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TRANSPARENCY

When Transparency Backfires, and How to Prevent It

by David De Cremer

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Sunlight, as the saying goes, is the best disinfectant. And it's tempting to think that if we just shine a light on wrongdoing, wrongdoing will go away.

Hence when Volkswagen's diesel emissions scandal came to light, German chancellor Angela Merkel demanded complete transparency in response. When contaminated meat or vegetables are recalled, consumer advocates demand more transparency from food supply chains. When obscure financial instruments threaten the global economy, transparency is the proposed solution. Whether the questions raised are about police officers' use of force, politicians' use of email, or managers' use of compensation, the answer is the same: more transparency.

It's never been easier to collect information on what we're doing and to share that information with the world. But before we open up completely, we should be aware that transparency is not a universal solution — and may even create new problems.

There is no doubt that we need transparency to know what is happening in our organizations, and that we can use the information in constructive ways that reduce wrongdoing. The mistake, however, is assuming that a one-to-one, rational relationship exists between transparency and innocence. Human beings aren't perfectly rational, and complete transparency does not entirely rule out bad behavior.

In fact, too much transparency may create work conditions in which employees feel their autonomy and uniqueness are being challenged. We can only expect them to rebel.

The consequences of too much transparency

Building on existing research and my own consultancy work, I've concluded that complete transparency in today's organizations may actually decrease constructive, reciprocal behavior between employees. There are four major reasons for this.

Too much transparency can create a blaming culture. Complete transparency is supposed to bring facts to the surface. The facts are then supposed to speak for themselves. But left to stand alone, facts don't create a culture that seeks to understand *why* something happened. Instead of figuring out why a mistake was made, you only know what the mistake was — and who made it. At first, this may suss out obvious problems or transgressors, but over the long term you will focus too much on the “what” and not enough on the “why.” Focusing too much on outcomes creates a blaming culture that will discourage even your best people, since of course even they will occasionally make mistakes.

In a tragic example, at a Dutch energy supplier that used rigorous, transparent safety standards to deal with toxic waste, employees came to work one day to find the company’s safety officer dead of a workplace accident. It appeared he had violated the careful standards he himself had implemented. Rather than asking why or how this happened to a person with an almost perfect record of past behavior, the company focused on the facts instead of the reasons for those facts. This gave the impression that the safety officer was being blamed for what had happened. That in turn hurt morale and left employees feeling mistrustful.

Too much transparency can increase distrust. At first this seems paradoxical — wouldn’t transparency increase trust? But consider the micromanager who asks you to document every step of your calculations so that he can be sure you got the right answer. Would you feel trusted by that person?

Our own ongoing research shows how this mechanism plays out in everyday communications. We asked study participants to evaluate organizations in which cc-ing others on email was the norm, and organizations in which colleagues were only occasionally cc’ed. We found that distrust was significantly higher in the organizations where cc’ing was the norm. A trend also emerged that organizations where colleagues almost never cc’ed others were the least distrustful. Although including everyone involved in the project in an email is a clear sign of transparency, our results indicated that people evaluate this practice as signalling distrust, which reduces their own trust in, and commitment to, the organization.

Too much transparency can increase cheating. Complete transparency in work settings may foster the attitude among employees that, because the company theoretically knows "everything," they're entitled to cheat the system when they can get away with it.

Consider a story relayed to me by an executive at an educational company. Employees, who were paid a bonus according to how many of their students ended up with jobs, had to carefully document student performance in detail throughout the program. But after diligently recording this information, which was publicly shared throughout the company, the employees seemed to feel entitled to a little bit of cheating at the end. Some employees would pad their bonuses by counting unpaid internships as "jobs" even though that was against company policy.

Though that may sound like perverse logic, or perhaps a reaction to a poorly thought-out incentive system, research has found they're not alone.

A paper by Daylian Cain, George Loewenstein, and Don Moore, published in the Journal of Legal Studies, demonstrates that when salespeople disclose conflicts of interest, destructive behavior can emerge down the line. The idea is that giving the other party complete information about your interests makes that other party responsible for policing your behavior. In addition, it also provides a kind of license to the person disclosing — having done something for the greater good, they now seem to feel entitled to pursue only their own interests.

Too much transparency can spark resistance. Organizations advocating complete transparency with the explicit aim of punishing bad behavior and rewarding good behavior may come across as communicating moral standards that are impossible to meet. If your employees have this impression, they will be motivated to show resistance to the existing system, resulting in less citizenship behavior.

Consider, for example, research I and several collaborators published in Leadership Quarterly. In several survey studies, we demonstrated that when employees perceive their leaders as too ethically driven, they demonstrated the same negative behaviors that were shown when leaders were perceived as very unethical. Only leaders perceived as moderate in their ethical requests were effective in promoting positive employee behavior.

A similar effect can happen when the goal of transparency is not only ethics but also other desired behavior. At a multinational company in the service sector, executives proudly unveiled a new office design consisting of open work areas and public meeting spaces. They reasoned that the transparency resulting from this open office plan improve ethical decision making as well as collaboration and creativity. Instead, managers found that employees shared fewer ideas with each other, and those ideas they did share were less creative. The transparency seemed to make employees more vested in sticking to established procedures rather than coming up with new solutions. Research by Ethan Bernstein, previously published in HBR, is in line with what these managers observed: Too much transparency can result in people hiding good ideas.

How to wield transparency effectively

Managed well, transparency can lead to the type of company most people usually have in mind when they talk about it: a safe and smart organization built on trust and cooperation. It is therefore necessary for companies to plan for and execute transparency with the highest level of care. Managers can reap the benefits of transparency while minimizing its risks by doing four things.

Articulate that transparency is a means to an end, not an end in itself. Making your company transparent for transparency's sake is not helpful, and may signal that the company is interested in exerting excessive control.

To counteract this, it is important for managers to emphasize why transparency is necessary. What are the business goals that transparency will help achieve? What insights are you really trying to acquire, and how will you use them to improve the business? One executive I talked to complained to me about how much data their human resources department collected each year, but every year he felt that none of the data was used to improve working conditions. After a while, each new initiative that HR introduced was met with suspicion and laughter. Their actions were not perceived as legitimate; on the contrary, they were experienced as useless because nothing was ever achieved.

Explain how data will be collected and evaluated. Once you've explained why the organization needs more transparency, explain how it will be achieved. Enact fair decision-making procedures and assessments. As pointed out by Tom Tyler, whose idea was published in the Personality and Social Psychology Review, the perceived fairness of how assessments and decisions are made and used determines how legitimate employees perceive the organization to be. And legitimacy is exactly what is needed to maintain employee cooperation.

The importance of perceived fairness when employing a transparency policy cannot be underestimated. Note that fairness doesn't mean treating everyone the same. For example, take the decision by Dan Price, CEO and majority owner of Gravity Payments, to increase the minimum salary for all his employees to $70,000. Although everyone initially endorsed this transparent example of enlightened capitalism, several of the most-skilled employees left the company, as they did not consider the policy fair. They resented the fact that the highest raises seemed go to the ones who showed the least skill.

Emphasize learning. Transparency brings information to the surface, which in turn makes people's actions more accountable. An overview article by Jennifer Lerner and Phil Tetlock, published in Psychological Bulletin, presents convincing empirical evidence that with increased accountability, people become more fearful about how they'll be evaluated. Fearful employees are less likely to collaborate and very difficult to motivate. So emphasize that your ultimate goal is learning, not compliance. Communicating this clearly — and acting accordingly — will ensure that transparency efforts are seen as motivated by good intentions, which in turn will promote stronger employee commitment.

Promote forgiveness. Any attempt to foster learning will ring hollow unless the company sends strong, authentic signals that mistakes will be tolerated as opportunities to learn. To foster this kind of culture of forgiveness, the company might train decision makers to improve their perspective-taking skills. This would help them become better able to signal compassion, would allow executive decisions to be reevaluated under certain circumstances, and would help adapt the processes that lead to mistakes rather than punishing the people who made the errors.

One company I worked with was so obsessed with preventing errors in its financial reports that decision makers learned to conceal any mistakes — which made those mistakes very hard to learn from. One year, the CFO noticed that there was a miscalculation that resulted in a shortage of a few million euros. Fortunately, the miscalculation was identified before the company had to submit its reports to the regulators, so there were no legal consequences. I explained to them that this would be an ideal situation for signaling to employees that such errors can be forgiven in order to learn how they could have occurred. It turned out that the miscalculation was the result of a software flaw that only lasted for a few hours. Nevertheless, an employee who was considered responsible was fired, giving the impression that the company valued transparency as a way to punish errors, not prevent them.

On the whole, transparency is a good thing. It can expose wrongdoing by bad apples, improve the organization’s ability to learn, and improve performance over the long run. But it’s not a quick fix. If managed poorly, transparency’s consequences can be costly. Transparency alone does not create a healthy culture, facilitate the shift of knowledge into performance, or improve trust. Wise managers will remember this, and will remember that facts cannot speak for themselves.

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