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Perceived Firm Transparency: Scale and Model Development

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by

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Dedication

This dissertation is dedicated to my mother, who knowingly taught me the value of education, and who unknowingly taught me the value of transparency.

Acknowledgments

There are two individuals who made this journey possible. To my husband, thank you for sacrificing in so many ways so that I could see this through. To my Dissertation Chair, Dr. Anand Kumar, thank you for your wisdom, kindness, and responsiveness. You guided me when I needed it and let me spread my wings when I didn’t.

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ABSTRACT

In the last few years alone, calls for transparency by consumers have grown louder. No longer are consumers willing to sit back and allow firms to make 'closed door' decisions that benefit the company (and its executives) at the expense of consumers and society. This dissertation begins to answer the call for a greater understanding of transparency from both practitioner and academic perspectives. In particular, this dissertation focuses on systematically developing a succinct definition of perceived firm transparency, developing a valid measure of transparency, and empirically testing antecedents and consequences of transparency.

Two studies were conducted to develop the transparency scale following a thorough review of the transparency literature across six fields. Study 1 was dedicated to scale development and validation for the transparency construct. Study 2 was dedicated to further validating the transparency scale and testing its psychometric properties and validity.

The complete proposed model was tested in Study 3 utilizing scenarios in a between-subjects design with a student sample. Study 4 further tested the proposed model in a slightly more ecologically valid setting with a more diverse sample. Studies 3 and 4 showed that transparency has significant direct impact on reducing skepticism, and increasing trust, attitude toward the firm, and purchase intention; and these impacts are of substantial magnitude. Studies 3 and 4 also tested a few antecedents of perceived firm transparency including perceived firm reciprocity, perceived consumer effort, and

negative information. Reciprocity and consumer effort both had a significant impact on perceptions of firm transparency in Studies 3 and 4, and negative information impacted perceptions of transparency in Study 3 only.

At its core, transparency means that a firm is perceived to be open and forthright with stakeholders. This dissertation shows that stakeholders reward firms for being transparent; and those rewards come in the form of decreased skepticism and increased favorable attitudes toward the firm, trust, and purchase intention. Managers can focus on increasing perceptions of transparency by providing stakeholders with opportunities for mutual conversations, by making it easy for stakeholders to learn about the company and its offerings, and by sharing more negative information about itself.

CHAPTER 1: INTRODUCTION

Over the past two decades consumers have become increasingly skeptical and "on guard" against firms' persuasion attempts (Darke & Ritchie, 2007). This phenomenon has been recognized in marketing literature. For example, an influential model in the marketing literature, Persuasion Knowledge Model (PKM) (Friestad & Wright, 1994), has consumer skepticism as a key concept and is based on the idea that consumers have theories about a firm's persuasion attempts. The Reputation Institute (2009) also indicates that consumers are increasingly unwilling to give firms the benefit of the doubt. Companies like Enron, WorldCom, Andersen Consulting, Xerox, and others that have had a lack of openness and forthrightness with stakeholders have even further increased consumer skepticism and decreased consumer confidence that firms operate within the constraints of social and ethical norms (Hein, 2002). Instead, consumers are increasingly skeptical and distrustful of business practices in general and of advertising in particular (Darke & Ritchie, 2007). This dissertation explores the role of transparency in reducing levels of consumer skepticism and influencing marketplace behaviors. Transparency is defined here as:

> *the extent to which a stakeholder perceives a firm's conduct is open and forthright regarding matters relevant to the stakeholder*.

In an environment in which consumers are on guard against persuasion attempts, it is necessary to better understand different approaches to reducing consumer skepticism. The approach-avoidance model (Knowles & Linn, 2004) of persuasion implies there are two ways that firms can create change with the target of persuasion. The approach or Alpha strategy creates change by overt tactics such as increasing the attractiveness of the offer to the target of persuasion, for example, by providing extra incentives (such as limited time offers). However, these strategies can be ineffective when consumers are aware of them because they may use their persuasion knowledge to avoid such persuasive tactics (Campbell & Kirmani, 2008). Covert marketing (such as advertorials and product placements) is another example of Alpha strategies in which the attractiveness of the offer is increased by concealing the persuasion effort altogether. However, covert Alpha strategies have obvious legal implications including ramifications from the Federal Trade Commission (FTC). Ultimately, both overt and covert marketing tactics may only further increase consumer skepticism and decrease trust.

An alternate solution is that firms can take into account consumer skepticism in their persuasion attempts instead of trying to overtly or covertly get around it. One way that firms can do this is through Omega strategies. Omega strategies decrease resistance and increase receptivity toward the persuasive message (Knowles & Linn, 2004). Omega strategies include such tactics as removing resistance and skepticism to the message, and redefining the relationship as a dyadic, cooperative interaction and conversation rather than a one-way persuasive message. This dissertation presents transparency, in which firms are upfront with and revealing of themselves to stakeholders, as a key Omega strategy to increase persuasiveness of their marketing messages and to decrease consumer skepticism of overt persuasion attempts.

Practitioners and managers seem to agree that, in general, consumers tend to be skeptical of overt persuasion attempts. This can be seen by the large amounts of academic research into covert marketing (Ashley & Leonard, 2009; Wei, Fischer, & Main, 2008) in which marketers try to get around consumer skepticism by hiding persuasion attempts, and also by the prevalence of these tactics in the marketplace (Kaikati & Kaikati, 2004). However, these types of techniques seem to be perceived as underhanded and tend to backfire unexpectedly (Kaikati & Kaikati, 2004) causing a decrease in: brand trust (Ashley & Leonard, 2009), brand commitment (Ashley & Leonard, 2009), emotional attachment (Ashley & Leonard, 2009), attitude toward the brand (Cowley & Barron, 2008; Wei et al., 2008), and purchase intention (Ashley & Leonard, 2009). As a result, it is necessary to explore alternate marketing approaches to reducing consumer skepticism which are ultimately more favorable to the firm. An alternative to covert marketing is firm transparency.

In this thesis, the construct of transparency is introduced as a potentially important key antecedent to reducing consumer skepticism. According to the literature stream grounded in the Persuasion Knowledge Model (PKM; Friestad & Wright, 1994), when persuasion attempts of a firm are salient to the consumer, the consumer reacts with resistance, or coping behaviors of which consumer skepticism is one type. From an academic standpoint, transparency is an important area to study because it extends the PKM (Friestad & Wright, 1994) beyond explaining what causes consumer persuasion knowledge to become salient (Campbell & Kirmani, 2000) and how consumers cope with persuasion attempts (Kirmani, Campbell, & Iacobucci, 2004), to better understanding how firms can reduce coping behaviors such as consumer skepticism. Academically, this dissertation also addresses the call by Darke and Ritchie (2007) to develop a strategy for dealing with distrustful consumers in the marketplace by presenting transparency as one means to reduce consumer skepticism.

From a practical standpoint, transparency is an important area to study because it has the potential to change the way consumers perceive marketers and their persuasion attempts. Firms will not fully benefit from marketing efforts until firms improve their reputation from antagonistic to cooperative. The implication of this change is that it can begin to change the naïve theories that consumers have about firm behavior in the marketplace.

When Transparency May be Especially Important

Based on this author's suppositions, it is suggested here that transparency may be especially beneficial to firms under several different circumstances: when industry transparency is low, when the firm is managing corporate reputation crisis events, for products in which quality assessments are difficult, when all brands in the product category are viewed by consumers as being similar on important attributes, and when there is minimal information to form judgments. Following is a discussion of each of these five circumstances.

When Industry Transparency is Low

It is surmised that when consumers perceive an entire industry to be lacking in transparency then this perception will translate to individual firms as well, especially when consumers have little experience interacting with the firm. Similarly, findings by Darke and Ritchie (2007) found that one advertiser's credibility can be affected simply when consumers are distrustful of other advertisers (Darke & Ritchie, 2007). Hence, perceptions of an industry as a whole may be used as input in developing trait inferences for and attitudes toward individual firms. Currently, industries plagued with a lack of transparency and consumer distrust certainly include the financial and automobile industries and the public sector. Other industries that may be perceived as lacking transparency based on past transgressions, unethical behaviors, crisis cover-ups, and general closed-door operations, include the pharmaceutical, diamond, toy, bank, oil, and healthcare industries. It is easy to see there are numerous industries that could benefit from increased perceived firm transparency.

In Managing Corporate Reputation during Crisis Events

Transparency may be especially important when a firm's corporate reputation is at stake. Sometimes events occur causing stakeholders to be more skeptical and further question a firm's trustworthiness. Such events, from a firm's point of view, might be termed a 'crisis' event if the event causes stakeholders to strongly react to it. Firms must respond to crisis events publicly in order to manage its corporate reputation. A firm that either does not respond to a crisis or stalls in responding will probably be perceived as lacking openness and forthrightness. Following are few examples of how firms and brands have reacted to their own crisis events and subsequent consumer reactions. These examples illustrate that transparency may be especially important during a crisis situation in managing corporate reputation. The first example is of the oil company, Exxon, whose drunken ship captain accidentally crashed his vessel dumping 10.8 million gallons of oil off the coast of Alaska causing extraordinary wildlife and ecological damage (Cutler, 2008; Holusha, 1989). It took Exxon's CEO, Lawrence Rawl, six days to come out in front of the public and be open about the spill (Klara, 2010). The Exxon catastrophe, to this day, is used as a public relations example of what not to do when managing crisis events (Holusha, 1989). Although the public could have integrated other factors into its assessment of Exxon's corporate reputation, practitioners seem to converge on the idea that a firm must quickly be open and forthright with the public in order to minimize damage to a firm's corporate reputation (Cutler, 2008; Holusha, 1989; Klara, 2010); hence, transparency is required in the event of a crisis.

Celebrity brands have crisis events too, like Martha Stewart with insider trading (Anonymous, 2002) and Tiger Woods with infidelity (Hendershot-Hurd, 2009). Both of these celebrities engaged in a "no comment" strategy lacking transparency and subsequently potentially caused longer term negative effects to their corporate reputations as compared to had they engaged in immediate transparency. According to an article in *PR News* magazine, had Stewart opened her records on day one, come clean and forthrightly answered questions from the media and investigators, chances are we wouldn't have enough coverage to analyze (Anonymous, 2002). In sum, crisis events may be best solved with transparency.

For Product Categories that Make Quality Assessments Difficult

It is proposed that transparency will be especially important to firms selling products or services in which consumers find it difficult to make quality assessments. Categorizing products as either hedonic or utilitarian provides a useful schema to predict when transparency is especially important. It is proposed that transparency will be most beneficial to firms when products are seen as hedonic as compared to utilitarian. The reason for this is because with hedonic products, benefits are more subjective and thus may require consumers to make a quality assessment comparing benefits communicated by the firm to expectations that the actual benefits received will be the same as those communicated. Additionally, it is suggested that in the absence of experience or capacity for cognitive processing, consumers may seek cues through the firm's forthrightness and openness that the product or service actually delivers the promised benefits that the firm communicates. Products that fit into this category may include luxury automobiles and watches, video games, MP3 players, and music CDs. Most all services fall under this category as pre-consumption quality assessments are difficult to make due to the intangible nature of services. Examples include fancy restaurant meals, travel packages, massages, and salon services to name just a few.

When All Brands in the Product Category are viewed by Consumers as Being Similar on Important Attributes

It is suggested that transparency may be especially important to a firm when consumers perceive the product as being undifferentiated from competing products, such as commodity goods. All else being equal, consumers should want to buy from transparent companies rather than non-transparent ones. When products are undifferentiated, then shifting from selling based on product attributes to firm attributes (i.e. transparency) may provide a competitive advantage. Firms can aim for perceived firm transparency at the level just slightly ahead of its competitors to gain a competitive advantage.

When there is Minimal Information to Form Judgments

Finally, regarding the nature of a firm's stakeholders, transparency may be especially important when there is minimal information to form judgments. In the absence of knowledge about the firm's products, consumers may look for any favorable cue about the product or firm in forming evaluations, of which transparency is one. Consumers may also look for cues that the firm will be open and forthright past the first few initial encounters.

Scope of Transparency

It is not the contention of this dissertation that firms should be completely transparent. That is neither practical for firms, nor is it demanded by consumers. An assumption of this dissertation is that consumers are reasonable with regard to how much transparency is required by firms. For example, firms may be expected to be closed with regard to information that might breach security, safety, or confidentiality of its stakeholders including employees, investors, and customers. In some circumstances, it may also be reasonable to expect a firm to be closed when its competitive advantage is at risk by being transparent. For example, internal operations processes that cut operating expenses, such as supply chain efficiencies, may provide a competitive advantage and thus consumers may feel that this lack of transparency is acceptable. Patents also provide a competitive advantage, such as the Coke formula, and thus may be overlooked by consumers in evaluating firm transparency.

It is also important to emphasize that this dissertation focuses on transparency from the consumer perspective rather than transparency from the firm perspective. Therefore what is within the scope of this dissertation is investigating antecedents and consequences of *consumer* perceptions of firm transparency. What is outside the scope is investigating transparency from the firm's perspective such as antecedents that may lead to a firm increasing its transparency behaviors. Investigating transparency from the firm perspective would be an interesting extension of this dissertation as future research.

Research questions and objectives

To explore transparency in the context of reducing consumer skepticism, this dissertation will address the following research questions:

1. What do consumers' perceive as transparency?
2. What are the consequences to the firm associated with consumers' levels of perceived transparency?
3. What is the process by which transparency impacts important marketing constructs such as consumer skepticism, perceived trustworthiness, attitude toward the firm, and purchase intention?

This dissertation includes the following specific objectives:

1. To define transparency, establish its scope, and clearly delineate how it is different from other similar constructs.
2. To develop a measure of transparency and establish its psychometric properties including convergent and discriminant validities.
3. To empirically test the impact of transparency, perceptions on consumer skepticism and other important marketing constructs such as perceived trustworthiness, attitude toward the firm, and purchase intention.

Organization of Dissertation

Chapter 2 provides a background of transparency research in various contexts including business-to-business, business-to-consumer, and business-to-supplier. Because little research for this construct exists in the marketing domain, the literature review is drawn from six other domains including accounting, information technology/information systems, political science, management, and communications. The resulting work from chapter 2 is a list of emerging themes in the academic and practitioner literature which for defining, conceptualizing, or referring to transparency. Chapter 2 also discusses constructs and concepts that are related to, but distinct from, transparency. Chapter 3 includes a review of the qualitative research that was conducted in order to validate the themes of transparency. The resulting work from chapter 3 is a final definition of transparency from which a conceptual framework of transparency is developed. Chapter 4 proposes a framework of transparency and conceptualizes the process by which transparency impacts important marketing constructs. Chapter 5 discusses the process for developing the final transparency scale. Chapter 6 tests the proposed hypotheses in the theoretical model. Chapter 7 provides a general discussion, managerial implications, limitations, and suggestions for future research.

CHAPTER 2: LITERATURE REVIEW

There are several objectives for this chapter. The first objective is to provide the reader with a background on the concept of transparency. Although this construct has been touched on in marketing literature, it has not yet been explicitly defined, and thus, this dissertation will draw from literature streams such as finance, accounting, information technology, political science, management, public health, and communications to provide a more thorough review of this construct. A summary of the literature is provided in Table 1. The next objective for this chapter is to determine the emerging themes from academic and practitioner literature. A summary of the major themes is provided in Table 2. The third objective is to clarify what makes this construct different from other existing constructs and a summary is provided in Table 3. Constructs will be identified which are similar to transparency and this dissertation will delineate their similarities and differences. Resulting from this work is some insight as to potential antecedents and consequences of transparency suggested by existing literature and the author's own qualitative research.

Transparency Definitions

According to Webster's Dictionary, transparency is a quality of an entity which allows light to pass through it (House, 1998b). It has been only in about the last few years that the term "transparency" has become a buzz word used by consumers, critics, practitioners, academics, government officials, and non-government watch-dog organizations in the context of describing organizations. However, what is meant by “transparency” is often inconsistent, sometimes vague, and mostly confused with other constructs such as disclosure and honesty; the academic literature is no different.

According to the guidelines for creating good construct definitions as set forth by MacKenzie (2003), a good definition includes specifying the construct’s conceptual theme in unambiguous terms such that it is clearly distinguishable from other constructs (MacKenzie, 2003). Specifically, a good definition ought to start with the construct name followed by “is” and then the definition or description, such as “transparency is…”. However, a review of the transparency literature reveals that most conceptualized definitions of transparency replace “is” with “referred to” or “achieved by” which either does not provide a concrete, rigorous definition or defines the construct in terms of its antecedents. Additionally, most authors (Eggert & Helm, 2003; Hofstede, 2003; Hultman & Axelsson, 2007) conceptualize transparency in terms of information exchanged or provided to the public, which is not transparency but rather disclosure. To disclose is to make known or public (House, 1998a). In spite of the literature’s short-comings in rigorously defining transparency, it provides some insight, none-the-less, into what might be important definitional elements of consumer perceptions of transparency.

Unless noted otherwise, the transparency literature discussed in this chapter is theoretical, and thus we are left without measured scale items for this concept. In a few cases, which will be pointed out in the literature review, authors have attempted to empirically measure a construct which they’ve called “transparency”, however, either their conceptualization differs from the one presented here or the definition and measurement of the construct does not hold up to Mackenzie’s (2003) guidelines for proper construct definition and measurement.

Article Selection

Articles were found by searching the term "transparency" in Google Scholar, ABI/Inform and ProQuest databases. Transparency had to be a major topic of discussion in the article in order for it to be included in the coding procedure. This resulted in approximately 39 articles from both academic and practitioner literature and from marketing, finance, accounting, information technology, political science, management, public health, and communications fields. Transparency definitions presented in each article were then coded into categorical themes. Some articles included multiple definitions or descriptions of transparency which yielded 48 definitions that were coded into themes. Table 1 provides a summary of the transparency literature discussed in this section.

Table 1: Summary of Literature

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Marketing Academic Literature				
Murphy, Laczniak, and Wood (2007) Conceptual paper	Ethics in Relationship Marketing	Discusses relationship marketing from a virtue ethics perspective.	Transparency is seen as an overarching virtue that is essential/needed at all stages of relationship marketing.	Transparency described in terms of openness and clarity of communications.
Lazarus and McManus (2006)	Management of customer relationships	Explores transparency as an approach in the management of organizations and customer relationships.	Transparency is needed to: create in-depth relationships, for product innovation, and to create a sense of trustworthiness	Transparency is defined in terms of 1) openness, candor, free flow of information and 2) dialogue with stakeholders.
Prahalad and Ramaswamy (2004) Conceptual	Co-creation of value	Explores the concept of value and co-creation based on interaction between firm and consumer.	Consumers create value through their experiences with the firm; transparency is key element necessary when interacting with consumers; consumers create value through their experiences with the firm.	Transparency is providing access to information.
Eggert and Helm (2003) Empirical	B2B buyer/ supplier	Introduces relationship transparency to the buyer/supplier literature and investigates its impact on business relationships.	Vendor transparency delivers value to the customer, increases customer satisfaction, and ultimately leads to favorable behavioral intentions.	Transparency is an individual's subjective perception of being informed about the relevant actions and properties of the other party in the interaction.
Hultman and Axelsson (2007) Case Study	B2B buyer/ supplier	Explores the concept of transparency	Transparency can vary based on a firm's level of disclosing technological, organizational, supply, and cost/pricing information.	Transparency is defined in terms of "the ability to 'see through' and to share information that is not usually shared between two businesses.

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Hofstede (2003) Conceptual Paper	Supply chain	Defines transparency	A prerequisite to transparency is knowing what information stakeholders need and providing it in a way so the meaning is understood.	Transparency of net chain is the extent to which all the net chain's stakeholders have a shared understanding of, and access to, the product-related information that they request, without loss, noise, delay, and distortion.
van Dijk, Duysters, and Beulens (2003) Conceptual working paper	Supply chain	Conceptualizes transparency from a strategic alliance perspective	Transparency is subjective from the point of view of the observer; an observer's perceived transparency of the system can be influenced by the degree to which access to information and a learning opportunity is provided by the system to the observer; Transparency will be perceived as low when: 1) the observer has not defined what s/he is interested in learning about, 2) the system isn't able or willing to provide the requested information, or 3) the information provided isn't what was requested	Transparency is the extent to which properties of a system are observable to the observer.

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Marketing Practitioner Literature				
McKay (2008) Trade magazine article	CRM (Data management)	Explores the concept of transparency from both CRM philosophy and CRM data management systems perspectives	Transparency is showing information to customers in a convenient manner and the focus should be on information that the customer wants. The author proposes transparency is "behind" loyalty, retention, and customer devotion, but it doesn't guarantee trust. CRM systems should integrate all customer data so any contact employee has the ability to see customer interactions with the firm.	Transparency is letting customers know what's happening.
Blackshaw (2008) Trade magazine article	Branding	Discusses six drivers of brand credibility including trust, authenticity, transparency, listening, responsiveness, and affirmation.	Transparent brands are those which much (or at least the most relevant) information and data are known about it.	Transparency described as openness and visibility: "let the sun shine in", "easy to learn", "easy to discover", "no secrets".
AMA (2010) Ethics guidelines	Marketing	Provides ethical guidelines to marketers.	Marketers can be more transparent by: communicating clearly, accepting constructive criticism, explaining and acting on significant product or service risks, and disclosing pricing and terms.	Transparency involves creating a spirit of openness.
WOMMA (2010) Ethics guidelines	Marketing	Provides ethical guidelines to word of mouth marketers.	WOM marketers can be more transparent by: saying on whose behalf you're speaking, saying what you truly believe, and saying who you are/never falsifying your identity.	Transparency is related to honesty and forthrightness.

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
CI (2006) Report	Marketing	Investigates the level of transparency in the pharmaceutical industry	With regard to pharmaceutical companies being open about their marketing practices, CI notes that this industry lacks transparency.	Transparency is related to forthrightness and openness.
Accounting & Finance (Business Reporting) Academic Literature				
Nielsen (2004) Conceptual working paper	Business reporting	Compares types of information reported in 9 different business reporting models	Transparency is not only merely disclosing an infinite amount of information but also it must be relevant. Two categories of information represented in business reporting models: mandated (i.e. financial data) and voluntary (i.e. intellectual capital, sustainability).	Transparency is an outcome of internal and external stakeholders' agreements on interpretations of the company.
Nielsen (2005) Conceptual working paper	Business reporting	Develops the concept of voluntary disclosure and its relationship to transparency and user uncertainty.	Transparency may be reduced with voluntary disclosure; voluntary disclosure introduces uncertainties and lack of understanding because: lack of standardization, and thus comparability of information; lack of time to analyze the information; lack of frames from which to analyze the info; lack of interest in these types of information; and lack of correct form on which the information is conveyed. however, it's a paradox in that the capital market craves more information yet they seemingly don't know how to interpret it.	Transparency is an outcome of internal and external stakeholders' agreements on interpretations of the company.

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Nielsen and Madsen (2009) Critical perspective	Business reporting	Discusses transparency in terms of two prevalent information disclosure methods: disclose as much as possible versus disclose only the "right" information.	The author argues that reporting only the "right" information will lead to greater transparency because users' are constrained by bounded rationality and time and suggests the disclose-as-much-as-possible method hinders information processing.	Transparency is a means of achieving mutual understanding. Transparency is an outcome of internal and external stakeholders' agreements on interpretations of the company.
Accounting & Finance (Business Reporting) Practitioner Literature				
Bainbridge (2009) Practitioner literature	Business reporting	Reviews the GRI reporting framework as a means of achieving transparency in sustainability reporting.	More complete reporting encourages positive sustainability effort behaviors from the firm and enables all stakeholders to make more informed choices.	The goal of transparency should be to make costs, benefits, values, and risks as clear as possible.
GRI (2009) Non-government organization reporting guidelines	Business reporting	Provide a framework for companies outlining for what, how and when to disclose sustainability information.	A report is high in transparency when it is complete, relevant, accurate, neutral, comparable, clear, timely, and formatted and in a language understandable to stakeholders.	Transparency is “the complete disclosure of information on the topics and Indicators required to reflect impacts and enable stakeholders to make decisions, and the processes, procedures, and assumptions used to prepare those disclosures".

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Information Technology Academic Literature				
Santana and Wood (2009) Conceptual	Information Technology	Reviews transparency in the context of Wikipedia's writing and editing processes.	Author relates transparency to capitalist economics which require marketplace actors have full and accurate information available from which to base their decisions; withholding information causes power asymmetry.	Full transparency requires information providers are credible and legitimate, information itself is fairly represented and verifiable, and the information providers are held accountable for the information they distribute.
Vaccaro (2006) Conceptual book chapter	Information Technology	Discusses three ethical perspectives (security, privacy, and transparency) that should be taken into consideration when adopting information technology platforms as communication methods with employees and customers.	Adopting and using information technology platforms as communication methods with employees and customers should take into consideration ethical perspectives including level of security of personal data required, level of privacy of the users required, and what and how much detailed information about internal activities should be made available on the system (transparency) without sacrificing the firm's market position.	Transparency is the degree of completeness of information regarding a firm's own business activities provided to the market. Transparency is sharing every kind of information concerning its business activities requested by society; opaque (the opposite of transparent) firms do not disclose any kind of information other than that required by law.
Vaccaro and Madsen (2009a) Conceptual/qualitative	Information Technology	Discusses the forces that affect a firm's information transparency.	A firm's level of transparency depends on: 1) customer demand for transparency, 2) nature of competition, 3) pressure of investors for transparency, and 4) ethical pressures.	See Vaccarro (2006)

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Vaccaro and Madsen (2009b) Conceptual	Information Technology	Discusses different types of transparency (static and dynamic) and argues that dynamic transparency is an ethical standard of which firms should strive.	The conceptualization of transparency as unidirectional telling of standardized reporting information does not satisfy the ethical obligation of companies to share information that stakeholders need to assess if the product/service will have consequences on his/her life. Dynamic transparency leads to the receipt of more complete information by customers; however, firms can overload information causing "data asphyxia" rather than greater transparency; quality and relevance of data more important than quantity.	Authors suggest transparency is the necessary ingredient for the development of trustworthy and accountable institutions. Dynamic transparency is bilateral sharing of information contrasted with static transparency which is one-way telling of information.
Political Science Academic Literature				
Florini (2007) Book chapter	Politics	Defines transparency and discusses the idea that publicly useful information is generally underprovided.	The holders of information often have incentives to keep information secret; transparency contributes to overcoming the agency problem brought by information asymmetry; one reason to be secret is to guard against being accused of making a mistake.	Transparency is the degree to which information is available to outsiders that enables them to have informed voice in decisions and/or to assess the decisions made by insiders.

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Gupta (2008) Conceptual		Argues that stakeholders should not focus on transparency processes to assess transparency of a government/ organization but rather transparency outcomes.	Author suggests using comparative analysis to scrutinize transparency efforts of an organization such as: 1) who discloses, 2) to whom is the info disclosed, 3) what is disclosed, 4) to meet what ends, 5) is it voluntary or mandatory, 6) is it standardized or non-standardized	Transparency is seen as operationalized by information disclosure.
Political Science Practitioner Literature				
Transparency International Reporting Guidelines	Politics	Transparency International is a nonprofit organization with the mission of reducing corruption in government.	Developed a tool to measure transparency and improve accountability by governments and non-government organizations. The measures are reflected in terms of properties of the information disclosed.	Transparency is a principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic facts and figures but also the mechanisms and processes.
Management Academic Literature				
Hebb (2006) Case study	Management	Discusses the California Public Employees Retirement System's (CalPERS) efforts to make sure companies in the portfolio are transparent.	Transparency is important for stakeholders to judge in whose best interest a firm is run; secrecy distorts the decision-making process; based on case study of CalPERS, negative capital market performance is more acceptable to stakeholders when accompanied by high transparency as compared to low.	Transparency is about the availability of information to all the actors within the firm, principals, agents and stakeholders alike.

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Welch and Rotberg (2006) Conceptual	Management	Discusses negative consequences of transparency on management behaviors.	Management may act to reduce risk if transparency is a policy so as not to be blamed for bad decisions, as such they could become more risk averse resulting in less innovativeness for the firm.	Transparency described as "open and notorious" achieved by full disclosure.
Pirson and Malhotra (2007, 2008) Empirical	Management	Investigates various firm-level behavioral factors as possible antecedents to stakeholder trust.	Transparency is not an antecedent of trust for any stakeholder type including clients, suppliers, employees, and investors after controlling for other firm-level factors (integrity, benevolence, and competence). Transparency may be important when assessments of integrity, benevolence and competence are unable to be made.	Scale items used to measure transparency imply transparency is perceived as high by stakeholders when a firm explains decisions, says if something goes wrong, and openly shares all relevant information.
Management Practitioner Literature				
Higgins (2005) Industry magazine interview	Management	Herb Baum, president and CEO of Dial is interviewed in this article.	Baum was able to turn around an underperforming company by managing the company with a leadership style he calls transparency.	Transparency described as always telling the truth, being honest and open about how you run your life and business, and fessing up when you make mistakes.
Bryant (2010) Popular press newspaper interview	Management	Vineet Nayar, CEO of HCL Technologies is interviewed in this article.	Transparency in Nayar's organization has led to a culture of trust and honesty. Nayar creates transparency by posting all employee performance reviews on the company's internal website for all to see.	Transparency is being completely open.

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Public Health Academic Literature				
O'Malley and Thompson (2009) Conceptual (table 1 continued)	Public health	Describes transparency and provides guidelines for determining whether or not certain information should be released by an organization.	Information should be provided to stakeholders if: 1) the information is needed by stakeholders to avoid injury or risk, 2) the information is relevant to a decision-making process and 3) there no compelling reason to withhold or modify the information. An outcome of transparency is that people are informed in an accurate, accessible, and timely manner and 2) stakeholders are given timely access to the evidence and assumptions used to inform management planning, policy and control decisions, and info about decision-making processes and outcomes.	Transparency is related to quality of information such that information needed should be factually accurate, easily understood by the intended audience and presented in a manner that promotes adoption of the desired behaviors. Transparency is also related to the building of trust between the organization and consumers such that by being forthcoming and open on all aspects (of the emergency) trust should be facilitated.
Communications Academic Literature				

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Plaisance (2007) Conceptual	Mass Media Ethics	Discusses transparency as the essence of ethical behavior.	Transparency is a necessary but insufficient condition for trust. One can increase transparency but still provide half-truths; all deceptions lack the element of transparency and lack of transparency is a prerequisite for all deceptive acts.	Transparency is truthful forthrightness and proactive information disclosure.
Baker (2008) Conceptual	Public Relations	Grounded in the context of ethics, public relations and advertising practitioners are discussed as being either Principled Advocates or Pathological Partisans.	The Principled Advocate represents the advocacy virtues of humility, truth, transparency, respect, care, authenticity, equity, and social responsibility. The Pathological Partisan represents the opposing vices of arrogance, deceit, secrecy, manipulation, disregard, artifice, injustice, and raw self-interest. Secrecy is the opposite of transparency and it involves unjustified concealment, hiding, silence, suppression, furtiveness, and covertness.	Transparency is openness which results in meeting others' "reasonable requirements for information". The opposite of transparency is secrecy.
Allen (2008) Conceptual	Journalism	Discusses why transparency as a goal for reporters is important.	Transparency functions as a system of accountability and as a way of increasing legitimacy with citizens.	Transparency is defined as making public the traditionally private factors that influence creation of the news.

(table 1 continued)

Author (Year) Study Type	Context	Objective	Main Contribution	Transparency Description
Rawlins (2008) Empirical	Public Relations	Investigates the relationship between transparency efforts and trust in the context of employee-employer relationships.	Two dimensions of transparency efforts, providing substantial/quality information and holding itself accountable, explain .55 of the variance when regressed on trust.	Transparency is the deliberate attempt to make available all legally releasable information - whether positive or negative in nature - in a manner that is accurate, timely, balanced, and unequivocal, for the purpose of enhancing the reasoning ability of publics and holding organizations accountable for their actions, policies, and practices.
Rawlins (2009) Empirical	Public Relations	Develops two scales to measure stakeholder perceptions of organizational transparency.	Transparency is measured based on firm traits such that stakeholders perceive a firm as highly transparent when the firm has a reputation for integrity, respect, and communication openness. Transparency is also measured based on firm efforts such that stakeholders perceive a firm as highly transparent when the firm participates in two-way communication, provides substantial/quality information, holds itself accountable, and is not secretive with regard to the information it discloses.	See Rawlins (2008)

(table 1 continued)

Author (Year) Study Type	**Context**	**Objective**	**Main Contribution**	**Transparency Description**
Christensen (2002) Conceptual	Corporate communications	Discusses transparency as a condition and a strategy for corporate communications.	Transparency should be viewed as a condition of communicating with stakeholders in the current business environment because stakeholders expect unrestricted access to information and corporate accountability. Transparency can also be a strategy in which firms strategically decide which information to provide in order to appeal to certain stakeholders. The strategic approach is more logical given stakeholders are only looking for a minimum level of information to reduce uncertainty.	Transparency is related to providing quality information (clear and insightful) rather than quantity. Transparency should be investigated from the stakeholder's perspective.
van Woerkum and Aarts (2009) Conceptual	Public Relations	Discusses the need for organizations to provide visual transparency as a part of communicating with stakeholders.	Visual transparency is especially important at early stages of orientation and when an abundance of information is available. If the stakeholder's information requirement is ill-defined then visuals should be symbolic whereas when stakeholder's information requirement is well-defined, then visuals should be iconic and resemble reality.	Visual transparency is about organizations opening their doors to show how their goods are produced. Transparency is about sharing what is not usually known.

Marketing Literature

Few authors have investigated transparency in the B2C context in the marketing literature. For both the B2C and B2B contexts, the major consensus of the authors with regard to transparency is that it is important to developing and maintaining relationships with stakeholders of the firm.

B2C Context. Murphy et al. (2007) conceptualize transparency as communication and action that is open and clear and as the overarching virtue, or good habit that is essential at all stages of relationship marketing. The authors suggest that firms must make their ethical virtues explicit to stakeholders in order for stakeholders to trust them. Further, transparency is the key ingredient of relationship marketing, meaning relationships will not flourish without transparency (Murphy, Laczniak, & Wood, 2007).

Organizations such as the American Marketing Association (AMA), the Word of Mouth Marketing Association (WOMMA), and Consumers International (CI) view transparency as an ethical value that marketers should embrace with its stakeholders. The AMA notes on its website that transparency involves creating a "spirit of openness" (AMA, 2010). AMA offers guidelines for what marketers can do to become more transparent which include communicating clearly, accepting constructive criticism, explaining and acting on significant product or service risks, and disclosing pricing and terms. The AMA's guidelines for transparency could be interpreted to mean that transparency is a firm being open with its stakeholders, but openness here seems to include "accepting customer feedback" according to the AMA.

Like the AMA, the WOMMA also views transparency as a core ethical value along with honesty noting that transparency is the core foundation of its code of ethics: "ethical word of mouth marketers always strive for transparency and honesty in all communications with consumers, with advocates, and with those people who advocates speak to on behalf of a product" (WOMMA, 2010). Specifically, and brought about by covert marketing activities such as 1) Sony Erickson's fake tourists, and 2) bloggers covertly writing about products for compensation, the WOMMA urges marketers *to be more transparent by saying on whose behalf one is speaking, saying what one truly believes, and saying who one is/never falsifying your identity* (WOMMA, 2010).

Finally, Consumers International (CI), a global organization with 220 member organizations in 115 countries, acts to protect consumer rights which among them includes the right "to be given facts needed to make an informed choice and to be protected against dishonest or misleading advertising and labeling" (CI, 2010). CI notes that there is a "staggering lack of transparency" in the pharmaceutical industry because "only two (firms) reported code of conduct violations publicly" suggesting that this industry should be more open to sharing information with the public and "only one (firm) provides their marketing code of conduct directly to consumers" suggesting firms need to be more proactive with sharing information. CI provides suggestions for what information should be provided to consumers including marketing policies, codes of conduct for gift giving, marketing codes of conduct, and allocation of marketing budget.

Transparency is also seen as an important building block to the co-creation of value in the firm-customer dyad (Prahalad & Ramaswamy, 2004). The authors note that it is difficult for dialogue to occur without access and transparency to information which suggests that transparency may be an antecedent of customer-firm dialogue. Although the authors provide no formal definition of their conceptualization of transparency, they suggest that transparency is about providing access to as much information as the customer needs.

Tom McManus, a leading authority on transparency in business, also notes that transparency is important to business relationships. MacManus defines transparency in terms of openness, candor, free flow of information, and dialogue with stakeholders. "Openness" and "candor" seem to be fairly consistent with other interpretations of transparency. "Dialogue with stakeholders" has been previously suggested by Prahalad and Ramaswamy (2004) as an outcome of a firm's transparent behaviors such that when a firm engages in transparent behaviors, this results in an environment conducive for two-way dialogue. "Free flow of information" may be more appropriate as an antecedent of transparency such that perceptions of transparency should increase when stakeholders perceive that firms allow information to flow freely to them. Finally, trustworthiness was suggested as a consequence of transparency (Lazarus & McManus, 2006).

B2B context. With regard to B2B relationships, most of the transparency literature is couched in the context of relationships within the supply chain. For example, Eggert and Helm (2003; pg. 103) define transparency in terms of relevance of information exchanged in the context of buyer-supplier relationships: "an individual's subjective perception of being informed about the relevant actions and properties of the other party in the interaction" (Eggert & Helm, 2003). The authors' scale items refer to how often relevant information is exchanged with the supplier, and how aware the buyer is of the supplier's economic situation, organizational structure, and technical abilities. Eggert and Helm (2003) found that vendor transparency significantly predicted perceived customer value.

Hultman and Axelsson (2007) also discuss transparency in terms of buyer-supplier relationships. The authors suggest there are four types of *transparency* in buyer-supplier relationships. However, upon close examination of the literature, the authors really mean that there are four types of *information* for which if disclosure is increased, transparency may also increase. These information types include technological, organizational, supply, and cost/price. Hultman and Axelsson (2007) define transparency, stating it is the ability to 'see-through' and to share information that is usually not shared between two business partners (Hultman & Axelsson, 2007). The authors also note that sharing of information need not be reciprocal and that it can be unidirectional or bidirectional.

Another example of transparency discussed in the supply chain context is that of Hofstede (2003; page 18). He defines transparency as the "extent to which all the netchain's stakeholders have a shared understanding of, and access to, the product-related information that they request, without loss, noise, delay and distortion" (Hofstede, 2003). From this it seems that transparency allows all parties to see the same relevant information and/or firm behaviors and thus facilitates shared understanding.

Finally, van Dijk et al. (2003; page 6) define transparency broadly as "the extent to which properties of a system are observable to the observer" in which a 'system' refers to either a netchain, relationship, or partner within a supply chain (van Dijk, Duysters, & Beulens, 2003). The authors state that an observer's perceptions of transparency of a system can be influenced by the degree to which access to information and a learning opportunity is provided by the system to the observer. This description seems fairly consistent with others that conceptualize transparency as making things observable which leads to a shared understanding of meaning.

The popular press literature also provides insight into the concept of transparency and its importance to customer relationship management. Lauren McKay in *Customer Relationship Management* magazine (2008; page 26) states that transparency is "the root of the customer experience" (McKay, 2008) suggesting that without it, relationships will not flourish. McKay (2008) notes that transparency is about letting customers know what is happening by providing relevant information in a manner that is convenient to retrieve.

Pete Blackshaw (2008; page 52) *in Marketing Management* magazine also notes the importance of transparency in relationship management stating that customers often want to know the "brand behind the brand" which occurs through transparency (Blackshaw, 2008). A firm can do this by being open and visible, by providing relevant information to customers, enlarging fine print, and making information clear and easy to read. He states, "a corporation or brand is transparent if much (or at least the most relevant) information and data are known about it" and further conceptualizes a transparent firm as one that “lets the sun shine in”, is “easy to learn and discover”, and has “no secrets” (pg. 52).

Accounting and Finance (Business Reporting) Literature

In business reporting literature, more often than not, literature with the term “transparency” in its title refers to information disclosure and business reporting. With regard to business reporting of firms, Nielsen and colleagues (2004, 2005, 2009) define transparency as an outcome of stakeholders’ agreements on interpretations of the company, it is a mutual understanding, and that transparency should “invoke” the ability for stakeholders to compare information disclosed across time and countries (Nielsen, 2004, 2005; Nielsen & Madsen, 2009). The authors also note that transparency is not only merely disclosing information but that the information disclosed must be relevant. This suggests that transparency enables stakeholders to see into the firm.

Nielsen and Madsen (2009) propose that not all information leads to transparency. They note there are two prevalent business reporting strategies which most firms employ that include 1) disclosing as much information as possible and 2) disclosing only the “right” information. The authors suggest that while firms that disclose as much information as possible view this strategy as a “good thing” toward creating transparency, it actually is not a good strategy at all. The authors address what is “right” information from the perspective of the firm by labeling it as that which is “comparable” and “linked to strategic intent of the company” (pg. 852). They propose this type of disclosure will lead to greater transparency, because users are better able to process limited quantities of information given time constraints. This view of what information is “right” is from the firm’s perspective in that firms decide which information is right. To bring Nielsen’s and Madsen’s (2009) “right” information constraint into the perspective of stakeholders, one might evaluate “right” information as that which stakeholders perceive is relevant.

Bainbridge (2009) suggests the goal of transparency should be to make costs, benefits, values, and risks as clear as possible and he supports the GRI reporting framework as one means of doing so. The Global Reporting Initiative (GRI), a nonprofit organization that helps firms become more transparent, especially with regard to economic, environmental, and social performance reporting, defines transparency as “the complete disclosure of information on the topics and indicators required to reflect impacts and enable stakeholders to make decisions, and the processes, procedures, and assumptions used to prepare those disclosures” (GRI, 2006; pg. 6). It seems the GRI not only considers providing stakeholders with relevant and complete information as a part of transparency but it also considers providing stakeholders with an understanding of how the information was derived as a part of transparency. Additionally, the GRI provides a reporting framework of guidelines for what, how, and when information should be reported by firms in order to be more transparent, in essence suggesting antecedents of transparency. With regard to what is reported, the GRI suggests disclosing information that is relevant and complete; with regard to the quality/reliability of the information reported, the GRI suggests disclosing information that is accurate, neutral, and comparable; and with regard to how and when information is reported, the GRI suggests disclosing information that is clear, timely, and in a format and language appropriate to the intended audience (Bainbridge, 2009; GRI, 2006). The GRI's definition and framework for transparency is consistent with other conceptualizations in that transparency is about sharing relevant and complete information. A new element which the GRI brings into the transparency definition is that transparency should allow stakeholders to understand the processes used to derive reported information. Therefore, it's not only important to disclose relevant and complete information but that it's also necessary to disclose how the information was derived.

Information Technology Literature

The information technology literature stream tends to conceptualize transparency in terms of information exchange, and particularly with regard to how much information is exchanged. For example, in the context of information and communication technologies (ICT) for businesses, and in particular Internet-based communication tools, transparency is viewed as the degree of completeness of information provided by each company to the market in terms of business activities (Vaccaro, 2006; Vaccaro & Madsen, 2006, 2009b). A transparent company is one that "shares every kind of information concerning its business activities requested by society" (Vaccaro, 2006; pg. 146) contrasted with an opaque firm at the other end of the transparency continuum described as one that discloses only the information required by law. This conceptualization of transparency seems to be similar to other conceptualizations in which authors view transparency in terms of information exchanged or provided to the public, and in which characteristics of disclosure (such as what, how, and when information is disclosed) are seen as the same thing as transparency (Eggert & Helm, 2003; GRI, 2006; Hofstede, 2003; Hultman & Axelsson, 2007). However, disclosure is more like a proxy or “signal” for transparency (DeKinder & Kohli, 2008) and thus an antecedent, rather than a true measure of transparency.

In a follow-up paper, the authors (Vaccaro & Madsen, 2009a) discuss different types of transparency and argue that dynamic transparency is an ethical standard of which firms should strive. Dynamic transparency is bilateral sharing of information contrasted with static transparency which is one-way telling of information. The authors note that the typical conceptualization of transparency in existing literature to this point, as unidirectional telling of standardized reporting information, does not satisfy the ethical obligation of companies to share information that stakeholders need to assess if the product/service will have consequences on his/her life. They also suggest that while dynamic transparency may lead to the receipt of more complete information by customers, it may also lead to information overload causing "data asphyxia"(Vaccaro & Madsen, 2009a; Vaccaro & Madsen, 2007; pg. 121) rather than greater transparency thus quality and relevance of data is more important than quantity (Vaccaro & Madsen, 2009a) . Finally, these authors suggest transparency is necessary for the development of trustworthy and accountable institutions.

From a business-to-consumer perspective, Santana and Wood (2009) discuss transparency in reference to the online website, Wikipedia. The authors note that, on the one hand, this site’s process transparency is high because its policies and processes for becoming a contributor are clear and easily accessible, but yet on the other hand this site's identity transparency and information transparency are low because contributors may remain anonymous by providing fictitious names and the information may not be fairly represented and verifiable. The authors note that marketplace actors should have "full and accurate information available on which to base their decisions" (Santana & Wood, 2009 ; pg. 135) which has been suggested in other literature as well.

Political Science Literature

In the political science literature transparency is referred to as "enabling citizens to gather information on the policies and behavior of their governments" (Florini, 2007; pg. 5), and is closely intertwined with concepts of accountability, inclusiveness, legitimacy, democracy (Gupta, 2008), and governance-by-disclosure (Gupta, 2008; Mason, 2008). Florini defines transparency as "the degree to which information is available to outsiders that enables them to have informed voice in decisions and/or to assess the decisions made by insiders" (pg. 5). Arguing that publicly useful information is generally underprovided, she notes that holders of information often have incentives to keep information secret, such as to guard against being accused of making a mistake. Transparency, on the other hand, contributes to overcoming the agency problem brought by information asymmetry (Florini, 2007).

Gupta (2008) suggests using comparative analysis to scrutinize transparency efforts of an organization such as: 1) who discloses, 2) to whom is the info disclosed, 3) what is disclosed, 4) to meet what ends, 5) is it voluntary or mandatory, and 6) is it standardized or non-standardized. This seems to be another example of an author describing transparency in terms of information disclosure.

Transparency International, a nonprofit organization with the mission of reducing corruption in government, defines transparency on its website as “a principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic facts and figures but also the mechanisms and processes” and further states, “It is the duty of civil servants, managers and trustees to act visibly, predictably and understandably” (Transparency, 2010). Transparency International, in conjunction with The Carter Center (chartered by former president, Jimmy Carter), developed a tool to measure transparency in response to the idea that hiding information about donations to political parties breeds corruption. The measurement tool, CRINIS, meaning ray of light in Latin, communicates to governments and their constituents what can be done to improve transparency and accountability in political finance. CRINIS measures transparency based on: 1) who has access to the financial data ranging from internal network to organization party to the public, 2) quality characteristics of the data including comprehensiveness, depth, and reliability, and 3) oversight mechanisms ranging from internal-only to independent public auditors. Here, the CRINIS tool provides firms with ways they can improve transparency based on what, when, and how information is disclosed. There is also the notion that stakeholders must also be able to see the processes used to generate information in order for firms to be transparent, which has been suggested in other literature (GRI, 2006).

Management Literature

With few exceptions, management academics and practitioners conceptualize transparency in terms of information disclosure.

According to Hebb (2006; page 386), transparency is “fundamentally about the availability of information to all the actors within the firm, principals, agents and stakeholders alike” (Hebb, 2006). In her article, she discusses the California Public Employees Retirement System's (CalPERS) efforts to make sure companies in the portfolio are transparent. Hebb notes that CalPERS, a major pension fund administrator and management watch dog for poorly performing companies within its portfolio, keeps an eye on a firm’s transparency and performance levels and, in some cases, calls for more transparency from firms within its portfolio. Based on her case study of CalPERS and the performance of companies in its porfolio, Hebb (2006) indicates that negative capital market performance seems to be more acceptable to stakeholders when accompanied by high transparency as compared to low.

Finally, Pirson and Maholtra (2007, 2008) conceptualize transparency in terms of to what degree a firm explains its decisions to stakeholders, admits wrongdoings, and openly shares all relevant information (Pirson & Malhotra, 2007, 2008) which is similar to that of Welch and Rotberg’s (2006; pg. 938) description of transparency as “open and notorious” achieved by full disclosure (Welch & Rotberg, 2006).

The popular press and industry publications in recent years have also been publishing articles related to transparency. For example, in an interview for Marketing Management magazine, Herb Baum, former president and CEO of Dial, a $1.3 billion consumer goods company, and author of *The Transparent Leader: How to Build a Great company Through Straight Talk, Openness, and Accountability*, discusses how he transformed the failing company through transparency. He sites that his leadership style is "transparency" which he defines as "always telling the truth, being honest and open about how you run your life and business, and fessing up when you make mistakes" (Higgins, 2005 ; pg. 15).

CEO of HCL Technologies, Vineet Nayar, in *The New York Times* also discusses his management style as creating an organization that is completely open, which he calls transparency. Nayar creates transparency by posting all employee performance reviews on the company's internal website for all to see. He notes that this has led to a culture of trust and honesty (Bryant, 2010). Interestingly, whereas the former CEO of Dial sees honesty as a part of transparency, the CEO of HCL Technologies sees honesty as a consequence of transparency.

Public Health Literature

In the context of communicating public health emergency information to the public, about such topics as disease and virus outbreaks, O'Malley et al. (2009), describe transparency and provides guidelines for public health officials to determine how much transparency is needed and whether or not certain information should be released by an organization. Although they do not formally define transparency, O'Malley et al. suggest transparency is when an organization is "forthcoming and open on all aspects (of an emergency; pg. 616) which results in increased public trust in the organization. They also note that transparency is related to the quality and timing of information dispersed.

More specifically, transparency not only means that organizations distribute information that is factually accurate and easily understood by the intended audience, but also that organizations provide stakeholders with that information in a timely manner. The authors suggest that while "transparency suggests that all relevant information ought to be communicated or made accessible, it has to be recognized there may be legitimate reasons for withholding certain information" (pg. 616). Information should be provided to stakeholders if: 1) the information is needed by stakeholders to avoid injury or risk, 2) the information is relevant to a decision-making process and 3) there is no compelling reason to withhold or modify the information, such as compromising security or confidentiality (O'Malley, Rainford, & Thompson, 2009).

Communications Literature

Ethics seems to be a major context in which transparency is couched in the communications literature. Plaissance (2007) argues for transparency in media ethics, defining transparency in terms of both a behavior and an attitude. Regarding transparent behavior, he states (pg. 118) it is "conduct that presumes openness in communication and serves a reasonable expectation of forthright exchange when parties have a legitimate stake in the possible outcomes or effects of the communicative act" (Plaisance, 2007); he also calls this behavior as being "aboveboard". Regarding transparent attitude, Plaissance suggests firms are transparent when they take the attitude of "proactive moral engagement" when deception or omission could lead to lack of due diligence on the part of the stakeholder; he also calls this a general "spirit of openness" (pg. 188).

Grounded in the context of ethics, Baker (2008) discusses public relations and advertising practitioners as being either Principled Advocates or Pathological Partisans. She views transparency as an ethical virtue of the Principled Advocate, one that is morally driven, and conceptualizes it as openness which results in meeting others' "reasonable requirements for information" (Baker, 2008). She sites that an agent who is transparent "freely volunteers information that others have a legitimate need to know; and" in the context of mass media "who is candid and open about the sources of advocacy messages and the messages employed for persuasion (pg. 244). Baker suggests that transparency and secrecy are at opposing ends of a continuum in which secrecy is a vice of the Pathological Partisan, one that abandons morals and virtues. Further, she explains that secrecy is the opposite of transparency and it involves unjustified concealment, hiding, silence, suppression, furtiveness, and covertness.

In the context of journalist practices, Allen (2008) discusses why transparency as a goal for reporters is important. He defines transparency as "making public the traditionally private factors that influence creation of the news" (pg. 323). Allen suggests that transparency should be the goal for journalists and it is important to help ensure accountability of reporting and establish perceived legitimacy among citizens. He states that transparency goes beyond disclosing details about a news story that might influence the creation of it but to also disclosing doubts the journalist may have as to the truthfulness of the information s/he reports (Allen, 2008).

In the context of corporate communications, Christensen (2002) discusses transparency as both a condition and a strategy. Transparency should be viewed as a condition for communicating with stakeholders in the current business environment because stakeholders expect unrestricted access to information. On the other hand, transparency can also be a strategy for communicating with stakeholders in which firms strategically decide which information to provide in order to appeal to certain stakeholders (Christensen, 2002). Although he provides no formal definition of transparency, Christensen offers some insight into this concept. He comments that transparency is best conceptualized from the stakeholder's perception and as providing quality information (clear and insightful) rather than quantity of information. Because the majority of stakeholders neither care enough about the organization to learn all about it nor do they have the capacity for unlimited information processing the strategic approach to transparency seems best.

Whereas most authors discuss transparency as information disclosure without regard for specifying modes of disclosure (such as verbal, written, or visual), van Woerkum (2009) discusses it specifically in the context of visual information. His central claim is that organizations need to provide visuals such as photos and videos as a part of communicating with stakeholders and this is especially important at early stages of orientation and when an abundance of information is available. He seems to imply that information disclosed should be clear to the audience, which has been noted in other literature as well. Van Woerkum also provides insight into what type of information should be visualized commenting that if the stakeholder's information requirement is ill-defined then visuals should be symbolic whereas when stakeholder's information requirement is well-defined, then visuals should be specific and resemble reality of the firm (van Woerkum & Aarts, 2009). Implying firm openness, he notes that visual transparency is about sharing what is not usually known and it is about organizations opening their doors "to show how their goods are produced" (pg. 436) by providing visual material. A Washington state newspaper, *The Spokesman-Review*, offers a good example of an organization implementing visual transparency efforts. This newspaper posts webcasts on its website of behind-the-scenes editorial meetings as a part of its Transparent Newsroom Initiative (Fernando, 2007).

Rawlins (2009) is perhaps the academic who provides the most important milestone in transparency research; he developed a scale to measure this concept, which is an essential starting point for better understanding transparency. However, Rawlins falls short in rigorously defining and measuring transparency. He defines transparency as

> *"the deliberate attempt to make available all legally releasable information – whether positive or negative in nature – in a manner that is accurate, timely, balanced, and unequivocal, for the purpose of enhancing the reasoning ability of publics and holding organizations accountable for their actions, policies, and practices"* (pg. 75).

The problem with this definition is that by adding into it a description of how, when, and in what format information is provided, he has actually added a "disclosure" or "perception of disclosure" dimension which may be problematic since a review of the literature indicates disclosure may be an antecedent to perceived transparency. Interestingly, however, some of Rawlins' scale items reflect themes consistent with other literature including “open/closed”, “disclosing/concealing”, “guarded/candid”, and “makes it easy to find the information”.

Transparency Themes Emerging from Literature: An Integrated View

An objective of the literature review was to conceptualize transparency by defining it based on a critical review of the themes found during the literature review process. An exhaustive review of the transparency literature across six different fields revealed that there were not only differences across fields in the way transparency was defined or conceptualized but also within specific fields. For example, within the marketing literature, we see at least eight different definitional themes or elements identified as central to transparency by different authors:

1. Open with stakeholders, including open to feedback
2. Being upfront and candid
3. Not hiding relevant information
4. Being honest
5. Sharing relevant information with public
6. Providing access to information
7. Having a shared understanding
8. Communicating clearly

Clearly, some of these themes are referring to the same general idea, such as being upfront and candid and not hiding relevant information. We also notice that some other themes are either antecedents or consequences of other themes. For example, providing access to information and communicating clearly can be seen as antecedents of being open with stakeholders and being upfront and candid while being honest and having a shared understanding may be consequences of being open with stakeholders and being upfront and candid. The eight themes identified in the existing marketing literature on transparency reveals themes located at different points in a cause and effect chain, thus emphasizing the need to develop a tight and precise definition of transparency.

The differences across fields are also evident as we look at the themes emerging from the accounting literature and others. Researchers in this area have identified mutual understanding, disclosure of comparable information, complete disclosure of relevant information, and communicating in a timely manner as important themes associated with transparency. It is easy to see that while some of these themes are in agreement with the themes identified in the marketing literature, the others seem to be quite unique to their field such as disclosure of comparable information in accounting literature, emphasis on quantity of information in the information technology literature, fessing up to mistakes in the management literature, and sharing information not usually shared in the communications literature. In spite of the differences across and within fields about the core themes associated with the transparency construct, there were some core themes associated with transparency that appear to transcend the boundaries of different disciplines. In fact, these themes emerged in all the six literature streams that were reviewed in this dissertation. These were the themes of "being open" and "being forthright" with respect to issues that are "relevant" to stakeholders.

Being open. The first emerging theme from the literature review that comes up when transparency is discussed is that of "openness". While not all authors explicitly used the terms "open" or "openness" the meaning seemed to be the same. Researchers and non-government organizations (NGOs) conceptualize transparency of a firm as "being open" (Blackshaw, 2008; CI, 2010; Lazarus & McManus, 2006), allowing stakeholders to "see-through" it (Hultman & Axelsson, 2007), and openly sharing information (Hofstede, 2003; Pirson & Malhotra, 2007, 2008; Vaccaro, 2006; Vaccaro & Madsen, 2006, 2009a, b). It seems a firm may be perceived as open if it affords stakeholders the opportunity to learn about it. This might be envisioned by a glass building in which everything inside is visible.

Being forthright. The second emerging theme is that of "forthrightness". Researchers and NGOs conceptualize transparency of a firm as "letting customers know what's happening" (McKay, 2008), "explaining decisions and saying when something goes wrong" (Pirson & Malhotra, 2007, 2008), "fessing up" when a firm makes a mistake (Higgins, 2005), "forthright exchange" (Plaisance, 2007), and "freely" volunteering information (Baker, 2008). It seems a firm may be perceived as forthright when it gets straight to the point and proactively opens itself up to stakeholders without regard for consequences. There is a difference between open and forthright. For example, imagine you engage in an interaction with a salesperson in which you're trying to learn more about a particular product. The salesman answers all of your questions and thus you may perceive him as open. Now imagine the salesperson knows there are questions you haven't asked which have been important to others in the decision-making process. The salesperson provides you with this information as well since you didn't ask. In this case, he proactively provided you with a learning opportunity, and hence you may perceive him as forthright. This scenario might especially apply for highly complex products or for novice users.

Relevance. The third emerging theme from the literature review is that of firm behavior relevance. Specifically, in order for firms to act transparently, they should be open and forthright about that which is "useful" (Florini, 2007), and "relevant" (Blackshaw, 2008; Eggert & Helm, 2003; McKay, 2008; Nielsen, 2004, 2005; Nielsen & Madsen, 2009) to stakeholders.

Three secondary themes also emerged. These were later deemed inappropriate to include into the definition of transparency. For example, "honesty" (Higgins, 2005; WOMMA, 2010) was an initial coded theme but it may be more appropriate if conceptualized as a consequence of transparency rather than a definitional element. This is because honesty or perceptions of a firm being honest are a direct consequence of a firm being seen as open and forthright, which were two of the emerging themes.

A second theme was "disclosure characteristics" such as disclosing clear information and disclosing information in a timely manner (Bainbridge, 2009; Christensen, 2002; GRI, 2006; O'Malley et al., 2009; Rawlins, 2009; van Woerkum & Aarts, 2009), but here characteristics related to what, how, or when information is disclosed is conceptualized as an antecedent of transparency rather than a definitional element.

Finally, a third theme, "ethics/morality" emerged from the literature in which transparency is discussed as an ethical behavior (AMA, 2010; Baker, 2008; Murphy et al., 2007; Plaisance, 2007; WOMMA, 2010). Ethics is perceived here as a consequence of transparency. More discussion on these three constructs will follow at the end of this chapter in the section that discusses constructs that are similar to transparency.

Table 2 provides a summary of the major themes of the transparency construct used in various literature streams.

Table 2: Themes Emerging from Literature

Transparency is a Firm that is Open
It is communication and action that is open and clear (Murphy et al. 2007)
Related to availability of firm-specific information (Bushman et al. 2004)
Sharing of every kind of information (Vacarro 2006; Vacarro and Madsen 2006, 2009b)
Accessibility of information (Zhu 2002)
Information is easily accessible (Santana and Wood 2009)
Degree to which information is available (Florini 2007)
Availability of information to all actors within the firm, principals, agents, and stakeholders (Hebb 2006)
Open and notorious (Welch and Rotberg 2006)
It is creating an organization that is completely open (Bryant 2010)
Make public traditionally private factors that influence creation of news (Allen 2008)
Unrestricted access to information; information is clear and insightful (Christensen 2002)
Sharing what is not usually known and opening doors to show how goods are produced (van Woerkum and Aarts 2009)
Involves creating a spirit of openness; Accept constructive criticism; explain and act on product/service risks; disclose pricing and terms (AMA 2010)
Openness, candor, free flow of information, and dialogue with stakeholders (Lazarus and Mcmanus 2006)
Conduct that presumes openness in communication (Plaisance 2007)
Spirit of openness (Plaisance 2007)
Candid and open (Baker 2008)
(table 2 continued)
Freely volunteers information (Baker 2008)
Properties of a system are observable to the observer, access to information, affordance of a learning opportunity (vanDijk et al. 2003)

Let customers know the ‘brand behind the brand’ by being open and visible; described as “let the sun shine in”, “easy to learn and discover”, and has “no secrets” (Blackshaw 2008)

Should provide not only basic facts and figures about the company but also processes and mechanisms behind decisions (Transparency International 2010)

Should report conduct violations publicly; provide marketing codes of conduct directly to consumers (Consumers International 2008)

Being honest and open (Higgins 2005)

Openly shares all relevant information (Pirson and Malhotra 2007, 2008)

Ability to ‘see-through’ and to share information that is usually not shared between partners (Hultman and Axelsson 2007)

Transparency is a Firm that is Forthright

It’s about letting customers know what’s happening (McKay 2008)

Say who you are, what you believe, don’t falsify identity (WOMMA 2010)

Transparency is explaining decisions and saying when something goes wrong (Pirson and Malhotra 2007, 2008)

Always telling the truth and fessing up when you make mistakes (Higgins 2005)

Conduct that serves a reasonable expectation of forthright exchange when parties have a legitimate stake in the outcome of a communicative act (Plaisance 2007)

Deliberate attempt to make available all legally releasable information whether positive or negative, in a manner that is accurate, timely, balanced, and unequivocal (Rawlins 2009)

Stakeholders have access to product-related information they request without loss, noise, delay, and distortion (Hofstede 2003)

Firm Behaviors Should Be Relevant to the Consumer

Transparency is not merely disclosing information but that the information disclosed must be relevant (Neilsen 2004, 2005; Nielsen and Madsen 2009)

The information that is ‘right’ to disclose to consumers is that which is relevant to the consumer (Nielsen and Madsen 2009)

(table 2 continued)

Subjective perception of being informed about relevant actions of the other party (Eggert and Helm 2003)

Relevant information should be made accessible (O’Malley et al. 2009)

Subjective perception of being informed about relevant actions of the other party (Eggert and Helm 2003)
Provide relevant information (McKay 2008)
A brand is transparent if much or at least the most relevant information and data are known about it (Blackshaw 2008)
Involves being open and providing information to consumers to make an informed choice (Consumers International 2008)
Information should be publicly useful (Florini 2007)
Shares relevant information (Pirson and Malhotra 2007, 2008)
Information reported should be accurate, neutral, comparable, clear, timely, and in a format appropriate for the intended audience (Bainbridge 2009; GRI 2006)
Transparency is being Honest
It is being honest and always telling the truth (Higgins 2005)
Don't falsify identity (WOMMA 2010)
Transparency Relates to What, How, and When Information is Disclosed
Information is easily assessable (Santana and Wood 2009)
Information is clear and insightful (Christensen 2002)
Information shoud be accurate, neutral, comparable, clear, timely, and in a format appropriate for intended audience (Bainbridge 2009; GRI 2006)
Disclose pricing terms (AMA 2010)
Transparency is being Ethical/Moral
A trait-based dimension of a firm that includes integrity, respect for stakeholders, and communication openness (Rawlins 2009)
Proactive moral engagement (Plaissance 2007)

Working Definition

Based on the emerging themes from the literature review and following

MacKenzie's (2003) guidelines for excellent construct definition, the working definition for transparency is: *the extent to which a stakeholder perceives a firm's conduct is forthright and open regarding matters relevant to the stakeholder*. This definition will be evaluated and revised if necessary in chapter 3 as qualitative research is conducted to validate the themes derived in this chapter.

Constructs Related to Transparency

This section is a review of constructs and concepts discussed in the literature that are similar to, yet distinct from, transparency. Table 5 below summarizes the differentiation of transparency with disclosure, communication, ethics, trust, and honesty

Table 3: Constructs Similar to Transparency

Construct	Citations	Definition	Differs from Transparency
Disclosure, mandatory disclosure, voluntary disclosure, self-disclosure	Cozby 1973; Healy and Palepu 2001; Hofstede 2003; van Dijk et al. 2003; Nielsen 2004; Eccles and Mavrinac 1995; Nielsen 2005; Allen 2008; Dawkins and Fraas 2008; DeKinder and Kohli 2008; Williams 2008; AMA 2010; Chaudoir and Fisher 2010; WOMMA 2010	Any purposeful public release of information - financial, social or environmental, required or voluntary, qualitative or quantitative, and provided either proactively or by requisition; sharing of personal information.	Narrowly measures whether and what information is disclosed. Transparency does not measure information. Disclosure is probably one of the ways a firm can manipulate perceptions of transparency.
Communication, communication openness, information communication	Robertson and Gatignon 1986; Anderson and Weitz 1989; Anderson and Narus 1990; Morgan and Hunt 1994; Smith and Barclay 1997; Ahearne, Jelinek, and Jones 2007	Formal and informal sharing of information; the essence of each get at perceptions of how well a firm communicates with its stakeholders.	Perceptions of communication are formed narrowly based on assessments of the information provided. Transparency does not measure assessments of information but rather perceptions of firm openness and forthrightness. Communication is probably one of the ways a firm can impact perceptions of transparency.
Ethics, ethical evaluations	Sherwin 1983; Ferrell and Gresham 1985	Assessment of "just" or "right" standards of behavior between parties in a situation; evaluated based on what one believes is fair and culturally, familially, and individually acceptable.	Does not measure "forthrightness" or "openness"; transparency probably increases perceptions that a firm is ethical.
Trust	Anderson and Weitz 1989; Ganesan 1994; Morgan and Hunt 1994; Doney and Cannon 1997; Ahearne, Jelinek, and Jones 2007; Eisingerich and Bell 2008; Yim et al. 2008	Perceived credibility and benevolence (desiring to help others); willingness of stakeholder to rely on the target; confidence in an exchange partner's reliability and integrity.	Trust does not measure "forthrightness" or "openness" but rather a willingness to rely on a firm; trust may be a consequence of transparency.

(table 3 continued)

Construct	Citations	Definition	Differs from Transparency
Honesty	Pechman 1992; Priester and Petty 1995	Perceived honesty of a source; what is said reflects the message sender's true opinion.	Does not measure the "open" or "forthright" dimension of transparency; honesty may indirectly capture an assessment of perceived honesty thus honesty may be a necessary but not sufficient condition for transparency; honesty may also be a consequence of transparency in that transparency may lead a firm to being more honest and subsequently consumer perceptions of honesty should also increase.
Transparency	Dapko dissertation conceptualization	Extent to which a stakeholder perceives a firm's conduct is forthright and open regarding matters relevant to the stakeholder.	

Disclosure. Conceptually, transparency and disclosure are distinct. When a firm discloses about itself, the firm may then be seen as being open. While the two may be seen as similar, there are key distinctions. Some literature indicates disclosure may be a "signal" of transparency (DeKinder & Kohli, 2008; pg. 95), and thus is an antecedent of transparency. Below is a review of what the construct of disclosure includes and then a discussion of how it differs from transparency.

Disclosure refers to a firm providing information about itself (Chaudoir & Fisher, 2010; Cozby, 1973; Dawkins & Fraas, 2008; Williams, 2008). It is a behavior of a firm in which information is shared about itself to stakeholders. In journalism, disclosure refers to providing information about the interests of the writer which may bear on the subject being written about, for example, if the writer has worked with an interview subject in the past (Allen, 2008). In psychology, disclosure or self-disclosure refers to sharing personal information such as one's feelings with others (Chaudoir & Fisher, 2010; Cozby, 1973). In accounting and finance, disclosure refers to public companies sharing information about itself like past financial performance, future forecasts, and current operations, which might be kept secret if the company was a privately held company or a partnership (Nielsen, 2004, 2005). In marketing, disclosure refers to providing product-related information, pricing, and terms to a stakeholder without loss, noise, delay, or distortion (AMA, 2010; Hofstede, 2003; van Dijk et al., 2003; WOMMA, 2010).

Some disclosure literature delineates between mandatory disclosure and voluntary disclosure. Mandatory disclosure is disclosure of information that is regulated by the government (Healy & Palepu, 2001) such as earnings reports in an accounting context, health side effects in pharmaceutical advertising, and contractual terms and agreements in mobile phone plan advertising, to name a few. Voluntary disclosure, on the other hand, is disclosure of information that is at the discretion of management (Healy & Palepu, 2001) or a firm revealing information about itself that it is not required to by law to reveal (DeKinder & Kohli, 2008). Voluntary disclosures may include information about the firm's costs, investments, likely earnings, new product developments, product launches, strategies, and personnel decisions in a business strategy context, (DeKinder & Kohli, 2008), providing competitive comparison pricing in a sales context, and two-sided messaging in an advertising context, to name a few. A review of the disclosure literature across disciplines reveals a commonality in that disclosure is any purposeful public release of information by a firm to stakeholders.

This dissertation conceptualizes disclosure, a firm behavior, as an antecedent of transparency, a stakeholder perception about a firm. The firm discloses information and what follows is consumer evaluations of that disclosure and of the firm. Disclosure is one potentially important behavior that a firm can control and manipulate to alter perceptions of transparency. However, the academic and practitioner literature indicates that in most cases simply disclosing information is not enough to warrant perceptions of transparency. For example, pharmaceutical companies are mandated to disclose in their advertisements certain information such as health risks. Often the information is disclosed via "fine print" in which the font is much smaller than other information provided in the advertisement, or via voiceovers in which the communicator discloses information much faster than other information that is communicated in the advertisement. The firm disclosed the required information yet consumers may not perceive this as being transparent.

It seems likely, then, that in order for disclosure to have positive effects on perceived firm transparency then disclosure must be seen as an internal, willful, voluntary act of the firm. The perception, then, that the firm is voluntarily providing information seems to be a key antecedent to perceptions of transparency.

Communication. Several construct derivatives for 'communication' exist in the marketing literature including 'communication' of a channel partner (Anderson & Weitz, 1989; Anderson & Narus, 1990) and supplier (Morgan & Hunt, 1994), 'communication openness' of an industry (Robertson & Gatignon, 1986) and selling partnership (Smith & Barclay, 1997a), and 'information communication' of a salesperson (Ahearne, Jelinek, & Jones, 2007). Unlike disclosure in which scale items typically reflect what information is disclosed, communication-related constructs are typically measured in terms of one party sharing or communicating information with another party (Ahearne et al., 2007; Anderson & Weitz, 1989; Anderson & Narus, 1990; Morgan & Hunt, 1994; Robertson & Gatignon, 1986; Smith & Barclay, 1997b, a), frequency of communications (Palmatier, Dant, Grewal, & Evans, 2006; Smith & Barclay, 1997a) and/or by characteristics of information provided such as information timeliness (Anderson & Narus, 1990; Smith & Barclay, 1997a), information relevance/meaningfulness(Anderson & Narus, 1990), and information objectivity/two-sidedness (Ahearne et al., 2007). Upon a close review of the communication constructs, it seems that the essence of each get at perceptions of how well a firm communicates with its stakeholders. For example, a seminal "communication" construct is that of Morgan and Hunt (1994), in which they use the scale items "In our relationship, my major supplier…" followed by "…keeps us informed of new developments" and "…communicates well his expectations for our firm's performance".

Although communication is similar to transparency, they are not the same. This dissertation conceptualizes communication as an antecedent of transparency. Communication refers to assessments of the quality of information provided or to assessments of how well a firm communicates with its stakeholders. Therefore this dissertation sees a firm sharing information and communicating well as two of the ways that could lead a firm to be perceived as transparent.

Ethical Evaluations. The literature discusses ethical evaluations in terms of an assessment of "just" or "right" standards of behavior between parties in a situation (Ferrell & Gresham, 1985). These ethical judgments are made based on what one believes is fair and acceptable in terms of cultural, familial, and individual standards (Reidenbach & Robin, 1990; Reidenbach, Robin, & Dawson, 1991), and may be person and context specific depending on one's cultural environment, professional environment, industry environment, organizational environment, and personal characteristics (Hunt & Vitell, 2006).

According to Robin and Reidenbach (1987), the key to success of any corporate culture is the selection and implementation of core values. When implemented and communicated to all parties, these values define the profile or face of the organization and become an integral part of the organizational mission. A firm's profile is a projection to external publics with whom the organization interacts, identifying how the organization chooses to interact with those publics (Robin & Reidenbach, 1987). Transparency could be a core value that a company embeds into its culture (Baker, 2008;

Plaisance, 2007). When these values are successfully implemented and communicated then it could give ethical direction to the marketing activities of the organization (AMA, 2010; Robin & Reidenbach, 1987; WOMMA, 2010), and subsequently, consumers may perceive the firm to be more ethical as a result of firms engaging in transparency behaviors. This dissertation conceptualizes transparency as most likely increasing perceptions that a firm is ethical.

Trust. The marketing literature generally conceptualizes trust in terms of perceived credibility and benevolence (desiring to help others) (Doney & Cannon, 1997), a willingness of the stakeholder to be vulnerable in the presence of, or rely on, the target (Ahearne et al., 2007; Ganesan, 1994), and confidence in an exchange partner's reliability, integrity, and competency (Anderson & Weitz, 1989; Bart, Shankar, Sultan, & Urban, 2005; Eisingerich & Bell, 2008; Morgan & Hunt, 1994; Rawlins, 2008; Yim, Tse, & Chan, 2008). Trust is a key mediating variable (KMV) between firm actions and stakeholder actions (Morgan & Hunt, 1994).

Trust and transparency are conceptually distinct. Trust does not measure 'openness' or 'forthrightness' that is captured in the transparency construct. Conceptual, empirical and practitioner literature suggests that trust may be a consequence of transparency (Bryant, 2010; Lazarus & McManus, 2006; O'Malley et al., 2009; Rawlins, 2008). Transparency is said to be needed to create a sense of trustworthiness (Lazarus & McManus, 2006; O'Malley et al., 2009) and "transparency is the necessary ingredient for the development of trustworthy and accountable institutions" (Vaccaro & Madsen, 2009b ; pg. 223). Practitioners also suggest that transparency is an antecedent of trust. Vineet Nayar, CEO of a large technology firm, HCL Technologies, states that transparency in his organization has "led to a culture of trust and honesty" (Bryant, 2010). On the other hand, there is some empirical evidence that transparency may only be an antecedent of trust when stakeholders are unable to make assessments of a firm's integrity, benevolence, and competence (Pirson & Malhotra, 2007, 2008).

Honesty. Honesty is referred to as the degree to which what is said reflects the message sender's true opinion (Pechmann, 1992) and may be assessments of truthfulness of an advertisement, person, or firm. According to Plaissance (2007; pg. 203), "one can increase transparency but still provide half truths…all deception lacks the element of transparency and lack of transparency is a prerequisite for all deceptive acts" (Plaisance, 2007). Another way of looking at this relationship is from the ethical perspective that when a firm employs transparency as an ethical corporate value then firm behavior should naturally lead to increased honesty. As such, honesty may be a consequence of transparency in that transparency may lead a firm to being more honest and subsequently consumer perceptions of honesty should also increase. Along these lines, transparent firms "are correctly seen as honest when telling the truth but give themselves away when they lie" (Levine, Shaw, & Shulman, 2010 ; pg. 217).

Chapter Summary

While the term "transparency" is used in the trade press (Blackshaw, 2008; Bryant, 2010; CI, 2006; GRI, 2006; Higgins, 2005; McKay, 2008; Transparency, 2010) and academic literature (Eggert & Helm, 2003; Hofstede, 2003; Hultman & Axelsson, 2007; Lazarus & McManus, 2006; Murphy et al., 2007; Prahalad & Ramaswamy, 2004; van Dijk et al., 2003), there is a lot of ambiguity in terms of what practitioners and academics mean by the term. The term transparency is used a lot in the business press today particularly in the context of financial and economic crises all over the world. As a result, the word "transparency" is often used to connote different things by different people. For example, when a prominent hedge fund manager is caught engaging in dishonest practices, there is a call for transparency by several industry experts and academics. However, some of these experts are calling for greater honesty among managers in this industry so that the public's trust can be regained; others are calling for greater disclosure of relevant information by firms and managers, while yet others have called for managers to be more open and upfront with the public about information that may be seen as relevant to an investor in an investment decision. The ultimate goal of all these experts may be the same; i.e. to suggest ways to restore the public's trust in the industry. Here, the term transparency is used as an umbrella term to refer to stakeholder perceptions that a firm's conduct is forthright and open regarding matters relevant to the stakeholder.

There are several constructs similar to transparency, such as disclosure, communication, ethics, trust, and honesty, but all do not capture the essence of 'forthrightness' and 'openness' of transparency as conceptualized in this dissertation. A review of these constructs indicates that these may either be antecedents or consequences of transparency rather than conceptually the same as transparency. Two important antecedents of transparency may be disclosure and communication. Three important outcomes of transparency may perceived ethicality, trust, and perceived honesty which may be attributed to the boundary spanner, the firm, or both when stakeholders perceive transparency.

The next chapter will discuss the procedure used to validate the themes and will provide a final definition of transparency based on this work.

CHAPTER 3: THEME VALIDATION AND FINAL TRANSPARENCY DEFINITION

This section reviews the qualitative research that was conducted in order to validate the themes derived from the literature review. First this involved a coding task with expert judges who coded transparency definitions using predetermined themes that emerged from the literature review. Second, interviews, focus groups, and open-ended surveys were conducted to further validate the themes and to ensure "everyday" consumers think about transparency in the same way as practitioners and academics.

Theme Coding

Procedure. Judges (marketing Ph.D. students) participated in a qualitative sorting procedure to substantiate the major themes found by the author. The sorting procedure included providing each judge independently with a set of index cards with each card including a definition or description of transparency found in the literature. The judges were told "what is on the cards is a description or definition of transparency from the literature" and they were instructed to "sort these cards into piles that represent similar concepts or ideas". Because the sorting procedure was used to validate previous theme coding, judges were given predefined categories and were told to put each card into a category that best represents what is on the card. The categories included those that were identified by the author (i.e. open, forthright, relevance) as well as an "other" category. The judges were also asked to "further refine the 'other' group into subcategories and to label each subcategory". The same forty-eight descriptions previously used to identify emerging themes (see Table 2) were then used as the qualitative data for theme validation by judges, marketing Ph.D. students, along with the three previously identified themes (open/openness, forthright/forthrightness, and sharing relevant information) and one additional theme (other) for the sorting procedure.

***Theme inter-rater reliability*.** The PRL reliability measure (Rust & Cooil, 1994) was calculated to assess the inter-rater reliability of the qualitative judgments. The PRL reliability measure was calculated by dividing the total number of agreements between each pair of judges by the total number of potential agreements. In this case, there were four judges resulting in a total of 6 potential pair-wise agreements per item. Each judge evaluated 48 items for a total of 288 potential agreements. There were a total of 168 agreement pairs resulting in .58 proportion of inter-judge agreement. This corresponds to a PRL reliability of .89 which indicates the inter-rater reliability is adequate because the PRL reliability is a "direct extension and generalization of Cronbach's alpha to the qualitative case" (Rust & Cooil, 1994). Table 2 shows the 48 transparency definitions and descriptions from existing literature that were used to identify initial themes and used in the inter-rater coding procedure. The theme consensus for each item was consistent with the researchers' conceptualization of the forthright, open, and relevant dimensions of the transparency construct.

Interviews, Focus Groups, and Surveys

Next, interviews, focus groups, and open-ended surveys were conducted to further validate the themes.

Procedure. Interviews and focus groups were semi-structured and discovery-oriented in nature. In particular this means that, while the researcher had certain objectives with pre-formulated relevant questions for the interviews and focus groups, she also allowed for the participants to speak freely on the topic. The researcher conducted the interviews and focus groups both on and offline. Regarding the online method, the researcher used Eluminate! software which allowed her to utilize an online version of a "whiteboard" and text chatting for discussions with participants. The researcher did not utilize the voice or video capabilities of this software. Regarding the offline method, the researcher arranged for interviews and focus groups in a safe environment.

Participant recruitment. Participant recruitment commenced with an email invitation to friends and family of the researcher to include the nature of the study and potential harms. Upon participant confirmation that s/he would participate, for both the online and offline research, the researcher emailed the participant with a link to an online survey that included the IRB consent form with the following statement: "Please click on the 'I have reviewed the IRB consent form and would like to participate in this research' button below". The survey also included a few demographic questions such as age, gender, nationality, and occupation.

The researcher recruited participants that were at least 18 years of age with no other restrictions as to psychographic or demographic qualifiers. Recruitment included soliciting friends, family, and personal business contacts of the primary researcher, as well as reaching out to local organizations such as the Young Entrepreneurs Society and local Home Owners Associations by contacting the director/manager of these organizations. The researcher also employed the snowball technique upon completing the interviews and focus groups with friends, family, and personal business contacts.

The online method resulted in data transcripts and the offline method resulted in voice transcripts that the researcher transcribed into text files. All of the electronic files were named according to the date of the interview/focus group and password protected.

Qualitative research included one in-person focus group with four participants, one online focus group with three participants, two online interviews, and one open-ended survey with 46 student respondents.

Lines of questioning. The specific questions for the focus groups and in-depth interviews included: 1) what does the term, transparency, mean to you? 2) When is transparency important? 3) and What does it mean for a company to be transparent?

The open-ended surveys included a scenario followed by two open-ended questions in which respondents were asked to "Imagine you just heard the below statement made by a CEO of a particular company. Please read the CEO's statement then answer the questions that follow". The statement was: "The goal of this company is to be transparent with our customers". This scenario was based on recent comments made by U.S. President, Barack Obama in which he communicated "transparency" as his goal for government reform (Obama, 2010). The two questions included: 1) what do you think it means for a company to be transparent with its customers? And 2) what specific things could a company do to show its customers that it is transparent?

Sample. The sample for all qualitative research collectively was about 50% male and ranged in age from 22 to 73 with a mean age of about 24 years old (excluding outliers from the mean calculation).

***Theme inter-rater reliability*.** Theme identification and protocol coding was employed for the qualitative quotes from the interviews, focus groups, and open-ended surveys. First the researcher examined the transcripts identifying respondent quotes that matched the emerging themes from the literature review (open/openness, forthright/forthrightness, and sharing relevant information). A second pass through the data was then conducted to identify any other common themes, of which there was one. A fourth theme, "honest/honesty" seemed to appear in the data, and thus it was added to the theme validation procedure. Finally, a fifth, "other" theme was added to the coding procedure which allowed the independent judges to account for data that did not seem to fit into the other themes. The quotes were then presented to independent judges for theme validation. The judges were told to select only one theme for each quote.

The PRL reliability measure (Rust & Cooil, 1994) was calculated to assess the inter-rater reliability of the qualitative judgments. The PRL reliability measure was calculated by dividing the total number of agreements between each pair of judges by the total number of potential agreements. In this case, there were three judges resulting in a total of 3 potential agreements per item. Each judge evaluated 24 items for a total of 72 potential agreements. There were a total of 29 agreement pairs resulting in .40 proportion of inter-judge agreement, which is low. For three judges and five categories, this corresponds to a PRL reliability of .65 which indicates the inter-rater reliability is approaching the minimal acceptability of .70 indicated as a "rule of thumb" for exploratory work (Rust & Cooil, 1994). Disagreements were then resolved through discussion. There were seven data strings for which the judges did not come to a consensus. Agreement was reached through discussion for these items. The discussion revealed that there was confusion among the judges with regard to which theme several of the quotes belonged. Recall that the experts were told to assign only one theme per quote. Several of the quotes clearly belonged to at least two different themes. As an example, this quote highlights both the "open" and the "forthright" themes:

> "Transparency is being **upfront** and not feeling like you're getting cheated, or like a bait and switch; the product you're buying is what you're buying and price isn't going to go up. I would think it's everything out on the table. Just **open**." (Female, 33 years old).

Findings from Qualitative Data

The following section presents the quotes that were coded and validated by independent judges.

Focus groups and in-depth interviews. Specific questions for the focus groups and in-depth interviews included: 1) what does the term, transparency, mean to you? 2) When is transparency important? 3) and What does it mean for a company to be transparent? Examples of responses coded as 'openness' include:

> "Transparency is being upfront and not feeling like you're getting cheated, or like a bait and switch; the product you're buying is what you're buying and price isn't going to go up. I would think it's everything out on the table. Just open." (Female, 33 years old).

> "The word by itself is 'see-through'…it's like a glass building where everything is see-through…" (Male, 44 years old).

> "A company has nothing to hide…it's the consumer's ability to know what they can expect from a company …" (Female, 50-59 years old).

> "…shares of itself, open and forward thinking with its sharing of its culture and how people work and who their employees are, what they can offer better than someone else…" (Female, 60+ years old).

Examples of responses coded as 'forthrightness' include:

> "Transparency is upfront, state it" (Male, 38 years old).
>
> "Straightforward about business and relationships between customer and buyer" (Female, 30-39 years old).
>
> "Transparency is the company takes it upon themselves to reveal it" (Female, 33 years old).

Examples of responses coded as referring to sharing relevant information:

> "…that's a good point [that transparency is individual]…in what area do we want to know more about, what's sensitive to all of us? There are buzz words for all of us where we want to know more in terms of transparency…" (Male, 44 years old).
>
> "It is important for companies to make relevant information available" (Female, 30-39 years old).

There were three strings of data for which the judges agreed belonged in the "other" category, which seems to be consistent with the current conceptualization of transparency. They are:

> "It's taking responsibility for successes and failures" (Male, 40-49 years old).
>
> "Transparency is individual… it comes down to each individual's view of the product and what they want" (Male, 38 years old).
>
> "Transparency is knowledge-driven based on the individual and how it affects them in their day-to-day lives" (Male, 38 years old).

The first item seems to be outside the scope of what the literature and other qualitative research participants view as transparency. To some degree this response is related to being forthright if "taking responsibility for successes and failures" is a proactive event. It could also be related to the open dimension of transparency if one places emphasis on taking responsibility for "failures". Alternately, it's possible that when a stakeholder perceives a firm is taking responsibility for both successes and failures then this will result in increased perceptions of transparency. Finally, the last two statements are probably most aligned with the “sharing relevant information” theme in that both statements refer to transparency as a perception of individuals with regard to what is relevant to them.

Open-ended surveys. The open-ended surveys included a scenario followed by two open-ended questions in which respondents were asked to “Imagine you just heard the below statement made by a CEO of a particular company. Please read the CEO’s statement then answer the questions that follow”. The statement was: “The goal of this company is to be transparent with our customers”. This scenario was based on recent comments made by U.S. President, Barack Obama in which he communicated “transparency” as his goal for government reform (Obama, 2010). The two questions included: 1) what do you think it means for a company to be transparent with its customers? And 2) what specific things could a company do to show its customers that it is transparent?

Examples of responses coded as ‘openness’ include:

> “For a company to be transparent it must be honest, open, and ethical. The company must be willing to share all decision information” (Male, 23 years old).
>
> “To be transparent, it almost sounds as though they want to be seen through. Therefore they want all of the different aspects in the company to be seen by its customers…makes them seem to be more open to outside view with nothing to hide” (Male, 21 years old).
>
> “To be transparent with one’s customers to me means to be as open as possible” (Male, 24 years old).
>
> "Be completely honest, no secrets from the consumers" (Female, 20) .

Examples of responses coded as ‘forthrightness’ include:

> “They were straight forward and truthful about the good and the bad about the product purchased. There were no hidden tricks or fine print” (Male, 22 years old).
>
> “Honest and forthright” (Female, 24 years old).
>
> “It means to be true to the customer and upfront” (Male, 22 years old).
>
> “The company was upfront and honest about their product or service and what the customer expected the product would perform, it did” (Male, 23 years old).
>
> “If the company makes a decision then the customers know about it” (Male, 22 years old).
>
> "They did not give any false expectations. Gave them honest facts about the product, possibly even subjective point of view. Didn't hold back any vital information" (Male 22).

Another theme that emerged from the open-ended studies was that participants seemed to include ‘honesty’ into perceptions of transparency. This is not surprising based on the literature review that revealed honesty as a potential construct closely related to transparency. An important note is that the judges were instructed to list only one theme per data string. Perhaps more of the data would have been coded as “honesty” if the judges were able to code data as belonging to more than one theme because some responses fit a combination of categories including ‘open’ and ‘honesty’ and ‘forthright’ and honesty’. An example of data coded as “honesty” includes:

> "He thinks the company was honest and open about their product. He doesn't think they are trying to 'put one over on him' or sell him something that was falsely represented" (Female 29).

This theme of honesty also came up in the focus groups and interviews as well:

> "It's being open and honest; open in that you know what kind of service you're going to receive; and far as I'm aware, nobody really likes to call India and get the runaround, "excuse me, what did you say? can you repeat that again? No this is what I'm trying to say." (Male, 38 years old)
>
> "Meaning straight forward and honest about business and relationships between customer and buyer" (Female, 30-39 years old)
>
> "Be completely honest, no secrets from the consumers" (Female, 20)
>
> "They did not give any false expectations. Gave them honest facts about the product, possibly even subjective point of view. Didn't hold back any vital information" (Male 22)
>
> "He thinks the company was honest and open about their product. He doesn't think they are trying to 'put one over on him' or sell him something that was falsely represented" (Female 29)
>
> "They were straight forward and truthful about the good and the bad about the product purchased. There were no hidden tricks or fine print" (Male, 22)

Even though many subjects viewed transparency and honesty as being closely related, many of these same subjects seemed unsure whether the two were one and the same. For example:

> “Does transparency equal truth? I don't know and that's a very good question. I would like it to, but I don't know if it does. I would hope it would. What is that line from the movie, Something's Gotta Give where Jack Nicholson says, ‘I told you some version of the truth’...I don't know if that's acceptable or not for transparency.” (Female, 60+ years old)

We conceptualize transparency and honesty as two distinct constructs. Transparency allows one to see things clearly and it encourages "honest behaviors". However, this does not mean the two constructs are one and the same. As it facilitates honest behaviors, it is easy to see why many respondents talked about the two constructs in the same breath and yet felt unsure if the two were the same. Honesty is referred to as the degree to which what is said reflects the message sender's true opinion (Pechmann, 1992) and may be assessments of truthfulness of an advertisement, person, or firm. According to Plaissance (2007), "one can increase transparency but still provide half truths…all deception lacks the element of transparency and lack of transparency is a prerequisite for all deceptive acts" (Plaisance, 2007). When a firm is transparent then firm behavior should naturally lead to increased honesty.

Summary of Qualitative Research

Conceptualization of the transparency construct was derived based on a review of the literature, focus groups, interviews, and surveys. To our knowledge, this is the first attempt to conceptualize transparency utilizing existing literature as a foundation with qualitative research as a triangulation method for ecological validity.

Final Definition

Based on the emerging themes from the literature review, validation from the qualitative theme validation, and following MacKenzie's (2003) guidelines for excellent construct definition, it seems the initial definition is still relevant. Transparency is defined as: the extent to which a stakeholder perceives a firm's conduct is forthright and open regarding matters relevant to the stakeholder.

CHAPTER 4: CONCEPTUAL FRAMEWORK OF TRANSPARENCY

This chapter will address the following three questions: 1) when are perceptions of transparency formed in the minds of consumers? 2) What triggers the salience of transparency perceptions? And 3) what happens when transparency perceptions are formed? These questions are important to address because they provide a contextual understanding of when transparency may be especially salient to consumers and hence relevant to firms. Grounded in Attribution (Weiner, 1986) and Systematic-Heuristic Processing (Chen & Chaiken, 1999) Theories, this chapter will also discuss how transparency may operate to impact important consequences such as reducing consumer skepticism, and ultimately increasing positive attitudes toward the firm and purchase intentions. The discussion in this chapter will generally follow Figure 1 in addressing the above questions. Finally, this chapter will propose a theoretical model of antecedents and consequences of transparency.

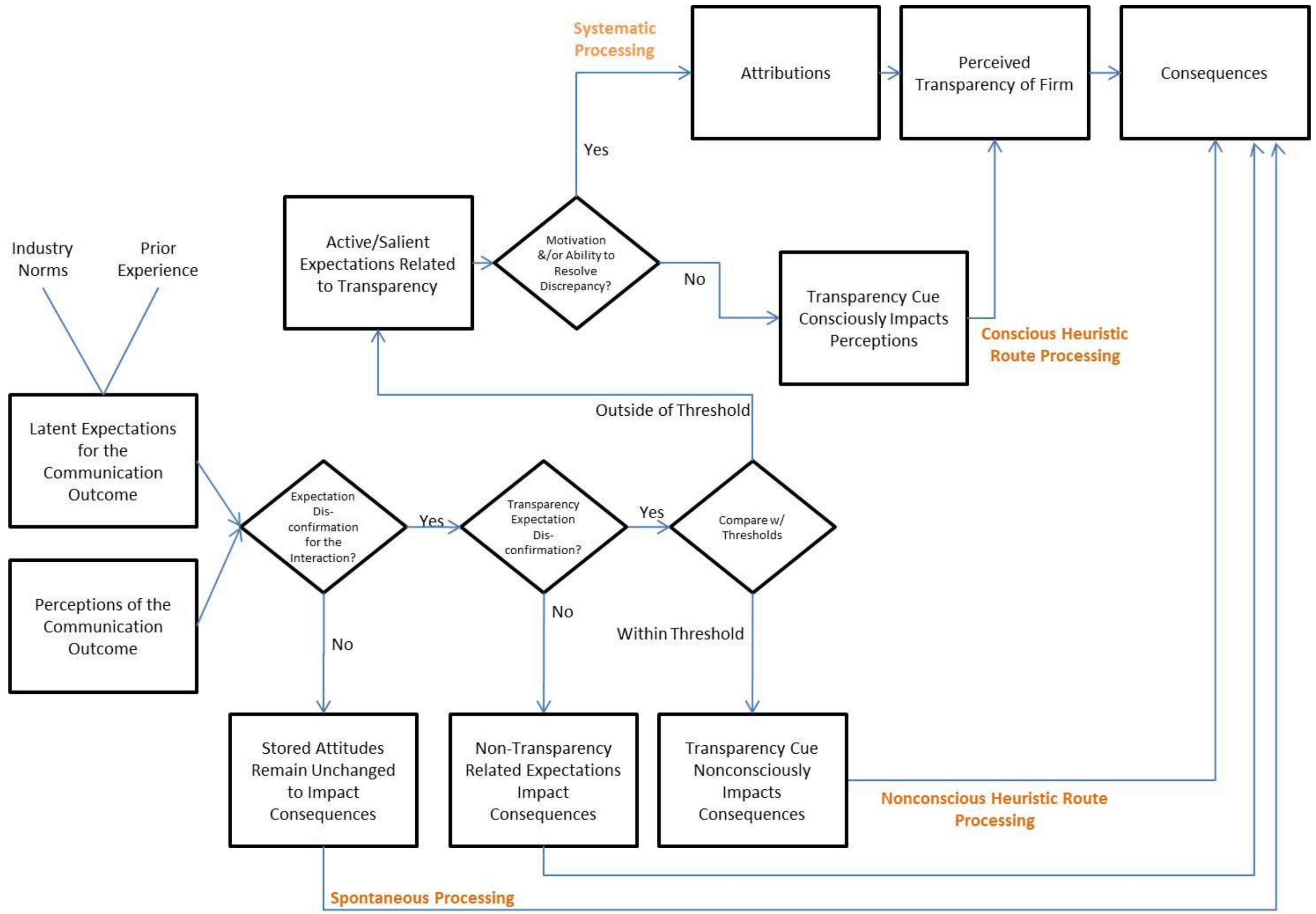


Figure 1: Overview of the Processing Mechanisms Impacting Perceptions of Transparency

When are perceptions of transparency formed in the minds of consumers?

As Figure 1 indicates, consumers most likely form perceptions of transparency during some communication interaction with a firm. A communication interaction is defined here as a communication event in which information is shared between a firm and a consumer. The interaction can be between a consumer and any of a firm's boundary spanning employees or boundary spanning systems. Boundary spanning employees include salespeople, customer service representatives, and human resources personnel. Boundary spanning systems include a firm's website, automated phone messages, and email marketing messages.

We can find numerous examples of consumer-to-firm and firm-to-consumer interactions. With regard to a consumer-firm interaction, a consumer may seek or request information from a firm's boundary spanner or system. For example, a consumer may seek or request information from a salesperson while shopping in a store, from a customer service representative over the phone, or by surfing the firm's website. Information sought might relate to the firm's products or to the firm's legal, ethical, and operating practices. With regard to the firm's products, a consumer might want to know specific features, advantages, or benefits of a particular product. With regard to the firm's legal, ethical, and operating practices, a consumer may want to know from which country materials are sourced for a particular product, the manufacturing processes of and human labor conditions for the product, or to understand the business wealth and health of a firm. With regard to a firm-consumer communication interaction, a firm may contact a consumer with product updates, special promotions, and corporate happenings and may do so by various means such as email, phone, text messaging, and mail. Providing information opportunities for the consumer such as maintaining a corporate website, distributing news releases, or hosting product information seminars or manufacturing plant tours, are also examples of a firm initiating communication interactions.

The next section discusses objectives for consumer-firm interactions and how the way in which firms respond to meeting consumer-firm interaction objectives may impact perceptions of transparency.

Communication interaction objectives. A consumer may initiate an interaction with a firm to reduce ambiguity and uncertainty about a firm or its products. This is in line with prior research indicating that uncertainty and ambiguity reduction are two objectives for communication events (Daft and Lengel 1986). Uncertainty is the absence of information whereas ambiguity is the absence of knowing what information is important to the decision making process (Daft & Lengel, 1986). A consumer may seek to reduce uncertainty and ambiguity by perusing a firm's website or directly communicating with the firm through email, instant chat, in person, or by phone and may seek information about not only favorable aspects of the product or firm, but also negative aspects of the product or firm. A consumer may want to know the weaknesses of a product, better understand how a product works or how it's made, or the reasons behind a firm's profit or loss prior to buying the firm's product or stock.

A consumer who lacks certainty but has no ambiguity knows what information is important in order to make an informed decision but currently doesn't possess that information (Daft & Lengel, 1986). For example, pertaining to company's product offerings, s/he may be uncertain about the benefits of a certain product, additional surcharges, quality levels, and/or guarantees and assurances. Pertaining to the company itself, s/he may be uncertain about the company's reputation, all the different ways the company is bringing in revenue, the expertise of its staff, and/or which companies are considered partnering companies, which are customers, and which are competitors. According to Uncertainty Reduction Theory (Berger and Calabrese 1975), individuals will increase information seeking behaviors as uncertainty increases. It is proposed that one way transparency will become salient is when a firm helps or hinders a consumer's goal to reduce uncertainty through the firm's willingness to provide relevant information to consumers and by sufficiently answering consumers' questions posed directly to them.

A consumer in an ambiguous communication event may have multiple interpretations for the information or may lack interpretations altogether. In this situation, a consumer doesn't know what questions to ask because s/he is highly confused and lacks understanding of the information provided (Daft & Lengel, 1986). Unlike uncertainty reduction behaviors such as asking questions, the consumer must rely on the firm to help him/her figure out what's important to the decision making process since the consumer doesn't know what questions to ask. Thus it is up to the firm to proactively provide relevant information to the consumer. It is proposed that transparency will become salient when the information provided (or not provided) in an open and forthright manner by a firm helps (or hinders) a consumer's goal to reduce ambiguity and uncertainty. Transparency implies the firm will be willing to go beyond simply responding to questions asked by consumers to proactively providing information, especially when the consumer lacks sufficient knowledge of the product or firm.

Ambiguity and uncertainty reduction were discussed as two primary objectives for a consumer when interacting with a firm. However, the firm may have divergent goals for a communication interaction. The objective for the firm may be to increase favorable attitudes toward the firm and ultimately increase sales, hence, rarely will a firm want to help to reduce consumer ambiguity and/or uncertainty when it means it must go out of its way or change its processes to do so, and probably especially when it has negative implications for the firm. Therefore, there exists a gap in communication objectives. The consumer wants to reduce ambiguity and uncertainty, and the firm wants to help reduce consumer ambiguity and uncertainty but only when it is favorable to the firm to do so. This gap between what consumers want to know and what firms want to tell (and how they tell it) is probably where perceptions of transparency become activated.

The next section discusses the specific processing mechanism that elicits salience of and impacts perceptions of transparency in a communication interaction.

Disconfirmation of Expectations and Transparency Salience

It is proposed that transparency perceptions become salient when expectations for a communication interaction have been disconfirmed. Following is a discussion of the conditions under which prior research suggests expectations are typically disconfirmed, when transparency may become salient, and the process that makes this happen. The discussions will follow Figure 1.

Disconfirmation of Expectations. As Figure 1 indicates, it's likely that consumers have certain latent expectations toward communicators regarding how they will behave in a communication interaction, such as how transparent the firm is expected to be. This is labeled "Latent Expectations for the Communication Outcome". These latent expectations can be both related and unrelated to transparency. Expectations refer to anticipated behavior and are drawn from societal norms, industry norms, and an individual's prior experiences (Burgoon, 1993). For example, a consumer may expect a car salesman to lack transparency based on prior experience with car salesmen or based on a perceived industry norm or heuristic that "car salesmen can't be trusted". These expectations are called "latent" because the consumer is not yet cognitively evaluating the communicator based on these expectations.

Communications literature suggests that latent expectations become salient when expectations for a communication interaction are "sufficiently discrepant" so as to reallocate attention from the topic at hand to characteristics of the communicator (Burgoon, 1993). A communication outcome that is unexpected, negative, or thwarts the consumer from attaining a desired goal may cause a disconfirmation of expectations (Fein, 1996; Hastie, 1984; Weiner, 1985, 1986). Therefore latent transparency expectations may become salient when 1) the communication interaction is sufficiently discrepant from what the consumer expects or 2) when the transparent behavior is unexpected, negative, or hinders the consumer from attaining a desired goal related to the firm or its products. However, simply disconfirming expectations may not be enough to make transparency salient. Based on prior research on expectations (Burgoon, 1993; Oliver & Winer, 1987), a communication outcome must disconfirm expectations *beyond a certain threshold* for transparency expectations to become salient. Sufficiently discrepant (Burgoon, 1993) implies that for the transparency discrepancy to become salient the discrepancy must be outside of some tolerable boundary, or outside the consumer's zone of tolerance or threshold for transparency. This is reflected via the "Compare with thresholds" box in Figure 1. The consumer expectations literature seconds these ideas that 1) expectations do not become salient and processed until disconfirmed and 2) there exists a "tolerable range" from which, outside this range, causes 'surprise', orientation toward, and elaboration upon the discrepancy (Oliver & Winer, 1987).

Figure 1 shows that latent expectations for a communication outcome and perceptions of the communication outcome are used as inputs in determining an expectation disconfirmation for the interaction. As Figure 1 indicates, expectations may or may not be disconfirmed. If expectations have *not* been disconfirmed, then a consumer may still form judgments and evaluations (i.e. consumer skepticism, trust, attitudes, and purchase intention) toward the firm. However, they will be based on previously formed perceptions of transparency, rather than on transparency perceptions formed directly from the communication interaction; and this will occur via spontaneous processing. Spontaneous processing is an automatic activation of attitudes from memory without conscious effort (Fazio, Sanbonmatsu, Powell, & Kardes, 1986). In other words, whatever attitudes the consumer held prior to the interaction about the firm, its products, and/or toward advertisers in general, it will be those same attitudes that will be used in impacting consumer skepticism, attitudes toward the firm, and ultimately whether or not the consumer intends to purchase from the firm. According to dual processing theories, spontaneous processing is expected to occur when intention to form an impression is absent for a particular event (Uleman, 1999; Uleman, Saribay, & Gonzalez, 2008), such is the case when no expectations have been disconfirmed. When spontaneous processing is at work, attitudes toward a target in a given situation are formed based more on existing attitudes and less on situational information. This is indicated in Figure 1 by the box labeled "Stored Attitudes Remain Unchanged to Impact Consequences". In sum, spontaneous processing will occur when expectations have not been disconfirmed resulting in stored attitudes impacting judgments.

When expectations have been disconfirmed the next process involves determining what exactly about the interaction has disconfirmed expectations. This is represented with the "Transparency expectation disconfirmation?" process diamond in Figure 1. When expectation disconfirmations are unrelated to transparency then attitudes toward whatever cue has disconfirmed the expectation will be used to impact consequences toward the firm. This is represented via the "Non-Transparency Related Expectation Disconfirmations Impact Consequences" box in Figure 1. Note that these two cases in which either 1) expectations have not been disconfirmed, or 2) expectations have been disconfirmed but the disconfirmation is unrelated to transparency, are outside of the scope of this dissertation because the focal judgment is unrelated to transparency. Thus further discussion of these process mechanisms will not be reviewed in further detail.

For those disconfirmations in which transparency is the cause of the disconfirmation, the next process step is a comparison of the level of transparency disconfirmation to some tolerable transparency threshold within the consumer. This is represented by the "Compare with thresholds" process diamond in Figure 1. Inasmuch as the transparency discrepancy falls outside of some acceptable threshold, the transparency discrepancy should become salient and this is shown in Figure 1 via the "Active/salient expectations related to transparency" box. This is consistent with literature that states disconfirmations will become salient above a certain threshold or zone of tolerance (Burgoon, 1993; Oliver & Winer, 1987). Inasmuch as transparency disconfirmations fall *within* some acceptable threshold then the transparency disconfirmation will remain latent, and this is shown via the “Transparency cue unconsciously impacts consequences” box in Figure 1.

Three types of information processing may operate to impact perceptions of firm transparency and other distal consequences. The three types are nonconscious heuristic route processing, conscious heuristic route processing, and conscious systematic route processing. Following is a discussion of each and their impact on how perceptions are processed to form perceptions of firm transparency.

Systematic-Heuristic Processing

Overview. The Systematic-Heuristic processing model (Chen & Chaiken, 1999), a dual route processing theory, is one theory that can help explain how transparency operates to impact and change consumer attitudes and behavioral responses. This theory suggests that transparency may affect the amount and direction of attitude change in three ways. First, transparency may have effects through systematic route processing in which a consumer engages in effortful focusing and elaboration on transparency of the firm to form attitudes. Second, transparency may have effects through heuristic route processing in which a consumer uses contextual cues or heuristics related to transparency to form attitudes, rather than engaging in an effortful elaboration of the message as in systematic route processing. Third, the route that is the least commonly talked about is nonconscious processing of heuristic cues which are used nonconsciously to form attitudes. Each processing route can impact attitudes, however, attitudes formed based on systematic route processing tend to be more enduring and stable as compared to those formed based on heuristic route processing. Two major tenets of the Systematic-Heuristic theory is that 1) consumers want to hold correct attitudes, however, 2) the extent to which they are willing and able to engage in effortful elaboration depends on motivation and ability in a given context (Chen & Chaiken, 1999). Systematic route processing is said to occur when motivation and ability are high, whereas heuristic route processing is said to occur when motivation and/or ability are low. Although both heuristic and systematic processing may be used in conjunction to form attitudes, the likelihood that heuristic route processing will occur is greater as motivation and ability decrease in a given situation; and likewise, the likelihood that systematic route processing will occur is greater as motivation and ability increase in a given situation. Thus, motivation and ability are key determinants in predicting which processing route will be used in a given situation. Figure 1 illustrates this point. The "Motivation &/or ability to resolve discrepancy?" diamond indicates that one must be sufficiently motivated and/or able to resolve the transparency disconfirmation.

Communication outcomes may be either congruent or incongruent for consumers who come into the communication interaction with either positive or negative attitudes toward the firm. Congruent outcomes include when 1) a disliked firm negatively disconfirms expectations by being less transparent than expected or 2) a liked firm positively disconfirms expectations by being more transparent than expected. Incongruent outcomes include when 1) a disliked firm positively disconfirms expectations by being more transparent than expected or 2) a liked firm negatively disconfirms expectations by being less transparent than expected. In these four cases, motivation to resolve transparency discrepancies may be impacted. Motivation to resolve the discrepancy will be less with congruent outcomes compared to incongruent ones. When incongruent outcomes occur, defense motivation (Chen & Chaiken, 1999) may 'kick in' whereby existing attitudes are defended by either extending or shortening the information processing route. For example, if a liked firm negatively disconfirms expectations or a disliked firm positively disconfirms expectations, a consumer may attempt to keep his/her existing attitude by engaging in systematic processing hoping to find evidence that is in sync with prior attitudes. On the other hand, for congruent outcomes such as when a liked firm positively disconfirms expectations or a disliked firm negatively disconfirms expectations, the firm's behavior will reflect existing consumer attitudes and so consumers may attempt to defend these existing attitudes by using less information in the evaluation process, thus resulting in a shorter, heuristic, information processing route. This is consistent with the Heuristic-Systematic Model which predicts "defense-motivated individuals will process information selectively, in a way that best satisfies defense concerns" (Chen & Chaiken, 1999). This explanation may help to address why consumers respond to congruent outcomes by saying "that figures", "I'm not surprised", or "that makes sense" without questioning the situational factors that may have led to the outcome.

Conscious heuristic route processing. Without motivation and/or ability, the consumer is likely to engage in a less effortful process in evaluating a firm's transparency, which may occur through conscious heuristic route processing. "Conscious" implies that transparency expectations are active and salient at this processing stage inasmuch as the expectation disconfirmation was outside of the zone of tolerance. Both congruent and incongruent outcomes must be outside of the zone of tolerance for transparency expectations to become active and salient. The impact of conscious heuristic route processing on perceived transparency of the firm is indicated by the "Transparency Cue Consciously Impacts Perceptions" box in Figure 1. A consumer may rely on previously formed attitudes that are used as cognitive elaboration short-cuts to attitude formation. For example, one might apply the heuristic, "if the firm is making me put in a lot of effort to get answers I need then it must not want to be transparent with me" or "if the firm is providing me with information that could negatively impact its sales then it really must want to be transparent". Here the transparency cue is used in conscious heuristic processing as the person is not asking why the firm provided them with a lot of information or why the firm did not provide them with a lot of information. The processing of attributions (the 'why' questions) is a key distinction between conscious heuristic route processing and systematic processing (systematic processing is discussed on page 83 and represented in Figure 1). Without effortful elaboration (of the attributions), the valence of disconfirmation will also likely have a direct impact on perceptions of firm transparency (without considering moderation of perceived motives for firm transparency). For example, negative disconfirmations in which the firm is less transparent than expected will likely result in negative transparency perceptions of the firm. Likewise, positive disconfirmations in which the firm is more transparent than expected will likely result in positive transparency perceptions of the firm.

Nonconscious heuristic processing. Unlike with conscious heuristic processing, with nonconscious processing, transparency cues impact consequences (i.e. consumer skepticism, trust, attitudes toward the firm, and purchase intention) directly without the consumer being aware it was transparency that was the influencing factor (Chen & Chaiken, 1999). Figure 1 indicates that when a transparency discrepancy is *within* a certain threshold then the transparency cue (which caused the expectation disconfirmation) will nonconsciously impact consequences. Here, it is posited that because transparency perceptions are still outside of awareness and have not been activated, then nonconscious processing will impact consumer skepticism etc. directly bypassing altogether the conscious process of making transparency evaluations. It is suggested that the transparency cue will act as a prime residing below the surface of consumer awareness to influence attitudes and behaviors (Bargh, 2002). Therefore there are two major differences between conscious and nonconscious heuristic route processing. First, consumers will be aware of the transparency cue's effects with conscious processing and unaware of transparency cue's effects with nonconscious processing. Second, the transparency cue will impact consequences mediated by perceptions of firm transparency when processed consciously, whereas the transparency cue will impact consequences directly when processed nonconsciously. This is represented in Figure 1.

Systematic route processing. Systematic processing is a conscious process inasmuch as extensive cognitive processing occurs (Chen & Chaiken, 1999). As previously noted, when motivation and/or ability is sufficiently high, systematic processing will be used to engage in a more effortful evaluation of the firm's transparency, which one type of effortful evaluation is making attributions about a firm's transparency and the motives for its behaviors. When expectations have been sufficiently disconfirmed, then deliberative processing is activated and attitudes toward a target in a given situation are formed based on a more deliberate evaluation of situational information and less on chronic constructs. In other words, consumers engaged in systematic route processing are more likely to scrutinize the situation and context in which the firm has disconfirmed expectations. Prior research has found that consumers engaged in systematic route processing may engage in a causal search to understand why expectations have not been met (Wong & Weiner, 1981) and/or to understand what the motives are of the firm for acting a certain way (Friestad & Wright, 1994). A causal search includes questioning *what* about the interaction is unexpected, negative, or hindered goal achievement, as well as assessing who is responsible for the outcome, what, if anything, could have been done differently, and the frequency with which the outcome is expected to reoccur in the future (Weiner, 1985). This process is called causal reasoning in which the consumer attempts to attribute the firm's behavior to a specific cause (Weiner, 1985). The attribution process helps consumers to form accurate judgments and to assess appropriate avoidance or approach behaviors toward the firm in the future (Weiner, 1986). Figure 1 illustrates the process of conscious systematic processing which begins with the consumer having sufficient motivation and/or ability to resolve the transparency discrepancy. The proposition that consumers will attempt to resolve the transparency discrepancy via causal reasoning is indicated with the box labeled "Attributions". The proposition that consumers use attributions to form perceptions of transparency is indicated by an arrow from "Attributions" to "Perceived transparency of firm" in Figure 1.

The Systematic-Heuristic model was used to suggest three types of processing which may impact perceptions of transparency and other consequences such as consumer skepticism, attitude toward the firm, and purchase intention. It was also argued that consumers will engage in causal reasoning via attributions to make sense of, and resolve, the expectation disconfirmation. Next is a more detailed review of Attribution Theory and its implications on perceived firm transparency.

Figure 1 shows how systematic processing by way of attributions will operate for both positive and negative disconfirmations.

Attribution Theory, Persuasion Knowledge Model, and Motives

Attribution Theory (Kelley & Michela, 1980) and the Persuasion Knowledge Model (Friestad & Wright, 1994) help to explain consumer reactions to marketer behaviors, and in particular, moderating effects of transparency on consumer attitudes and intentions. Attribution Theory presumes that consumers often seek to explain others' behaviors by attributing the behavior to certain causes (Friestad & Wright, 1994; Kelley & Michela, 1980; Weiner, 1985, 1986). Attribution Theory is the guiding theory for the Persuasion Knowledge model which suggests that for a persuasion episode consumers use what they know about the topic, persuasive tactics, and the actor to cope with and react to persuasive attempts. Both Attribution Theory and the Persuasion Knowledge Model suggest that people use what they know to make causal attributions about firm behaviors. Additionally, both propose that causal attributions impact consumer attitudes, intentions, and behaviors. One type of attribution that is investigated in the Persuasion Knowledge Model literature is motives. For example, some researchers have found that consumers tend to react more positively toward the firm when the firm’s behaviors are attributed to other-serving motives rather than self-serving motives (Forehand & Grier, 2003). This suggests that consumers must perceive a firm’s transparency to be motivated by other-serving motives such as helping customers, rather than self-serving motives such as increasing sales for transparency, to have a maximum impact on reducing skepticism, and increasing trust, attitude toward the firm, and purchase intention.

The next section presents the hypothetical model of antecedents and consequences of firm transparency.

Proposed Theoretical Model

Ultimately it is proposed that transparency will impact attitudes toward the firm and purchase intention. Also proposed are a few intermediary constructs by which transparency influences attitudes toward the firm and purchase behavior, of which there are two: consumer skepticism and trust. Figure 2 illustrates the proposed model.

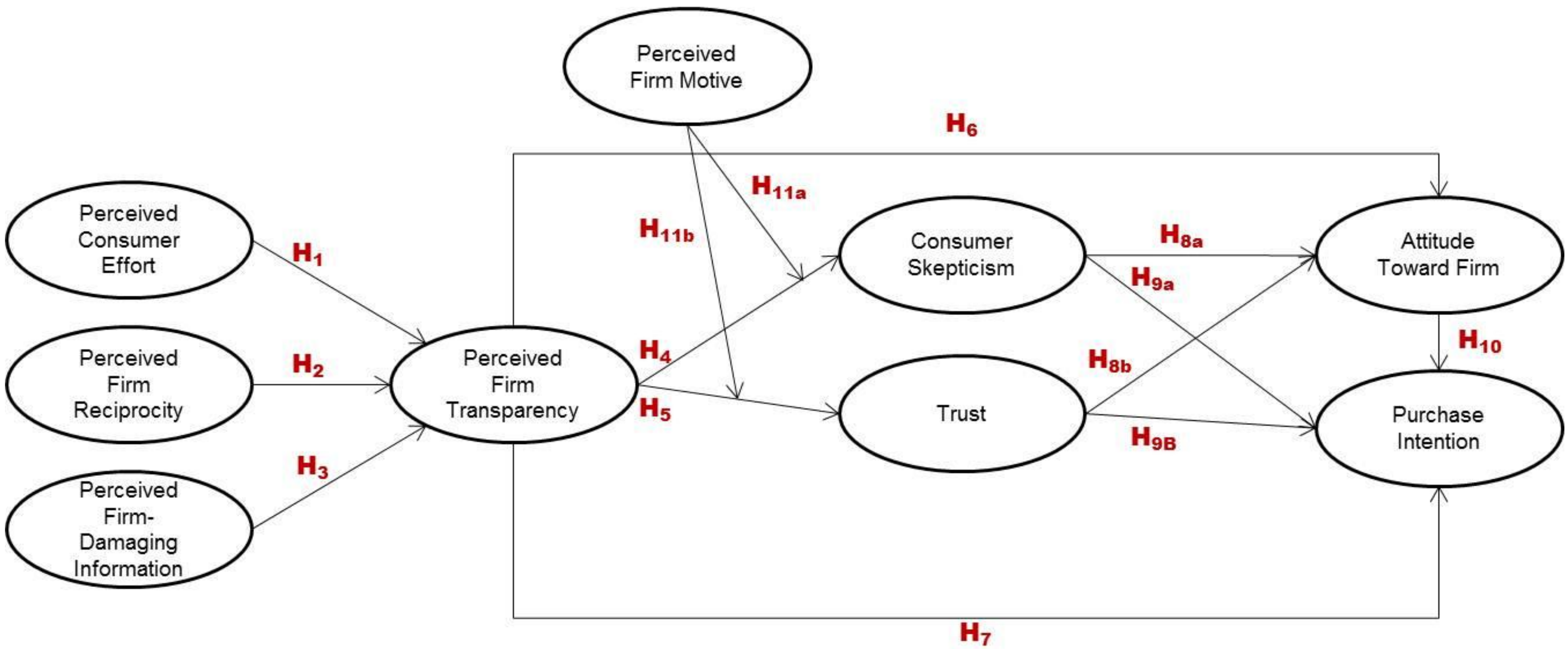


Figure 2: Proposed Theoretical Model

Antecedents of Transparency

Consumer effort. Consumer effort is conceptualized as the amount of effort a consumer perceives s/he has to exert in order to find and understand relevant information that the firm shares with consumers. Findings from the literature review conducted in this dissertation suggest that simply disclosing information is not enough to warrant perceptions of transparency; rather it must be disclosed in a way that makes it easy for consumers to find and learn. Firms must make it easy to learn about the company. For example, authors note that information provided to stakeholders should be clear and easy to understand (Blackshaw, 2008), comparable (Nielsen & Madsen, 2009), provided without delay (Hofstede, 2003), and convenient and easy to retrieve (McKay, 2008).

The Global Reporting Initiative (GRI) publishes a reporting framework that helps firms become more transparent. This framework provides guidelines for disclosing information so as to be transparent. The GRI suggests reporting information that is relevant, complete, accurate, neutral, comparable, clear, timely, and in a format and language appropriate for the audience (Bainbridge, 2009; GRI, 2006). The qualitative research from Chapter 3 included the following question "what stood out to you about this website?". Subjects made a few similar comments related to what and how information was provided. Out of 59 respondents, more than half (32) mentioned at least one of the information-related characteristics suggested by the GRI to impact transparency. Specifically:

- Seven respondents mentioned that information should be easy to find.
- Eleven respondents mentioned that the information should be complete.
- Nine respondents mentioned that the information shared should be clear, concise, and/or with no "fine print".

- Six respondents mentioned the information should be immediate/timely and/or relevant.

Upon a close review of these characteristics, one commonality seems to exist. Each may impact perceptions of transparency by way of reducing consumer effort. For example, the more a firm discloses information that is 'clear', the less effort the consumer will have to expend to understand it; and inasmuch as 'clear' information reduces consumer ambiguity and uncertainty about the firm (or its products) then the more the consumer should perceive the firm as transparent. The same logic can apply for the rest of the disclosure characteristics as well and therefore the consumer effort construct relates to consumer effort toward finding relevant information (is the information easily accessible and complete?) and understanding the information provided (is it in a language and format that is easily understood?). It is proposed that consumer effort negatively impacts perceptions of transparency, such that as consumer effort goes up, perceptions of firm transparency will go down.

> H_1: Consumer perceived effort toward learning about a firm has a negative effect on perceptions of transparency.

Reciprocity. Reciprocity is the extent to which a communication episode is perceived to be reciprocal or allow for mutual conversation or mutual action (Johnson, Bruner II, & Kumar, 2006). Many modes of communication (websites, toll free numbers, instant chatting, etc.) enable reciprocal communication. Other features which may elicit perceptions of reciprocity include contact information such as phone numbers, email addresses, and mailing addresses, and feedback mechanisms such as virtual suggestion boxes, blogs, content search functionality, and frequently asked questions (FAQs). Perceived reciprocity is proposed as an antecedent of transparency. Consider a website that allows for no opportunity to communicate with the firm – no contact phone numbers, email addresses, mailing addresses, chatting systems, or feedback mechanisms are provided on the website. Now contrast this website with one that allows for multiple opportunities to communicate with a firm. Should these two websites elicit different transparency perceptions? Several transparency researchers (Hultman & Axelsson, 2007; Lazarus & McManus, 2006) have correlated reciprocity with transparency stating that transparency is "about" two-way communication. For example, the AMA (2010) cites that one way marketers can be more transparent with consumers is by being willing to accept customer feedback. And yet other researchers state that transparency is about having "dialogue" with stakeholders (Lazarus and McManus 2006), and "sharing information" between partners (Hultman and Axelsson 2007) which suggests openness. Accepting feedback, having dialogue, and sharing information requires that marketers provide consumers with channels to communicate with them, which is reciprocity. Therefore, reciprocity facilitates transparency and it is suggested that reciprocity positively impacts perceptions of transparency. This may be especially true when consumers do not have much prior experience related to the firm's transparency.

> H_2: Perceived firm reciprocity has a positive effect on perceptions of transparency.

Information perceived as firm-damaging. Information perceived as firm-damaging is conceptualized here as the extent to which a consumer perceives that a firm is willingly providing negative information about itself or about its products. It is proposed that information provided by a firm that is considered by a consumer to be potentially damaging to the firm will increase perceptions that the firm is transparent (assuming that information reduces ambiguity and/or uncertainty and the firm is not perceived as having any ulterior motives in providing the information). Consumers probably expect firms to communicate favorable messages about its products or about it, spin responses to consumer requests so as to create the most favorable impression possible, and to communicate favorable messages and omit unfavorable ones. Therefore, what happens when a firm communicates messages perceived as unfavorable to the firm? Two-sided messages, in which both favorable and unfavorable aspects of a product are communicated in advertising, are reported to increase source credibility, attitude toward the brand, attitude toward the ad, and purchase intention (Eisend, 2006), and the effects of source credibility are amplified when the negative information in the ad is perceived as being shared voluntarily (Eisend, 2006). Two-sided ads generally are contrived to persuade consumers to buy a firm's products and thus are not really providing potentially damaging information about a firm or a product, but research in this area may still lend some support for the positive effects of communicating potentially damaging information on transparency perceptions.

Suppose a consumer searching for store cleanliness on a fast food restaurant's corporate website finds that the restaurant has provided this information and it is quite negative (i.e. 40% of the restaurants were given a rating of C or worse by the Health

Department). Inasmuch as the unfavorable information is perceived as potentially damaging to the firm (i.e. customers may not eat there anymore or may engage in negative word of mouth to friends and family), consumers may perceive the firm to be more transparent when providing unfavorable information as compared to favorable information. This may be so because providing information that may have negative consequences to the firm should be perceived as the firm being especially willing to be open and forthright (transparent) with customers.

> H_3: Information provided by a firm that is perceived as firm-damaging has a positive effect on perceptions of transparency.

Consequences of Transparency

Consumer skepticism. Skepticism refers to both a disposition (Campbell & Kirmani, 2008) and an enduring and stable trait (Obermiller & Spangenberg, 1998) that reflects a consumer's disbelief of marketer actions (Forehand & Grier, 2003). This dissertation focuses on skepticism in terms of a trait which references a generalized and stable level of doubt and uncertainty that exists within consumers. This presence of doubt and uncertainty has been shown to exist even when consumers know that firms are being honest (Darke & Ritchie, 2007). Thus skepticism levels are generally stable across firms and across marketing messages. When skepticism is present, consumers are on guard against firms' persuasion attempts (Darke & Ritchie, 2007). Skeptical consumers may be prone to disproving marketing messages by counter-arguing the favorable merits of a marketing message with unfavorable ones. They may also be especially prone to requiring evidence that a marketer's claim is true.

Consumers are generally skeptical of firms, business practices, and advertisers in general (Darke & Ritchie, 2007) and they hold consistent, trait-like, internal active attitude scripts such as: “I don’t trust marketers”, “I don’t believe what companies tell me”, and “companies lie” to name a few, and these negative attitudes apply not only toward the offending firm but also generalizes toward other firms. By being transparent, firms may be able to reduce consumer skepticism by disconfirming “schemer schemas” (Friestad & Wright, 1994) that consumers hold about marketers. To consumers transparency suggests that a firm has nothing to hide. Similar to a glass building in which everything inside of it is visible, a transparent firm openly shares information about itself, whether good or bad, acting as an “advocate” (Urban, 2003) for its customers. As a result, transparency should reduce disbelief and doubt. Transparency is hypothesized to reduce consumer skepticism.

H_4: Perceived transparency has a negative effect on consumer skepticism.

Trust. Trust is defined here as confidence in an exchange partner’s reliability and integrity (Ahearne et al., 2007; Eisingerich & Bell, 2008; Yim et al., 2008). Trust is a key mediating variable (KMV) between firm actions and stakeholder actions (Morgan & Hunt, 1994). Trust implies that one is willing to assume the risk that goes along with taking action based on the reliance of another (Stanley, Meyer, & Topolnytsky, 2005). Therefore a consumer that is trusting of a firm will be more likely to assume the risk inherent in relying on a firm’s marketing messages as input in the purchase decision-making process. As previously noted, skeptical consumers are more likely to have a generalized disbelief of marketer actions, and thus are less likely to trust firms’ marketing messages. Therefore, when skepticism is present, consumers increase the vigilance with which consumers protect themselves from blindly trusting firms. When skepticism is absent, consumers may decrease their protection mechanisms (such as counter-arguing claims), and allow themselves to more 'blindly' trust a firm's marketing messages.

Conceptual, empirical and practitioner literature suggests that trust may be a consequence of transparency (Bryant, 2010; Lazarus & McManus, 2006; O'Malley et al., 2009; Rawlins, 2008). For example, Urban (2009) suggests that transparency impacts trust, it's important to building trust, and a "lack of transparency can be a 'trust buster'". Others note that transparency is needed to create a sense of trustworthiness (Lazarus & McManus, 2006; O'Malley et al., 2009) and "transparency is the necessary ingredient for the development of trustworthy and accountable institutions" (Vaccaro & Madsen, 2009b).

Transparency may engender trust especially when it is seen to weaken a firm's persuasion abilities. According to the Persuasion Knowledge Model (Friestad & Wright, 1994), both consumers and firms use their knowledge of each other, the situation, and persuasion tactics to cope with and react to each other's persuasive attempts. This is much like what happens in a negotiation setting in which both negotiators use all the information available to them about the other negotiator, his/her situation, and the persuasion tactics being used to attain his/her goal. Thus negotiation literature may provide some insight into the relationship between transparency and trust. One study shows in a negotiation context that being transparent (by disclosing potentially damaging information to one's negotiation power) impacts liking and trust for the negotiator (Paese, Schreiber, & Taylor, 2003). The authors of this study note that the discloser "may have appeared to weaken his/her bargaining position for the sake of being honest" (Paese et al., 2003).

Finally, in a study investigating consumer acceptance of start-up firms, DeKinder and Kohli (2008) infer that consumers may interpret transparency as an indication of a firm's trustworthiness, especially in the absence of other referential information such as prior experiences with the firm (DeKinder & Kohli, 2008). Formally:

H_5: Perceived transparency has a positive effect on trust.

It is proposed that transparency will also have direct effects on attitudes toward the firm and purchase intentions. This may be the case especially when transparency is used to infer product quality. There will always be some level of uncertainty regarding product quality until one actually tries the product and verifies the product quality for him/herself (Dawar & Parker, 1994). Therefore transparency may be one signal used by consumers to infer product quality. Other signals of unobservable product quality include brand name, low short term introductory prices, high long term prices, warranties, money back guarantees (Kirmani & Rao, 2000), firm reputation (Dawar & Parker, 1994), and brand advertising (Milgrom & Roberts, 1986).

Researchers propose that product quality signaling refers to a "rational consumer who expects a firm to honor the implicit commitment conveyed through a signal because not honoring the commitment is economically unwise" (Kirmani & Rao, 2000). Transparency as a signal suggests that a firm is open and forthright with regard to both positive *and* negative information about itself and about its products. When firms adopt transparency into their culture it may force a higher standard of product quality because the firm knows it will be required to communicate the quality level of its products if prompted to do so; and communicating that the product is of poor quality risks a loss in sales. With this in mind, consumers may infer that transparent firms hold themselves to a higher standard of product quality and may base attitudes toward the firm and purchase intention on transparency as a product quality signal. Following is a more detailed discussion of the relationship between attitude toward the firm, purchase intention, and transparency.

Attitude toward the firm. Attitude toward the firm is defined as a consumer's "overall global expression of favorable or unfavorable feelings" toward the firm and is generally expressed in terms of liking/disliking and good/bad (Hair, Bush, & Ortinau, 2009).

The interaction between a firm and consumers can be characterized as one where one side may attempt to persuade the other to achieve their goals while the other side uses their knowledge of such tactics to accept or reject such attempts in an effort to get the best possible outcome for themselves (Campbell & Kirmani, 2008). This is very similar to what happens in negotiations between two parties therefore negotiation literature may aid in understanding the relationship between transparency and attitudes toward the firm. Negotiation literature shows that negotiators who have "inside" information feel more successful in negotiations compared to negotiators who do not have inside information (Brodt, 1994). This is relevant because transparency ensures "inside" information is made known for the consumer to see. Interestingly, this study also shows that the success metric used by negotiators differs depending on whether the negotiator has the inside information or not. In particular, negotiators who *do not have* the inside information base their success evaluation more on price (indicated by a significant negative correlation between price and success evaluation, $p<.01$). On the other hand, negotiators who *have* the inside information base their success evaluation more on some interpersonal standard of fairness (indicated by a non-significant correlation between price and success evaluation, $p<.42$) (Brodt, 1994). Transparent firms are those that share information that ordinarily may not be shared. Firms that are transparent will allow consumers to see processes behind the firm's decisions. To some degree this indicates that firms may benefit from being transparent via customers basing their attitudes on fairness standards rather than on price alone which is important in creating value. Finally, this study also shows that when buyers have inside information, both buyers and sellers shared feelings of success (Brodt, 1994) making it a "win-win" for both parties. Paralleling the negotiation literature findings, transparent firms are those that allow consumers to feel successful in their interactions with firms by being open and forthright, and this may lead to positive attitudes toward the firm.

Thus it is proposed (and illustrated in H_6) that transparency has a direct effect on attitudes toward the firm.

H_6: Perceived transparency has a positive effect on attitudes toward the firm.

Purchase Intention. According to Ajzen (1991), "intentions are assumed to capture the motivational factors that influence a behavior; they are indications of how hard people are willing to try, of how much of an effort they are planning to exert, in order to perform the behavior. Literature has shown that consumers' behavioral intentions are influenced by the evaluations that consumers make about firms (Fernandes & Proenca, 2008; Gremler & Gwinner, 2000; Holzwarth, Janiszewski, & Neumann, 2006). Generally, positive evaluations should increase such behaviors, and likewise, negative evaluations should decrease such behaviors (Ajzen, 1991).

Transparency implies that firms will go the "extra mile" to ensure consumers are well-informed. Researchers have found that consumers reward firms for extra effort and extra effort is a significant predictor of likelihood of patronage, attitude toward salespersons, increased willingness to pay, and more positive overall ratings (Morales, 2005). Transparency is a positive evaluation of a firm which is hypothesized to increase purchase intention. Thus it is proposed (and illustrated in H_7) that transparency has a direct effect on purchase intention over and above the mediating effects.

H_7: Perceived transparency has a positive effect on purchase intention.

Mediators. It is proposed that consumer skepticism and trust mediate the relationships of transparency and consumer's attitude toward the firm and transparency and purchase intention. This mediating relationship is in addition to the direct effects of transparency on attitude and purchase intention. If a marketer can positively influence consumer skepticism and trust, then this should have a positive effect on the perception of the company and its products. It has been widely shown that attitudes toward attributes of an object impact overall attitudes toward that object and subsequent behavioral intentions toward the object (Ajzen, 1991). Generally, less skeptical consumers should hold more favorable attitudes toward the firm and should be more likely to want to purchase from it (Darke & Ritchie, 2007; DeCarlo, 2005; Friestad & Wright, 1994; Kirmani & Zhu, 2007; Obermiller & Spangenberg, 1998) . In an environment where skepticism of marketing actions is prevalent, it is reasonable to assume that consumers are more likely to want to buy from firms perceived to be transparent and less likely to want to buy from firms lacking transparency, assuming same situation and constraints on both firms. Transparency should instill confidence in one's decisions and thus enable him/her to make a purchase (Urban, Amyx, & Lorenzon, 2009). Likewise, consumers who perceive firms to be more trustworthy should hold more favorable attitudes toward it and should be more likely to purchase from it.

H_8: The impact of transparency on attitude toward the firm is partially mediated by (a) consumer skepticism and (b) trust.

H_9: The impact of transparency on purchase intention is partially mediated by (a) consumer skepticism and (b) trust.

Finally, attitude toward the firm should have positive impact on purchase intention. This relationship of attitudes impacting intentions are well established (Ajzen, 1991; Holzwarth et al., 2006).

H_{10}: The impact of attitude toward the firm should positively impact purchase intention.

Moderating role of perceived motives. Finally, it is proposed that perceived motives will moderate the relationships of transparency and skepticism and transparency and trust. This dissertation proposes that transparency should have a fairly strong impact in reducing consumer skepticism and increasing trust without considering the impact of perceived firm motives. Taking into account perceived motives, the strength of the relationships will be less when the firm's motives for being transparent are perceived as firm-serving compared to when these motives are perceived as other-serving. These effects are shown in Figures 3 and 4. For example, Figure 3 shows skepticism as a function of transparency and the two lines sloping down and to the right have different slopes under conditions of high perceived firm transparency. Conversely, Figure 4 shows trust as a function of transparency and the two lines sloping up and to the right have different slopes under conditions of high perceived firm transparency.

According to the literature stream grounded in the Persuasion Knowledge Model (Friestad & Wright, 1994) when motives of a firm are salient to the consumer, the consumer reacts with resistance, or coping behaviors, to what might be perceived as persuasion attempts. Generally, the types of motives can be categorized as either firm-serving or other-serving (Forehand & Grier, 2003). Firm-serving motives are those in which a firm's behaviors are perceived to benefit the firm. Other-serving motives are those in which a firm's behaviors are perceived to benefit others. Perceptions of firm-serving motives have been found to decrease: perceptions of salesperson sincerity (Campbell & Kirmani, 2000), attitude toward a firm's corporate social responsibility efforts (Menon & Varadarajan, 1992), attitude toward the brand, firm, and communicator (Wei et al., 2008), and purchase intention (Ashley & Leonard, 2009).

Formally:

> H_{11}: The influence of transparency on (a) consumer skepticism and (b) and trust is moderated by perceived motives.

Specifically, it is proposed that the impact of transparency on skepticism will be greater with perceptions of other-serving motive attributions than with perceptions of firm-serving motive attributions. Likewise, the impact of transparency on trust will be greater with perceptions of other-serving motive attributions than with perceptions of firm-serving motive attributions. Figures 3 and 4 illustrate this interaction.

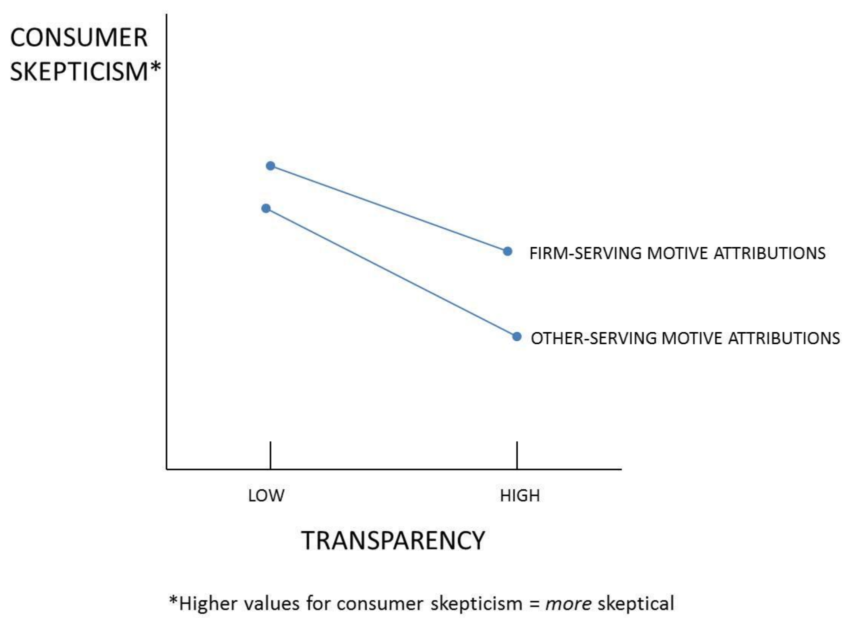


Figure 3: Interaction of Transparency and Motives on Consumer Skepticism

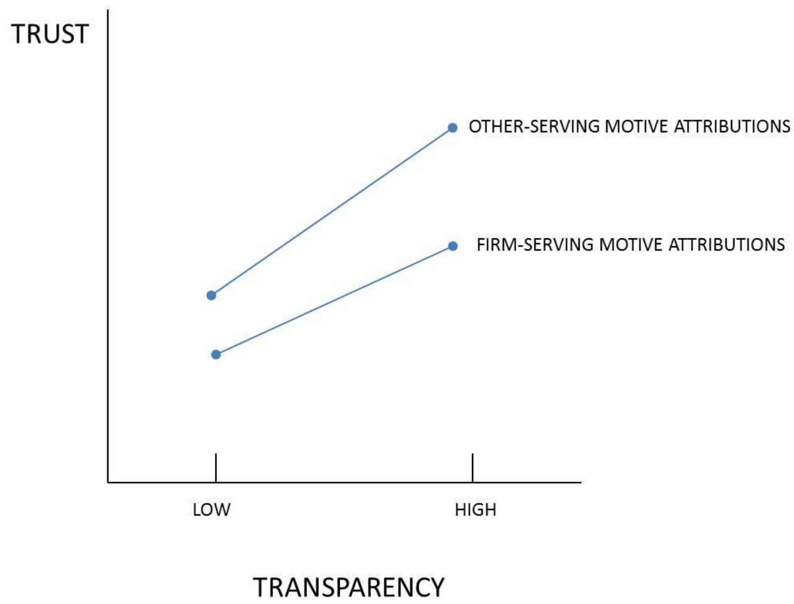


Figure 4: Interaction of Transparency and Motives on Trust

Table 4 summarizes the hypotheses proposed in this chapter.

Table 4: List of Hypotheses

H_1: Consumer perceived effort toward learning about a firm has a negative effect on perceptions of transparency.
H_2: Perceived firm reciprocity has a positive effect on perceptions of transparency.
H_3: Information provided by a firm that is perceived as firm-damaging has a positive effect on perceptions of transparency.
H_4: Perceived firm transparency has a negative effect on consumer skepticism.
H_5: Perceived firm transparency has a positive effect on trust.
H_6: Perceived firm transparency has a positive effect on attitudes toward the firm.
H_7: Perceived firm transparency has a positive effect on purchase intention.
H_8: The impact of transparency on attitude toward the firm is partially mediated by (a) consumer skepticism and (b) trust.
$H_{9:}$ The impact of transparency on purchase intention is partially mediated by (a) consumer skepticism and (b) trust.
H_{10}: Attitude toward the firm has a positive effect on purchase intention.
H_{11}: The influence of transparency on (a) consumer skepticism and (b) and trust is moderated by perceived firm motives. Specifically, when the firm's motives for being transparent are perceived to be firm-serving, the effect of transparency on skepticism will be less than when the motives are perceived as other-serving. When the firm's motives for being transparent are perceived to be firm-serving, the effect of transparency on trust will be less than when the motives are perceived as other-serving.

Chapter Summary

Following the flow of Figures of 1 and 2, this chapter addressed three questions. First, when are perceptions of transparency formed in the minds of consumers? It was proposed that perceptions of transparency are formed during a communication interaction with firms in which a consumer has the goal to reduce ambiguity and uncertainty toward the firm or its products. Several transparency cues were proposed as antecedents to perceptions of transparency including consumer effort, reciprocity, and firm communication of information perceived as firm-damaging.

Second, what triggers perceptions of transparency to become salient? It was proposed that expectation disconfirmations above a certain threshold activate transparency perceptions. Below the threshold, transparency cues were proposed to affect attitudes toward the firm and purchase intention by way of nonconscious heuristic processing. Above the threshold, transparency cues were proposed to affect perceived transparency of the firm in one of two possible ways. The first is by conscious heuristic processing which was proposed to occur given no motivation or ability to resolve the expectation disconfirmation. The second is by systematic processing which was proposed to occur by way of attribution causal reasoning, given sufficient motivation or ability to resolve the expectation disconfirmation.

The final question this chapter addressed was what are some consequences of transparency? Several consequences of transparency were proposed. Transparency was proposed to reduce consumer skepticism, and increase perceptions of trust, attitude toward the firm, and purchase intention. Also introduced were motive attributions as a moderator influencing the impact of transparency perceptions on consumer skepticism and trust.

CHAPTER 5: SCALE DEVELOPMENT

The purpose of Chapter 5 is to develop the transparency scale. There are two main studies in this chapter with a few phases within each study. Study 1 consists of three phases: 1) scale item generation and testing the face validity of those scale items to be applied in the subsequent phase, 2) exploratory factor analysis (EFA) to determine the underlying dimensions of transparency and to reduce the number of indicators, and 3) confirmatory factor analysis (CFA) to validate the psychometric properties of the scale developed through the EFA and to test its predictive and nomological validities. Study 2 is dedicated to further validating the transparency scale and testing its psychometric properties and validity.

The procedure for developing the transparency scale follows accepted scale development procedures found in marketing and psychology literatures (Churchill, 1979; Gerbing & Anderson, 1988; Spector, 1992; Voss, Spangenberg, & Grohmann, 2003; Walsh & Beatty, 2007). Subjects for all of the studies are undergraduate business students. Subjects were not permitted to participate in more than one data collection therefore all of the subjects were unique across each data collection, and this includes the data collections for the pretests.

Study 1

Phase 1

Phase 1 included scale item generation and initial purification of scale items.

Procedure. First a pool of scale items were drawn from the literature review, focus groups, interviews, and open-ended surveys. The literature and transcripts from the qualitative research were coded into themes. The theme coding procedure and associated theme validation procedure is discussed in detail in chapter 3. The preliminary pool of items included 34 statements intended to reflect the transparency definition.

This initial set of items was reviewed for readability and clarity by four independent judges (Marketing Ph.D. students). Each judge was provided with the definition of transparency and was asked to rate each scale item as either "clearly representative", "somewhat representative", or "not representative" of the transparency definition provided. This process is consistent with other scale development research (Bruner & Kumar, 2007; Walsh & Beatty, 2007).

A scale item was either deleted or modified based on feedback if it was not consistently rated "clearly representative". There were several cases in which a scale item was rated by half of the judges as "clearly representative" and by the other half of the judges as "somewhat representative". In total there were six scale items that were either deleted or modified based on these criteria. The scale item, "This company explains its decisions to me" is one example in which the judges were split between "somewhat representative" and "clearly representative". One judge commented:

> *"A company may be transparent but not have the resources to explain its decisions to customers".*

The item was modified to explicitly reflect a willingness to explain decisions: "This company is willing to explain its decisions to me". The scale item, "I know what to expect when I deal with this company" is an example of one that was deleted from the set. One judge commented:

> *"The company could be transparent and it would not guarantee that you would know what to expect during your interactions, transparency would help though."*

The judges had two additional tasks. Judges were also asked to identify items which were unclear or ambiguous and to provide suggestions for improving the scale item's clarity. The judges provided a few suggestions. For example, two judges commented regarding the scale item, "When the company makes a decision, I know about it":

> *"Could 'I know about it' be understood as it's the stakeholder's responsibility to go find the info?"*

> *"The information may be out there for major decisions but it is unrealistic to think that consumers can or should know all of the decisions that are made."*

The scale item was modified to: "When the company makes decisions, it affords me the opportunity to know about it". There was also a scale item that asked subjects to respond to a company's "behavior" ("This company tries to hide its bad behavior"). Given concern that this term would cause confusion with subjects, "behavior" was changed to "the things that it does" ("This company tries to hide the bad things that it does").

Finally, judges were asked to provide additional scale items that they believed would represent the transparency definition if they thought of any while participating in the content validitation of the pool of scale items. Items were suggested to measure the "relevant" aspect of transparency behaviors: "The company shares information about itself that is important to me, rather than just any random information" and "I feel that the information the company shares with me is useless to me" (reverse code). Both items were added to the pool.

Results. Although most scale development studies have a much larger pool of items, a pool of 20-30 items is appropriate when the construct is narrowly defined and the final scale is expected to have no more than 10 scale items (Netemeyer, Bearden, & Sharma, 2003). Table 5 provides the final set of 31 transparency scale items which reflect a reflective construct in relation to its indicators (scale items). Conceptualization of the construct in relation to its indicators is that of a reflective model in which the direction of causality is from the construct to the item (Jarvis, MacKenzie, & Podsakoff, 2003; MacKenzie, 2003). A construct is reflective when "indicators are manifestations of the construct" (Jarvis et al., 2003) such as personality and attitude constructs (Diamantopoulos & Winklhofer, 2001) and formative when indicators "are observed variables that are assumed to cause the latent variable (Bollen & Lennox, 1991; Diamantopoulos & Winklhofer, 2001) such as the index of sustainable economic welfare and the quality-of-life index (Diamantopoulos & Winklhofer, 2001). Other indications that a construct should be reflective include: "indicators should be interchangeable and have similar content (share a common theme), "dropping an indicator should not alter the conceptual domain of the construct", and indicators are expected to covary" (Jarvis et al., 2003). Formative constructs are described as having the opposite defining characteristics to those described above for reflective constructs.

Table 5: Study 1, Scale Items Subjected to EFA

Name	Scale Item
TRANSP1	This company is candid.
TRANSP2	This company is straightforward in telling me what I want to know.
TRANSP3	This company tries to hide the bad things it does. (R)
TRANSP4	This company tries to hide the good things that it does. (R)
TRANSP5	Generally, this company tries to hide the things that it does. (R)
TRANSP6	This company gives me false expectations. (R)
TRANSP7	This company is clear with me.
TRANSP8	This company readily admits failures.
TRANSP9	This company is willing to share its failures with me.
TRANSP10	This company is willing to share information with me even when it may make the company look bad.
TRANSP11	This company is genuine with me.
TRANSP12	This company exposes itself to criticism.
TRANPS13	This company beats around the bush when communicating with me. (R)
TRANSP14	This company faces problems without hesitation.
TRANSP15	This company puts everything "out on the table" for all to see.
TRANPS16	This company provides me with a learning opportunity about itself.
TRANSP17	I envision this company as a glass building in which everything inside is visible for all to see.
TRANSP18	This company enables me to know what it's doing.
TRANSP19	This company allows its customers to see how it's doing.
TRANSP20	When the company makes decisions, it gives me the ability to know about it.
TRANSP21	This company helps me understand why it behaves the way it does.
TRANSP22	This company is willing to explain its decisions to me.
TRANSP23	This company is willing to tell me how it really feels about the products it sells.
TRANSP24	This company is willing to share bad things about itself or about its products.
TRANSP25	This company is willing to share just about any information I request from it.
TRANSP26	I feel as if this company doesn't mind me seeing what's going on behind its closed doors.
TRANSP27	This company wants me to understand what it is doing.
TRANSP28	This company shares information about itself that is important to me, rather than just any random information.
TRANSP29	I feel that the information this company shares with me is useless to me. (R)
TRANSMNP_OPN	This company is open with me.
TRANSMNP_FRT	This company is forthright with me.

Phase 2

Phase 2 served to reduce the number of items, provide an initial structure to the scale, and assess internal consistency through EFA. Generally, factor analysis requires a minimum of 5-10 observations per variable (Hair, Black, Babin, Anderson, & Tatham, 2006a) but this varies depending on degrees of freedom and desired power and significance levels (MacCallum, Browne, & Sugawara, 1996).

Method. The data collection lasted five days. Students of a large Basic Marketing course were recruited to participate in the study via an email distributed by the teacher's assistant. There were 263 completed surveys. Students received extra credit for participating in the study.

Procedure. Participants in the study were randomly assigned to one of two conditions, high or low transparency. They responded to an online survey in which they were asked to think about a company they are familiar with or have interacted with in the past and, in particular, focus on a company that they thought was open and forthright (not open and not forthright) with them during some interaction with the company. Definitions for 'open' and 'forthright' were provided to ensure respondents understood the task. Subjects in the 'open and forthright' condition were told:

> "Open is defined as: 1.Not closed. 2. Accessible or available. 3. Exposed to general view. 4. Uncovered. 5. Open to or in full view of all. 6. Relatively free of obstructions to sight.
>
> Forthright is defined as: 1. Going straight to the point; 2. Direct. 3. Being a straight shooter. 4. To face a problem squarely and directly. 5. Directly and frankly. 6. Without hesitation."

Subjects in the 'not open and not forthright' condition were told:

> "NOT Open is defined as: 1.Closed. 2. Unaccessible or unavailable. 3. Not exposed to general view. 4. Covered. 5. Not open to or in full view of all. 6. Not free of obstructions to sight.
>
> Not Forthright is defined as: 1. Not going straight to the point; 2. Indirect, roundabout. 3. Not being a straight shooter. 4. To not face a problem squarely and directly. 5. Indirectly and not frankly. 6. With hesitation."

Subjects were required to provide the name of the company, a description of its products/services, and a detailed example or reason as to why this company fits the criteria. Respondents were then exposed to the 31 transparency scale items. The 31 scale items were presented in blocks of 5-7 scale items to break up the long list of items. The blocks were randomized and the scale items within each block were randomized.

The EFA was conducted with the SAS program, version 9.2, utilizing the PROC FACTOR syntax. This study utilized *common* factor analysis which derives underlying latent constructs from only shared variance. Common factor analysis is also more appropriate when variable reduction is a goal. Iterated Principal Axis factor analysis was utilized to reduce the number of scale items and assess the underlying structure of the variables. The prior communality estimates (h^2) were estimated from the squared multiple correlations (R^2) between each variable and all other variables by including the PRIORS = SMC syntax. With this procedure 1s on the diagonal of the correlation matrix are replaced with the communality estimates. The unrotated solution was used. All variables loaded significantly onto just one factor (see Table 5).

Results. The variables that were subjected to EFA correspond to those in Table 5. The mean and standard deviations for those variables are also listed in Table 6. The variables denoted with an "R" (i.e. TRANSP3R) are reverse-items therefore the scores for these items have been adjusted.

Table 6: Study 1, Variable Item Means and Standard Deviations

Variable	Mean	Standard Deviation
TRANSP1	4.28	1.64
TRANSP2	4.54	2.07
TRANSP3R	4.14	1.82
TRANSP4R	5.62	1.38
TRANSP5R	4.75	1.74
TRANSP6R	4.43	2.14
TRANSP7	4.48	2.10
TRANSP8	3.70	1.74
TRANSP9	3.70	1.75
TRANSP10	3.72	1.78
TRANSP11	4.43	2.07
TRANSP12	4.21	1.60
TRANSP13R	4.35	2.12
TRANSP14	4.37	1.83
TRANSP15	4.13	2.10
TRANPS16	4.58	1.90
TRANSP17	3.78	2.01
TRANSP18	4.45	1.93
TRANSP19	4.66	1.87
TRANSP20	4.20	1.78
TRANSP21	4.25	1.96
TRANSP22	4.25	1.96
TRANSP23	4.79	1.95
TRANSP24	3.69	1.76
TRANSP25	4.19	1.88
TRANSP26	4.10	2.02
TRANSP27	4.54	2.01
TRANSP28	4.50	1.91
TRANSP29R	4.81	1.75
TRANSMNP_OPN	4.39	2.18
TRANSMNP_FRT	4.45	2.16

The first step was to ensure the appropriateness of the data for EFA. Three assessments were completed which included 1) reviewing the correlation matrix for multicollinearity among variables, 2) checking the Measure of sampling adequacy for the entire correlation matrix as well as for individual variables, and 3) assessing normality through kurtosis and skewness.

Regarding multicollinearity, although some degree of correlation is ideal for factor analysis, overly high correlations may indicate redundancy in variables making it difficult to assess the unique contribution of a single variable (Hair et al., 2006a). One such pair of variables that was highly correlated was TRANS_OPN ("This company is open with me") and TRANS_FRT ("This company is forthright with me") ($r = .93$, $p< .0001$). The decision was made to leave both variables in the data analysis at this stage because these variables have extremely high content validity.

The Measure of Sampling Adequacy (MSA) tests the appropriateness of factor analysis by assessing the degree of inter-correlations among variables (Hair et al., 2006a). The rule of thumb for this measure is .50 or greater for the overall MSA value as well as for each variable and the MSA values are described as follows: 0 - .50 = unacceptable, .51 – 60 = miserable, .61 - .70 = mediocre, .71 - .80 = middling, and .81 – 1 = meritorious (Kaiser, 1970). The overall MSA value for this data was .97 indicating the data is "meritoriously" appropriate for factor analysis. Each individual variable's MSA value was also assessed. The "mediocre" threshold of .70 was applied in assessing variables for possible deletion. For individual MSA values, the variable with the lowest MSA should be deleted first and the factor analysis rerun until all variables meet the pre-specified threshold (Hair et al., 2006a). There was one variable that did not meet the threshold TRANSP4R ("Company tries to hide the good things it does") (MSA = .56). This variable was deleted and the analysis was rerun. After rerunning the EFA without TRANSP4R, the overall MSA was .97 and all other variables had meritorious MSA values of at least .93 indicating it was appropriate to move to the next step in the factor analysis process.

Finally, normality was assessed by evaluating the kurtosis and skewness of each variable. Generally, variables with kurtosis > 2 and skewness >1 are considered to be non-normally distributed. All variables in this data set fell within the acceptable range for kurtosis and skewness indicating normal distribution.

The second step was to examine the factor loadings. Based on a power level of 80%, n = 250, and significance level of .05, factor loadings +/- .35 are considered significant (Hair et al., 2006a), however a more stringent criteria of .70 was applied as the cut-off for retaining variables to meet practical significance. Loadings of +/- .70 indicate a "well-defined structure" and are "the goal of any factor analysis" (Hair et al. page 128). Four variables (TRANSP1 = .53, TRANSP12 = .42, TRANSP14 = .64, and TRANSP29R = .61) did not meet the .70 pre-specified cut-off and were deleted. Two variables (TRANSP8 = .69 and TRANSP10 = .69) were close enough to the cut-off and were retained for further analysis. Finally, there were no significant cross-loadings indicating a rotated solution was not required.

The third step included an assessment of the communalities. The communality estimate is the amount of variance explained for each variable in the factor solution. A rule of thumb is to delete those variables in which the factor structure explains less than 50% (Hair et al., 2006a), but for more practical significance, a more stringent threshold of .60 was applied. Four variables (TRANSP1 = .32, TRANSP12 = .42, TRANSP14 = .52, and TRANSP29R = .49) did not meet the threshold of at least .60. Note that these same variables also did not meet the .70 factor loading threshold of .70. They were deleted from further analysis. One variable (TRANSP8 = .59) was close enough to the cut-off that it was retained for further analysis. Note that this variable was also close to the .70 factor loading cut-off.

The fourth step was to derive an appropriate number of factors. This step was conducted after deleting the variables that did not meet the criteria outlined in steps 1, 2, and 3 and after the EFA re-run. Eigenvalues and scree plots were assessed. A priori it was thought that either one factor or two factors representing “open” and “forthright” may emerge, however the interpretation of the data was not guided by this notion. Table 7 provides the factor pattern loadings.

All variables loaded significantly onto one factor. However, the eigenvalues indicated the data may represent two factors based on the eigenvalue greater than 1 criterion. The eigenvalues were 17.01 and 1.01 with these factors explaining 88.32% and 5.24% of the total retained variance respectively. The third factor had an eigenvalue of .55 and explained 2.85% of the retained variance. According to Hair et al. (2006; page 120), there is no threshold for the total amount of variance extracted by all factors. The number of factors extracted in the natural sciences should often explain at least 95% of the retained variance and stop with those factors explaining 5% or less of the retained variance. However it is common for the total retained variance extracted by all factors to be closer to 60% in the social sciences and still be considered satisfactory.

The scree plot indicates potential cut-offs at one, two, or six factors. There is a significant drop from factor one to factor two as the eigenvalues would indicate and there is a smaller drop after factors two and six, at which the scree plot plateaus.

Based on the eigenvalue greater than 1 rule of thumb, a two factor solution is appropriate. However, because all variables loaded significantly onto one, it would be difficult and arbitrary to determine the appropriate variables to assign to each of the two factors. Therefore the decision was made to move forward with a one factor solution, rather than a multi-factor solution, for two main reasons. First, all variables loaded significantly onto one factor with no significant cross-loadings, indicating a one factor solution is ideal. Second, one eigenvalue contributed to a significant portion of the variance and the second factor with an eigenvalue greater than 1 barely reaches this threshold (factor 2 = 1.01). The scree plot shows a significant drop from factor 1 to factor two.

Table 7: Study 1, EFA Factor Pattern Loadings

Factor Pattern Loadings					
	Factor 1	**Factor 2**	**Factor 3**	**Factor 4**	**Factor 5**
TRANSP2	0.88	-0.07	-0.04	0.01	-0.09
TRANSP3R	0.72	-0.24	0.22	0.16	0.04
TRANSP5R	0.72	-0.51	0.10	0.28	0.20
TRANSP6R	0.81	-0.32	0.07	0.01	-0.08
TRANSP7	0.90	-0.10	-0.02	-0.10	-0.13
TRANSP8	0.68	0.23	0.21	0.05	0.08
TRANSP9	0.74	0.27	0.28	-0.01	0.10
TRANSP10	0.68	0.34	0.27	-0.03	0.05
TRANSP11	0.89	-0.07	0.04	-0.08	-0.11
TRANSP13R	0.73	-0.29	0.04	-0.03	0.01
TRANSP15	0.85	0.14	-0.16	0.28	-0.17
TRANPS16	0.80	0.03	-0.16	-0.12	0.12
TRANSP17	0.82	0.22	-0.13	0.27	-0.18
TRANSP18	0.86	0.09	-0.17	0.03	0.06
TRANSP19	0.79	0.03	-0.13	0.06	0.11
TRANSP20	0.81	0.04	-0.26	-0.01	0.16
TRANSP21	0.85	-0.01	-0.13	-0.03	0.03
TRANSP22	0.86	0.10	-0.13	-0.08	0.07
TRANSP23	0.76	-0.02	-0.07	-0.04	0.03
TRANSP24	0.75	0.27	0.19	0.07	0.00
TRANSP25	0.79	0.16	-0.04	-0.07	-0.01
TRANSP26	0.81	0.11	-0.01	0.07	-0.02
TRANSP27	0.86	-0.03	-0.06	-0.17	0.06
TRANSP28	0.82	-0.02	0.01	-0.10	0.08
TRANSPOPN	0.90	-0.14	0.09	-0.18	-0.15
TRANSPFRT	0.90	-0.16	0.13	-0.14	-0.15

The fifth and final step was to assess the convergent validity of the one factor model by assessing its factor loadings, variance extracted, and reliability. Convergent validity is the extent of shared variance among a construct's set of indicators and thus convergent validity exists when the indicators are highly correlated (Netemeyer et al., 2003) Evidence of convergent validity exists when: 1) ideally all variables have factor loadings greater than .7, 2) average variance extracted exceeds .5, and 3) reliability exceeds .7 (Hair, Black, Babin, Anderson, & Tatham, 2006c). First, as Table 7 indicates, the factor loadings ranged from .68 to .90 with all but two meeting the ideal threshold of .7. Second, average variance extracted (AVE) was .65. AVE is the average of the sum of the squared factor loadings and is an indication of the amount of shared variance between the measures compared to the error (Fornell & Larcker, 1981; Hair et al., 2006c; Netemeyer et al., 2003). The AVE of .65 suggests there is more shared variance than error for the variables which is above the reasonable threshold of .50 for newly developed scales (Netemeyer et al., 2003). Finally, two internal reliability measures are commonly used to assess convergent validity, Cronbach's coefficient alpha which assesses the degree of inter-item correlations, and composite reliability which assesses the variance extracted compared to the error in the model. The generally agreed upon lower limit for Cronbach's alpha is .70 and the rule of thumb for inter-item correlations is that they should exceed .30 (Hair et al., 2006a). Coefficient alpha for this scale is .98 with item-total correlations ranging from .67 to .89. The composite reliability measure is computed from the squared sum of factor loadings and the sum of the error variance. Like Cronbach's alpha, the ideal estimate value is .7 or greater to provide sufficient evidence of convergent validity. The composite reliability estimate is .97 for these scale items.

The data analysis proceeded to phase 3, confirmatory factor analysis, since the construct reliability exceeded minimum thresholds and provided evidence for convergent validity of the scale items derived from EFA.

Phase 3

The purpose of phase 3 was to confirm the model derived through EFA and to test its validity. A second sample of student subjects was utilized.

Method. The data collection lasted five days. Students of a large, online Basic Marketing course were recruited to participate in the study via an email distributed by the teacher's assistant. There were 316 completed surveys. Students received extra credit for participating in the study.

Procedure. The study's design was identical to that of phase 2. Participants in the study were randomly assigned to either the high transparency or low transparency condition. Data for all variables from phase 2 were again collected in phase 3. Additional constructs were also included in the survey to test for convergent, discriminant, and nomological validity. These constructs included communication openness to test for discriminant validity with a known and similar construct in the marketing literature, and skepticism, trust, attitude toward the firm, and purchase intention to test for both discriminant and nomological validities with the dependent variable constructs within the proposed theoretical model (Figure 2).

The 26-variable transparency model that emerged through EFA was assessed for fit through CFA using the PROC CALIS procedure in SAS. The chi-square was 1263.30 ($p<.0001$) on 299 degrees of freedom (*df*). Significant chi-square values indicate the model does not perfectly fit the data based on comparing the actual and estimated covariance matrices. However, significant chi-squares are typically expected, especially for N>250 and *m* (number of variables in the model) > 12 (Hair, Black, Babin, Anderson, & Tatham, 2006b). Additional fit indices were inspected. Based on the rules of thumb for a sample of this size (N>250) and *m* between 12 and 30, the model fit indices generally indicated a very poor fit to the data based on absolute (e.g. SRMSR = .05, GFI = .73), parsimony (e.g. RMSEA = .10), and incremental indices (e.g. CFI = .88, and NFI = .85). Although the SRMSR, which assesses the degree of residuals between the actual and reproduced covariance matrix, fits within the recommended threshold, all other indices do not. Ideally for this sample size and number of variables, SRMR should be below .08 (Hu & Bentler, 1998), RMSEA should be below .07, and incremental indices such as CFI and NFI should be above .92 (Hair et al., 2006b). To diagnose the problem of poor fit, path estimates, residuals for variable pairs, and Lagrange Multiplier modification indices were assessed.

First path estimates were assessed. A few path estimates (TRANSP3R = .64, TRANSP5R = .64, TRANSP8 = .60, and TRANSP13R = .68) fell below the ideal threshold of .70. These four items were deleted and the analysis was rerun. All path estimates were above the .70 threshold.

Next, standardized residuals were assessed. Residuals measure the difference between the observed covariance terms and the expected covariance terms (Hair et al., 2006c). The standardized residual output in SAS provides pairs of variables that have the highest residuals. Variable pairs with standardized residuals between |2.5| and |4.0| should be investigated as potential candidates for deletion from the model (Hair et al., 2006c). Additionally, an "ideal" fitting model will have few residuals above |2.58|

(Hatcher, 1996). There were 10 variable pairs well above the |4.0| threshold. Table 8 provides the rank order of the 10 largest standardized residual pairs.

Table 8: Study 1, Rank Order of the 10 Largest Standardized Residuals

Rank Order of the 10 Largest Asymptotically Standardized Residuals		
Var1	**Var2**	**Residual**
TRANSPFRT	TRANSPOPN	11.02
TRANSP24	TRANSP9	8.51
TRANSP10	TRANSP9	8.34
TRANSP17	TRANSP15	7.68
TRANSP6R	TRANSP3R	7.41
TRANSP5R	TRANSP3R	7.05
TRANSP7	TRANSP2	6.95
TRANSP13R	TRANSP6R	6.46
TRANSP6R	TRANSP5R	6.25
TRANSP20	TRANSP19	5.77

Variables were dropped one at a time and the model was re-specified after each variable dropped. A total of 15 variables were dropped. The model fit on the remaining seven variables will be discussed in the Results section.

Results. Following is a discussion of the fit for the seven variable transparency model. The chi-square was 12.90 (p=.53) on 14 degrees of freedom (*df*). Other fit indices were also inspected. Given the sample size (N = 316) and the number of observed variables (*m* = 7), the model fit indices generally indicated a very good fit to the data based on absolute (e.g. SRMSR = .01, GFI = .99), parsimony (e.g. RMSEA = .00[1], probability of close fit = .95), and incremental indices (e.g. CFI = 1, and NFI = .99).

[1] Note the RMSEA 90% lower confidence limit is .00 and the RMSEA 90% upper confidence limit is .05.

Table 9 provides the factor loadings, t-values, reliability, and fit statistics for the seven variable transparency scale that emerged through CFA testing.

Table 9: Study 1, Factor Loadings for Seven Item Transparency Scale

	Alpha = .93, CR = .94, AVE = .65	**Factor Loading**	**t value (Std. error)**
TRANSP10	This company is willing to share information with me even when it may make the company look bad.	0.77	31.33 (.02)
TRANPS16	This company provides me with a learning opportunity about itself.	0.71	24 (.03)
TRANSP18	This company enables me to know what it's doing.	0.84	43.55 (.02)
TRANSP22	This company is willing to explain its decisions to me.	0.84	43.74 (.02)
TRANSP25	This company is willing to share just about any information I request from it.	0.77	30.43 (.02)
TRANSP27	This company wants me to understand what it is doing.	0.81	36.71 (.02)
TRANSP_OPN	This company is open with me.	0.9	63.69 (.01)
Chi-Square (14, n = 316) = 12.90 (p=.53), SRMSR = .01, GFI = .99, RMSEA = .00, CFI = 1, NFI = .99			

Tests of validity. The seven item scale that emerged through CFA was then tested for convergent, discriminant, and nomological validities.

The transparency scale was tested for convergent validity by assessing factor loadings, variance extracted, and reliability. The factor loadings ranged from .71 to .90 and AVE, the average of the sum of the squared factor loadings, was .65 which is well above the .50 recommended threshold. Finally, Cronbach's coefficient alpha and composite reliability (CR) were both assessed as Cronbach's alpha may understate reliability (Hair et al., 2006c). Coefficient alpha for this scale is .93 with item-total correlations ranging from .69 to .85. The formula for calculating composite reliability is:

$$CR = \frac{(\sum_{i=1}^{n} \lambda_i)^2}{(\sum_{i=1}^{n} \lambda_i)^2 + (\sum_{i=1}^{n} \delta_i)}$$

The composite reliability estimate is .94 for these scale items.

Discriminant validity was assessed at two levels, first between transparency and communication openness, and second, between transparency and the other constructs in the proposed model that are dependent on transparency. First, because perceived transparency is a new construct being proposed, discriminant validity was assessed between transparency and communication openness (COMOP). Communication openness was discussed in Chapter 2 as a similar, yet distinct construct, and CFA will help clarify this notion. Second, discriminant validity was assessed between constructs in the theoretical model. These constructs include transparency, skepticism (SKEP), attitude toward the firm (ATT), purchase intention (PI), and trust (TRST).

Prior to testing for discriminant validity, all scale items for the constructs were first subjected to individual EFA and internal reliability analyses even though these scales have been widely used in prior literature. This is to ensure each of the scales exhibit good psychometric properties, and this includes convergent validity, uni-dimensionality, and internal consistency. One scale in particular, communication openness, was especially important to assess for reliability because it was originally developed by its authors to measure two-way mutual communication between buyer and supplier in a business-to-business context (Smith & Barclay, 1997a). Thus this measure was revised and adapted to fit the context of the current study. The skepticism scale used in this research was adapted from the skepticism toward television advertising scale (Boush, Friestad, & Rose, 1994). Items were modified to reflect state-based skepticism toward a particular firm, rather than a generalized predisposition of skepticism toward television advertising. The trust scale was adapted from literature that conceptualizes this construct as confidence in an exchange partner's reliability and integrity (Ahearne et al., 2007; Eisingerich & Bell, 2008; Yim et al., 2008). The attitude toward the firm scale was adapted from literature that investigates favorable/unfavorable attitudes toward brands (Batra & Ray, 1986; Thomson, MacInnis, & Park, 2005). Finally, purchase intention was adopted from literature which conceptualized this construct as a willingness to buy from a particular company (Holzwarth et al., 2006). Appendix A provides the scale items used to measure each construct.

For the EFA, those variables meeting a factor loading threshold of at least .40 were retained which exceeds the minimum loading for significance ($p<.05$) for this sample size and a power level of 80%. For internal reliability analyses, Cronbach's coefficient alpha and the item-to-total correlations were assessed. Those variables meeting at least .50 for item-to-total correlations and at least .30 for inter-item correlations were retained. All variables were measured with 7-point Likert-type scales with the exception of those for attitude toward the firm which were measured with 7-point bipolar scales. Three of the five items were retained for the communication openness scale. All three items were retained for the skepticism scale. Four of the five items were retained for the trust scale. All six items were retained for the attitude toward the firm scale. All three items were retained for the purchase intention scale.

Three steps were taken to test for discriminant validity between transparency and communication openness. First, AVE for the transparency scale was compared to the square of the correlation estimate for the two constructs. The AVE is the average squared factor loading for the construct. AVE for the two constructs should be greater than the square of correlations between those two constructs as an indication of discriminant validity (Fornell & Larcker, 1981). The square of the correlation (R^2 =.55) was less than the average variance extracted estimate for the two constructs (transparency = .65 and communication openness = .56).

Second, a two-factor model was compared to a one-factor model with transparency and communication openness scale items constrained to one factor (Anderson and Gerbing 1988). The overall model fit assessed by chi-square should be better with the two-factor model as an indication of discriminant validity. The chi-square for the one-factor model was 136.14 ($p<.001$) and was 93.23 ($p<.001$) for the two-factor model, indicating a significant improvement in fit when separating the two constructs. The chi-square difference test with one degree of freedom was significant at $p<.0005$. Other fit indices such as the standardized RMSR (.03 vs. .05), RMSEA (.07 vs. .09), and CFI (.97 vs. .92) also showed improvement with the two constructs separated rather than in unity.

Finally, the confidence interval for the correlation between the two constructs was evaluated. If the confidence interval does not include one then this is an indication of discriminant validity (Anderson and Gerbing 1988). The 95% confidence interval around the correlation between the two factors ($r = .74$) did not include 1.0 (lower bound = .68 and upper bound = .78). In sum, there is sufficient evidence for discriminant validity between transparency and communication openness taking into account AVE, chi-square tests for one and two factor models, and the confidence interval around the correlation.

Next, AVE, chi-square tests, and confidence intervals around correlations were assessed to investigate discriminant validity between transparency and: skepticism (SKEP), attitude toward the firm (ATT), purchase intention (PI), and trust (TRST). The AVE for the four constructs were .56 (COMOP), .92 (TRST), .82 (SKEP), .89 (ATT), and .92 (PI). As previously mentioned, the AVE for TRANSP was .65. Transparency does not show good discriminant validity from two constructs, trust and attitude toward the firm, based on comparing AVE with the squared correlations for these variable pairs. The squared correlation was .74 for transparency and trust and .67 for transparency and attitude toward the firm, both of which are greater than .65 which is the AVE for transparency. This will be discussed further at the end of this section. Table 10 provides the Pearson's correlations, squared correlations, and AVE for each construct.

As a second test of discriminant validity between transparency and the other constructs, two-factor models were compared to one-factor models for transparency and each of the other constructs. The chi-square tests were performed on one pair of factors at a time (Anderson and Gerbing 1988) resulting in five separate constrained model versus unconstrained model chi-square tests (TRANSP-SKEP, TRANSP-TRST, TRANSP-ATT, and TRANSP-PI). Each of the five comparison tests showed improved chi-squares with the two-factor models. All chi-square differences had one degree of freedom and the difference was significant at $p<.0001$. For example, the chi-square for the one-factor model for transparency and trust was 309.43 ($p<.001$) compared to 93.48 ($p<.001$) for the two-factor model. The one-factor model for transparency and attitude toward the firm was 530.50 ($p<.0001$) compared to 167.84 ($p<.0001$) for the two-factor model. The fit indices also showed improvement with the two-factor models. For example, standardized

RMSR, RMSEA, and CFI for transparency and trust for the one-factor model were .05, .14, and .93 respectively compared to .02, .06, and .99 for the two-factor model. The standardized RMSR, RMSEA, and CFI fit indices for the one-factor model for transparency and attitude toward the firm were .07, .15, and .91 respectively compared to .02, .07, and .98 for the two-factor model. Table 11 provides the chi-square and fit indices for the one and two-factor models for transparency and each of the constructs in the model.

Finally, the confidence intervals were assessed. None of the confidence intervals around the correlation estimates between the pairs of two factors included 1.0.

Table 10: Study 1, Psychometric Properties of Constructs Used in Validity Testing

Pearson's Correlations, AVE, and Squared Multiple Correlations						
	TRANSP	**COMOP**	**TRST**	**SKEP**	**ATT**	**PI**
TRANSP	**0.65**	0.74	0.86	-0.68	0.82	0.74
COMOP	0.55	**0.56**	0.71	-0.55	0.71	0.63
TRST	0.74	0.50	**0.92**	-0.73	0.91	0.87
SKEP	0.46	0.30	0.53	**0.82**	-0.73	-0.65
ATT	0.67	0.50	0.83	0.53	**0.89**	0.88
PI	0.55	0.40	0.76	0.42	0.77	**0.92**

Correlations above the diagonal; square of correlations below the diagonal; AVE on diagonal.
Correlations significant at $p<.01$.

Table 11: Study 1, One-Factor vs. Two-Factor Discriminant Validity Tests

	TWO FACTOR MODEL[a]	ONE FACTOR MODEL
TRANSP-COMOP		
Chi Square	93.23 (p<.001)	136.14 (p<.001)
Standardized RMSR	0.03	0.05
RMSEA	0.07	0.09
CFI	0.97	0.92
TRANSP-SKEP		
Chi Square	67.78 (p<.0005)	499.12 (p<.001)
Standardized RMSR	0.03	0.07
RMSEA	0.06	0.2
CFI	0.99	0.82
TRANSP-TRST		
Chi Square	93.48 (p<.001)	309.43 (p<.001)
Standardized RMSR	0.02	0.05
RMSEA	0.06	0.14
CFI	0.99	0.93
TRANSP-ATT		
Chi Square	167.84 (p<.0001)	530.50 (p<.0001)
Standardized RMSR	0.02	0.07
RMSEA	0.07	0.15
CFI	0.98	0.91
TRANSP-PI		
Chi Square	75.77 (p<.001)	636.92 (p<.001)
Standardized RMSR	0.03	0.11
RMSEA	0.06	0.23
CFI	0.99	0.81

[a] All Chi-Square differences have 1 d.f. and p<.0001.

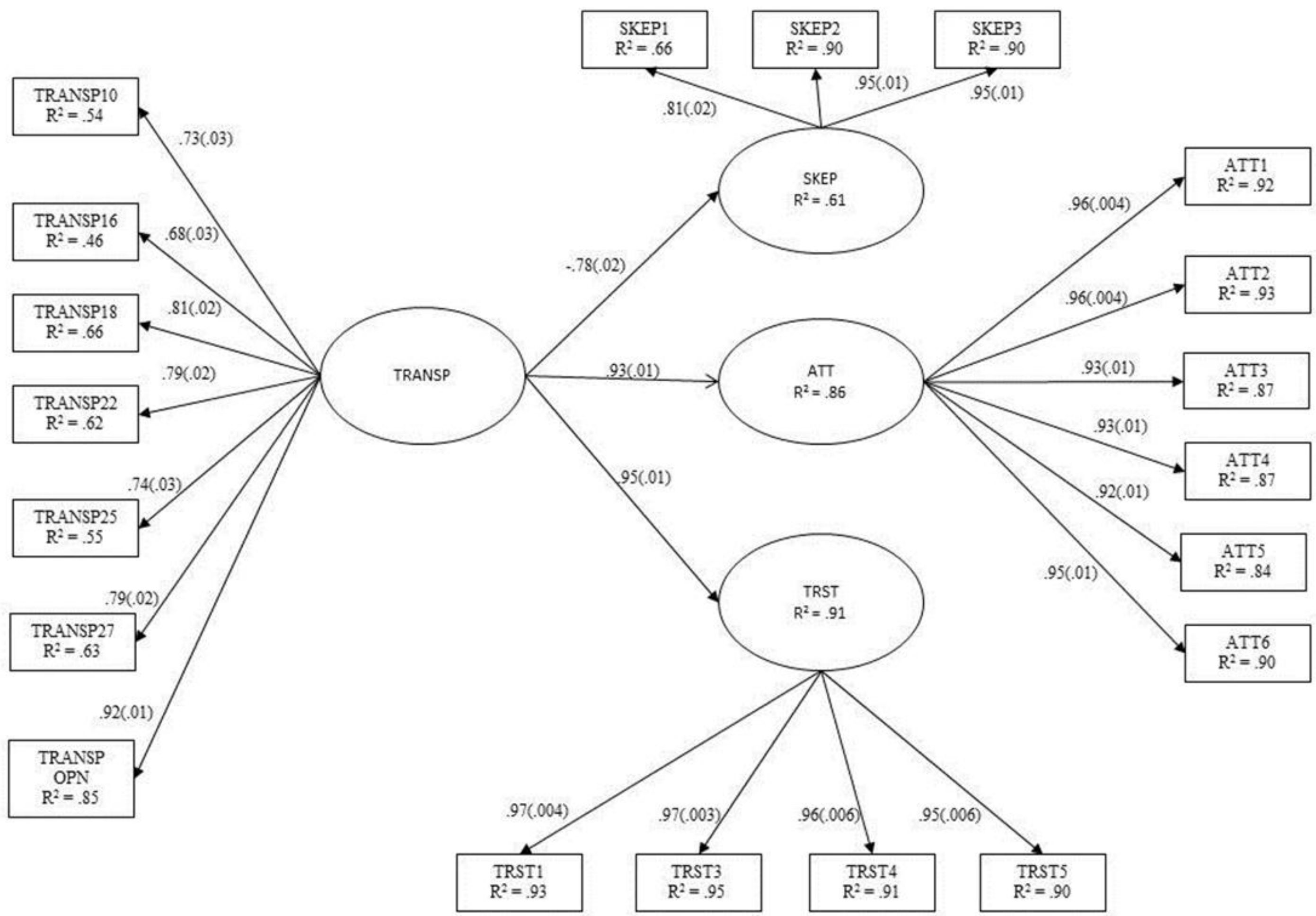
To summarize the findings of the discriminant validity tests for transparency and the other constructs, TRANSP-TRST and TRANSP-ATT variable pairs did not pass the AVE discriminant validity test. However, other tests such as the chi-square test and the confidence interval test for correlations illustrated sufficient discriminant validity. While all three tests of discriminant validity are recommended, researchers must also consider which type of latent constructs are being tested: exogenous, endogenous, or a mix of both (Shiu, Pervan, Bove, & Beatty, 2010). Shiu et al. (2010) suggest that AVE is more important than confidence intervals and chi-square tests when testing exogenous constructs and especially as a part of testing multi-dimension scales. On the other hand, confidence intervals and chi-square tests are more important when testing a combination of exogenous and endogenous constructs in SEM causal modeling. The authors argue that discriminant validity testing using confidence intervals and chi-square differences is necessary in SEM causal modeling to ensure multicollinearity of constructs will not cause erroneous regression coefficient estimates and standard error estimates. They state "the information of whether a pair of constructs has (or has not) failed the F&L [Fornell and Larker; AVE] test does not alter the probability of rejecting the null hypotheses regarding the (lack of) significance of specific regression paths associated with the constructs" (Shiu et al. page 498). This suggests that, while AVE is an important determination of discriminant validity between transparency and communication openness (two exogenous constructs), on the other hand, confidence intervals and chi-square tests are better diagnostics for discriminant validity between transparency (an exogenous construct in the model) and skepticism, trust, attitude toward the firm, and purchase intention (endogenous constructs in the model). Since confidence interval and chi-square testing indicated that the constructs in the model were sufficiently different from each other to be distinct, the decision was made to proceed with testing the nomological validity of the transparency scale.

Nomological validity is the extent to which a construct fits into a theoretical network (Hair et al., 2006c). The network of interest is depicted in Figure 5. Confidence in the transparency scale should increase if the correlations between the measure and other related constructs in the network behave as expected. As a stronger test of nomological validity, relationships between variables can be evaluated via path estimates in a structural equation model rather than evaluating relationships between variables via a correlation matrix. The transparency scale was tested with three proposed outcomes, including skepticism, trust, and attitude toward the firm, in a structural equation model so that the size and magnitude of the path estimates could be investigated. This dissertation suggested in chapter three that transparency will decrease skepticism and increase trust and attitude toward the firm. The standardized direct effects of transparency with all of the dependent variables was significant and in the predicted direction (SKEP = -.54, $p<.0001$; TRST = .85, $p<.0001$; ATT = .89, $p<.0001$). The direction of the relationships between the exogenous construct (TRANSP) and the endogenous constructs (SKEP, TRST, ATT) was as predicted indicating sufficient nomological validity. The scale items, factor loadings, and t values are presented in Table 12 and a structural view is presented in Figure 5.

Table 12: Study 1, Nomological Validity Testing

Variable Name	Description	Factor Loadings	*t* values (Std. error)
Transparency			
TRANSP10	This company is willing to share information with me even when it may make the company look bad.	0.73	27.04 (.03)
TRANPS16	This company provides me with a learning opportunity about itself.	0.68	21.61 (.03)
TRANSP18	This company enables me to know what it's doing.	0.81	40.03 (.02)
TRANSP22	This company is willing to explain its decisions to me.	0.79	35.15 (.02)
TRANSP25	This company is willing to share just about any information I request from it.	0.74	27.96 (.03)
TRANSP27	This company wants me to understand what it is doing.	0.79	36.58 (.02)
TRANSP_OPN	This company is open with me.	0.92	94.54(.01)
Skepticism			
SKEP1	This company cares more about getting me to buy its product/service than it does about what's good for me.	0.81	39.09 (.02)
SKEP2	This company tries to trick customers into buying something.	0.95	100.3 (.01)
SKEP3	This company tries to manipulate customers.	0.95	101.3 (.01)
Trust in firm			
TRST1	This company can be trusted.	0.97	217.4 (.004)
TRST3	This company is truthful.	0.97	264.3 (.003)
TRST4	This company can be counted on to do what's right.	0.96	173.3 (.005)
TRST5	I have confidence in this company as an organization.	0.95	148.1 (.01)
Attitude toward the firm			
ATT1	Bad: Good	0.96	198.2 (.004)
ATT2	Unfavorable: Favorable	0.96	202.5 (.004)
ATT3	Disagreeable: Agreeable	0.93	121.9 (.01)
ATT4	Unpleasant: Pleasant	0.93	114.9 (.01)
ATT5	Negative: Positive	0.92	96.23 (.01)
ATT6	Dislike this company: Like this company	0.95	157.9 (.01)

Figure 5: Study 1, Phase 3 Nomological Model Tested



Chi-square (167; n=316) = 472.98 (p<.0001); SRMSR = .04; RMSEA < .08; CFI = .97; NFI = .95.
All paths significant at p<.01 (n=316; *t*>2.58)

To summarize Study 1, scale item generation and initial purification was conducted in phase 1. This included generating 34 items from the literature review (Chapter 2) and through qualitative research (Chapter 3). Independent judges participated in a judgment task to assess face and construct validity of the items. The judges also assisted with enhancing clarity and readability of the items. Phase 1 resulted in 31 items being retained for phase 2.

EFA was conducted in phase 2 with the purpose of variable reduction and identification of the underlying latent factors. Variables were deleted if they did not meet predetermined thresholds for MSA, factor loadings, and communalities. The 26 variable, one factor solution was then tested for convergent validity by way of AVE, Cronbach's coefficient alpha, construct reliability, item-to-total correlations, and intra-correlations. Phase 2 resulted in 26 items being retained for phase 3.

CFA was conducted in phase 3 with the purpose of additional scale refinement and assessment of its validity. The 26-variable model was a very poor fit to the data. Path estimates, residuals, and modification indices were assessed to determine which variables could be deleted from the model. In all, 19 items were deleted through 15 iterations of deleting one variable at a time and re-specifying the model. A seven-variable model resulted and it was a good fit to the data. The seven-variable model was then evaluated for convergent, discriminant, and nomological validities. Overall, the model exhibited these validities. Next is a discussion of Study 2.

Study 2

The purpose of Study 2 is to confirm the factor structure of Study 1, and further assess reliability and validity of the scale. Furthermore, by using scenarios which specifically manipulate levels of transparency, Study 2 should provide stronger evidence of nomological validity such that a change in the dependent variables (SKEP, TRST, ATT, and PI) is more likely to be a result of changing levels of transparency rather than some other underlying construct not being measured.

Method. Undergraduate business students were recruited to participate in the study via an email distributed by the instructors. There were 299 completed surveys. Students received extra credit for participating in the study.

Procedure. As in Study 1, data was collected via online questionnaires. However, the stimulus was different from that in Study 1. In Study 1, subjects were asked to recall a firm that they thought was open and forthright (or not open and not forthright depending on the condition for which they were assigned). Subjects then answered the survey questions based on the firm that they recalled. In Study 2, rather than a recall task, subjects were assigned randomly to one of two transparency conditions.

Specifically, subjects were first presented with a welcome page thanking them for participating and communicating what they will do during this experiment. This was followed by the IRB Informed Consent waiver. Subjects were then presented with the following directions: “You will now be presented with a scenario in which you are to imagine you will soon fly to visit a friend. Please read the scenario carefully. Proceed to the scenario when you're ready”. Subjects were then presented with the high or low transparency manipulation:

Set up for both manipulations:
You are planning to fly out of town to visit your friend sometime in the near future. Your friend mentioned that ABC Airlines is one of the airlines that flies direct from your hometown airport to the airport that is nearest him/her. You hadn't flown this airline before.

You were curious to find out how the seats are assigned and who is given priority for this particular airline. You went to ABC's website to see if you could learn more about the seat assignment process and whatever else you thought might be important to know before flying on this airline.

High transparency
ABC airlines provided whatever information you wanted to know on the website. The company also provided a way to reach the company in case you needed additional information on this subject.

Low Transparency
ABC airlines did not provide any information you wanted to know on the website. The company also did not provide a way to reach the company in case you needed additional information on this subject.

After the scenario subjects were exposed to the survey which consisted of a series of scale items to measure communication openness, transparency, skepticism, trust, attitude toward the firm, and purchase intention. Table 12 provides the scale items for each construct. Qualitative data was also collected. Subjects were asked to list what specific information they would want to know if they were actually learning about an airline. This qualitative data was collected to better understand appropriate manipulations of variables in subsequent studies. The findings from this qualitative data are reviewed as a part of the Study 3, Phase 1 discussion.

The transparency scenarios were first pretested with a separate sample of undergraduate marketing students (n=41). Subjects were randomly assigned to one of the two conditions. The same scenarios described above were used in the pretests and transparency was measured using the seven item scale that resulted from Study 1. The manipulation of high and low transparency levels had a strong effect and they worked as intended. The effectiveness of the manipulations was tested with an independent samples t test. On average, subjects exposed to the high transparency manipulation ($n = 24$) experienced significantly higher perceived firm transparency ($M = 4.98$, $SE = .18$) than the subjects ($n = 17$) exposed to the low transparency manipulation ($M = 1.58$, $SE = .17$), $t\,(39) = -13.37$, $p<.0001$).

Results. The seven item transparency scale was subjected to a CFA. The chi-square was 53.50 ($p<.0001$) with 14 degrees of freedom. Given the sample size ($N = 299$) and the number of observed variables ($m = 7$), the model fit indices generally indicated an excellent fit to the data based on absolute (e.g. SRMSR = .01, GFI = .95) and incremental indices (e.g. CFI = .98, and NFI = .98). However, the model fit indices indicated a "questionable" fit (MacCallum et al., 1996) to the data based on parsimony fit indices (e.g. RMSEA = .10, probability of close fit = .003). In particular, MacCallum et al. (1996) suggest models are questionable with RMSEA values greater than .10. With regard to appropriate RMSEA values, researchers suggest that RMSEA values less than .08 are reasonable (Hair et al., 2006b; Hu & Bentler, 1998; MacCallum et al., 1996). The standardized residuals indicated that some improvement in the model could be made. There were several pairs of variables for which residuals were between $|2.50|$ and $|4.0|$, indicating the model fit could improve by deleting at least one item. In all, upon close examination, three items (TRANSP10, TRANSP22, AND TRANSP25) were deleted from the model based on residuals and lower factor loadings compared to the others. Additionally, these three items are related to the firm sharing information, which, based on the conceptual definition of transparency, is an antecedent of transparency. The model fit improved significantly. The chi-square was 1.84 (p = .17) with 1 degree of freedom. Given the sample size (N = 299) and the number of observed variables (m = 4), the model fit indices indicated an excellent fit to the data based on absolute (e.g. SRMSR = .003, GFI = .99), incremental indices (e.g. CFI = .99, and NFI = .99), and parsimony fit indices (e.g. RMSEA = .05, probability of close fit = .32). Finally, the four item model had no residuals approaching |2.50| (range = .52 to -1.33). Table 13 provides the factor loadings, t-values, reliability, and fit indices for the four item transparency scale.

Table 13: Study 2, Factor Loadings for Transparency Scale

Alpha = .97, CR = .97, AVE = .82		**Factor Loading**	**t value (Std. error)**
TRANPS16	This company provides me with a learning opportunity about itself.	0.91	87.17 (.01)
TRANSP18	This company enables me to know what it's doing.	0.96	158.7 (.006)
TRANSP27	This company wants me to understand what it is doing.	0.95	136.8 (.007)
TRANSP_OPN	This company is open with me.	0.94	120.0 (.008)
Chi-Square (1, n = 299) = 1.84 (p=.17), SRMSR = .003, GFI = .99, RMSEA = .05, CFI = .99, NFI = .99			

Tests of validity. The four item scale that emerged through CFA was then tested for convergent, discriminant, and nomological validities.

The transparency scale was tested for convergent validity by assessing factor loadings, variance extracted, and reliability. The factor loadings ranged from .91 to .96 which is higher compared to the range of factor loadings from Study 1 (.71 to .90). Average variance extracted was .89, also well above the scale's AVE from Study 1 (AVE = .65). Finally, Cronbach's coefficient alpha was .97 and composite reliability (CR) was .99, again above the alpha (.93) and CR (.94) from Study 1.

Following the same process outlined in Study 1, discriminant validity was assessed at two levels, first between transparency and communication openness, and second, between transparency and the other constructs in the proposed model that are dependent on transparency. Additionally, like Study 1, prior to testing for discriminant validity, all scale items for the constructs were first subjected to individual EFA and internal reliability analyses to ensure each of the scales exhibit good psychometric properties, and this includes convergent validity, uni-dimensionality, and internal consistency. The same scale items were used from Study 1. All scales exhibited excellent internal reliability, convergent validity, uni-dimensionality, and internal consistency (see Tables 14 and 15).

Table 14: Study 2, EFA Factor Loadings for Constructs Used in Validity Testing

Variable	Description	Factor Loadings
Communication Openness (Cronbach's Alpha = .85)		
COMOP2	This company and I talk candidly with each other.	0.81
COMOP3	This company and I provide each other with timely information.	0.94
COMOP5	This company is responsive to my needs for information.	0.88
Skepticism (Cronbach's Alpha = .87)		
SKEP1	This company cares more about getting me to buy its product/service than it does about what's good for me.	0.81
SKEP2	This company tries to trick customers into buying something.	0.94
SKEP3	This company tries to manipulate customers.	0.93
Trust in firm(Cronbach's Alpha = .95)		
TRST1	This company can be trusted.	0.93
TRST3	This company is truthful.	0.94
TRST4	This company can be counted on to do what’s right.	0.93
TRST5	I have confidence in this company as an organization.	0.94
Attitude toward the firm (Cronbach's Alpha = .98)		
ATT1	Bad: Good	0.95
ATT2	Unfavorable: Favorable	0.95
ATT3	Disagreeable: Agreeable	0.94
ATT4	Unpleasant: Pleasant	0.94
ATT5	Negative: Positive	0.96
ATT6	Dislike this company: Like this company	0.95

Three steps were performed to test for discriminant validity between transparency and communication openness. First, confirmatory models for transparency and communication openness scales were performed to get the average variance extracted for the two constructs in order to compare the AVE for the transparency scale to the square of the correlation estimate for the two constructs. The AVE for the two constructs should be greater than the square of correlations between those two constructs as an indication of discriminant validity (Fornell & Larcker, 1981). The square of the correlation (R^2 =.67) was less than the average variance extracted for transparency (AVE = .89) but not for communication openness (AVE = .67).

Second, a two-factor model was compared to a one-factor model with transparency and communication openness scale items constrained to one factor (Anderson and Gerbing 1988). The chi-square for the one-factor model was 134.04 ($p<.001$) and was 62.86 ($p<.0001$) for the two-factor model, indicating a significant improvement in fit when separating the two constructs. The chi-square difference test with one degree of freedom was significant at $p<.0001$. Other fit indices such as the standardized RMSR (.03 vs. .05), RMSEA (.12 vs. .18), and CFI (.98 vs. .95) also showed improvement with the two constructs separated rather than in unity.

Finally, the confidence interval for the correlation between the two constructs was evaluated. If the confidence interval does not include one then this is an indication of discriminant validity (Anderson and Gerbing 1988). The 95% confidence interval around the correlation between the two factors (r = .82) did not include 1.0 (lower bound = .78 and upper bound = .86). In sum, based on the findings from both Study 1 and Study 2, there is sufficient evidence to confirm discriminant validity between transparency and communication openness taking into account AVE, chi-square tests for one and two factor models, and the confidence interval around the correlation.

Next, AVE, chi-square tests, and confidence intervals around correlations were assessed to investigate discriminant validity between transparency and: skepticism (SKEP), attitude toward the firm (ATT), purchase intention (PI), and trust (TRST). The AVE for the four constructs were .67 (COMOP), .83 (TRST), .73 (SKEP), .88 (ATT), and .92 (PI). As previously mentioned, the AVE for TRANSP was .89. Transparency shows good discriminant validity between it and the other variables, based on comparing AVE with the squared correlations for these variable pairs. This is an improvement in discriminant validity compared to Study 1 (recall transparency did not exhibit discriminant validity with trust and attitude toward the firm through the AVE method). Table 15 provides the Pearson's correlations, squared correlations, and AVE for each construct.

Similar to Study 1, as a second test of discriminant validity between transparency and the other constructs, two-factor models were compared to one-factor models for transparency and each of the other constructs. The chi-square tests were performed on one pair of factors at a time (Anderson and Gerbing 1988) resulting in five separate constrained model versus unconstrained model chi-square tests (TRANSP-SKEP, TRANSP-TRST, TRANSP-ATT, and TRANSP-PI). Each of the five comparison tests showed improved chi-squares with the two-factor models (Table 16). All chi-square differences had one degree of freedom and the difference was significant at $p<.0001$. For example, the chi-square for the one-factor model for transparency and trust was 393.13

(p<.0001) compared to 69.60 (p<.0001) for the two-factor model. The one-factor model for transparency and attitude toward the firm was 590.87 (p<.0001) compared to 99.54 (p<.0001) for the two-factor model. Consistent with Study 1, the fit indices showed improvement with the two-factor models. For example, standardized RMSR, RMSEA, and CFI for transparency and trust for the one-factor model were .08, .26, and .88 respectively compared to .02, .09, and .98 for the two-factor model. The standardized RMSR, RMSEA, and CFI fit indices for the one-factor model for transparency and attitude toward the firm were .05, .20, and .86 respectively compared to .01, .08, and .99 for the two-factor model. Table 16 provides the chi-square and fit indices for the one and two-factor models for transparency and each of the constructs in the model.

Finally, the confidence intervals were assessed. As with Study 1, none of the confidence intervals around the correlation estimates between the pairs of two factors included 1.0.

Table 15: Study 2, Psychometric Properties of Constructs Used in Validity Testing

Pearson's Correlations, AVE, and Squared Multiple Correlations						
	TRANSP	**COMOP**	**TRST**	**SKEP**	**ATT**	**PI**
TRANSP	**0.82**	0.83	0.79	-0.49	0.86	0.79
COMOP	0.69	**0.64**	0.76	-0.44	0.81	0.73
TRST	0.62	0.58	**0.82**	-0.55	0.86	0.82
SKEP	0.24	0.19	0.30	**0.7**	-0.58	-0.53
ATT	0.74	0.66	0.74	0.34	**0.88**	0.85
PI	0.62	0.53	0.67	0.28	0.72	**0.90**

Correlations above the diagonal; square of correlations below the diagonal; AVE on diagonal.

Table 16: Study 2, One-Factor vs. Two-Factor Discriminant Validity Tests

	TWO FACTOR MODEL [a]	ONE FACTOR MODEL
TRANSP-COMOP		
Chi Square	62.86 (p<.0001)	134.04 (p<.0001)
Standardized RMSR	0.03	0.05
RMSEA	0.12	0.18
CFI	0.98	0.95
TRANSP-SKEP		
Chi Square	28.18 (p<.01)	490.66 (p<.0001)
Standardized RMSR	0.02	0.16
RMSEA	0.06	0.34
CFI	0.99	0.79
TRANSP-TRST		
Chi Square	69.60 (p<.0001)	393.13 (p<.0001)
Standardized RMSR	0.02	0.08
RMSEA	0.09	0.26
CFI	0.98	0.88
TRANSP-ATT		
Chi Square	99.54 (p<.0001)	590.87 (p<.0001)
Standardized RMSR	0.01	0.05
RMSEA	0.08	0.23
CFI	0.99	0.88
TRANSP-PI		
Chi Square	28.12 (p<.0001)	584.42 (p<.0001)
Standardized RMSR	0.01	0.07
RMSEA	0.06	0.37
CFI	0.99	0.81

To summarize the findings of the discriminant validity tests for transparency and the other constructs, Study 2 provided even stronger evidence of discriminant validity compared to Study 1. Whereas in Study 1 TRANSP-TRST and TRANSP-ATT variable pairs did not pass the AVE discriminant validity test, in Study 2 this test was passed.

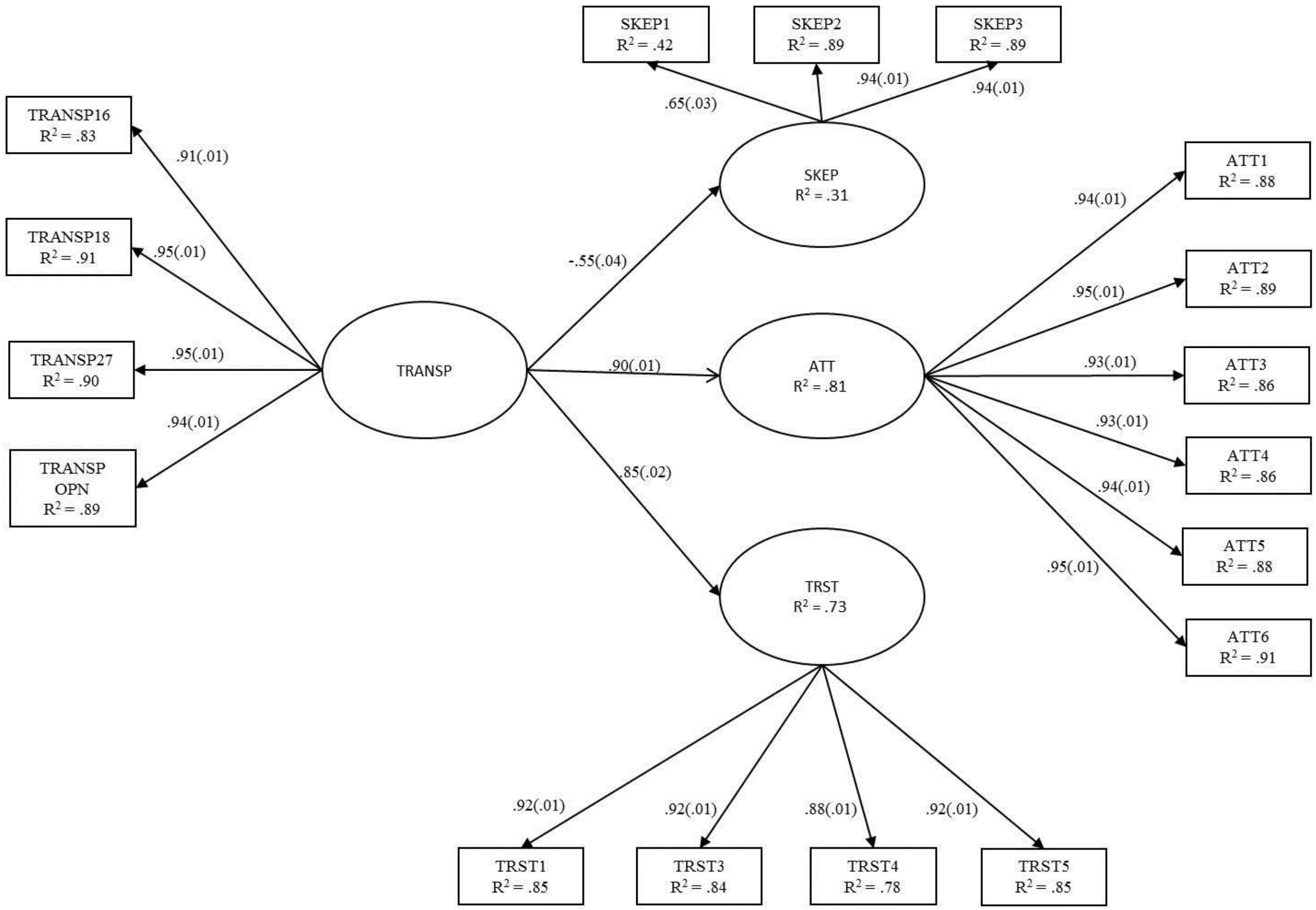
Like the process in Study 1, to investigate nomological validity, the transparency scale was tested with three proposed outcomes, including skepticism, trust, and attitude toward the firm, in a structural equation model so that the size and magnitude of the direct causal relationships could be investigated. Study 1 showed that transparency had a significant direct effect on all of the dependent variables (SKEP = -.54, p<.0001; TRST = .85, p<.0001; ATT = .89, p<.0001). Study 2 confirmed these findings (SKEP = -.55, p<.01; TRST = .85, p<.01; ATT = .90, p<.01). The SEM model testing the nomological validity for Study 2 is presented in Figure 6 and the scale items, factor loadings, and t values are presented in Table 17.

Table 17: Study 2, Nomological Validity Testing

Variable Name	Description	Factor Loadings*	*t* values (Std. error)
Transparency			
TRANPS16	This company provides me with a learning opportunity about itself.	0.91	86.15 (.01)
TRANSP18	This company enables me to know what it's doing.	0.95	153.17 (.01)
TRANSP27	This company wants me to understand what it is doing.	0.95	134.23 (.01)
TRANSP_OPN	This company is open with me.	0.94	124.34 (.01)
Skepticism			
SKEP1	This company cares more about getting me to buy its product/service than it does about what's good for me.	0.65	18.55 (.03)
SKEP2	This company tries to trick customers into buying something.	0.94	65.04 (.01)
SKEP3	This company tries to manipulate customers.	0.94	65.10 (.01)
Trust in firm			
TRST1	This company can be trusted.	0.92	88.33 (.01)
TRST3	This company is truthful.	0.92	84.37 (.01)
TRST4	This company can be counted on to do what's right.	0.88	61.41 (.01)
TRST5	I have confidence in this company as an organization.	0.92	88.33 (.01)
Attitude toward the firm			
ATT1	Bad: Good	0.94	127.08 (.01)
ATT2	Unfavorable: Favorable	0.95	137.55 (.01)
ATT3	Disagreeable: Agreeable	0.93	103.29 (.01)
ATT4	Unpleasant: Pleasant	0.93	103.59 (.01)
ATT5	Negative: Positive	0.94	133.08 (.01)
ATT6	Dislike this company: Like this company	0.95	153.77 (.01)

*All factor loadings are significant at p<.0001.

Figure 6: Study 2, Nomological Validity Testing



Chi-square (116; n=298) = 444.48 (p<.0001); SRMSR = .07; RMSEA < .10; CFI = .95; NFI = .94.
All paths significant at p<.01 (n=296; *t*>13.00)

To summarize Study 2, the purpose of Study 2 was to confirm the factor structure of Study 1, and further assess reliability and validity of the scale. Study 2 provided stronger evidence of nomological validity by using scenarios manipulating levels of transparency rather than allowing subjects to think about a firm they've interacted with in the past. Generally, the findings of Study 2 mirror those of Study 1 and since the transparency manipulation was better controlled for confounding constructs compared to Study 1, the findings are more likely to be a result of changing levels of transparency rather than some other underlying construct not being measured.

Chapter Summary

Two studies were conducted to develop the transparency scale. Study 1 was dedicated to scale development and validation for the transparency construct. The scale development procedure followed the guidelines as set forth by Churchill (1979) and Gerbing and Anderson (1988). Study 1 consisted of three phases: 1) scale item generation and testing the face validity of those scale items to be applied in the subsequent phase, 2) exploratory factor analysis (EFA) to determine the underlying dimensions of transparency and to reduce the number of indicators, and 3) confirmatory factor analysis (CFA) to validate the psychometric properties of the scale developed through the EFA and to test its predictive and nomological validities. Study 1 resulted in a seven-item, one factor psychometrically sound transparency scale. Study 2 was dedicated to further validating the transparency scale and testing its psychometric properties and validity. The findings from Study 2 further validated the transparency scale from Study 1 and provided further evidence of its psychometric and validity properties.

CHAPTER 6: HYPOTHESIS TESTING: METHODOLOGY, DATA ANALYSIS & RESULTS

This chapter focuses on testing the hypotheses presented in Chapter 4 and illustrated in Figure 2 via two data collections. The first data collection (Study 3; study numbers continue from the previous chapter) serves to test the complete proposed model in Chapter 4 using scenarios as the stimuli. The second data collection (Study 4) tests the model using scenarios with a slightly more ecologically valid manipulation of the constructs. It tests the full model across two different stimuli which combine two often-used corporate marketing communications methods, email and a website.

Study 3

The purpose of Study 3 is to test the hypotheses presented in Chapter 4 using scenarios. The complete proposed model was tested with a 2 (consumer effort: low, high) x 2 (perceived firm reciprocity: low, high) x 2 (damaging information: low, high) between subjects design using pretested scenarios as the stimuli. The airline context for the scenarios remained the same as in previous studies.

Pretest of Scenarios. The scenarios manipulating each of the three antecedents were first pretested with separate samples of undergraduate marketing students in a between-subjects design. Table 18 provides the manipulations for the high and low conditions for the three antecedents. Subjects were randomly assigned to one of the conditions (high/low) for either consumer effort, perceived firm reciprocity, or perceived firm-damaging information.

Prior to testing the effectiveness of the manipulations, scale items for the three constructs were first subjected to individual EFA and internal reliability analyses to ensure the measures were one-dimensional and internally consistent. Although the sample sizes were extremely small for factor analysis (consumer effort: n = 14; firm reciprocity: n = 16; negative information: n = 20), research indicates that "if components possess four or more variables with loadings above .60, the pattern may be interpreted whatever the sample size used" (Guadagnoli & Velicer, 1988).

For perceived consumer effort, all four factor loadings ranged from .71 - .97. All variables loaded onto one factor which explained 89% of the retained variance. Cronbach's coefficient alpha for this scale was .91 and item-to-total correlations ranged from .70 - .93. Thus the perceived consumer effort scale shows adequate one-dimensionality and internal consistency.

For perceived firm reciprocity, all four factor loadings ranged from .71 – 1.0. All variables loaded onto one factor which explained 100% of the retained variance. Cronbach's coefficient alpha for this scale was .95 and item-to-total correlations ranged from .71 - .96. Thus the perceived reciprocity scale shows adequate one-dimensionality and internal consistency.

For perceived firm-damaging information, a two-factor solution resulted from EFA. Upon close examination of the two factors, only one factor represented the conceptualization of the construct. The definition provided in Chapter 4 was "the extent to which a consumer perceives that a firm is willingly providing negative information about itself or about its products that could be harmful to its sales or reputation". Upon close examination, the first factor ("This company shares unbiased information about itself or its products", "This company provides information that could be harmful to its reputation", and "This company provides information that could be harmful to its sales") closely represented the conceptualization of the construct and were kept. Both of the reverse coded items, which loaded onto the second factor ("This company provides only favorable information about itself or its products" and "This company seems willing to share only the good things about itself or its products") were removed due to low factor loadings and because they did not best represent the conceptual definition compared to the first factor. The two reverse coded items loading onto one factor (and with low factor loadings) is not surprising as reverse coded items can be problematic in factor analysis (Herche & Engelland, 1996). The remaining variables loaded onto one factor, with factor loadings of .88 for both items. This factor explained 100% of the retained variance. Cronbach's coefficient alpha for this scale was .87 and item-to-total correlations was .78.

Next, the scenarios were checked to ensure subjects perceived the scenarios as intended. All three manipulation checks worked as intended. The effectiveness of the manipulations was tested with an independent samples T test. Levene's test was non-significant for each manipulation check indicating the variances between the two groups for each manipulation check were roughly equal. On average, subjects exposed to the high perceived consumer effort manipulation (n = 8) experienced higher perceived consumer effort (M = 5.78, SE = .37) than the subjects (n = 6) exposed to the low perceived consumer effort manipulation (M = 2.58, SE = .57). This difference was significant t (12) = -4.92, p<.0001. On average, subjects exposed to the high perceived reciprocity manipulation (n = 6) experienced higher perceived reciprocity (M = 5.21, SE = .32) than the subjects (n = 10) exposed to the low perceived reciprocity manipulation

(M = 1.80, SE = .38). This difference was significant t (14) = -6.14, p<.0001. On average, subjects exposed to the high perceived negative information manipulation (n = 10) experienced higher perceived negative information (M = 6.25, SE = .24) than the subjects (n = 10) exposed to the low perceived negative information manipulation (M = 2.85, SE = .48). This difference was significant t (18) = -6.37, p<.0001.

Finally, three two-way factorial ANOVAs were performed as a test to ensure the three manipulated constructs did not influence each other. For each ANOVA, one of the three manipulated constructs was defined as the measured dependent variable, and the other two were defined as independent variables each with two groups (high/low). An interaction term was also defined between the two categorical independent variables in each model. For all three models, the independent variables had neither main nor interaction effects with the dependent variables. For the model with negative information as the dependent variable and perceived firm effort and perceived firm reciprocity as the two independent variables, there was a non-significant main effect of both perceived firm effort, F (1,43) =.02, p = .89, and perceived firm reciprocity, F (1,43) = 1.24, p = .27. For the model with perceived firm reciprocity as the dependent variable and perceived firm effort and negative information as the two independent variables, there was a non-significant main effect of both perceived firm effort, F (1,43) = .00, p = .96, and negative information, F (1,43) = .20, p = .24. For the model with perceived firm effort as the dependent variable and perceived firm reciprocity and negative information as the two independent variables, there was a non-significant main effect of both perceived firm reciprocity, F (1,43) = .78, p = .69, and negative information, F (1,43) = .76, p = .39.

Test of the Model

Method. The data collection lasted seven days. Undergraduate business students were recruited to participate in the study via an email distributed by the instructors. There were 305 completed surveys. Students received extra credit for participating in the study.

Procedure. As in Studies 1 and 2, data was collected via online questionnaires. Subjects were randomly assigned to one of eight scenarios designed to manipulate the high and low levels of perceived consumer effort, perceived firm reciprocity, and perceived firm-damaging information. The manipulations were designed based on the conceptual definitions of the three constructs. Table 18 provides the scenarios manipulating each of these variables at two levels (high/low).

Table 18: Study 3, Manipulations for Antecedents of Transparency

Variable	Low	High
Consumer Effort	The website was organized very intuitively and ABC Airlines made it very easy to find whatever information you were looking for on its website. Also, the information was easy to understand with the writing style and language that ABC used.	The website wasn't organized very intuitively and ABC Airlines didn't make it very easy to find whatever information you were looking for on its website. Also, the information provided wasn't easy to understand with the writing style and technical language that ABC used.
Reciprocity	The airline didn't provide a way to contact it.	The airline provided a "Contact Us" page inviting you to contact them by filling out a quick web form or you could contact the company by phone (toll-free), email, physical mail, and/or by instant messenger.
Firm-Damaging Information	The airline provided pricing for its flights and an overview of the pros of flying with ABC airlines.	The airline provided pricing details for not only ABC flights but also its competitors. Additionally, the company provided an overview of the pros and cons of flying with ABC airlines.

The set up remained the same for each manipulation:

> **Set up for all 8 conditions:**
> You are planning to fly out of town to visit your friend sometime in the near future. Your friend mentioned that ABC Airlines is one of the airlines that fly into the airport that is nearest to him/her. You hadn't flown this airline before.
>
> You were curious to find out how the seats are assigned and who is given priority for this particular airline. You went to ABC's website to see if you could learn more about the seat assignment process and whatever else you thought might be important to know before flying on this airline.

The scenario's set-up paragraph was then followed by the manipulations of the three antecedents. For example, below is the full manipulation for the low consumer effort by high reciprocity by high firm-damaging information:

> "Please imagine that…
>
> You are planning to fly out of town to visit your friend sometime in the near future. Your friend mentioned that ABC Airlines is one of the airlines that fly into the airport that is nearest to him/her. You hadn't flown this airline before.
>
> You were curious to find out how the seats are assigned and who is given priority for this particular airline. You went to ABC's website to see if you could learn more about the seat assignment process and whatever else you thought might be important to know before flying on this airline.
>
> *The next page provides additional information regarding what you learned when you went to ABC Airlines' website".*
>
> <u>**"**There were a few things you noticed while surfing ABC's website:</u>
>
> The website was organized very intuitively and ABC Airlines made it very easy to find whatever information you were looking for on its website. Also, the information was easy to understand with the writing style and language that ABC used.
> The airline didn't provide a way to contact it.
>
> The airline provided a "Contact Us" page inviting you to contact them by filling out a quick web form or you could contact the company by phone (toll-free), email, physical mail, and/or by instant messenger.

> The airline provided pricing details for not only ABC flights but also its competitors. Additionally, the company provided an overview of the pros and cons of flying with ABC airlines.
>
> *You will be asked to recall these on the next page."*

Subjects were exposed to the survey after the scenario which included a series of scale items to measure transparency, skepticism, trust, attitude toward the firm, and purchase intention to test $H_1 – H_{10}$. Finally, subjects were exposed to the scale items intended to measure perceived firm motive to test H_{11a} and H_{11b}. The scale items for perceived firm motive were adapted from an altruistic attribution scale intended to measure a consumer's perception that a firm's behavior is motived by either self-interest or other-interest (i.e. "society") (Alcañiz, Cáceres, & Pérez, 2010). This scale is consistent with this dissertation's conceptualization of perceived firm motives. Recall that perceived firm motives was conceptualized as the extent to which firm transparency is perceived as either other-serving (benefiting others besides the firm) or firm-serving (benefiting the firm). It was proposed that transparency should have a stronger impact in reducing skepticism and increasing trust when consumers perceive the firm's transparency as other-serving compared to when consumers perceive the firm's transparency as firm-serving. The motive scale items followed one of two directions to answering the questions depending on how the subject responded to the scale item, "this company is transparent". For example, for those subjects who selected either 'somewhat disagree', 'disagree', or 'strongly disagree', the direction was:

> "You previously answered either 'somewhat disagree', 'disagree', or 'strongly disagree to the statement: 'ABC Airlines is transparent'. Why do you think ABC Airlines had this level of transparency on its website?"

For those subjects who selected either 'somewhat agree', 'agree', or 'strongly agree', the direction was:

> "You previously answered either 'somewhat agree', 'agree', or 'strongly agree' to the statement: 'ABC Airlines is transparent'. Why do you think ABC Airlines had this level of transparency on its website?"

Responses were excluded from the analysis for those subjects who answered 'neither agree nor disagree' to the statement 'this company is transparent'. There were 94 subjects who were excluded from the analysis due to answering the item 'this company is transparent' with 'neither agree nor disagree'. Of the 214 subjects remaining for the SEM analysis, 62% were 21 and under, 33% were 22 to 34 years old, 3% were 35 to 44 years old, and 2% were 45 to 54 years old. Each set-up was then followed by the perceived firm motives scale. Example scale items included "This firm… had bad intentions toward customers/good intentions toward customers", and "This firm had…bad motives that might hurt customers/good motives that might help customers".

Finally, subjects were exposed to the scales measuring transparency's antecedents. The measures for perceived consumer effort were adapted from product/information search literature (Srinivasan & Ratchford, 1991) and an example included "It seems like I would have to spend a lot of time searching on this company's website for information that I wanted to know about this company". The measures for perceived reciprocity were adapted from the interactivity literature (Liu, 2003) and an example scale item included the following item "The company makes it difficult to offer feedback to it". The measures for firm-damaging information were based on this dissertation's conceptual definition and an example included "This company provides only favorable information about itself or its products". The final scale items for each of the three antecedents of transparency and the motive moderator are listed in Table 20. All variables were measured with 7-point Likert-type scales.

Results. Four procedures were conducted as a part of testing the full proposed model. First, EFAs were conducted on all of the scales to ensure uni-dimensionality. Second, the manipulations were checked to ensure the scenarios were perceived as intended. Third, all scales in the model were tested through a measurement model to ensure the scales exhibited adequate validities and the overall measurement model exhibited adequate model fit indices. Fourth, the full structural model was tested.

For the EFAs, one reverse-scale item measuring perceived firm-reciprocity ("I feel like this company only wants to talk TO me rather than WITH me") was dropped for having a communality estimate of .34 which is far below the .50 recommended threshold (Hair et al., 2006a). The remaining scale items for all constructs were subjected to individual EFAs. All scales loaded onto a single factor and internal reliability ranged from .88 (perceived firm-damaging information) to .98 (attitude toward the firm) for all constructs.

For the manipulation checks, all three manipulation checks worked as intended. The effectiveness of the manipulations was tested with a t test. Levene's test was non-significant for each manipulation check indicating the variances between the two groups for each manipulation check were roughly equal. On average, subjects exposed to the high perceived consumer effort manipulation (n = 121) experienced higher perceived consumer effort (M = 5.56, SE = .13) than the subjects (n = 92) exposed to the low perceived consumer effort manipulation (M = 3.32, SE = .16). This difference was significant t (213) = 10.84, $p<.0001$. On average, subjects exposed to the high perceived reciprocity manipulation (n = 96) experienced higher perceived reciprocity (M = 4.70, SE = .18) than the subjects (n = 117) exposed to the low perceived reciprocity manipulation (M = 2.21, SE = .11). This difference was significant t (213) = 11.33, p<.0001. On average, subjects exposed to the high perceived negative information manipulation (n = 142) experienced higher perceived negative information (M = 4.06, SE = .12) than the subjects (n = 71) exposed to the low perceived negative information manipulation (M = 3.05, SE = .16). This difference was significant t (213) = 5.02, p<.0001.

For the measurement model, all items were constrained to the constructs in which they were intended to measure. The chi-square was 910.18 (p <.0001) with 524 degrees of freedom. Given the sample size (N = 214) and the number of observed variables (m = 35), the model fit indices indicated a somewhat adequate fit to the data based on absolute (e.g. SRMSR = .04) and incremental indices (e.g. CFI = .95 and NFI = .89). However, the model fit indices indicated a less than adequate fit to the data based on parsimony fit indices (e.g. .RMSEA = .06 and probability of close fit = .01). The fit indices indicated the model could be improved. One item at a time was deleted from the model to improve model fit based on investigating the residuals for pairs of variables and the fit indices. For the final model, the chi-square was 291.91 (p<.0001) with 216 degrees of freedom and 24 variables. The model fit indices indicated a much better fit to the data based on absolute (e.g. SRMSR = .02 and GFI = .90) and incremental indices (e.g. CFI = .99 and NFI = .95). The model fit indices also indicated an excellent fit to the data based on parsimony fit indices (e.g. .RMSEA = .04 and probability of close fit = .86). The means and other statistics for all scales in the model are presented in Table 19. The final scale items from the measurement model are provided in Table 19 along with their factor loadings.

Table 19: Study 3, Means for Final Scales

Scale	Mean	Std Dev	Mode	Range
Transparency	3.86	1.82	2	6
Effort	4.59	1.86	6	6
Reciprocity	3.33	1.99	1	6
Negative Information	3.73	1.47	5	6
Skepticism	3.73	1.54	2	6
Trust	3.92	1.49	4	6
Attitude	3.56	1.42	5	5
Purchase Intention	3.81	1.92	1	6
Motive	4.23	1.56	4	6

Table 20: Study 3, Factor Loadings for Measurement Model

Variable Name	Description	Factor Loadings	t value (Std. error)
Consumer Effort (Cronbach's Alpha = .92, CR = .95, AVE = .89)			
EFFORT1	It seems like I would have to spend a lot of time searching this company's website for information that I wanted to know about this company.	0.92	55.54 (.02)
EFFORT2	It seems I would have to put in a lot of effort to learn about this company.	0.89	45.23 (.02)
EFFORT3	It seems this company shares information about itself in such a way that I would have to try hard to learn about it.	0.86	38.52 (.02)
Perceived Firm Reciprocity (Cronbach's Alpha = .91, CR =.91 , AVE = .92)			
RECIPR1	This company seems to facilitate two-way communication between itself and customers.	0.98	27.72 (.03)
RECIPR2	This company affords me the opportunity to communicate with it.	0.85	23.29 (.04)
Perceived Firm-Damaging Information (Cronbach's Alpha = .86, CR = .86, AVE = .82)			
NEGINFO3	This company seems to provide information that could be harmful to its reputation.	0.75	20.25 (.04)
NEGINFO4	This company seems to provide information that could be harmful to its sales.	0.82	25.33 (.03)
NEGINFO6	This company seems to provide negative information about itself or its products.	0.89	31.50 (.03)
Perceived Firm Transparency (Cronbach's Alpha = .92, CR = .93, AVE = .90			
TRANSP16	This company provides me with a learning opportunity about itself.	0.89	50.71 (.02)
TRANSP18	This company enables me to know what it's doing.	0.89	50.95 (.02)
TRANSP27	This company wants me to understand what it is doing.	0.93	70.03 (.01)

Variable Name	Description	Factor Loadings	t value (Std. error)
Skepticism (Cronbach's Alpha = .83, CR = .84, AVE = .85)			
SKEP1	This company cares more about getting me to buy its product/service than it does about what's good for me.	0.83	27.06 (.03)
SKEP2	This company tries to trick customers into buying something.	0.87	30.92 (.03)
Trust in firm(Cronbach's Alpha = .91, CR = .90, AVE = .91)			
TRST1	This company can be trusted.	0.94	56.54 (.02)
TRST3	This company is truthful.	0.87	40.80 (.02)
Attitude toward the firm (Cronbach's Alpha = .95, CR = .96, AVE = .94)			
ATT1	Bad: Good	0.93	85.21 (.01)
ATT2	Unfavorable: Favorable	0.95	107.4 (.01)
ATT3	Disagreeable: Agreeable	0.94	89.21 (.01)
Purchase Intention (Cronbach's Alpha = .96, CR = .96, AVE = .95)			
PI1	I would be willing to buy from this company.	0.97	145.1 (.01)
PI2	I will take this company into consideration the next time I buy a product/service like this.	0.93	82.08 (.01)
PI3	I can imagine buying this company's product/service.	0.95	104.8 (.01)
Perceived Firm Motive (Cronbach's Alpha = .93, CR = .94, AVE = .91)			
MOTIVE1	Bad intentions toward customers…Good intentions toward customers	0.95	88.04 (.01)
MOTIVE2	Intended to take advantage of customers…Not intended to take advantage of customers	0.87	45.68 (.02)
MOTIVE3	Bad motives that might hurt customers…Good motives that might help customers	0.91	60.53 (.02)
Chi-Square (216, n = 214) = 291.91 (p<.0001), SRMSR = .02, GFI = .90, RMSEA = .04, CFI = .98, NFI = .95			

Tests of validity. Next, the constructs in the measurement model were then tested for convergent and discriminant validities prior to testing the full structural model. All scales exhibited adequate convergent validity. The factor loadings ranged from .75 to .97. Average variance extracted ranged from .82 to .95 which is above the recommended threshold of .50 (Hair et al., 2006c). Cronbach's coefficient alpha ranged from .85 to .96 and composite reliability (CR) ranged from .84 to .96. Cronbach's alpha, composite reliability, and average variance extracted are provided in Table 21.

Discriminant validity was assessed between transparency and all of the other constructs in the proposed model. AVE and confidence intervals around correlations were assessed. The AVE for the constructs in the model were .90 (TRANSP), .91 (TRST), .85 (SKEP), .94 (ATT), and .95 (PI). Transparency shows good discriminant validity between it and the other variables. The square of the correlations were less than the average variance extracted for all variable pairs indicating each of the constructs exhibit discriminant validity from the other constructs in the model. Table 21 provides the Pearson's correlations, squared correlations, and AVE for each construct. The confidence intervals were assessed as a second test of discriminant validity. None of the confidence intervals around the correlation estimates between the pairs of two factors included 1.0.

Table 21: Study 3, Psychometric Properties of Constructs

Pearson's Correlations, AVE, and Squared Multiple Correlations

	TRANSP	TRST	SKEP	ATT	PI	EFFORT	RECIPR	NEGINFO	MOTIVE
TRANSP	0.90	0.70	-0.57	0.81	0.81	-0.60	0.42	0.23	0.81
TRST	0.49	0.91	-0.64	0.74	0.75	-0.48	0.39	0.25	0.79
SKEP	0.33	0.41	0.85	-0.66	-0.61	0.48	-0.32	-0.33	-0.73
ATT	0.65	0.55	0.44	0.94	0.86	-0.67	0.50	0.24	0.83
PI	0.65	0.57	0.38	0.73	0.95	-0.60	0.45	0.27	0.81
EFFORT	0.36	0.23	0.23	0.44	0.36	0.89	-0.30	-0.09*	-0.57
RECIPR	0.18	0.15	0.11	0.25	0.20	0.09	0.92	0.12	0.47
NEGINFO	0.05	0.06	0.11	0.06	0.07	0.01	0.01	0.82	0.28
MOTIVE	0.65	0.63	0.53	0.68	0.65	0.32	0.22	0.08	0.91

Correlations above the diagonal; square of correlations below the diagonal; AVE on diagonal.
* Correlations are not significant at p<.05. All other correlations significant at p<.05.

Test of Hypotheses. All hypotheses were tested through a structural equation model[2]. Recall that the model proposed in this dissertation includes a moderating variable which requires creating a construct in the SEM to represent the interaction term between Transparency and Motives. The constrained and unconstrained methods for creating the interaction term were investigated. The technique used for creating the transparency and motive interaction construct in the model followed the unconstrained method advocated and tested by Marsh et al. (Marsh, Wen, & Hau, 2004). Marsh and colleagues found that a simpler, unconstrained path method resulted in just as good, if not better, fit indices as compared to the more complex and constrained path method approach advocated by Kenny and Judd, Ping, and others (Kenny & Judd, 1984; Ping Jr, 1996). In the constrained path approach for a structural equation model with X, Z, and XZ constructs, path estimates and error terms for X and Z are constrained to the values associated with them in the initial measurement model. The indicators for XZ are created by taking the cross product of each of the indicators from X and Z. Thus XZ would have four indicators if X and Z both have two indicators (X_1*Z_1, X_2*Z_2, X_1*Z_2, and X_2*Z_1) and XZ would have nine indicators if X and Z both have three indicators. The main concern with this method is that the indicators violate the assumption of multivariate normality, causing "erroneous" standard errors and chi-square statistics, even when the indicators are in mean-deviation form (Marsh et al., 2004).

Another advantage to the Marsh et al. (2004) approach is the use of a "matched-pair" strategy for creating the indicators of the interaction term. With this method, only

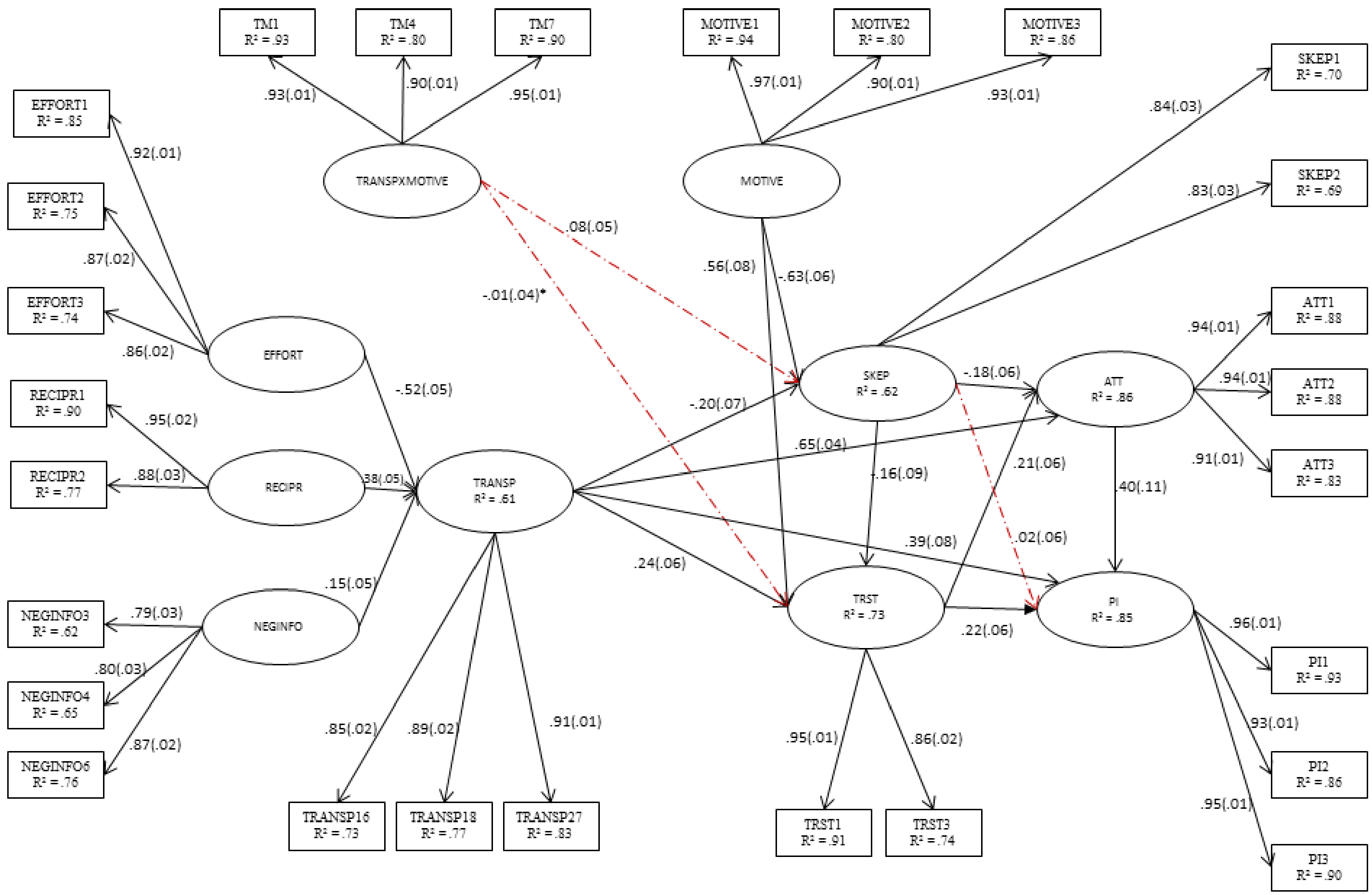
[2] Since the data was collected via an experimental design, the author also conducted supplemental analysis including ANOVA and MANOVA to investigate the effects the manipulated variables on the other independent variables in the model. The detailed analysis and findings is presented in Appendix B

three indicators are necessary to create XY when X and Y each have three indicators (X_1*Y_1, X_2*Y_2, and X_3*Y_3). This is a better approach to the all possible cross-product combinations method (Kenny & Judd, 1984) which requires the XY to include all possible cross-product combinations, which introduces convergence and non-estimation problems (Marsh et al., 2004). Overall, the advantage to using the unconstrained, matched-pair strategy is that it is much simpler for researchers to use, it provides a more robust method in terms of non-normality, and ultimately provides for similar or better fit indices when data strays from normality (Marsh et al., 2004).

To create the SEM model to test the hypotheses, consistent with Marsh et al. (2004), first, all of the indicators were transformed into mean-deviation form via Z scores. Skewness was < 1 and kurtosis was < 2 for all indicators indicating the data does not stray too far from non-normality. Second, each of the three indicators for the transparency and motive interaction construct were created by taking the product of one transparency indicator and one motive indicator. It does not matter which items from each scale are combined together so long as the constructs are one-dimensional (Marsh et al., 2004). In keeping with previous research, the items combined were taken sequentially from each construct (Marsh et al., 2004). In particular, the first transparency scale item was combined with the first motive scale to create the first transparency*motive item ($TRANSPARENCY_{16}$*$MOTIVE_1$). The second transparency scale item was combined with the second motive scale item to create the second transparency*motive item ($TRANSPARENCY_{18}$*$MOTIVE_2$). Finally, the third transparency scale item was combined with the third motive scale item to create the third transparency*motive item ($TRANSPARENCY_{27}$*$MOTIVE_3$). Both the motive and the motive*transparency interaction construct were placed in the model as exogenous constructs.

The full structural equation model is presented in Figure 7 along with the standardized results for linear equations and their standard errors. The chi-square was 573.22 ($p < .0001$) on 297 degrees of freedom. The model fit indices indicated an adequate fit to the data based on absolute (e.g. SRMSR = .07 and GFI = .89), parsimonious (e.g. RMSEA = .07), and incremental indices (e.g. CFI = .96 and NFI = .91). As Figure 7 illustrates, all paths were significant with the exception of the paths from the two proposed interaction effects and the path from skepticism to purchase intention. First is a discussion of the hypotheses predicting direct effects, followed by a discussion of the hypotheses predicting mediation and moderation. Table 22 provides a summary of the results for the test of hypotheses based on the structural equation model.

Figure 7: Study 3, Full Test of the Proposed Model



* All paths are significant at p<.05 (n = 214; *t*> 1.66) except dotted paths which are non-significant. Chi-square (297; n = 214) = 573.22 (p<.0001); SRMSR = .07; RMSEA = .07; CFI = .96; NFI = .91.

The direct effect hypotheses predicting consumer effort (H_1), firm reciprocity (H_2), and negative information (H_3) as antecedents of transparency are all supported indicating they had a significant direct effect on transparency (EFFORT = -.52, p<.01; RECIPR = .38, p<.01; NEGINFO = .15, p<.01). The hypotheses predicting transparency having direct effects on skepticism (H_4), trust (H_5), attitude toward the firm (H_6), and purchase intention (H_7) are supported (SKEP = -.20, p<.01, TRST = .24, p<.01, ATT = .65, p<.01, PI = .39, p<.01).

The hypotheses predicting mediation ($H_{8a,b}$ and $H_{9a,b}$) required a multi-step process. For mediation to occur, the independent variable must have significant effects on both the mediating and dependent variables, and the mediating variable must have significant effects on the dependent variable. In the multi-step process, first it is necessary to show that the independent variable has significant effects on the mediating and dependent variables (without the path from the mediator to the dependent variable in the model). Then it is necessary to show that the effect of the independent variable on the dependent variable decreases when the path from the mediator to the dependent variable is introduced into the model (Baron & Kenny, 1986). For full mediation, the path from the independent variable to the dependent variable will become non-significant once the mediating path is introduced into the model. For partial mediation, the path from the independent variable to the dependent variable may still be significant when the mediating path is introduced but the effect must be reduced. For partial mediation it is important to interpret the size of the indirect (or mediating) effect. To calculate the indirect effect size, the path estimate from the independent variable to the mediator is multiplied by the path estimate from the mediator to dependent variable. A small effect size is .01 - .08, a medium effect size is .09 - .25, and a large effect size is at least .25 (Cohen, 1988). Additionally, Hair et. al. (2006) note that effect sizes below .08 "do not add to substantive conclusions" and should not be interpreted.

H_{8a}, which predicts the impact of transparency on attitude toward the firm is partially mediated by skepticism, is supported. In the model without the mediating path of skepticism to attitude, both paths from transparency to skepticism ($\beta = -.28$) and from transparency to attitude ($\beta = .70$) were significant ($p < .01$). In the model with the mediating path, all three paths were significant ($p < .01$), and in particular the transparency to attitude path was reduced from .70 to .65 supporting partial mediation by skepticism. A bootstrap analysis was conducted which revealed that the 95% confidence interval for the size of the indirect effect excluded zero (.04, .15), which suggested a significant indirect effect (Preacher & Hayes, 2004).

H_{8b}, which predicts the impact of transparency on attitude toward the firm is partially mediated by trust, is supported. In the model without the mediating path of trust to attitude, both paths from transparency to trust ($\beta = .30$) and from transparency to attitude ($\beta = .73$) were significant ($p < .01$). In the model with the mediating path, all three paths were significant ($p < .01$), and in particular the transparency to attitude path was reduced from .73 to .65 supporting partial mediation by trust. The bootstrap analysis revealed that the 95% confidence interval for the size of the indirect effect excluded zero (.12, .25), indicating a significant indirect effect (Preacher & Hayes, 2004).

H_{9a}, which predicts the impact of transparency on purchase intention is partially mediated by skepticism, is not supported. The mediating path from skepticism to purchase intention was not significant in the structural model. According to Baron and

Kenny (1986), the path from the mediator to the dependent variable must be significant in order to test its mediating effects. As a result, skepticism is not a mediating variable between transparency and purchase intention since the path from skepticism to purchase intention was non-significant.

H_{9b}, which predicts the impact of transparency on purchase intention is partially mediated by trust, is supported. In the model without the mediating path of trust to purchase intention, both paths from transparency to trust ($\beta = .27$) and from transparency to purchase intention ($\beta = .41$) were significant ($p<.01$). In the model with the mediating path, all three paths were significant ($p<.01$), and in particular the transparency to purchase intention path was reduced from .41 to .39 supporting partial mediation by trust. The bootstrap analysis revealed that the 95% confidence interval for the size of the indirect effect excluded zero (.14, .32), suggesting a significant indirect effect (Preacher & Hayes, 2004).

Regarding the moderating hypotheses, it was proposed that the impact of transparency on skepticism will be greater with perceptions of other-serving motive attributions than with perceptions of firm-serving motive attributions. Likewise, the impact of transparency on trust will be greater with perceptions of other-serving motive attributions than with perceptions of firm-serving motive attributions. The moderating hypothesis predicting that perceived motives moderates the relationship of transparency on skepticism (H_{11a}) is not supported ($\beta = .08$, $p>.05$). The hypothesis predicting that perceived motives moderates the relationship of transparency on trust (H_{11b}) is also not supported ($\beta = -.01$, $p>.10$). A post-hoc analysis of the linear correlations between transparency and skepticism and transparency and trust at high (firm-serving) motives and low (other-serving) motives was performed to better understand the interaction of transparency and motives. For both firm and other-serving motives, transparency was correlated with skepticism and trust in the predicted directions. As hypothesized in Chapter 4, the strength of the relationships is less when the motives for being transparent are perceived to be more firm-serving motives than other-serving motives. However, the correlation between transparency and skepticism for subjects who perceived firm-serving motives was non-significant ($r = -.09$, $p = .45$) while the correlation between transparency and skepticism for subjects who perceived other-serving motives was significant ($r =-.29$, $p<.01$). Both of the correlations between transparency and trust for subjects who perceived firm-serving motives and for those who perceived other serving motives were significant (firm-serving: $r = .46$, $p<.0001$ and other-serving: $r = .49$, $p<.0001$) and in the predicted direction. One possible explanation for motives not being a moderator of the effects of transparency on skepticism and trust in the structural equation model is that motives are less important in the overall evaluation process of firms by stakeholders. What may matter most is *whether or not* a firm is or isn't transparent rather than *why* a firm is or isn't transparent. A second possible explanation is that transparency motives were not salient enough to subjects as they responded to the survey since the scale items for perceived motives were presented after the scale items for skepticism, trust, attitude, and purchase intention. A final possible explanation is that the right moderating motives were not captured in the scale items.

Table 22: Study 3, Results for Test of Hypotheses

Hypothesis	Finding
H_1: Consumer perceived effort toward learning about a firm has a negative effect on perceptions of transparency.	Supported
H_2: Perceived firm reciprocity has a positive effect on perceptions of transparency.	Supported
H_3: Information provided by a firm that is perceived as firm-damaging has a positive effect on perceptions of transparency.	Supported
H_4: Perceived firm transparency has a negative effect on consumer skepticism.	Supported
H_5: Perceived firm transparency has a positive effect on trust.	Supported
H_6: Perceived firm transparency has a positive effect on attitudes toward the firm.	Supported
H_7: Perceived firm transparency has a positive effect on purchase intention.	Supported
H_{8a}: The impact of transparency on attitude toward the firm is partially mediated by consumer skepticism.	Supported
H_{8b}: The impact of transparency on attitude toward the firm is partially mediated trust.	Supported
$H_{9a:}$ The impact of transparency on purchase intention is partially mediated by consumer skepticism.	Not Supported
$H_{9b:}$ The impact of transparency on purchase intention is partially mediated by trust.	Supported
H_{10}: Attitude toward the firm has a positive effect on purchase intention.	Supported
H_{11a}: The influence of transparency on consumer skepticism is moderated by perceived firm motives.	Not Supported
H_{11b}: The influence of transparency on trust is moderated by perceived firm motives.	Not supported

To summarize Study 3, the purpose of Study 3 was to test the hypotheses presented in Chapter 4 using scenarios in an airline context as stimuli and a structural equation model as the analysis method. The complete proposed model was tested with a 2 (consumer effort: low, high) x 2 (perceived firm reciprocity: low, high) x 2 (damaging information: low, high) between subjects design. Of the three antecedents, consumer effort had the greatest impact on perceptions of firm transparency ($\beta = -.52$, $p<.01$), followed by perceived firm reciprocity ($\beta = .38$, $p<.01$), and negative information ($\beta = .15$, $p<.01$). This provides some insight into helping firms prioritize their transparency strategy with customers. The findings here would suggest that firms with limited resources should first start with making it easy for customers to learn about the company and its products as those efforts will have the highest impact on perceptions of firm transparency. Interestingly, of the three antecedents, negative information has the least impact on transparency, which is probably good news for firms as they would most likely be most resistant to sharing negative information about itself compared to other methods of transparency. Study 3 also revealed that transparency has significant direct impact on reducing skepticism ($\beta = -.20$, $p<.01$), and increasing trust ($\beta = .48$, $p<.01$), attitude toward the firm ($\beta = .65$, $p<.01$), and purchase intention ($\beta = .39$, $p<.01$); and these impacts are of substantial magnitude. Overall, Study 3 has shown that transparency is an important construct for firms in gaining more favorable attitudes and purchase intention from stakeholders.

Next is Study 4, which tests the full structural equation model incorporating both a fictitious email and website into the stimuli design. A more diverse sample in terms of age will also be used in Study 4 in addition to testing the model with different marketing communications stimuli.

Study 4

The purpose of Study 4 is to further test the proposed model in a slightly more ecologically valid setting with a more diverse sample. The scenarios used in Study 3 were modified to develop 8 new airline scenarios for a 2 (consumer effort: low, high) x 2 (perceived firm reciprocity: low, high) x 2 (damaging information: low, high) between subjects design. In these new scenarios, ABC Airlines introduced a new in-flight service by sending out an email communication to its customers. The airline then referred customers to its website for additional information about the new in-flight service.

Test of the Model

Method. The data collection lasted 14 days. A more diverse age range of participants were solicited for participation including students and non-students. Undergraduate business students were recruited to participate in the study via an email by the instructors. Students received extra credit for participating in the study. The non-students were recruited to participate in the study via an email and social media (Facebook and Linked In) notifications by the researcher to a convenience sample. There were 341 completed surveys.

Procedure. As in Studies 1, 2 and 3, data was collected via online questionnaires. Subjects were randomly assigned to one of eight scenarios designed to manipulate the high and low levels of perceived consumer effort, perceived firm reciprocity, and perceived firm-damaging information. The manipulations were designed based on scenarios of Study 3 and the conceptual definitions of the three constructs.

The experiment required subjects to first read an introduction about ABC Airlines in which they were asked to imagine they recently purchased an airline ticket to fly ABC Airlines.

Introduction for all manipulations:

> "ABC Airlines is sending out an email to all of its customers to announce a new in-flight service that it will offer on all of its planes. One of the ways that ABC Airlines is marketing this new service is by sending out emails to all those customers who recently booked a flight. Please imagine you are one of these customers."

Subjects were then asked to read an email from ABC Airlines to its customers in which the airline was introducing a new in-flight service. The email was addressed to the subject by name in the salutation of the email. The name was auto-populated from a previous page in which subjects were asked to provide their first name. Therefore if the subject said his name was "John" then the email started with "Dear John". This part of the email was created to stimulate interest in the email and add personalization to it so as to increase ecological validity. Following the salutation, each email consisted of the same first paragraph for all manipulations:

> "Thank you for recently booking a flight with ABC Airlines! We thought we'd share with you an exciting new in-flight service that will be available on your next flight. This new in-flight service will allow passengers the option to connect to different websites via APPS right from the touchscreen located at each seat. We've provided a list of features on our website at www.abcairlines.com."

The second paragraph was intended to manipulate perceived firm reciprocity by manipulating the number of different ways ABC Airlines offered its customers a way to communicate with it. For example, the high reciprocity condition included the following verbiage:

> "Would you like to contact us? We can address your questions and comments by email (newfees@abcairlines.com) or you can speak to a representative by calling our toll-free number (888-931-1ABC). You may also chat with us instantly online by visiting our website (www.ABCairlines.com\instantchat)."

Whereas the low reciprocity condition included the following verbiage:

> "Would you like to contact us? We can address your questions and comments by email (newfees@abcairlines.com)."

Following the reciprocity manipulation was verbiage constant to all manipulations:

> "We know you have many choices from which to choose for your next air travel. We appreciate your business and look forward to flying with you soon.
>
> Sincerely,
>
> ABC Airlines"

Finally, the email included a 'P.S' section intended to manipulate perceived firm damaging information. In the low firm-damaging information, it was suggested that ABC Airlines provided on their website pros of flying with them and flight pricing:

> "P.S.
> You may also visit our website for:
> - A letter from the CEO summarizing the past year's successes.
> - An overview of the pros of flying with ABC Airlines.
> - Flight prices for our flights."

In the high condition, it was suggested that ABC Airlines provided on their website pros and cons of flying with them and flight pricing for both ABC and its competitors:

> "P.S.
> You may also visit our website for:
> - A letter from the CEO summarizing the past year's successes (and failures too) for the company.

- An overview of the pros and cons of flying with ABC Airlines. The overview provides what our customers like and dislike about our services.
- Flight prices for not only our flights but also our competitors. We'll let you know when we're not the cheapest flight available."

After reading the email, subjects were then asked to proceed to the company's website to learn more about the new in-flight service:

> "Click the >> button for more information on the company's website about this new in-flight product."

The website stimuli were intended to manipulate perceived consumer effort. The website was non-descript with the exception of an ABC Airlines logo at the top of each web page. The same content which discussed additional features of the in-flight service was provided for both high and low conditions:

> "Some applications (APPS) that will be available include those from social media, news, and entertainment sites.
>
> Other features include:
>
> - Unlimited access to any of the offered APP sites during your flight.
> - The ability to use all of the features within each APP. For example, in the Facebook APP you will be able to post status updates, send emails, etc. just as you would from your computer.
> - A modest cost of $3.99, which is less than purchasing in-flight Wi-Fi.
> - Availability by the time you are scheduled to fly with ABC Airlines."

However, for the low perceived consumer effort condition, the content was presented in bullet form, on a single page, and in a larger, more readable font (as seen above). For the high perceived consumer effort condition, the content was presented in paragraph form, across several web pages (to mimic search and click behaviors on a real website), in small font (to mimic 'fine print'), and presented at the very bottom of the web page (to mimic search and scroll behaviors on a real website).

Finally, subjects completed the survey after subjects were presented with the web pages for the new in-flight service.

Procedure for test of full model. Four procedures were conducted as a part of testing the full proposed model. First, EFAs were conducted on all of the scales to ensure uni-dimensionality. Second, the manipulations were checked to ensure the scenarios were perceived as intended. Third, all scales in the model were tested through a measurement model to ensure the scales exhibited adequate validities and the overall measurement model exhibited adequate model fit indices. Fourth, the full structural model was tested.

For the EFAs, each scale loaded onto a single factor and internal reliability ranged from .78 (skepticism) to .93 (attitude toward the firm, purchase intention, trust) for all constructs.

For the manipulation checks, all three manipulation checks worked as intended. The effectiveness of the manipulations was tested with a t test. Levene's test was non-significant for each manipulation check indicating the variances between the two groups for each manipulation check were roughly equal. On average, subjects exposed to the high perceived consumer effort manipulation ($n = 149$) experienced higher perceived consumer effort ($M = 4.29$, $SE = .12$) than the subjects ($n = 149$) exposed to the low perceived consumer effort manipulation ($M = 3.89$, $SE = .11$). This difference was significant $t(296) = 2.47$, $p<.05$. On average, subjects exposed to the high perceived reciprocity manipulation ($n = 145$) experienced higher perceived reciprocity ($M = 4.93$, SE = .10) than the subjects (n = 155) exposed to the low perceived reciprocity manipulation (M = 4.49, SE = .09). This difference was significant *t* (298) = 3.11, $p<.01$. On average, subjects exposed to the high perceived negative information manipulation (n = 150) experienced higher perceived negative information (M = 4.04, SE = .09) than the subjects (n = 145) exposed to the low perceived negative information manipulation (M = 3.26, SE = .10). This difference was significant *t* (293) = 5.78, $p<.0001$.

Three two-way factorial ANOVAs were also performed as a test to ensure the three manipulated constructs did not influence each other. For each ANOVA, one of the three manipulated constructs was defined as the measured dependent variable, and the other two were defined as independent variables each with two groups (high/low). An interaction term was also defined between the two categorical independent variables in each model. For all three models, the independent variables had neither main nor interaction effects with the dependent variables. For the model with negative information as the dependent variable and perceived firm effort and perceived firm reciprocity as the two independent variables, there was a non-significant main effect of both perceived firm effort, F (1,327) =.52, p = .47, and perceived firm reciprocity, F (1,327) = .19, p = .67. For the model with perceived firm reciprocity as the dependent variable and perceived firm effort and negative information as the two independent variables, there was a non-significant main effect of both perceived firm effort, F (1,333) = 2.8, p = .12, and negative information, F (1,333) = .26, p = .61. For the model with perceived firm effort as the dependent variable and perceived firm reciprocity and negative information as the two independent variables, there was a non-significant main effect of both perceived firm reciprocity, F (1,330) = .04, p = .84, and negative information, F (1,330) = 1.13, p = .29.

Like Study 3, the motives scale items were presented to subjects who responded to the statement, 'this company is transparent" with either a 'strongly agree', 'somewhat agree', 'agree', 'disagree', 'somewhat disagree', or 'strongly disagree'. Subjects who responded to this statement with 'neither agree nor disagree' were removed from the analysis of the measurement and structural model. There were 100 subjects who were excluded from the analysis due to answering the item 'this company is transparent' with 'neither agree nor disagree'. Of the 201 subjects remaining for the SEM analysis, 32% were 21 and under, 45% were 22 to 34 years old, 9% were 35 to 44 years old, 6% were 45 to 54 years old, 5% were 55 to 64 years old, and 3% were 65 and older. The goal for Study 4 (to test the model with a sample that has a more diverse age range compared to Study 3) was accomplished. The sample for Study 4 is much more diverse compared to that of Study 3. For Study 3, 62% of the sample was 21 and under, compared to Study 4 which had only 32% of the sample 21 and under. Table 23 provides a comparison of the age ranges between Studies 3 and 4.

Table 23: Studies 3 and 4, Age Range of Study Participants

Age Range	Study 3 Percent	Study 4 Percent
21 and under	62%	32%
22 to 34	33%	45%
35 to 44	3%	9%
45 to 54	2%	6%
55 to 64	0	5%
65 and over	0	3%

For the measurement model, all items were constrained to load on the constructs they were intended to measure. The chi-square was 270.93 ($p < .0001$) with 216 degrees of freedom. Given the sample size (N = 189) and the number of observed variables (m = 24), the model fit indices indicated a good fit based on absolute (e.g. SRMSR = .03 and GFI = .89) and incremental indices (e.g. CFI = .98 and NFI = .93). The model fit indices indicated a very good fit to the data based on parsimony fit indices (e.g. .RMSEA = .04 and probability of close fit = .90). The means for each of the scales is provided in Table 24. The final scale items from the measurement model are provided in Table 25 along with their factor loadings.

Table 24: Study 4, Means for Final Scales

Scale	Mean	Std. Dev.	Minimum	Maximum
Effort	4.05	1.52	1	7
Reciprocity	4.78	1.38	1	7
Negative Information	3.78	1.35	1	7
Transparency	5.29	1.30	1	7
Skepticism	3.31	1.46	1	7
Trust	4.71	1.31	1	7
Attitude	4.50	1.10	1	6
Purchase Intention	4.89	1.43	1	7
Motive	4.95	1.43	1	7

Table 25: Study 4, Factor Loadings for Measurement Model

Variable Name	Description	Factor Loadings	t value (Std. error)
Consumer Effort (Cronbach's Alpha = .92, CR = .95, AVE = .89)			
EFFORT1	It seems like I would have to spend a lot of time searching this company's website for information that I wanted to know about this company.	0.89	42.13 (.02)
EFFORT2	It seems I would have to put in a lot of effort to learn about this company.	0.93	51.21 (.02)
EFFORT3	It seems this company shares information about itself in such a way that I would have to try hard to learn about it.	0.84	31.46 (.03)
Perceived Firm Reciprocity (Cronbach's Alpha = .82, CR =.91 , AVE = .86)			
RECIPR1	This company seems to facilitate two-way communication between itself and customers.	0.93	28.81 (.03)
RECIPR2	This company affords me the opportunity to communicate with it.	0.78	19.56 (.04)

(table 25 continued)

Variable Name	Description	Factor Loadings	t value (Std. error)
Perceived Firm-Damaging Information (Cronbach's Alpha = .84, CR = .91, AVE = .80)			
NEGINFO3	This company seems to provide information that could be harmful to its reputation.	0.89	25.27 (.03)
NEGINFO4	This company seems to provide information that could be harmful to its sales.	0.84	22.55 (.04)
NEGINFO6	This company seems to provide negative information about itself or its products.	0.68	14.25 (.05)
Perceived Firm Transparency (Cronbach's Alpha = .87, CR = .95, AVE = .87)			
TRANSP16	This company provides me with a learning opportunity about itself.	0.82	28.29 (.03)
TRANSP18	This company enables me to know what it's doing.	0.93	58.46 (.02)
TRANSP27	This company wants me to understand what it is doing.	0.87	39.77 (.02)
Skepticism (Cronbach's Alpha = .79, CR = .88, AVE = .82)			
SKEP1	This company cares more about getting me to buy its product/service than it does about what's good for me.	0.78	20.90 (.04)
SKEP2	This company tries to trick customers into buying something.	0.86	27.22 (.03)
Trust in firm(Cronbach's Alpha = .93, CR = .97, AVE = .95)			
TRST1	This company can be trusted.	0.96	81.38 (.01)
TRST3	This company is truthful.	0.94	69.99 (.01)
Attitude toward the firm (Cronbach's Alpha = .93, CR = .97, AVE = .92)			
ATT1	Bad: Good	0.91	56.98 (.02)
ATT2	Unfavorable: Favorable	0.95	80.69 (.01)
ATT3	Disagreeable: Agreeable	0.90	51.04 (.02)
Purchase Intention (Cronbach's Alpha = .93, CR = .96, AVE = .90)			
PI1	I would be willing to buy from this company.	0.93	63.12 (.01)
PI2	I will take this company into consideration the next time I buy a product/service like this.	0.89	47.96 (.02)
PI3	I can imagine buying this company's product/service.	0.87	40.91 (.02)
Perceived Firm Motive (Cronbach's Alpha = .91, CR = .95, AVE = .88)			
MOTIVE1	Bad intentions toward customers…Good intentions toward customers	0.90	44.11 (.02)
MOTIVE2	Intended to take advantage of customers…Not intended to take advantage of customers	0.86	35.19 (.02)
MOTIVE3	Bad motives that might hurt customers…Good motives that might help customers	0.87	37.21 (.02)
Chi-Square (216, n = 169) = 270.93 (p<.0001), SRMSR = .03, GFI = .89, RMSEA = .04, CFI = .98, NFI = .93			

Tests of validity. Next, the constructs in the measurement model were tested for convergent and discriminant validities prior to testing the full structural model. All scales exhibited adequate convergent validity. The factor loadings ranged from .68 to .96. Average variance extracted ranged from .80 to .95 which is above the recommended threshold of .50 (Hair et al., 2006c). Cronbach's coefficient alpha ranged from .79 to .93 and composite reliability (CR) ranged from .87 to .97. Cronbach's alpha, composite reliability, and average variance extracted are provided in Table 26.

Discriminant validity was assessed between transparency and all of the other constructs in the proposed model. AVE and confidence intervals around correlations were assessed. The AVE for the constructs in the model were .87 (TRANSP), .95 (TRST), .82 (SKEP), .92 (ATT), .90 (PI), .89 (EFFORT), .86 (RECIPR), .80 (NEGINFO), and .88 (MOTIVE). Transparency shows good discriminant validity between it and the other variables. The square of the correlations were less than the average variance extracted for all variable pairs indicating each of the constructs exhibit discriminant validity from the other constructs in the model. Table 26 provides the Pearson's correlations, squared correlations, and AVE for each construct. The confidence intervals were assessed as a second test of discriminant validity. None of the confidence intervals around the correlation estimates between the pairs of two factors included 1.0.

Table 26: Study 4, Psychometric Properties of Constructs

Pearson's Correlations, AVE, and Squared Correlations

	TRANSP	TRST	SKEP	ATT	PI	EFFORT	RECIPR	NEGINFO	MOTIVE
TRANSP	0.87	0.69	-0.49	0.69	0.69	-0.49	0.55	-.02*	0.64
TRST	0.48	0.95	-0.59	0.75	0.68	-0.44	0.56	.00*	0.74
SKEP	0.24	0.35	0.82	-0.68	-0.59	0.44	-0.35	.08*	-0.59
ATT	0.48	0.56	0.46	0.92	0.73	-0.49	0.52	-0.08*	0.70
PI	0.48	0.46	0.35	0.53	0.90	-0.41	0.58	-.07*	0.67
EFFORT	0.24	0.19	0.19	0.24	0.17	0.89	-0.38	.08*	-0.47
RECIPR	0.30	0.31	0.12	0.27	0.34	0.14	0.86	-.08*	0.56
NEGINFO	0.00	0.00	0.01	0.01	0.00	0.01	0.01	0.80	-.07*
MOTIVE	0.41	0.55	0.35	0.49	0.45	0.22	0.31	0.00	0.88

Correlations above the diagonal; square of correlations below the diagonal; AVE on diagonal.
* Correlations are not significant at p<.05. All other correlations significant at p<.05.

Test of Hypotheses. All hypotheses were tested through a structural equation model[3].

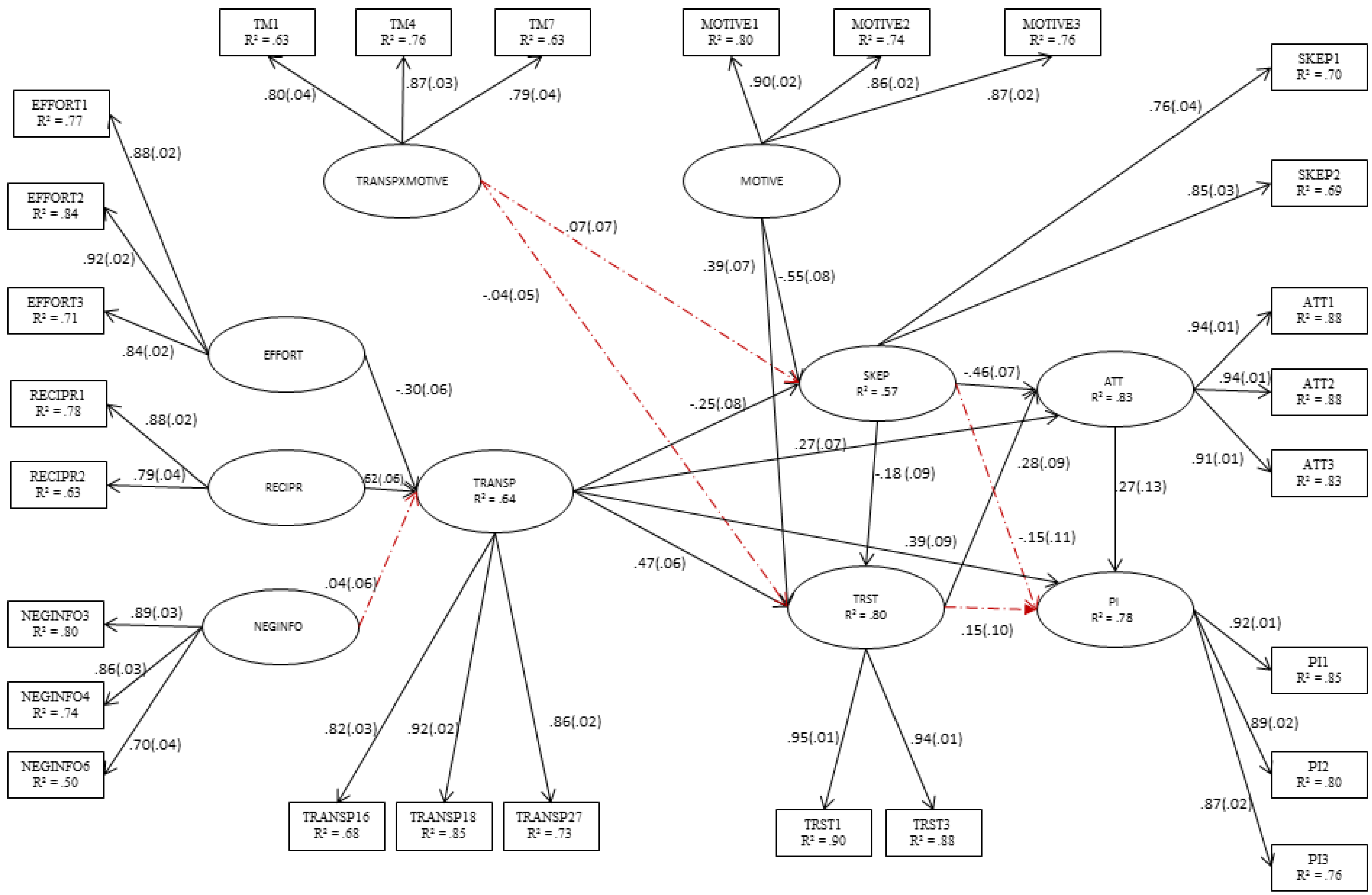
The full structural equation model is presented in Figure 8 along with the standardized results for linear equations and their standard errors. The chi-square was 457.52 (p <.0001) on 297 degrees of freedom. The model fit indices indicated an adequate fit to the data based on absolute (e.g. SRMSR = .05), parsimonious (e.g. RMSEA = .05 and probably of close fit =.26), and incremental indices (e.g. CFI = .96 and NFI = .90). As Figure 8 illustrates, all paths were significant with the exception of: the path from negative information to transparency, the paths from the two proposed interaction effects, and the paths from skepticism and trust to purchase intention. Compared to Study 3, the model from Study 4 has two additional paths that are non-

[3] Since the data was collected via an experimental design, the author conducted ANOVA and MANOVA analyses to better understand the impact of the manipulations on the dependent variables in the model. This analysis is presented in Appendix C.

significant (from negative information to transparency and from trust to purchase intention). The different findings between Studies 3 and 4 are most likely attributed to the difference in sample and to the difference in stimuli.

First is a discussion of the hypotheses predicting direct effects, followed by a discussion of the hypotheses predicting mediation and moderation. Table 27 provides a summary of the results for the test of hypotheses based on the structural equation model.

Figure 8: Study 4, Full Test of the Proposed Model



* All paths are significant at p<.05 (n = 189; *t*> 1.66) except dotted paths which are non-significant. Chi-square (297; n = 189) = 457.52 (p<.0001); SRMSR = .05; RMSEA = .05; CFI = .96; NFI = .90.

The direct effect hypotheses predicting consumer effort (H_1) and firm reciprocity (H_2) as antecedents of transparency are supported indicating they had a significant direct effect on transparency (EFFORT = -.30, p<.01; RECIPR = .62, p<.01). Compared to Study 3, the path estimate for effort on transparency has decreased (Study 3, EFFORT = -.52, p<.01) whereas the path estimate for reciprocity on transparency has increased (Study 3, RECIPR = .38, p<.01). The hypothesis predicting negative information (H_3) as an antecedent of transparency is not supported (β = .04, p>.05), which is in contrast to a significant path estimate in Study 3 (Study 3, NEGINFO = .15, p<.05).

The hypotheses predicting transparency having direct effects on skepticism (H_4), trust (H_5), attitude toward the firm (H_6), and purchase intention (H_7) are supported (SKEP = -.25, p<.01, TRST = .47, p<.01, ATT = .27, p<.01, PI = .39, p<.01). The major difference in these path estimates between Studies 3 and 4 is that the path estimate from transparency to attitude has been significantly reduced (Study 3, ATT = .65, p<.01).

The hypotheses predicting mediation ($H_{8a,b}$ and $H_{9a,b}$) required the same multi-step procedure (Baron & Kenny, 1986) as in Study 3. $H_{8a,}$ which predicts the impact of transparency on attitude toward the firm is partially mediated by skepticism, is supported. In the model without the mediating path of skepticism to attitude, both paths from transparency to skepticism (β = -.30) and from transparency to attitude (β =.30) were significant (p<.01). In the model with the mediating path, all three paths were significant (p<.01), and in particular the transparency to attitude path was reduced from .30 to .27 supporting partial mediation by skepticism. The bootstrap analysis revealed that the 95% confidence interval for the size of the indirect effect excluded zero (.14, .27), which suggested a significant indirect effect (Preacher & Hayes, 2004).

$H_{8b,}$ which predicts the impact of transparency on attitude toward the firm is partially mediated by trust, is supported. In the model without the mediating path of trust to attitude, both of the paths from transparency to trust (β = .47) and from transparency to attitude (β =.40) were significant (p<.01). In the model with the mediating path, all three paths were significant (p<.01), and in particular the transparency to attitude path was reduced from .40 to .27 supporting partial mediation by skepticism. The bootstrap analysis showed that the 95% confidence interval for the size of the indirect effect excluded zero (.24, .43), which suggested a significant indirect effect (Preacher & Hayes, 2004).

$H_{9a,}$ which predicts the impact of transparency on purchase intention is partially mediated by skepticism, and $H_{9b,}$ which predicts the impact of transparency on purchase intention is partially mediated by trust, are not supported. The mediating paths from skepticism to purchase intention and trust to purchase intention were not significant in the structural model. According to Baron and Kenny (1986), the path from the mediator to the dependent variable must be significant in order to test its mediating effects. As a result, neither skepticism nor trust is a mediating variable between transparency and purchase intention.

The moderating hypothesis predicting that perceived motives moderates the relationship of transparency on skepticism (H_{11a}) is not supported (β = .07, p>.10). The hypothesis predicting that perceived motives moderates the relationship of transparency on trust (H_{11b}) is also not supported (β = -.04, p>.10). The unsupported moderating hypotheses in this study are consistent with the findings from Study 3. A post-hoc analysis of the linear correlations between transparency and skepticism and transparency and trust at high (firm-serving) motives and low (other-serving) motives was investigated to better understand the interaction of transparency and motives. For both firm and other-serving motives, transparency was correlated with skepticism and trust in the predicted directions. As hypothesized in Chapter 4, the strength of the relationships is less when firm-serving motives are perceived compared to other-serving motives. Unlike in Study 3 where the correlation between transparency and skepticism for subjects who perceived firm-serving motives was non-significant ($r = -.09$, $p = .45$), in Study 4 the correlation was significant ($r = -.24$, $p<.01$). The correlation between transparency and skepticism for subjects who perceived other-serving motives was also significant ($r = -.62$, $p<.001$). Both of the correlations between transparency and trust for subjects who perceived firm-serving motives and for those who perceived other serving motives were significant (firm-serving: $r = .66$, $p<.0001$ and other-serving: $r = .71$, $p<.0001$) and in the predicted direction.

Table 27: Study 4, Results for Test of Hypotheses

Hypothesis	Finding
H_1: Consumer perceived effort toward learning about a firm has a negative effect on perceptions of transparency.	Supported
H_2: Perceived firm reciprocity has a positive effect on perceptions of transparency.	Supported
H_3: Information provided by a firm that is perceived as firm-damaging has a positive effect on perceptions of transparency.	Not Supported
H_4: Perceived firm transparency has a negative effect on consumer skepticism.	Supported
H_5: Perceived firm transparency has a positive effect on trust.	Supported
H_6: Perceived firm transparency has a positive effect on attitudes toward the firm.	Supported
H_7: Perceived firm transparency has a positive effect on purchase intention.	Supported
H_{8a}: The impact of transparency on attitude toward the firm is partially mediated by consumer skepticism.	Supported
H_{8b}: The impact of transparency on attitude toward the firm is partially mediated trust.	Supported
$H_{9a:}$ The impact of transparency on purchase intention is partially mediated by consumer skepticism.	Not Supported
$H_{9b:}$ The impact of transparency on purchase intention is partially mediated by trust.	Not Supported
H_{10}: Attitude toward the firm has a positive effect on purchase intention.	Supported
H_{11a}: The influence of transparency on consumer skepticism is moderated by perceived firm motives.	Not Supported
H_{11b}: The influence of transparency on trust is moderated by perceived firm motives.	Not supported

To summarize Study 4, the purpose of Study 4 was to test the hypotheses presented in Chapter 4 using slightly more ecologically valid scenarios with a more diverse sample. The complete proposed model was tested with a 2 (consumer effort: low, high) x 2 (perceived firm reciprocity: low, high) x 2 (damaging information: low, high) between subjects design with stimuli that incorporated a mix of marketing communications methods (an email and a website). Unlike Study 3 where consumer effort had the greatest impact on perceptions of firm transparency ($\beta = -.52$, $p<.01$), followed by perceived firm reciprocity ($\beta = .38$, $p<.01$), and negative information ($\beta = .15$, $p<.01$), this finding was not replicated in Study 4. Perceived firm reciprocity ($\beta = .62$, $p<.01$) had the greatest impact on perceptions of firm transparency, followed by perceived consumer effort ($\beta = -.30$, $p<.01$). Negative information had a non-significant impact on transparency ($\beta = .04$, $p>.10$). One possible explanation to account for the non-significant relationship of negative information on transparency is that this older sample may require a stronger indication that firms are willing to provide negative information in order to impact transparency. The negative information manipulation included ABC Airlines providing both 'pros and cons' of its services. Perhaps providing both pros and cons suggested to this sample that ABC Airlines wanted to provide information in a purposeful way such that good information would cancel out the bad information. It is possible this older sample would perceive firm transparency if ABC Airlines only provided the cons rather than providing both pros and cons.

Study 4 also revealed that transparency has significant direct impact on reducing skepticism ($\beta = -.25$, $p<.01$), and increasing trust ($\beta = .47$, $p<.01$), attitude toward the firm ($\beta = .27$, $p<.01$), and purchase intention ($\beta = .39$, $p<.01$); and these impacts are of substantial magnitude. Overall, Study 4 has shown that transparency is an important construct for firms in gaining more favorable attitudes and purchase intention from stakeholders.

Chapter Summary

This chapter focused on testing the hypotheses presented in Chapter 4 and illustrated in Figure 2 via two data collections. The first data collection (Study 3; study numbers continue from the previous chapter) served to test the complete proposed model in Chapter 4 using scenarios as the stimuli. The second data collection (Study 4) tested the model with a slightly more ecologically valid manipulation of the constructs. It also tested the full model across two different stimuli which combined two often-used corporate marketing communications methods, email and a website.

Overall, Studies 3 and 4 resulted in confirming the significant impact that perceived firm transparency has on stakeholder attitudes and purchase intention. These studies also provided two key ways in which firms can increase perceptions of transparency: 1) by making it easy for stakeholders to learn about the company, and 2) by providing multiple ways to communicate with the company. The third antecedent, providing information perceived as firm-damaging may impact perceptions of transparency, but additional research is required to provide conclusive findings since Studies 3 and 4 show divergent findings.

CHAPTER 7: CONCLUSION

General Discussion

In the last few years alone, calls for transparency by consumers have grown louder. No longer are consumers willing to sit back and allow firms to make ‘closed door’ decisions that benefit the company (and its executives) at the expense of consumers, society, and the environment. Firms who are proactive have begun to heed these calls and making transparency a central and key part of the value proposition they offer to the marketplace. The experiences of some of these early adopters of the idea of being transparent with one’s customers has been very positive from the firm’s perspective, especially in terms of customer appreciation, increased sales, profits, and loyalty. A good example of a firm that places transparency as one of its key values is Zappos.com.

Zappos.com, is one business that understands the value of transparency. Zappos.com, an online shoe and handbag retailer operates with transparency in mind, and it is one of the company’s 10 “core family values”. The company notes that “Fundamentally, we believe that openness and honesty make for the best relationships because that leads to trust and faith” (Zappos.com, 2012). And the company acts on this core value. As one example, on April 26, 2010, Zappos.com launched a live webcast of its internal “All Hands” quarterly employee meeting. The live broadcast included several hours of video to include pre-meeting, meeting, and happy hour activities. On the Zappos.com blog, an employee blogger wrote: “We invited the world to tune in live to our 'internal' meeting. For those who know the basics of how Zappos.com is run, you probably know that we're all about transparency so it only made sense to invite anyone and everyone to sit in on our largest meeting of the quarter" (Zappos.com, 2010). The company took this effort of transparency further by posting a copy of the webcast on its website as permanent archived material for all to see. As another example of the ways Zappos.com exhibits transparency, the company's CEO, Tony Hsieh, created a special website, called Zappos Insights, where visitors can learn not only about the company but also about how to recreate the Zappos transparency culture. As this dissertation shows, Transparency is rewarded with decreased skepticism, and increased trust, attitude toward the firm, and purchase intention. In the case of Zappos, the company has been rewarded for its transparency. Zappos.com, Inc. was recognized in 2009, 2010 and 2011 by FORTUNE Magazine as one of the "100 Best Companies to Work For", was one of only 40 U.S. companies named a J.D. Power 2011 Customer Service Champion, and was valued at $1.2 B in 2009 when it was acquired by Amazon.com (in part for its best-in-class culture).

From an academic perspective, this dissertation begins to answer the call for a greater understanding of transparency. The American Marketing Association (AMA) has called for increased transparency noting firms should create a "spirit of openness" (AMA, 2010). This dissertation advanced the marketing literature for this construct by drawing from other streams including finance, accounting, information technology, political science, management, public health, and communications to provide a succinct definition for this construct.

Not all firms have heeded the calls for greater transparency and this dissertation sheds some light on the favorable impacts of what transparency can offer them. The overwhelming lack of firms listening to these calls for transparency has resulted in the rise of consumer activist organizations to restore the balance of information symmetry (and thus power between firms and their stakeholders). One such organization, Adbusters.org, is a non-profit, anti-consumerist global organization with the mission "to change the way information flows, the way corporations wield power, and the way meaning is produced in our society" (Adbusters, 2012). This organization was born from the lack of citizens having the same access to information flows as businesses. Adbusters.org wants "folks to get mad about corporate disinformation, injustices in the global economy, and any industry that pollutes our physical or mental commons". One way that Adbusters.org tries to restore the balance of information asymmetry is by exposing "corporate propaganda" through global media campaigns and encouraging consumers to move from "spectator" to "participant" through activism (Adbusters, 2012). Firms that do not heed the call for transparency risk attention from such groups as adbusters.org and others.

Financial institutions, government, and big businesses that do not listen to the call for increased transparency are subject to paying a steep price. As this dissertation shows, transparent firms decrease skepticism, and increase trust, attitude toward the firm, and purchase intention. Those perceived as non-transparent firms may be at risk of becoming the focus of an attack from activist organizations (and consequently risk negative publicity resulting from that attack). One such activist organization is the global movement, Occupy, in which concerned citizens have revolted through peaceful demonstrations and media campaigns at the lack of information symmetry and the power that big business has over government. The movement cites its first principle of solidarity as “Engaging in direct and transparent participatory democracy” (Occupy, 2011) as one way to avert major financial and societal crises. The Occupy movement (of which the originating idea came from Adbusters.org through voicing the idea of such a movement in its magazine) has targeted Wall Street, government, big business, and educational institutions for improved transparency. In November 2011, Occupy focused on Harvard as one firm deserving of its attention for its lack of transparency regarding its investment strategies (Devaney, 2011).

The work completed in this dissertation is an important first step toward providing evidence to marketers that being open and forthright with stakeholders provides measureable, favorable impact to the firm. Specifically, this research accomplished the first major milestone in the marketing literature toward understanding transparency. This research is important because it sheds light on a construct that has become extremely relevant and important in today’s business environment. Coupled with technological advances that allow individuals tremendous access to information about firms from various sources other than the firm, and the actions of firms that has led to the financial meltdown, there is a genuine felt need among consumers that firms should be more transparent. However, there are a lot of interpretations to the word transparency and this thesis consolidates and makes sense of the differing opinions as to what transparency means and its implications.

In particular, this dissertation focused on understanding perceived firm transparency, developing a measure of transparency, and empirically testing antecedents and consequences of transparency. Through a combination of qualitative and quantitative research, perceived firm transparency was shown to reduce stakeholder skepticism, and increase stakeholder trust, favorable attitudes, and purchase intention.

This section is organized as follows. First, drawing from the work conducted in Chapters 2 and 3, is a discussion of what it means for a firm to be perceived as transparent. Second, drawing from the work conducted in Chapter 6, is a discussion of the implications of consumer perceptions of firm transparency. Third is a discussion of the managerial implications and specifically what managers can do to influence perceptions of transparency. Fourth is a discussion of the limitations of the research conducted in this dissertation. Fifth and finally is a discussion of important future research based on the initial transparency findings of this dissertation.

The Meaning of Firm Transparency

Prior to the work conducted in this literature, there was no unitary agreement as to what it meant for a firm to be transparent. The definition provided here, *the extent to which a stakeholder perceives a firm's conduct is forthright and open regarding matters relevant to the stakeholder,* provides a solid foundation from which both academics and practitioners can advance transparency theories and propose other antecedents and consequences of perceived firm transparency beyond those investigated here. At its core, transparency means that a firm is perceived to be open and forthright with stakeholders, granting access to, at a minimum, information that allows stakeholders to better understand the company, its products, and reasons for certain actions and decisions. A firm that makes a conscious decision to be transparent believes stakeholders will reward the behavior of providing an 'insider' view into the company. This dissertation shows that firms are rewarded by stakeholders when they perceive a firm is being transparent;

and those rewards come in the form of decreased skepticism and increased favorable attitudes toward the firm, trust, and purchase intention.

Transparency also provides firms with an opportunity to represent themselves as having human qualities and as ‘real people’ rather than strictly persuasion agents. Transparency offers firms a way to interact with stakeholders removing unnecessary strong-arming and excessive persuasion tactics. Interestingly, this dissertation showed that a firm’s motives for being transparent do not affect the favorable impacts transparency has on trust and skepticism. That is, transparency will decrease skepticism and increase trust regardless of whether a firm’s motive for being transparent is perceived as being for self-serving reasons (i.e. as method to persuade consumers into buying something) or for other-serving reasons (i.e. as a method to help consumers make more informed choices). This is a favorable finding for firms because it shows that it is better to be transparent than not, even if their actions are perceived to be motivated by pressure from competitors or customers. The findings here suggest there are no additional benefits to the firm to change their perceptions (through targeted messaging or otherwise) to persuade them that the firm is being transparent for other-serving motives.

Implications of Firm Transparency

The approach-avoidance model (Knowles & Linn, 2004) of persuasion implies there are two ways that firms can create change with the target of persuasion. The approach or “Alpha” strategy creates change by increasing the attractiveness of the offer to the target of persuasion. For Alpha strategies to create change, the message or offer must be compelling enough to outweigh the resistance to change. Alpha strategies are those that make messages more persuasive which include tactics such as: providing extra incentives (such as bonus offers), increasing source credibility, and emphasizing product scarcity, to name a few. However, these strategies can be ineffective when consumers are aware of them because they may use their persuasion knowledge to avoid such persuasive tactics (Campbell & Kirmani, 2008). Additionally, since Alpha strategies are implemented with the goal of selling something rather than building relationships and creating customers for life, companies implementing Alpha strategies are at risk of unsatisfied customers who will not buy from them again, and many other potential negative consequences.

The literature is much less robust in terms of Omega strategies compared to Alpha strategies (Knowles & Linn, 2004). The target of persuasion must be receptive to the message in order to invoke change; Omega strategies increase such receptivity.   The avoidance or "Omega" strategy creates change by decreasing resistance and increasing receptivity toward the persuasive message. Omega strategies include such tactics as directly addressing concerns, building confidence that it's ok to remove resistance to the message, and redefining the relationship as a dyadic, cooperative interaction and conversation rather than a one-way persuasive message (Knowles & Linn, 2004). This dissertation showed that transparency, in which firms are open and forthright with stakeholders, are more likely to do all of these things – directly address concerns, remove resistance to the message, and redefine the relationship as cooperative rather than antagonistic – compared to firms that are lacking transparency. A transparent firm is capable of decreasing resistance toward the message by redefining the relationship as more consultative and less persuasion-oriented by making it easy for consumers to learn about it (H1) and by providing ways for stakeholders to have two-way conversations (H2). A transparent firm decreases resistance in other ways as well such as by decreasing skepticism (H4) and increasing trust (H5). With transparency most likely comes other benefits to the firm beyond what was investigated in this dissertation including more satisfied customers with a potentially high lifetime value, positive word of mouth, and many other favorable consequences to the firm, to customers, and to society at large.

This dissertation found that consumers reward transparent firms in four ways. First, transparent firms are rewarded with a reduction in skepticism toward the firm's actions. Consumers engaged with transparent firms are less skeptical and less on guard of persuasion attempts. Transparency implies that the firm has nothing to hide (or at least will provide consumers with an acceptable level of opportunity to learn about it). Reduced skepticism has an added benefit such that when consumers are less skeptical, they are more open to listening to the firm's messages, and less inclined to resist it. Second, transparent firms are rewarded with increased trust. Consumers engaged with transparent firms are more trusting of them. This means that consumers are more willing to rely on what the firm says as being true and, consequently, more willing to take the firm's marketing messages into consideration in their decision-making processes. Thus, while transparency decreases consumers' persuasion defenses, at the same time transparency also makes them more vulnerable and open to the firms' marketing persuasion messages. Third, transparent firms are rewarded with more favorable attitudes. Consumers engaged with transparent firms have favorable attitudes toward them – and attitude toward the firm has a direct and significant impact on purchase intention. Thus, transparent firms are rewarded with increased purchase intention. Transparency implies that firms will go the "extra mile" to ensure consumers are well-informed (by providing information meaningful to the consumer and reciprocal communication opportunities), and this research shows that a firm's extra effort is rewarded with in-kind purchase intention behaviors from consumers.

From a more global perspective, transparency has the potential to build goodwill and redefine the interaction between firm and stakeholders as cooperative rather than antagonistic. Over time, the level of skepticism and distrust should decrease as more firms engage in transparency efforts. And, as more firms see the favorable impact of transparency, this should stimulate even more firms to be more transparent. Transparency brings with it a higher standard of decision making taking into account that transparent firms are those that communicate with stakeholders and offer insights about decision-making strategies. Transparent firms are those that recognize decisions will be exposed and thus, it is wise to make the best decisions balancing what is best for both the firm *and* its stakeholders.

Managerial Implications

There are several other key implications of this research for managers. First, this research shows that there is an alternate, more ethical strategy divergent from covert and sneaky marketing by which to engage stakeholders. This research should provide enough evidence of the benefits of perceived firm transparency for managers to consider implementing transparency processes and tactics within the firm. Beyond impacting trust, skepticism, and attitudes toward the firm is the idea that transparency can bring more global benefits to the firm. From a marketing strategy perspective, transparency may provide a competitive advantage to firms when industry transparency is low and when it is difficult for stakeholders to make quality assessments of the firm's product/service. From a supply chain perspective, transparency affords firms an opportunity to build lasting relationships with all businesses in its supply chain and partner to develop the best quality products. From an internal perspective, transparency provides an opportunity to attract and retain the best quality employees, and build high levels of moral and employee engagement. From a legal perspective, transparency allows firms to stay unregulated and out of the eye of the Federal Trade Commission and other policy makers looking out for the best interest of consumers and of society at large. Finally, transparency affords firms an opportunity to attract better quality investment opportunities, gain a better reputation, and a legacy for being an equitable brand.

Specifically, this research provides a few ways that managers can implement transparency tactics. One way that managers can increase perceptions of transparency is by making it easy for stakeholders to learn about the company and its products. From a website perspective, small changes to the content layout may increase perceptions of transparency. For example, in Study 4, the low effort web pages were designed with the content in bullet form (rather than in paragraph form), on a single page (rather than multiple pages), and in a larger easy-to-read font (12 point font rather than 8.5 point font). With regard to font size, managers may even want to consider adding the ability for web visitors to set their own font size. Although this was not tested as a part of the effort manipulation here, it is reasonable to suggest this would favorably impact perceptions of transparency.

An alternate way that managers can increase perceptions of firm transparency is by offering stakeholders multiple options for reciprocal communication. For example, in Study 4, the high reciprocity emails communicated to email recipients that they could contact the company by email, by toll-free phone, and/or by instant chat. Most managers already have multiple contact methods in place for stakeholders. Therefore managers can quickly and simply increase perceptions of transparency with stakeholders by promoting that these multiple contact methods exist by adding the methods to emails, web pages, phone answering machines, advertisements, etc.

Interestingly, this dissertation found a non-significant impact of firm-damaging information on perceived firm transparency in Study 4, but not in Study 3. Recall that firm-damaging information was manipulated in Study 4 by stating at the bottom of ABC Airlines' email that subjects can find on the company's website: a letter from the CEO summarizing the company's successes (and failures), an overview of the pros and cons of fling with ABC Airlines, and pricing information for both ABC Airlines and its competitors. One potential reason for the non-significant finding is that what was presented as firm-damaging information was expected by subjects to be included on the website and thus the act of providing this information was not perceived as a transparent. Perhaps it is necessary for stakeholders to perceive information that is provided by a firm as unusual or unexpected in order for it to impact perceptions of firm transparency (or even for transparency to become salient). Therefore rather than the information being perceived as 'firm-damaging', what may matter instead is the perception that the information shared by the firm is unique and or unexpected. This is consistent with the discussion on disconfirmation of expectations in Chapter 4 in which it was suggested that expectations may need to be disconfirmed in order for firm actions to make salient perceptions of firm transparency. On the other hand (also as discussed in Chapter 4), it is possible that providing successes and failures, pros and cons, and competitor pricing was unexpected by subjects, but not sufficiently discrepant outside of a certain boundary or threshold for transparency.

Limitations

The major limitation of this research is the use of scenarios. Although the scenario used in Study 4 is slightly more ecologically valid, the findings may not accurately represent attitudes and behaviors in a real-world context. For example, Study 4 instructs subjects that they will view a company's website, but instead they viewed a 'stripped' version of a webpage which excluded graphic design and extraneous content, which is what would be expected on a real website. The lack of graphical appeal may have impacted subjects' responses. Future research should include testing the model in the context of a real website. A second major limitation is the use of student subjects. The scale and model were fully tested using student subjects (with the exception of Study 4). Therefore it would be inappropriate to generalize the findings of this dissertation to a wider age (and education) demographic. A third limitation is the use of one primary industry (the airline industry) with which to test the scale and theoretical model. Although multiple industries were used in

Future Research

The literature stream following the work in this dissertation has the potential to be plentiful. In addition to testing the model with different samples, within different industries, and across additional marketing communications media, there are numerous questions that stem from this research:

1. When is transparency most important?
2. When is transparency most naturally valued?
3. Can consumers be induced to care about transparency?
4. Can a highly non-transparent firm change to become perceived as more transparent (and have resulting effects on consumer skepticism, trust, attitude

toward the firm and purchase intention) or will such behavior be discounted? What will it take for a highly non-transparent firm to become perceived as transparent?

5. What are the negative consequences of transparency to firms?
6. What are the negative consequences of transparency to consumers?
7. Will transparency increase (rather than decrease) consumer ambiguity and uncertainty in some circumstances?

Finally, additional research is warranted to better understand the relationship of perceived firm-damaging information on transparency. Studies 3 and 4 resulted in mixed findings. Study 3 showed a small impact on transparency and Study 4 showed a non-significant impact on transparency. Future research should provide some clearer direction on what specific information may be perceived as negative and how to best frame that information in the context of other positive information within the marketing medium.

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APPENDICES

APPENDIX A

Survey for Study 1, Phases 2 and 3

Introduction, Informed Consent

Welcome!

Here's what you'll be doing in the next 30 minutes:

- Read and agree to the Informed Consent Form.
- Read the directions to this study.
- Choose a company, based on the listed criteria, from which to answer the survey questions.
- Spend at least 20 minutes thoughtfully answering the survey questions.
- Provide the first 5 digits of your U-ID so that you receive extra credit for participating.
- Make sure you print the last page of this survey confirming your participation.

Please allow at least 30 minutes to complete this process**!** Don't worry about remembering these steps. You'll be guided along the way.

Thank you!

Informed Consent to Participate in Research

There are a few things that we have to share with you before you can begin this study...

Informed Consent to Participate in Research
IRB Study # Pro141 (Division of Research and Compliance)

Researchers at the University of South Florida (USF) study many topics. To do this, we need the help of people who agree to take part in a research study. We are asking you to take part in a research study that is called An Investigation of Attitudes toward Firms. The person who is in charge of this research study is Jennifer Dapko. Her contact information is jdapko@usf.edu or (813) 974-6184.

Please click the 'I agree' button below if you agree to participate in this study or keep reading for more information.

The purpose of this study is to find out your opinions toward businesses after you've interacted with them. If you take part in this study, you will be asked to participate in a survey. This should take you approximately 30 minutes to complete. You have the alternative to choose not to participate in this research study. You will receive extra credit for participation in this study. This research is considered to be minimal risk. That means that the risks associated with this study are the same as what you face every day. There are no known additional risks to those who take part in this study.

Confidentiality
We will keep your study records as confidential as possible. However, certain people may need to see your study records. By law, anyone who looks at your records must keep them completely

confidential. The only people who will be allowed to see these records are the researcher and, if any, staff including certain government and university people who need to know more about the study. For example, individuals who provide oversight on this study may need to look at your records. This is done to make sure that we are doing the study in the right way. They also need to make sure that we are protecting your rights and your safety. These include The University of South Florida Institutional Review Board (IRB) and the staff that work for the IRB and other individuals who work for USF that provide other kinds of oversight may also need to look at your records; and the Department of Health and Human Services (DHHS).

We are not able to identify your online survey answers (i.e., your responses are anonymous and we cannot link it to your name). We may publish what we learn from this study. If we do, the publication will not report any participant's name. We will not publish anything else that would let people know who you are.

Voluntary Participation / Withdrawal
You should not feel that there is any pressure to take part in the study, to please the investigator or the research staff. You are free to participate in this research or withdraw at any time. There will be no penalty if you do not participate in this study.

Consent to Take Part in this Research Study
It is up to you to decide whether you want to take part in this study. If you consent to participate, please click on 'I agree' then click the 'Continue' button. If you do not agree to participate then please exit this website.

- [ ] I agree to participate

Instructions: Transparency (high/low) randomization

Instructions for Today's Task

Take a few minutes and think about a company you are familiar with or have interacted with in the past.

We'd like you to focus on a company that you thought was open and forthright with you during some interaction with the company. Don't worry if an example is not coming to you right away. Think about this for a few minutes.

Here are a few examples to get you thinking:

- Perhaps you were surfing a company's website and got the impression the company was especially open and forthright.
- Or maybe you had an interaction with an employee in which you felt s/he was especially open and forthright with you.
- Or maybe you may have seen a commercial or advertisement from a company and thought it was rather open and forthright.
- Or maybe you have a company in mind that you just get the sense it is open and forthright with customers in general. It might be one particular store or service or its company headquarters.

The below definitions may help you.

Open is defined as: 1.Not closed. 2. Accessible or available. 3. Exposed to general view. 4. Uncovered. 5. Open to or in full view of all. 6. Relatively free of obstructions to sight.

Forthright is defined as: 1. Going straight to the point; 2. Direct. 3. Being a straight shooter. 4. To face a problem squarely and directly. 5. Directly and frankly. 6. Without hesitation.

You can think of any company in any product category that seems to meet these criteria. Please take a few minutes to think about this.

Having trouble coming up with a personal example?

If you're having trouble coming up with an example in which you personally have been involved in an open and forthright situation with a company, then you may also think about any recent examples you may have heard from friends or family.

Please proceed to the next page when you're ready. We will ask you to write down the name of the company and describe your experience that you feel meets these criteria.

Instructions for Today's Task

Take a few minutes and think about a company you are familiar with or have interacted with in the past.

We'd like you to focus on a company that you thought was NOT open and NOT forthright with you during some interaction with the company. Don't worry if an example is not coming to you right away. Think about this for a few minutes.

Here are a few examples to get you thinking:

- Perhaps you were surfing a company's website and got the impression the company was especially NOT open and NOT forthright.
- Or maybe you had an interaction with an employee in which you felt s/he was especially NOT open and NOT forthright with you.
- Or maybe you may have seen a commercial or advertisement from a company and thought it was NOT open and NOT forthright.
- Or maybe you have a company in mind that you just get the sense it is NOT open and NOT forthright with you or with customers. It might be one particular store or service, or its company headquarters.

The below definitions may help you.

NOT Open is defined as: 1.Closed. 2. Unaccessible or unavailable. 3. Not exposed to general view. 4. Covered. 5. Not open to or in full view of all. 6. Not free of obstructions to sight.

Not Forthright is defined as: 1. Not going straight to the point; 2. Indirect, roundabout. 3. Not being a straight shooter. 4. To not face a problem squarely and directly. 5. Indirectly and not frankly. 6. With hesitation.

You can think of any company in any product category that seems to meet these criteria. Please take a few minutes to think about this.

Having trouble coming up with a personal example?

If you're having trouble coming up with an example in which you personally have been involved in a situation in which a firm was NOT open and NOT forthright with you, then you may also think about any recent examples you may have heard from friends or family.

Please proceed to the next page when you're ready. We will ask you to write down the name of the company and describe your experience that you feel meets these criteria.

Qualitative questions for transparency elicitation task

What is the name of this company that came to your mind on the previous page?

What types of products and/or services does this company sell?

What did this company do to make you think of it? Please provide a detailed account of your interaction(s) with this firm or provide a reason why you feel this firm meets the criteria.

Questions Based on the Information Provided on the Website

You will now answer questions about the company you listed on the previous page. There is no right or wrong answer.

Transparency scale items

Please answer the following questions for the company you just listed.

For each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company gives me false expectations.	○	○	○	○	○	○	○
This company readily admits failures.	○	○	○	○	○	○	○
Generally, this company tries to hide the things that it does.	○	○	○	○	○	○	○
This company tries to hide the good things that it does.	○	○	○	○	○	○	○
	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company is straightforward in telling me what I want to know.	○	○	○	○	○	○	○
This company tries to hide the bad things it does.	○	○	○	○	○	○	○
This company is candid.	○	○	○	○	○	○	○
This company is clear with me.	○	○	○	○	○	○	○

Please answer the following questions for the company you just listed.

For each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly		Somewhat	Neither Agree nor	Somewhat		Strongly

	Disagree	Disagree	Disagree	Disagree	Agree	Agree	Agree
This company is willing to share its failures with me.							
This company beats around the bush when communicating with me.							
This company is willing to share information with me even when it may make the company look bad.							

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company exposes itself to criticism.							
This company faces problems without hesitation.							
This company is genuine with me.							

Please answer the following questions for the company you just listed.

For each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company helps me understand why it behaves the way it does.							
This company puts everything "out on the table" for all to see.							
This company enables me to know what it's doing.							
This company allows its customers to see how it's doing.							

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
When the company makes decisions, it gives me the ability to know about it.							
I envision this company as a glass building in which everything inside is visible for all to see.							
This company provides me with a learning opportunity							

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
about itself.							
This company is willing to explain its decisions to me.	○	○	○	○	○	○	○

Please answer the following questions for the company you listed.

For each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company shares information about itself that is important to me, rather than just any random information.	○	○	○	○	○	○	○
This company is willing to share bad things about itself or about its products.	○	○	○	○	○	○	○
I feel as if this company doesn't mind me seeing what's going on behind its closed doors.	○	○	○	○	○	○	○
This company is willing to share just about any information I request from it.	○	○	○	○	○	○	○
	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company wants me to understand what it is doing.	○	○	○	○	○	○	○
This company is willing to tell me how it really feels about the products it sells.	○	○	○	○	○	○	○
I feel that the information this company shares with me is useless to me.	○	○	○	○	○	○	○

Discriminant Validity, Predictive Validity

Now we'd like to ask you a few more questions about the company you previously mentioned.

For each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company and I tell each other things we wouldn't want							

others to know.	○	○	○	○	○	○	○
This company and I talk candidly with each other.	○	○	○	○	○	○	○
This company and I provide each other with timely information.	○	○	○	○	○	○	○
If I have a problem with this company, I'll tell the company about it.	○	○	○	○	○	○	○
This company is responsive to my needs for information.	○	○	○	○	○	○	○
Sometimes this company holds back on telling me what it knows.	○	○	○	○	○	○	○

For each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company cares more about getting me to buy its product/service than it does about what's good for me.	○	○	○	○	○	○	○
This company tries to trick customers into buying something.	○	○	○	○	○	○	○
This company tries to manipulate customers.	○	○	○	○	○	○	○

For each of the listed statements below, please select where along the continuum your attitude lies for each description of the company.

This company is:

Bad	○	○	○	○	○	○	Good
Unfavorable	○	○	○	○	○	○	Favorable
Disagreeable	○	○	○	○	○	○	Agreeable
Unpleasant	○	○	○	○	○	○	Pleasant
Negative	○	○	○	○	○	○	Positive

Please complete the below sentence by selecting where along the continuum your attitude lies for this company.

I:

Dislike this company ○ ○ ○ ○ ○ ○ Like this company

For each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I would be willing to buy from this company.	○	○	○	○	○	○	○
I will take this company into consideration the next time I buy a product/service like this.	○	○	○	○	○	○	○
I can imagine buying this company's product/service.	○	○	○	○	○	○	○

For each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company can be trusted.	○	○	○	○	○	○	○
This company is honest.	○	○	○	○	○	○	○
This company is truthful.	○	○	○	○	○	○	○
This company can be counted on to do what's right.	○	○	○	○	○	○	○
I have confidence in this company as an organization.	○	○	○	○	○	○	○

Manipulation check and demographics

You're nearly done! We just have a few more final questions to ask you before you will provide your U-ID for the extra credit.

What do you think is the purpose of this study? Please type in your response below.

What else would you like to share with us regarding the company you described, your attitude toward the company, and/or this study?

Are you male or female?

Male

Female

In thinking one last time about the company, for each of the listed statements below, please check the one response that best expresses the extent to which you agree or disagree with that statement.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
This company is open with me.							
This company is forthright with me.							

Finally, you will provide your instructor's name and the **first 5 digits** of your U-ID number on the next page if your instructor is giving you extra credit for completing this survey.

Your Instructor's name:

Remember, you should print the confirmation page that you successfully completed the survey. The confirmation page is next.

The first 5 digits of your U-ID:

APPENDIX B

Study 3, Supplemental Analysis

Supplemental analyses. Additional supplemental MANOVA analyses were conducted with the same dataset used to test the hypotheses in Study 3. The purpose was to investigate whether a second analysis approach would provide corroborating evidence, to that found through SEM, as to the effects of effort, reciprocity, and negative information on perceptions of transparency (H_1-H_3). MANOVA is typically a more common analysis method in experimental design studies when investigating the effects of a manipulation on other variables. MANOVAs were performed with transparency, skepticism, trust, attitude, and PI in the model as dependent variables; and effort, reciprocity, and negative information in the model as independent variables. For the effort MANOVA, the Omnibus test was significant, $\Lambda = .46$, F (5, 205) = 48.03, p<.0001. In support of H_1, the effort manipulation had a significant effect on perceptions of transparency, F (1, 209) = 216.71, p<.0001. For the reciprocity MANOVA, the Omnibus test was significant, $\Lambda = .89$, F (5, 205) = 4.83, p=.0003. In support of H_2, the reciprocity manipulation had a significant effect on perceptions of transparency, F (1, 209) = 11.00, p<.01. For the negative information MANOVA, the Omnibus test was marginally significant, $\Lambda = .95$, F (5, 205) = 1.98, p<.08. Because the p-value approached significance, ad hoc ANOVA tests were performed for H_3. In support of H_3, the negative information manipulation had a significant effect on perceptions of transparency, F (1, 209) = 5.52, p<.05.

A second purpose of the supplemental analyses was to test whether the manipulations impacted other variables in the model beyond transparency. This will help clarify whether the variance in the dependent variables is due strictly to other variables hypothesized to influence them, or whether the variance can be partially attributed to one of the three manipulated dependent variables. Specifically, MANOVA and Sobel mediation tests were conducted to better understand which dependent variables in the model beyond transparency (skepticism, trust, attitude toward the firm, and/or purchase intention) were directly affected by the manipulated independent variables in the model (consumer effort, firm reciprocity, and negative information) and if any were partially mediated by transparency.

For perceived effort, the perceived effort manipulation had direct effects on skepticism F (1, 209) = 50.78, p<.0001, trust F (1, 209) = 51.48, p<.0001, attitude, F (1, 209) = 144.22, p<.0001, and purchase intention F (1, 209) = 144.25, p<.0001. A bootstrap analysis was conducted to investigate if any of these direct relationships were mediated by transparency. The bootstrap analysis revealed that all of these direct relationships also had indirect effects through transparency, and the 95% confidence interval for the size of the indirect effects excluded zero, suggesting all indirect effects were significant (.11 - .31; -.39 - -.22; -.36 - -.20; and -.52 - -.30 respectively) (Preacher & Hayes, 2004). The mediation supports the structural equation model.

For reciprocity, the perceived reciprocity manipulation had direct effects on skepticism F (1, 209) = 8.01, p=.0051, attitude, F (1, 209) = 12.21, p=.0006, and purchase intention F (1, 209) = 10.48, p=.001. The bootstrap analysis revealed that all of these direct relationships also had indirect effects through transparency, and the 95% confidence interval for the size of the indirect effects excluded zero, suggesting all indirect effects were significant (-.26 - -.29; .17 - .30; and .24 - .43 respectively) (Preacher & Hayes, 2004). The mediation supports the structural equation model.

For negative information, the perceived negative information manipulation had direct effects on skepticism F (1, 209) = 7.09, p=.008, trust F (1, 209) = 7.29, p=.007, attitude, F (1, 209) = 5.93, p=.02, and purchase intention F (1, 209) = 3.85, p=.05. A bootstrap analysis was conducted to investigate if any of these direct relationships were mediated by transparency. The bootstrap analysis revealed that all of these direct relationships also had indirect effects through transparency, and the 95% confidence interval for the size of the indirect effects excluded zero, suggesting all indirect effects were significant (-.25 - -.08; .10 - .32; .12 - .34; and .16 - .46 respectively) (Preacher & Hayes, 2004). The mediation supports the structural equation model.

To summarize the supplemental analyses, the MANOVAs corroborated the findings from the SEM analysis for $H_1 – H_3$. The MANOVAs confirmed that effort, reciprocity, and negative information, have significant effects on perceptions of transparency. The MANOVAs also shed light on what specifically managers can do to change perceptions of transparency by moving from low to high levels of effort, reciprocity, and negative information. For example, with regard to H_1, whereas the SEM findings only confirmed that there is a direct linear relationship between effort and transparency, the MANOVAs provided confirmation that the high conditions for each manipulated variable resulted in higher perceptions of transparency compared to the low conditions. The supplemental mediation bootstrap analyses also confirmed the SEM mediation structure.

APPENDIX C

Study 4, Supplemental Analysis

Supplemental analyses. Similar to Study 3, additional supplemental MANOVA and mediation analyses were conducted using the same dataset used to test the hypotheses in Study 4. The purpose was to investigate whether a second analysis approach would provide corroborating evidence, to that found through SEM, as to the effects of effort, reciprocity, and negative information on perceptions of transparency (H_1-H_3).

For the effort MANOVA, the Omnibus test was significant, $\Lambda = .91$, F (5, 193) = 3.75, p=.003. In support of H_1, the effort manipulation had a significant effect on perceptions of transparency, F (1, 197) = 10.55, p=.001.

For the reciprocity MANOVA, the Omnibus test was not significant, $\Lambda = .99$, F (5, 193) = .27, p=.93. Thus, this was not in support of H_2. For H_2, an additional ANOVA confirmed that the reciprocity manipulation did not have a significant effect on perceptions of transparency, F (1, 197) = 0.17, p = .68. This was an unexpected finding given the significant and large path estimate in the structural equation model ($\beta = .62$, $p<.01$). However, the findings from the SEM should not be discounted. A structural equation model analysis provides insight on the linear relationships between and among variables, therefore the conclusion that can be made is reciprocity has a positive linear impact on perceptions of transparency. This is different from an analysis of variance which provides insight into the mean differences in a dependent variable (perceptions of transparency) at different levels of an independent variable (reciprocity: high/low). A non-significant p value for an ANOVA suggests that the high and low conditions for the manipulated independent variables resulted in about the same level of attitudes for the dependent variable (and thus about equal means for the dependent variable for each level of the independent variable). However, this does not discount the potential for a linear relationship between the two constructs. Here, an investigation of the means was conducted to better understand the relationship between reciprocity and transparency. The transparency mean for the high reciprocity condition was 5.26 and the transparency mean for the low reciprocity condition was 5.33. Upon close examination, the transparency means for the two levels of reciprocity were 1) very close together, confirming why a non-significant ANOVA resulted, 2) both skewed to high levels of perceived transparency (> 5.0), and most interestingly 3) the means were opposite of what was expected. The skewness toward the top end of the scale for both high and low manipulations indicates that the reciprocity manipulations were not strong enough between the two to impact perceptions of transparency at the different levels of reciprocity. Recall the manipulation included a statement in ABC's email that read for the low condition:

> "We can address your questions and comments by email (newfees@abcairlines.com)".

Whereas in the high condition the email read:

> "We can address your questions and comments by email (newfees@abcairlines.com) or you can speak to a representative by calling our toll-free number (888-931-1ABC). You may also chat with us instantly online by visiting our website."

One possible explanation for the non-significant ANOVA and the skew in mean to above 5.0 for both conditions is that providing just one contact method will favorably impact perceptions of transparency, and as evidence of the means for the two groups, perceptions of transparency are influenced to about the same extent whether one contact method is provided or multiple. Since this was not the finding from Study 3, this conclusion may be attributed to the change in stimuli, to the sample used (broader age range), or to a combination of both. Regarding the flip in means in which the low reciprocity condition had a slightly higher mean, technically speaking the means should not be interpreted due to the non-significant p-value for the ANOVA. However, if this were to occur again with significance, a possible explanation for this finding would be that, those in the high reciprocity condition found it odd that this email contained numerous contact methods and thus backfired on perceptions of transparency.

Table 28, which provides a transparency mean by reciprocity mean matrix, shows that generally, there is a linear relationship between reciprocity and transparency. As the scale average for reciprocity increases, so do perceptions of transparency. This provides additional evidence of the linear relationship found in the SEM.

Table 28: Study 4, Transparency by Reciprocity Means

	Transparency Scale Average	
Reciprocity Scale Average	N	Mean
1	4	2.83
1.5	2	5
2	8	3
2.5	8	3.79
3	6	4.89
3.5	10	4.9
4	23	4.84
4.5	20	5.07
5	40	5.38
5.5	18	5.87
6	47	5.94
6.5	5	6.47
7	10	6.43

For the negative information MANOVA, the Omnibus test was significant, Λ = .93, F (5, 193) = 2.84, p=.02. In support of H_3, the effort manipulation had a significant effect on perceptions of transparency, F (1, 197) = 10.89, p=.001. The transparency mean was 4.93 for the low negative information condition, and was 5.57 for the high negative information condition. Although the manipulations were strong enough influence to different levels of transparency perceptions, the SEM showed no linear relationship between negative information and perceptions of transparency. Table 29 shows how the means for transparency increase as the means for negative information increase and this further illustrates a definitive linear trend.

Table 29: Study 4, Means for Negative Information by Transparency Scale Averages

	Transparency Scale	
Negative Information Scale	**N**	**Mean**
1.00	7	5.29
1.33	2	6.33
1.67	6	4.94
2.00	18	5.41
2.33	6	4.67
2.67	6	5.56
3.00	16	5.21
3.33	12	4.72
3.67	19	5.44
4.00	31	5.08
4.33	9	5.33
4.67	19	5.49
5.00	18	5.69
5.33	4	4.75
5.67	8	5.92
6.00	7	5.29
6.33	2	6
6.67	1	5
7.00	3	4

A second purpose of the supplemental analyses was to test whether the manipulations impacted other variables in the model beyond transparency. This will help clarify whether the variance in the dependent variables is due strictly to other variables hypothesized to influence them, or whether the variance can be partially attributed to one of the three manipulated dependent variables. Specifically, MANOVA and Sobel mediation tests were conducted to better understand which dependent variables in the model beyond transparency (skepticism, trust, attitude toward the firm, and/or purchase intention) were directly affected by the manipulated independent variables in the model (consumer effort, firm reciprocity, and negative information) and if any were partially mediated by transparency.

For perceived effort, the perceived effort manipulation had direct effects on skepticism F (1, 197) = 17.93, p<.0001, trust F (1, 197) = 15.72, p=.0001, attitude, F (1, 197) = 14.24, p=.0002, and purchase intention F (1, 197) = 9.45, p=.002. A bootstrap analysis was conducted to investigate if any of these direct relationships were mediated by transparency. The bootstrap analysis revealed that all of these direct relationships also had indirect effects through transparency, and the 95% confidence interval for the size of the indirect effects excluded zero, suggesting all indirect effects were significant (.11 - .28; -.42 - -.23; -.32 - -.18; and -.44 - -.25 respectively) (Preacher & Hayes, 2004). The mediation supports the structural equation model.

The additional analyses were not conducted for reciprocity due to the non-significant Omnibus test. For negative information, the perceived negative information manipulation had direct effects on skepticism F (1, 197) = 7.88, p=.005, trust F (1, 197) = 4.05, p=.05, attitude, F (1, 197) = 8.43, p=.004, and purchase intention F (1, 197) = 6.34, p=.01. A bootstrap analysis was conducted to investigate if any of these direct relationships were mediated by transparency. In support of the SEM finding of a non-significant path from negative information to transparency, the bootstrap analysis revealed that none of these direct relationships had indirect effects through transparency, and the 95% confidence interval for the size of the indirect effects included zero, suggesting all indirect effects were non-significant (-.11- -.09; -.09 - .14; -.08 - .12; and -.11 - .17 respectively) (Preacher & Hayes, 2004). The mediation supports the findings from structural equation model.

In summary, the supplemental MANOVAs corroborated the findings from the SEM analysis for H_1. The MANOVA for H_2 indicated the conditions were not strong enough to show differences in perceptions of transparency between the two reciprocity groups. The findings for the MANOVA for H_3 indicated that negative information has an impact on transparency. This was in support of the SEM findings from Study 2, but in contrast to the SEM findings from Study 4. The mediation analyses, however, all supported the structural equation model.

ABOUT THE AUTHOR

Jennifer's research interests include studying the impact of marketing messages on receiver attitudes and behaviors in mass and one-to-one communications in sales, social media marketing, technology, and persuasion contexts.

Jennifer has just under 10 years of experience working as a marketing communications professional for start-up, mid-size, and Fortune 50 firms. She developed and implemented corporate marketing strategies in the areas of market research and analytics, internal and external marketing communications, advertising and promotions, corporate events, website design and marketing, and public relations.

At one time you could find Jennifer riding around town on a sport motorcycle, but now she remains on four wheels, unless it's a bicycle.