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Innovative sharing: Shared accounting information as a facilitator of trust and performance☆

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Abstract

Creating and maintaining competitive advantage requires firms to foster strategies that encourage and support employees' efforts. In this paper, I report on a large U.S. firm's innovation to share accounting information with employees. Based on data from 258 employees, I report that shared accounting information impacts workers' trust in management and performance.
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1. Introduction

The most successful firms have been innovators of management techniques (Kanter, 1997). One innovative practice is the sharing of accounting information with employees across all organizational levels. The motivation for sharing this information is to encourage employees to think and act like senior stakeholders (e.g., owners, upper management team members, board of directors and shareholders) of the firm rather than as employees without a substantial stake in operational effectiveness and profitability. Organizations that have shared accounting information report increased productivity, profitability and employee involvement (Case, 1995, 1998; Barton et al., 1998).

Although the innovation of sharing accounting information with workers has been practiced by hundreds of companies, relatively little attention has been paid to accounting information

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sharing by organizational researchers (Davis, 1997). There are at least two ways in which shared accounting information can affect employees: (1) by influencing their attitudes toward the employer such as trust in management, which has been found to increase firm sales and net profit (Davis et al., 2000), and (2) by encouraging workers to become more engaged in the firm's goals and in turn increase their individual performance which will ultimately increase firm effectiveness. The objectives of this paper are to explore the categories of accounting information shared with workers and to understand how sharing various forms of information impact workers' trust in management and workers' performance.

2. Defining shared accounting information

Determining what accounting information companies are sharing with employees is an important first step in examining the impact of shared accounting information on employees' attitudes and behaviors. Companies that share accounting information typically share financial statements (i.e., complete or abridged versions of the income statement, balance sheet and statement of cash flows), financial indicators (e.g., gross revenue and/or net income) and operational indicators (e.g., number of sales, dollar value of sales and market share) (Case, 1995, 1998). Shared accounting information may be specific to an employee's work unit, team or position or simply provide general information about the firm as a whole. It is important to understand the general categories of shared accounting information and their impact on workers. It is likely that unit-specific and firm-wide information will have different effects on workers' outcomes.

3. Shared accounting information and worker attitude and behavior

I propose that shared accounting information serves two functions—as a means for workers to develop trust in management and as a means of boosting individual performance by providing feedback on worker behavior and information for decision facilitation.

3.1. The importance of shared accounting information for employees' trust in management

Stewardship is one role of a manager (Ijiri, 1975; Paton and Littleton, 1940). As stewards, senior managers have a responsibility to be accountable to and to serve the firm's constituents—customers, shareholders, employees and governmental regulators to name a few. One way to exhibit conscientious stewardship and accountability is to encourage the full disclosure of information (Block, 1993). By sharing accounting information, the firm is making itself accountable to employees.

Trust is defined as the willingness of an individual to be vulnerable to the action(s) of another party (Mayer et al., 1995). When individuals say they trust, they assume the trustee will not intentionally undermine or work against their interests (Tomkins, 2001). Risk is inevitably inherent in trust, as individuals take risks when they decide to rely on others. Trust also includes accountability to another party (Block, 1993). Tomkins (2001) suggests that individuals need information to develop and increase trust in their organizations because information reduces uncertainty and can convey positive signals regarding relationship quality. Furthermore, Davis et al. (2000) propose that a manager can increase workers' perceptions of his/her trustworthiness through their actions (such as the sharing of information). Employees can use shared accounting information to meet their need for information and to adjust their perception of management's trustworthiness. In the process, information asymmetry is reduced because employees can use

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