

'Double-Edged Transparency in Teams' by Parimal Bag and Nona Pepito, Journal of Public Economics

In this paper Parimal Bag (Economics) and Nona Pepito construct a model to show that transparency in a team is not always desirable.

More often than not, transparency in the operations of an organization, plays a key role in affecting the motivations of its members. In this paper, the authors construct a model to show that transparency in a team is not always desirable. Specifically in team-work, where each member's task is integral to the completion of the project, public disclosure of individual outcomes by the overseer could dampen members' work efforts.

In a two-member team - both with two attempts to complete the tasks - the overseer has to decide, at the beginning, whether to reveal each member's result at the end of the first round. The authors found whether disclosure or secrecy is preferred is contingent on the effort cost. When each member's effort is observable by the other and cost is low, secrecy induces at least the same effort level, if not more, compared to disclosure. Conversely, when effort cost is high, disclosure will always encourage greater effort levels. Intuitively, this is because members are spurred (discouraged) by news of success (failure). Thus disclosure renders it un-worthwhile for members to shirk in their first attempts and effort is costly. However, if effort is unobservable, the dominance of secrecy over disclosure continues if, and only if, effort cost is sufficiently small.

Bag, P.K. and Pepito N., (2011) Journal of Public Economics 95.7-8 pp. 531–542