High transparency culture can work against performance

When everyone knows how everyone else is doing, the most skilled will often lower their achievements to align with others.

Top workers don't necessarily thrive when corporate culture prioritizes transparency and group identity, a study in The Accounting Review, published by the American Accounting Association, finds.

Although it's often touted as a corporate good, an enlightened management style can hinder productivity to the extent high achievers voluntarily lower their performance to align it to their group's performance.

"When employees have information about each other's performance (i.e., performance transparency is high), those with high group identity are motivated to adjust their actions to look more similar to other members in their group," said Ruidi Shang, assistant professor of accountancy at Tilburg University in the Netherlands, who undertook the study with Margaret Abernethy and Chung-Yu Hung of the University of...
Melbourne, Australia. "Some employees may work harder, while others withhold their effort to conform with others in the group."

By contrast, there's no discernible lowering of achievement by high performers in companies with a low-transparency culture, Shang said.

**Key difference**

The researchers looked at employee performance over several years in three workgroups totaling 94 employees. The three groups had the same structure, tasks, performance systems and were similar demographically.

The important difference was in culture; in the low transparency group, the monthly report issued by the company on individual performance was conveyed only to that worker; in the two high-transparency groups, individual performance reports were shared with everyone in the group.

Using data from company tests, the researchers found strong group identity in high-transparency groups resulted in lowered performance among better workers while it raised performance by those who tested as less skilled. In low-transparency groups, strong group identity raised performance by better workers without significantly changing performance by less skilled workers.

Although the test groups worked at a government-owned electrical power plant in China, where culture tends to be more collectivist than individualistic, as in the West, the evidence suggests transparency's impact on performance can be salient in individualistic cultures as well, the researchers said.

"We tend to assume that identifying strongly with one's group — what we call group identity — is a good thing," Shang said. "But managers need to consider this carefully in deciding how much effort to devote to cultivating group identity and how transparent workers' performance should be."

"Group Identity, Performance Transparency, and Employee Performance," will appear in the September issue of *The Accounting Review*. 