequent words in the contemporary public discourse, due to the growing demand for organizational transparency from the many stakeholders, which include shareholders, national and international watchdog organizations, the mass media and influential bloggers (Wehmeier & Razz, 2012). For instance, since shareholders invest money in corporations, they require financial disclosure, the exposure of future strategies and the revealing of the corporations' decision-making processes. Also, factors such the crisis in the 'new markets' and financial crisis have increased international and national watchdog organizations such as Transparency International to continue to raise the issue of corporate transparency (Wehmeier & Razz, 2012).

Although the notion is frequently part of the daily discourse, the concept of transparency is rarely defined – neither in the news nor in the companies – beyond common-sense understandings as 'openness', 'insight' or 'clarity' (Christensen & Cornelissen, 2015).

According to Hood (2006 apud Wehmeier & Razz, 2012) the roots of transparency were present in ancient China and Greece. The Online Etymological Dictionary (2007), points out that the term transparency is derived from the word ''transparentem'', meaning ''show light through'', which in figurative use became ''easily seen through'', its figurative meaning started being used somewhere between the XV and XVI century. The word continued to be used throughout and became part of many Latin derived languages such as the Italian, Spanish, Portuguese, French and English (Vaccaro & Madsen, 2009).

Transparency is usually presented as an unquestionably positive concept for the public, governments, and firms, found in almost every code of conduct, held as a foundational principle and an objective of most governmental and non-governmental organizations. However, fewer authors dedicate their research to present the issues or negative consequences of transparency (Fenster, 2006). There is an established view that transparent companies, governments, institutions and processes are essential to achieve corporate social responsibility, social justice, environmental security, true democracy and wellbeing (Menéndez-Viso, 2009). In the words of Christensen & Cornelissen (2015), this veneration of transparency as a value is the "myth of transparency". More than that, the contemporary organizations are in the business of transparency, as the result of legal, social or public pressure, or even as a self-goal to be transparent. Nevertheless, although the transparency is a growing concern, it does not mean that they are open about everything they do (Christensen & Cornelissen, 2015)

Thus, in a context dominated by frequent episodes of corporate wrongdoing, transparency is often presented as a remedy for the trust issues between the organization and its stakeholders.

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Some studies have consistently pointed out the role of transparency in creating, maintaining, or repairing trust, between organizations and stakeholders (Schnackenberg, & Tomlinson, 2014). Consequently, many companies have embraced the concept of transparency believing it would bring increased levels of trust among the public, more specifically shareholders or investors, and other actors such as consumers, government and regulators (Williams, 2005). As a result, in a search for a more precise definition of transparency, Schnackenberg & Tomlinson (2014) nominated three factors, which the authors define as theoretically viable and managerially relevant: disclosure, clarity, and accuracy. The first factor disclosure increases as stakeholders perceive information as more relevant and timely; while clarity is related to the stakeholders' perception of the information as understandable; and finally the factor accuracy is defined as a perception by the stakeholders that the information is reliable. Each of these dimensions contributes in a singular way to the transparency by increasing stakeholder confidence in the quality of information received.

Rosendorff and Vreelandde (2006) define transparency as the dissemination of regular and accurate information. According to Leite et. al. (2010), there are three different levels of transparency: social transparency, target transparency and organizational transparency. According to Fung (2007), social transparency allows citizens to be more informed and encourages the disclosure of information as a regulation mechanism of centers of authority, while target transparency aims to reduce specific risks or performance problems through selective disclosure by corporations and other organizations. The concept of organizational transparency is defined as the disclosure of organizational information between an organization and its stakeholders, allowing to the society to verify whether the organization's activities are consistent with regard to the society's interests (Cappelli, 2009).

Describing in more detail the concept of organizational transparency, it is composed of five dimensions: access, usability, informativeness, understandability and auditability. All of them can be applied for information transparency and business processes transparency (Cappelli, 2009). The information transparency is the feature related to the information of interest, and its ease of access, ease of use, quality of content, understanding and auditing. In turn, process transparency is the feature that enables the citizen access, easily use, understand and audit the processes dealing with information of interest. Process transparency requires that the transformation steps of the process be transparent, that is, it should be possible to understand its enactment (Cappelli, 2009).

This chapter has as its main objective to present and detail the concept of organizational transparency, and its dimensions, according to a review of literature. The chapter also aims to contrast the importance and implications of transparency for the society and organizations and to present research agenda in the topic.

BACKGROUND

Although transparency is not a recent concept, it remained a secondary concept until the end of 20th century, and an increased interest in transparency has emerged in organizational research only in the past two decades, mostly due to the corporate scandals in that period (Schnackenberg & Tomlinson, 2014). In addition, diverse areas of research have studied different aspects of transparency.

Generally, information systems researchers investigated the role of transparency in the relation of business to consumer relationships and digital markets. Meanwhile, organizational behavior researchers studied transparency in the context of organizational trust development, organizational identity, perceptions of leadership, and organizational culture, while researchers of finance and accounting have examined transparency in the context of financial markets, corporate disclosures, and monetary policy decision making, among other areas (Schnackenberg & Tomlinson, 2014).