

Transparency in organizations: a case of sensebreaking

(work in progress)

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Is it possible to find any activity harder to avoid, than sensemaking? Even without conscious effort, thinking subjects, are instantly involved into Heideggerian *befugung* (Heidegger, 1962)- asking questions to the outside world and fitting the answers into the big picture. This activity, oriented towards filling the cognitive gap between the question and the answer, between the unknown and understood, between surprise and prediction is known as sensemaking. Its product can differ from mere situational awareness (Dervin, 1992) to understanding, as conversion of knowledge of acquaintance into “knowledge about” is not an easy task. Sometimes in the process of structuring the unknown (Waterman, 1990) the sense which has just been built is immediately broken and reshaped. Though sometimes traumatic, this process is natural and on-going (Weick, 1995).

Along with changing circumstances and behaviors of the others, individuals simultaneously project and build their definitions of themselves (Thurlow & Mills, 2009) and of the objects in the outside world (artifacts, organizational processes, events, values, etc). In this ongoing projecting some definitions undergo categorical metamorphosis to the extent of full opposition. Sensemaking is widely recognized as the process which consists of discovering, externalizing and linking the cues (Porac et al, 1989) or encountering a surprising event and need to explain the discrepancies (Louis, 1980). But the way which our conscience makes between sense A. and sense B., being the opposite of A., is still blackboxed. The case of phenomena of transparency in organizations can be an excellent example of a crucial meaning change. The issue of organizational transparency is a key one to organizational performance. However, prior research has shown, that the outcomes of transparency are not uniform. More transparent firms perform better – have higher growth rate, greater investment efficiency, lower costs of capital, allocate the capital more efficiently, ameliorate adverse selection problem (Barth, 2003, Gonzales, 2004, Baruch, 2005, Francis et al, 2009, Sengupta, 1998, Glosten, 1999). At the same time, transparency can hinder performance because of free riding - loss of competitive advantage, when it is mimicked with a lag by the other investors (Frank, Poterba, Shackelford, Shoven, 2004) and front running - trading against by third parties (Aggarwal, 2012) or allocating part of the energy and time to oppose to the transparency (Bernstein, 2012). This work sheds light on contingent nature of transparency by its qualitative investigation.

In the early years of organizational studies western sociologists and American scientific managers linked transparency to the ability to reduce free-riding through efficient monitoring (Jensen and Meckling, 1976, Foucault, 1975, Taylor, 1947). Today organizational research in Finance, accounting, governance and supply chain management tends to see transparency framed together with openness, accountability, reduced uncertainty, decrease of prices and growth (Baruch, 2005, Bushman et al, 2004, Francis, 2009). As people favour plausibility

over accuracy in accounts of events and contexts (Currie & Brown, 2003), this explanations become acceptable and functional as critical mass of agents start to incorporate them into their values and behaviors (Salancick & Pfeffer, 1978; Brown, Stacey, & Nandhakumar, 2007). I hypothesize, that this process is to big extent shaped by the use of social media, which showed that transparency is not to be feared but to be experienced and played with. Individual narratives of organizational formal and informal leaders, immediately transparent to dozens of co-makers, might trigger the cascading effect of sense-breaking. As organizational life is much about sense-making and metaphors (March (1984), the outcomes of transparency to the organizations would be contingent on the stage of construction of the meaning of transparency.

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