Can "Radical Transparency" Improve the Credibility of Corporate Sustainability Efforts?
A Randomized Experiment

Introduction

While most companies share information about their sustainability efforts with their stakeholders, employees are increasingly willing to voice their discontent with the disclosure strategies that their employers pursue. For instance, Amazon employees recently demanded Amazon to share detailed plans of how the company plans to tackle climate change, which resulted in a months' long conflict between the company and its employees (Abbruzzese, 2019; Greene, 2020). While Amazon is among the 90% of S&P 500 companies that produces an annual corporate social responsibility (CSR) report, these communications are typically "selective disclosures" that seek to paint a positive image (Bromley & Powell, 2012) while omitting or masking information that might negatively influence stakeholder perceptions (Marquis et al., 2016). Stakeholders therefore often view many such reports as an unhelpful, symbolic gesture, or worse, as deceptive "greenwashing" (Delmas & Burbano, 2011; Lyon & Maxwell, 2011).

Recent years, however, have seen the emergence of a different type of disclosure that includes negative sustainability information about a company that conspicuously exceeds activist and regulatory demands. For instance, the apparel manufacturer Patagonia has for several years publicized the negative environmental impacts of its products in a full-page ad the New York Times on Black Friday. The expected benefits of this strategy, which we refer to as "radical transparency", hinge not on threat mitigation, but on the relational benefits of voluntary disclosure: as an increasing body of research suggests, perceptions of proactive transparency build trust between companies and their stakeholders, including employees (Schnackenberg & Tomlinson, 2016),

In this paper, we present the results of an experimental study in which we explore the conditions under which the strategy of radical transparency about negative corporate social impact can elicit greater employee (worker) effort than the typical strategy of selective, positive disclosure in CSR reports. Our main hypothesis is that radical transparency of negative social or environmental impact combined with CSR efforts will likely lead to an employee motivation gain compared to CSR efforts alone. Furthermore, we expect that employee perceptions of the employer in terms of corporate accountability, credibility and transparency mediate the relationship between corporate sustainability disclosure strategy and employee motivation. Finally, we also test whether certain personal characteristics of employees, such as charitability, impact-orientation and skepticism, significantly moderate the relationship between different types of corporate sustainability disclosure strategies and employee motivation for the company.

Methods

In our experimental study involving more than 450 real workers on an online labor platform (Prolific), the (fictional) employer, a pharmaceutical company ("TFA Pharma"), voluntarily acknowledges its role in creating social harm that could only be perceived negatively: responsibility in the opioid crisis. We advertise a general survey on Prolific on a topic of general interest to attract a general, unbiased participant sample. After filling out the initial survey, participant workers were given the option to complete a data-gathering exercise for a bonus payment for the (fictional) employer, TFA Pharma. We then randomly assigned each worker into

one of four conditions, each corresponding to a different vignette. To understand the differential effect of radical transparency on worker effort compared to more common and previously tested corporate social responsibility actions–i.e., corporate philanthropy–we develop both a *Control* (including general company information only) and a *CSR* condition (including information on corporate donations to a pain charity) in the experiment, alongside with our primary treatment condition, *Radical Transparency*. In our fourth condition, *Radical Transparency + CSR*, we test the effect of radical transparency combined with relevant philanthropic effort compared to these strategies individually.

After being subjected to different disclosure strategies, workers proceeded to the main task, in which they were asked to gather dosing and frequency of dosing information for four pharmaceutical products from a specific website[1] where they entered an absolute number for the dosing (in terms of milligrams) and chose among four options for the dosing frequency. Before submitting the task, workers answered several additional questions that measured constructs of corporate *credibility*, *accountability* and *transparency*, using validated measures (Bolino & Turnley, 2003). We also included a measure on participants' *impact-orientation*, i.e., the extent to which these individuals want to make a positive impact through their work as well as workers' *skepticism* towards corporate sustainability claims, based on a validated measure of corporate skepticism (Mohr et al., 1998).

We constructed the dependent variables following principles described in prior work (Burbano, 2019); effort is the number of optional data points that were entered by the workers that were not required for payment. Our independent variables constituted of the four conditions workers were randomly assigned to and we controlled for demographic variables such as gender, income, education, worker's rating on Prolific as well as individual *charitability*, i.e., previous volunteering experience or individual charitable donations.

Results

Although we find only a weakly significant positive effect on workers' effort under the *Radical Transparency + CSR* condition, we find that personal characteristics significantly interact with the treatment conditions: *charitable* workers are significantly more likely to complete additional data points not required for payment in the CSR condition, but not under radical transparency. *Impact-oriented* workers, on the other hand, are significantly less likely to complete extra effort for the company when companies are radically transparent, but they are also not motivated by CSR messaging or combined radical transparency and CSR messaging. *Skepticism* does not significantly interact with the treatment conditions; however, skeptical workers are overall less likely to complete additional effort for the employer across all conditions (Table 1). Furthermore, the treatment conditions had a significant impact on how workers perceived their employer and accordingly, we find a significant mediation effect of workers' perception of their employer in terms of *credibility* of CSR efforts, *accountability* towards its negative impact on society and *transparency* using causal mediation analysis. Overall, in this research we show that transparency about negative social impact may result in a motivation penalty by employees but in combination with relevant CSR efforts, can result in a motivation gain for companies; furthermore, heterogeneity within employees has a significant impact on how members of this stakeholder group respond to different corporate sustainability disclosure strategies.

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[1] https://www.rxlist.com/drugs/alpha_a.htm

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Tables

Table 1. Worker effort in different disclosure conditions

	(1)	(2)	(3)	(4)	(5)
			Dependent variable: Effort		
Radical Transparency (RT)	-0.486 (0.439)	-1.563* (0.806)	1.884 (1.157)	-0.438 (0.440)	0.903 (1.263)
CSR	0.140 (0.439)	-1.534* (0.814)	2.043* (1.057)	0.190 (0.441)	0.382 (1.195)
RT + CSR	0.507 (0.451)	0.379 (0.856)	2.525** (1.104)	0.486 (0.453)	2.108* (1.227)
Female	-0.487 (0.333)	-0.418 (0.332)	-0.475 (0.332)	-0.461 (0.334)	-0.381 (0.331)
Lowincome	-0.023 (0.329)	0.058 (0.329)	0.070 (0.331)	-0.071 (0.332)	0.115 (0.333)
Graduate	-0.121 (0.349)	-0.090 (0.349)	-0.127 (0.348)	-0.122 (0.350)	-0.108 (0.348)
Charitable	1.218*** (0.360)	0.199 (0.652)	1.256*** (0.359)	1.278*** (0.363)	0.069 (0.658)
Rating	0.063 (0.136)	0.036 (0.137)	0.067 (0.136)	0.063 (0.137)	0.035 (0.137)
Enjoyed	0.995*** (0.147)	0.956*** (0.148)	1.005*** (0.147)	0.980*** (0.149)	0.954*** (0.148)
Skeptical	-0.327*** (0.107)	-0.297*** (0.108)	-0.325*** (0.107)	-0.459** (0.192)	-0.357* (0.193)
Impact-oriented	-0.118 (0.440)	-0.090 (0.439)	1.719** (0.855)	-0.098 (0.441)	1.885** (0.860)
RT * charitable		1.550 (0.962)			1.886* (0.973)
CSR * charitable		2.373** (0.974)			2.754*** (0.985)
RT+CSR * charitable		0.259 (0.997)			0.458 (1.022)
RT * impact-oriented			-2.780** (1.250)		-3.120** (1.261)
CSR* impact-oriented			-2.272* (1.164)		-2.564** (1.178)
RT + CSR * impact-oriented			-2.408** (1.206)		-2.243* (1.239)
RT * skeptical				-0.078 (0.293)	-0.198 (0.292)
CSR * skeptical				0.310 (0.280)	0.266 (0.282)
RT+CSR * skeptical				0.341 (0.300)	0.217 (0.301)
Constant	-5.867 (13.554)	-2.517 (13.617)	-7.959 (13.583)	-5.908 (13.571)	-4.051 (13.632)
Observations	452	452	452	452	452
R^2	0.160	0.174	0.172	0.165	0.194
Adjusted R^2	0.139	0.148	0.146	0.139	0.157
Residual Std. Error	3.310 (df = 440)	3.293 (df = 437)	3.297 (df = 437)	3.311 (df = 437)	3.275 (df = 431)
F Statistic	7.610*** (df = 11; 440)	6.577*** (df = 14; 437)	6.488*** (df = 14; 437)	6.187*** (df = 14; 437)	5.203*** (df = 20; 431)

Note: *$p<0.1$; **$p<0.05$; ***$p<0.01$