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The benefits and implementation of performance transparency: The why and how of letting your customers 'see through' your business

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Abstract While some organizations swear by the benefits of transparency and are eager to learn and implement transparency practices, many managers are still reluctant or even afraid to use them. Our research reveals that only a few innovative companies have taken steps to leverage a potentially useful form of transparency: the provision of accessible and objective information to customers (e.g., sharing unbiased benchmark data, publishing unfiltered customer comments, or providing candid product reviews that may praise but also criticize the company's products). Our study also shows that many companies remain wary and view greater calls for transparency as a challenge to be managed rather than an opportunity to be traded upon. This is partly due to limited research into the performance benefits of giving customers access to objective information, and lack of practical guidelines on how to actually implement it. This article addresses these shortcomings. First, we investigate whether performance transparency leads to customer outcomes that can be profitable for an organization and, second, we analyze the characteristics of successful transparency initiatives in a wide range of industries. Our research shows that customers exhibit more trust and are willing to pay a premium to deal with transparent businesses. Also, it uncovers seven effective strategies to leverage transparency. This article provides convincing empirical evidence for the benefits of performance transparency and the ways in which management may implement it successfully.

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1. Transparency on the rise

In recent years, transparency has risen to the top of the agenda of many organizations that are attracted to its potential performance benefits. An increasing number of companies have started to make many aspects of their business—from decision making to operations to employee relations to communications with key stakeholders—more openly observable, with a view to leverage transparency in order to achieve competitive advantage. In this article, we focus on a form of transparency that has gained much traction recently, primarily because of the opportunities bestowed via digital channels: the making of objective and candid product-related information available to customers (Bennis, Goleman, & Biederman, 2008).

This form of transparency, which we term *performance transparency*, aims to provide customers with a clear and objective view of what they may expect from a company (Liu, Eisingerich, Auh, Merlo, & Chun, 2015). Examples include encouraging customers to publish comments and reviews on the company website, comparing the company's products and services to those of the competition in an objective and unbiased fashion, and publishing genuine benchmark data even when it is not completely favorable.

In 2008, Intuit Inc.—the leading provider of business and financial management solutions—added a small feature to QuickBooks, its flagship small business financial management solution. The new feature allowed business owners to access ratings and reviews of QuickBooks experts who offer software-related assistance and accounting services. Both Intuit and its experts encouraged clients to write reviews on its website. The transparency initiative was very successful: Within 6 months, visitors clicked on rated experts 555% more often than unrated ones.

Many businesses are still wary of transparency initiatives. Some businesses embrace the idea only half-heartedly; for example, they may only release exclusively positive customer testimonies and omit negative experiences. Others go as far as to take legal action against posters of negative reviews. Eight out of 10 managers sampled in our study have not considered ways of proactively employing transparency to enhance their firm's competitiveness. Six out of 10 even view calls for transparency as a problem to be managed rather than an opportunity to be traded upon. Many executives bemoan the fact that the benefits of transparency are still unclear, while the reputational risk can be high.

Research in this area remains rather scant and inconclusive, and much of the evidence is anecdotal at best. Important questions clearly remain about the business benefits of this type of transparency and ways of implementing it. The objectives of this study are to address some of these important and timely questions. First, we investigate whether performance transparency has customer outcomes that can be monetized by organizations. We are particularly interested in exploring whether customers are willing to pay a premium to deal with transparent businesses. Second, we study a wide range of transparency strategies to identify patterns within successful initiatives and derive several prescriptive guidelines for management. To this end, we discuss several different ways in which transparency may be executed effectively by organizations.

2. The core elements of transparency

Transparency can take many different forms and has been studied from a variety of angles. From an organizational perspective, transparency has been discussed in terms of the degree of visibility and accessibility of information provided by a business (Wilkin, 2009). From the customer's perspective, transparency has been defined as an individual's subjective perception of receiving relevant information held by the other party in an interaction (Eggert & Helm, 2003). A review of the extant literature indicates that central characteristics of transparency are a willingness to let customers see through a firm's offerings, the intentional sharing of information that is usually not shared, and the provision of information pertaining to a company's products and services that is accessible and objective. These last two elements of transparency are particularly important.

First, information accessibility means that information must not only be made available, but also be easily understood by the target audience (Mittal, 1999). When information is too much or too complex, transparency may backfire as customers face even higher levels of uncertainty—which may result in negative reactions or alienation (Ziamou & Ratneshwar, 2002). Transparency works when it is based on the provision of comprehensive information about a company's offerings that is accessible and easily understood by customers. This point underscores the importance of activities such as effective website design, analysis of customer data, testing of customers' understanding of technical language, and so forth. For example, the Western & Southern Financial Group uses the term financial translator rather than the typical financial advisor to emphasize the accessibility of its information