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Submission to EGOS 2014 sub-theme 51: “Seeing, Knowing and Governing: The Organization, Institutionalization and Politics of Transparency”

Transparency as a product of processes of power and liquid modernity: a conceptual paper.

Introduction

High-profile revelations of organizational malpractices in the last few years such as unethical business deals based on large-scale conflicts of interest, insider trading, overvaluation of housing mortgages, doctored inventories of inadequate capital holdings to raise finances, and manipulation of facts and figures have made transparency an important value in today's organizational world. Stakeholders, whether internal or external, expect to have access to information and organizations have little choice but to open up in keeping with current trends (Christensen, 2002; Christensen & Langer, 2009). This paper offers a tentative examination of what we believe to be an original conceptual framework for a critical understanding of processes of and motivations for organizational transparency, including its paradoxes, by drawing on and combining theories of power, hegemony, legitimacy, and liquid modernity.

In order to be internally transparent there should be a link of trust between the organizational management and employees. According to Erik and Rob (2007), internal transparency motivates employees to be more engaged and improve their performance while building trust with their employers. To protect themselves from competitors, organizations often avoid sharing sensitive information with recently hired employees. Companies usually test employees with basic levels of confidentiality to gauge their loyalty before trusting them with more classified information (Jahansoozi, 2006). External transparency improves a firm's access to lower cost external financing and creates opportunities for it to grow (Francis, Huang, Khurana, and Pereira (2009). It also allows outside investors to monitor the company and facilitates competence in investments.

The obvious positives of transparent governance notwithstanding, organizations are also well aware of the potential risks of transparency. Competitors could take advantage of freely available information about innovative design, management, and marketing initiatives. To manage these risks, organizations may, as indeed many do, strategically distort information and camouflage these distortions under the veneer of transparency. Despite the complexities of organizational transparency, there is not only limited conceptual understanding of how organizations deal with the demands of transparency but there is also a significant absence of any theoretical framing of the concept (Wehemeier & Raaz, 2012).

So what drives transparency in organizations? If the need for corporate transparency is created because of the expectations of stakeholders, how did stakeholders achieve such power? We address this question by first looking at issues of power, legitimacy, and hegemony in the context of transparency. We then draw on Zygmunt Bauman's conception of liquid modernity to show how a shift in power from organizations to stakeholders traced the transformation of solid bureaucratic organizational structures and processes to the more fluid structures of the contemporary liquid modern world (Bauman, 2000, 2003, 2005; Bauman, 2010, 2013b).

As corporations depend on consumers' spending power, they have little choice but to meet customer demand for greater transparency. In the Weberian notion of domination being a kind of a voluntary agreement, the acceptance of stakeholder demands is not so much a ceding of power but a deference to legitimacy. In other words, when a specific group or individual is given an acknowledged right to rule, they are perceived as legitimate, allowing them to have control over specific matters.

The idea of legitimation, however, has arguably led to what Antonio Gramsci (1971) called "hegemony": "The 'spontaneous' consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group; this consent is 'historically' caused by the prestige (and consequent confidence) which the dominant group enjoys because of its position and function in the world of production" (Mumby, 1997, p. 348). Hegemony, therefore, is an exercise of latent power with dominant groups or individuals attempting to get their subordinates to agree with them. Gramsci did not see power as a physical force but as a force manifested in the efforts to dominate people using cultural institutions such as the media (Kincheloe and Mclaren (2005). "If hegemony is the larger effort of the powerful to win the consent of their subordinates, then ideological hegemony involves the cultural forms, the meanings, the rituals, and the representations that produce consent to the status quo and individuals' particular places within it" (Kincheloe and Mclaren (2005) p.310). Ideology is seen to be a specific way of thinking that encompasses the principles of particular groups in the society.

What stakeholders expect from organizations may not quite be the preference of corporations. Corporations try to minimize the amount of information they give to the public simply because the released information can be used by the competitors as well. However, through the years companies have been releasing more and more information to promote themselves as transparent in order to keep their stakeholders satisfied. This notion can be explained by the Gramscian approach to hegemony, whereby challenges to the dominant elite and their ideology are defused by minor concessions that allow the core to remain intact.

According to Mumby (1997) hegemony is evident when organizational realities are not forced on people but is based on "non-coercive relations of domination" (Gramsci, 1971; Mumby, 1997, p. 344) where the ruled obeys the ruler and supports the system even if the interest of the subordinated group is not necessarily the same as that of the dominant group. Again, if the subordinated group perceives that its interests are sufficiently attended to, insubordination is less likely. Mumby does not see Gramsci's concept of hegemony as judgmental and negative. He argues that Gramsci used hegemony as a term "that functions as a means to explain how a particular group comes to exercise intellectual and moral leadership over other groups" (Mumby, 1997, p. 348).

In the modern era, such hegemony has typically been exercised by organizations which have exercised dominant control over their stakeholders through technically sophisticated bureaucratic procedures, described by Weber (1978) as an 'iron cage'. In contemporary, postmodern times, however, "the metaphor of liquid modernity seeks to capture fluid representations as much as the iron cage represented the age of rationalization" (Clegg & Baumeler, 2010, p. 2).

The idea of liquid modernity was first introduced by Zygmunt Bauman (Abrahamson, 2004; Bauman, 2003, 2005; Bauman, 2010, 2013a, 2013b; Gane, 2001) in which he draws a picture of a world where uncertainty is increasingly felt in societies. Long term planning loses its meaning and because of the rise of individuals' freedom to choose, in line with neoliberal economic ideology, work towards perfection is replaced by work towards satisfying individuals.

According to Bauman people in the “solid” world were working towards perfection and were focused on production (Vogel & Oschmann, 2013). Corporations had long term plans that they believed would absolutely work. If there were mistakes that would stand in the way, they would simply make a few changes (or, in hegemonic terms, concessions) and the plan went on. Processes may have been delayed but they would not stop. Everything was planned, certain, and solid.

In contemporary times, the ways in which organizations function have changed rapidly. Norms and practices which were once seen as solid have “started melting to become increasingly fluid: social structures, personal and work relationships, communication habits, lifestyles, value systems, meanings and knowledge” (Vogel & Oschmann, 2013, p. 62). As societies became more aware of the power of corporations, governments started requiring companies to submit reports which initially were mostly financial reporting. Typically, organizations around the world were legally required to release information about their future plans and their annual [financial] reports (Christensen, 2002).

In order to meet such legal restrictions, companies that were once solid had to melt and become more flexible and transparent so as to pass through the obstacles that the government put in their path. However as soon as they passed the requirements, the companies can go back to their original form and become even more solid (figure 1), a condition now considered unethical. As Bauman (2000) puts it, “melting the solids [have] left the whole complex network of social relations unstuck-bare, unprotected, unarmed and exposed, impotent to resist the business-inspired rules of action and business-shaped criteria of rationality, let alone to compete with them effectively” (p.4). The new order has led to separation of the economy from its pre modern political and ethical ties, creating a new and even more solid order which is well-defined in economic terms.

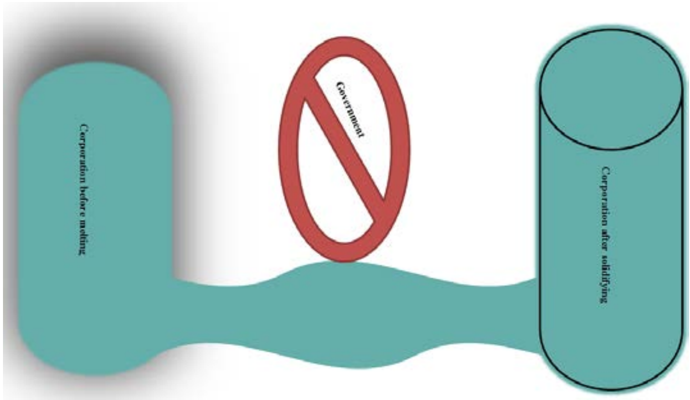

Figure 1 Corporations become more solid after melting to pass the legal requirement

When structures started melting, power separated from politics: “The absence of political control makes power into a source of profound and in principle untameable uncertainty” (Bauman, 2005, p. 303) while the lack of power makes the surviving political organizations less related to the problems that the citizens may be facing (Bauman, 2013b).

However, the separation of power and politics has changed the traditional views on power, with the divorced relationship between power and politics creating further barriers and pressures for organizations, restricting their ability to reconsolidate. As Gane (2001) puts it, Bauman suggests that the processes of flexibility and liberalization caused by loosening the constraints on individual freedom have unlocked individual choices from shared plans. He also finds uncertainty and risk as the symbols of the liquid modern world which lead to individualization (Abrahamson, 2004). What may appear as certain and acceptable at a specific moment, might turn out to be a huge mistake after a while (Bauman, 2010).

Unlike the solid world, the setting of a liquid modern world is unfriendly towards long term planning (Bauman, 2013a). According to Clegg and Baumeler (2010), the core of liquidity guides organizations towards an open future which they may not have specifically planned for: A world where individuals are given the freedom to choose what product or service they would prefer to consume to satisfy their needs and wants. Individualization has a different meaning compared to years ago and this change in the meaning is based on the shift of power in the modern world. Beck and Beck-Gernsheim (2002) see individualization as “fate” (Bauman, 2013b, p. 10; Beck & Beck-Gernsheim, 2002, p. xvi) not a choice. They argue that in an era when individual freedom to choose is accepted by the majority, avoiding individualization and escaping from it is without a doubt not an option.

Yet, "a consumption-oriented economy actively promotes disaffection, saps confidence and deepens the sentiment of insecurity, becoming itself a source of the ambient fear it promises to cure or disperse – the fear that saturates liquid modern life and the principal cause of the liquid modern variety of unhappiness" (Bauman, 2013a, p. 46). Davis (2011) argues that today individuals know only how to solve their issues as consumers. In today's society, he says, where the citizens are hoping to answer their individual yet common issues by consuming, the capacity to manage uncertainty is measured by the freedom they have to choose as consumers. They seek for more options to choose from to increase their ability to negotiate solutions to solve their daily problems. "Consumer choice has become the meta-value of the 'liquid modern' world" (Davis, 2011, p. 186).

With the start of the era of consumption and the constant search of individuals for solutions to their problems, corporations found a field of opportunity to earn more. Therefore they started competing with each other to keep consumers satisfied by improving the quality and variety of their products and services. This allowed individuals to realize their power as consumers to demand transparency from the corporations and companies, desperate to satisfy the demand of customers, started to compete over being more transparent.

Corporations are now dealing with individuals or groups from a wide variety of age, race, gender, and religion with different understandings of transparency. In order to please their customers and compete with other companies, organizations have changed their ways, becoming or at least giving the impression of being more flexible, transparent and socially responsible. Unlike in the past, the demands for change are so varied and rapid that organizations no longer have the time to solidify after meeting one demand and are forced to keep a liquid form (figure 2). Thus, "Society is increasingly viewed and treated as a 'network' rather than 'structure' (let alone a solid 'totality'): it is perceived and treated as a matrix of random connections and disconnections, and of essentially infinite volume of possible permutations" (Bauman, 2005, p. 304; Bauman, 2013b, p. 3).

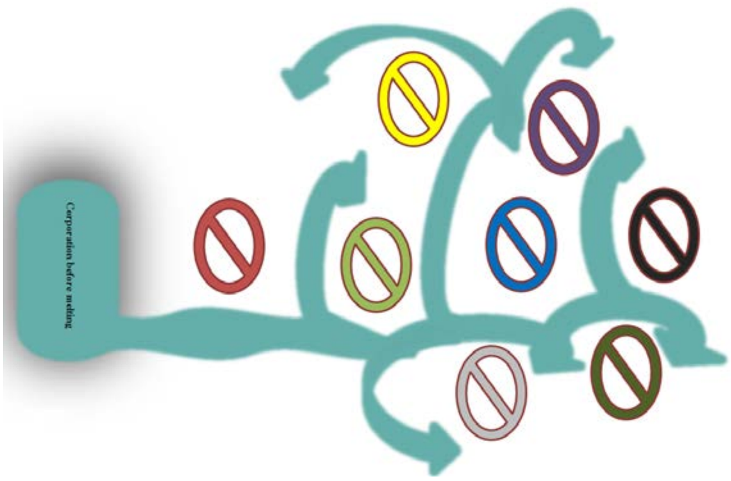

Figure 2 Corporations unable to solidify because of facing demands from different groups or individuals

Bauman (2013b) argues that individualization processes demand active participation of individuals. They have to set goals, work on achieving the targets they have set and, in case they fail, find new ways to start over. It is in this context that stakeholders as individuals work to keep organizational behaviours towards transparency liquefied. From the organizations' point of view, "risks and contradictions go on being socially produced; it is just the duty and the necessity to cope with them that is being individualized" (Beck & Beck-Gernsheim, 2002, p. xvi).

This liquidity also poses ethical issues as some organizations have the potential to misuse their equations with stakeholders. There are organizations which take advantage of the demand for transparency, market themselves as transparent and give the impression of being so but are actually are not. Also, as Bauman says, if power becomes liquid, organizations can use it in order to avoid being socially responsible: "Liquid power is defined by the art of escape and disengagement from all forms of social responsibility" (Bauman, 2003, p. 119).

Liquid organizations find themselves balancing the need for transparency "with an opportunistic attitude towards the building and abandonment of partnerships" (Clegg & Baumeler, 2010, p. 15). In fact, Clegg and Baumeler (2010) describe the hallmark of liquid organizations as the exercise of what Bauman (2000) calls a "new lightness and fluidity of the increasingly mobile, slippery, shifty, evasive and fugitive power" (p. 14).

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