

Transparency can inhibit workers from making their best efforts

October 7 2020



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Although enlightened corporate management may seem like a good idea at first glance, new research suggests that when it comes to two features with which it is associated—high transparency and a strong group

identity combining them may not work out as hoped. According to a paper co-authored by Ruidi Shang of Tilburg University in the current issue of the *Accounting Review*, employees with strong group identity may not perform best when group transparency is high. Indeed, the most able of them are more likely to perform at their peak when transparency is low.

The reason is conformity

The study explains that, if employees have information about each other's performance (i.e., if performance transparency is high), those with strong [group identity](#) are motivated to adjust their actions to be more similar to other members in their group. That is, some employees may work harder, while others will reduce their efforts to conform to others in the group. Group [identity](#) in [high-transparency](#) groups is associated with downward conformity for high-ability employees and an upward conformity for low-ability employees. A similar pattern was not found in the groups with low performance transparency.

Analysis of employee performance

The study's findings are based on an analysis of [employee](#) performance over an extended period in three workgroups totaling 94 employees, who constituted separate shifts responsible for equipment inspection, operation, and maintenance in a large, government-owned electrical power plant in China. The three groups not only had the same structure, tasks, and performance systems but were also similar demographically.

Similar though they were, the workgroups differed in one key respect: in the low-transparency group, the monthly report issued by the company on the individual performance of each member was conveyed solely to that member; in the high-transparency groups, the individual reports

were shared with the all members. Psychologists have long identified the importance of group identity on individual behavior. Group identity plays an important role in this study, given that employees have been working in their groups for a long time. There are also few other formal controls (e.g. financial bonuses) to encourage desired performance outcomes in this setting.

Group identity

The findings show that in the high-transparency groups, strong group identity translated to more convergence in performance. By contrast, in the low-transparency group, strong group identity translated to enhanced performance by better workers without significantly influencing performance among those of lesser ability. 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 (i.e., conformity to the group norms) can be salient in individualistic cultures as well.

According to Ruidi Shang: "Managers need to be aware that the effect of employees' identification with their workgroup is complex and not always positive. We tend to assume that identifying strongly with one's group—what we call group identity, or GI—is a good thing, as it motivates employees to go beyond their strictly personal interests. What our findings suggest, though, is that how GI plays out depends on employees' perception of the norms in their groups. To what extent will those norms pull performance up or down? Managers need to consider this carefully in deciding how much effort to devote to cultivating GI and how transparent workers' performance should be."

Ruidi Shang is an Assistant Professor at the Tilburg School of Economics and Management, Department of Accountancy. She obtained

her Ph.D. degree from the University of Melbourne and is a visiting scholar at Harvard Business School at the moment. Her research and teaching activities focus broadly on management accounting topics and issues.

More information: Ruidi Shang et al. Group Identity, Performance Transparency, and Employee Performance, *The Accounting Review* (2019). [DOI: 10.2308/accr-52652](https://doi.org/10.2308/accr-52652)

Provided by Tilburg University

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