Power distance belief and preference for transparency

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A B S T R A C T

Transparency is a significant topic of debate in virtually every domain of human existence today. However, an understanding of conditions when it is preferred and when it is not is ambiguous. In this paper, we show that preference for transparency may be driven by people's power distance belief (PDB; Hofstede, 2001). Six studies in different domains—corporate transgressions, job interview settings, and corporate policy—reveal that people low in PDB express greater preference for transparency than those high in PDB. Findings are discussed from the perspective of the need for a clearer definition of transparency and a better understanding of the moderators of its preference.

1. Introduction

With the widespread use of the Internet and social media in many countries, and the role these communications media play in billions of lives, transparency has become an important aspect of day-to-day existence. More proximate, the 2016 US presidential election was marked by a sharp focus on transparency (or the perceived lack of it) vis-à-vis the two candidates. Hillary Clinton's candidacy was dogged by concerns regarding secrecy around the use of a personal account for work-related emails, the potential conflict of interest surrounding the Clinton Foundation, and such. Donald Trump's candidacy was scrutinized in part because he did not share his tax returns, speculations regarding his praise for Vladimir Putin (and attributions thereof), etc. These anecdotal observations indicate that transparency is no longer a micro-level/local issue, but one with global implications. From a corporate standpoint, multinational firms need to understand how their operations in different countries may be impacted by their transparency policies, making it practically valuable to understand how stakeholders in different contexts may respond to this matter.

Information transparency and disclosure presumably enable superior decision-making by engaging stakeholders more thoroughly, and on a more informed basis, helping enhance efficiency by reducing information asymmetry (Diamond & Verrecchia, 1991; Grossman, 1981). In accounting and management literatures, disclosure has been examined extensively and while academic opinion is qualified in terms of its costs and benefits (Elliott & Jacobson, 1994; Farvaque, Catherine, & Dhafer, 2011; Lampinen, Lehtinen, Lehmuskallio, & Tamminen, 2011), transparency is often lauded as a goal for firms to pursue in the mainstream media as well as in policy making. From a normative perspective, low or insufficient levels of disclosure have been associated with the potential for legal action against firms. In short, literature generally elevates transparency as a preferred way of governance.

In both medical and business literatures, disclosure is often linked with ethics (Arnold, Beauchamp, & Bowie, 2012; Rehmann-Sutter & Muller, 2009). However, full disclosure is rarely, if ever, achieved in practice because of factors like the operational difficulties of being fully transparent, paucity of information, and motivation to be transparent. Long ago, scholars like Bartels (1967) opined that culture may influence an individual's thinking, communication, and behavior associated with ethical choices. Bartels defined ethics as "a basis for judgment in personal interaction," and pertaining "to the fulfilment or violation of expectations" (1967; p. 21). In the spirit of this definition, he contended that if people a priori do not expect to be told the truth, then it is not unethical to make "an untrue statement about a product," "a shoddy product," or a "false statement." This viewpoint underscores the likelihood that not everyone prefers or is looking for transparency in exchanges. Bartels' proposition is that characteristics like "law, respect for individuality, nature of power and authority, rights of property, concept of deity, relation of the individual to the state, national identity and loyalty, values, customs, and mores, state of the arts, etc." influence a society's major institutions.

While some early studies empirically challenged Bartels' thesis (Preble & Reichel, 1988; Whipple & Swords, 1992), others later confirmed it (Alderson & Kakabadse, 1994; Grünbaum, 1997). Transparency is fundamentally about the extent to which there is information asymmetry in an environment. This asymmetry may exist if someone

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endowed with power (stemming from possessing valuable information), by omission or commission, does not share such information with someone of less power. In that regard, it is likely that people's preference for transparency is impacted by their beliefs in and acceptability of high versus low power distance-based structure in society. Indeed, scholars have speculated this link between power distance (defined below) and preference for transparency (e.g., Hofstede, 2001; Hofstede, Hofstede, & Minkov, 2010; Lind & Tyler, 1988). However, it has not been empirically established and the mechanism underlying this link remains unexplored.

In this paper, we examine the link between power distance belief (Hofstede, 2001) and preference for transparency. Before we begin, it is important to distinguish power distance from power distance belief. Power distance, a construct ubiquitous in models of cultural value, is defined as the extent to which power is distributed unequally in institutions, organizations, and social structures (Kirkman, Chen, Farh, Chen, & Lowe, 2009). When power distance is high (i.e., power distribution is relatively more unequal), Schwartz (1992) conceptualizes it as 'hierarchy.' When power distance is low (i.e., power distribution is relatively more equal), he treats it as 'egalitarianism.' Power distance belief (PDB) captures the variation in the acceptance of and preference for power distance in a group or a society, and is defined as "the extent to which the members of institutions" (family, school, and community) "and organizations" (places of work) "within a country expect and accept that power is distributed unequally" (Hofstede, 1997, p. 28). This distinction between power distance and a belief in it implies that power distance is a group-level construct while PDB is an individual-level variable. For example, Bochner and Hesketh (1994) examined PDB across employees in an Australian bank from 28 different countries and found that respondents from Anglo-Celt and western countries (e.g., Australia, Britain, New Zealand, and USA) had a low PDB score while those who reported Asian and Middle Eastern ethnic identification (e.g., China, India, Philippines, and Turkey) scored higher.

In high PDB settings, differences in power across social strata are considered legitimate, expected, and even desirable, as such differences seem to maintain a stable social order (Christie, Kwon, Stoeberl, & Baumhart, 2003; Lian, Ferris, & Brown, 2012; Page & Wiseman, 1993; Spencer-Oatey, 1997). Such 'cultures' tend to be marked by a belief in and pursuit of a hierarchical ordering of society, somewhat akin to that found in military organizations, and citizens are said to perceive themselves as largely dependent on (and, by extension, vulnerable to) their governments (Park & Shin, 2003). Respect for the order is considered an important virtue, and delegation of authority is often problematic and therefore not pursued actively. Consequently, those in more powerful positions are viewed as drivers of society's destiny, and those in less powerful positions are seen as recipients of those actions.

Individuals in such settings are accustomed to centralized working environments, characterized by more top-down and limited information flow in decision-making processes (Hofstede, 1993; Morris & Pavett, 1992). For example, high PDB managers view a supervisor as a 'good parent,' believe in setting clear boundaries between higher and lower organizational divisions, value minimal openness in relations, and espouse little or no engagement of subordinates in decision-making (Barsoux & Lawrence, 1990; Reading & Wong, 1986).

Low PDB individuals view power inequalities as unacceptable and undesirable, and actively engage in behaviors and pursuits that seek to restore a 'flatter,' or less hierarchical, social structure (Han, Lalwani, & Duhachek, 2017). Managers who espouse low PDB tend to prefer openness and working in decentralized organizations where people are treated as equals (Morris & Pavett, 1992). People with such beliefs tend to disregard inherited status, formality, and rigidity of titles (Pascale & Athos, 1982), and pursue informal methods of decision-making, choosing action and improvisation instead of overly structured mechanisms (the case of Israel; Lawrence, 1990). These individuals are more comfortable working in environments in which they feel empowered to make choices independently rather than co-dependently,

and desire to be consulted in decision-making. Such empowerment and consultative processes presumably enhance their levels of job satisfaction and work performance.

2. Power distance belief and transparency

In a meta-analysis, Taras, Kirkman, and Steel (2010) found that at the individual level, power distance belief (PDB) positively related to absenteeism, sensitivity to others, satisfaction with jobs and supervisors, perceived organizational justice, continuance commitment, normative commitment, trust, conformity, perceptions of directive leadership, openness to experience, and religiosity. PDB related negatively to emotional displays, feedback seeking, exchange ideology, avoidance of unethical behavior, team commitment, teamwork preference, employee self-esteem, and perceptions of participative leadership. At the group level, power distance related positively to group cooperation, and negatively to group performance. At the country level, power distance related positively to conformity, importance of family values, agreeableness, neuroticism, and corruption, and negatively to life satisfaction, extraversion, openness to experience, wealth, human rights, gender role equality, and income equality.

One variable notably missing from the results of the meta-analysis is transparency. In part this may be because the construct of transparency is not understood in the same way by scholars, and also because research stems mostly from the literature on disclosure of accounting practices in corporations (with some exceptions noted below). In this regard, the framework developed by Gray (1988) focuses on country-level differences in accounting systems and has spawned a large body of accounting related work (e.g., Newson & Deegan, 2002). In particular, Gray (1988) contends that high power distance countries are likely to be associated with greater secrecy in their accounting practices. He further argues that secrecy is negatively correlated with disclosure.

Radebaugh and Gray (2002) speculate on the link between secrecy and power distance: "A *close relationship between secrecy and power distance*…seems likely in that high power-distance societies are likely to be characterized by the restriction of information to preserve power inequalities" (p. 48). Furthermore, a thorough summary of the literature (Doupnik & Tsakumis, 2004) broadly supports the prediction of a positive correlation between power distance and secrecy as operationalized through disclosures in corporate financial reports (Hope, 2003; Jaggi & Low, 2000; Wingate, 1997; Zarzeski, 1996).

Contiguous literatures document converging evidence. For example, a study by Basabe and Ros (2005) found that high power distance was associated with lower levels of autonomy in both affective and intellectual realms. Hofstede (2003) further posited that transparency can exist only if actors in a setting are willing to sacrifice their autonomy. Relatedly, in a landmark study, Husted (1999) found a significant positive correlation between a country's power distance and its corruption index: corrupt environments were noted to be more secretive (i.e., less transparent) (Kolstad & Wiig, 2009). At a macro level, a free press driving greater transparency in society is believed to be a strong antidote to corruption (Brunetti & Weder, 2003).

Literature on the need for approval (or social desirability) provides a converging perspective. Individuals high in need for approval tend to misrepresent and/or engage in information distortion, either to gain social acceptance by 'looking good,' or to avoid rejection by not 'looking bad.' People low in need for approval do not display such tendencies, and instead are more objective in their assessments, as well as more thorough and transparent in their reporting of feelings, thoughts, and behaviors (Randall & Fernandes, 1991). Dozier, Husted, and McMahon (1998) examined MBA student scores on the Marlowe-Crowne Social Desirability Scale (Crowne & Marlowe, 1960), an influential measure for need for approval. They found that US respondents, who tend to be low in PDB, had significantly lower scores (indicating low need for approval) than did respondents from Mexico, a high PDB sample.