



# **Effect of Organizational Transparency on Organizational Performance: A Survey of Insurance Companies in Lagos State Nigeria**

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## **Authors' contributions**

*This research was carried out in collaboration between both authors. Author IE designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Author IT managed the analyses of the study. Authors IE and IT managed the literature searches. Both authors read and approved the final manuscript.*

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## **ABSTRACT**

The main objective of the study is to examine the effect of organizational transparency on organizational performance. The type of survey research design used for the study is cross sectional survey research design technique. The sample size for the study is 200 employees from four selected insurance companies in Lagos State. The study adopted the simple random sampling technique in the selection of the insurance companies whose employees participated. Stratified random sampling technique was also used. Data was collected through the use of structured questionnaire. To establish the reliability of the instrument, a test-retest method was used. The statistical techniques of data analysis applied includes: descriptive statistics, correlation and multiple regression analysis. All analysis was done by using the statistical package for social sciences (SPSS) software version 23 Findings showed that information disclosure, adherence to explicit values and people-centered leadership has significant positive relationship with organizational transparency. The study concluded that organizational transparency has effect on organizational performance. The study recommended that in order to transform the insurance

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industry into a greater height the key players should always disclose relevant information, adhere to explicit values and practice people-centered leadership. The study established that information disclosure, adherence to explicit values and people-centered leadership are very good measures of organizational transparency. The implication of the finding is that information disclosure is considered to enable observability, accountability, certainty and better conduct. When organizations deliver clarity and insight, stakeholders can see through the organization this will create trust. Organizations become predictable, dependable and trustworthy when they adhere to explicit value. People-centered leaders care about both results and employees—they know the only way to obtain results are through the employees.

*Keywords: Explicit values; information disclosure; organizational transparency; people-centered leadership.*

## **1. INTRODUCTION**

The capability of an insurance company to make valuable positive contribution to the growth of an economy relies on the existing culture of the industry and the enabling components that contribute to the development of healthy insurance markets. The enabling components comprised of rising incomes, financial deepening and macroeconomic stability [1]. In a growing industry such as the Nigerian insurance industry a favourable regulatory and supervisory environment will place the industry on the path of vital contribution to the economy [1]. Nigerian insurance industry is being restructured to take up its anticipated leading role in Africa. The growing population and market capacity of Nigeria is adding more to her role in transforming other African economies [1]. This responsibility cannot be ignored by managers in Nigeria, and the insurance industry stakeholders. In order to transform the insurance industry into a greater height the key players must be transparent.

Transparency in business requires insurance companies to remain open and informative about critical information, together with their company's goals, history, operations and performance. And it is a goal that is increasing in relevance and continues to do so. Transparency is relevant to employees and customers alike. This disclosure of information implies that an organization has nothing to hide, and enables customers to make accurate decisions, so that, in a direct comparison, a firm that discloses all information associated with its service or product, for example, will likely be preferred to a competitor that keeps its information secret. A lot of organizations go through dramatic changes in structure and strategy in order to remain competitive in the global market. These changes, in effect, serve to invalidate the psychological contract; yet, companies require workers to play key role in promoting strategic change.

Employees are required to be strategically aligned with their company's goals; their behaviours must be in agreement with the company's goals. In order for this to occur, most companies reveal vital information about organization strategy and how to attain organizational goals.

One of the reasons why most managers are not transparent is because they claim that they will be seen as less authoritative; that the credentials they laboured so hard to get will lose their power, leverage and gravitas [2]. Distrust prevents or inhibits transparency. Building a culture of trust takes time; it is a process that builds upon itself with the guidance of managers [3]. Transparency is not needed to the same degree in all organizations [4]. Indeed, transparency might not be possible in some companies depending on organizational attributes including its history and competitive posture with other companies [5]. The solution to organizational problems does not only involve creating superior transparency. However, many challenges hindering organizational transparency are due to reluctance, managerial unawareness or control issues [5].

However, public and regulatory insistence on increased transparency is not surprising given that reliable information from companies enables stakeholders to precisely appraise a company's financial status and make rational predictions about future prospects. This ability creates a decisive foundation of efficiently functioning markets [6]. Companies can also benefit from being transparent or at least from being perceived as so—by preventing legal action and activism and by gaining trust from stakeholders and reputational assets [6]. There is transparency and disclosure when a company provides timely, adequate and reliable picture of its condition and operation as well as financial and economic performance in terms of quality

and content through its financial statements, annual reports and performance evaluations. This mechanism enables shareholders, creditors and directors to monitor management effectively [7].

Transparency is a key mechanism to reduce information asymmetry and agency costs [8]. Organizational transparency can be explained further through the stakeholder theory. The stakeholder theory, originally detailed by Freeman [9], is a theory of business ethics and organizational management that defines values and morals in managing an organization. In this theory, a stakeholder entails any individual or group who is influenced, either directly or indirectly, by the actions of the company. However, stakeholder theory contend that there are other parties involved, including associated corporations, governmental bodies, trade associations, trade unions, prospective employees, communities, prospective customers, and the public at large.

From the ethical point of view, companies have an obligation to treat fairly among stakeholders [10]; that is, companies are not to manage the interest of shareholders alone, but a broad range of stakeholders who have a legitimate interest in the company as well. Based on the Freeman's theory, Baron [11] divided the stakeholders into two categories, known as market and non-market. While employees, competitors, customers, partners and suppliers are often seen as the market category; NGOs, environmental safety, government, regulators and media, standards organizations, society are regarded as the non-market group. Both these groups exercise their influences at diverse levels on the motivations of the firm. From this perspective, many activities taken by the organization are related to stakeholder's expectations [12]. It is significant to see that when companies satisfy the interest of their stakeholders, it enhances organizational transparency and accountability that includes stakeholder communication.

In spite of these benefits, transparency has only to some extent become a better priority. Most companies that want to build and/or retain the trust of their customers make efforts to enhance transparency. There is urgent need for the insurance sector in Nigeria to be honest with their operations in order to attain the needed capacity to connect, work together and communicate more effectively with clients; particularly other economic actors/stakeholders.

Transparency can change with the turnover of managers and the pressure of social change. There is an inverse relationship between control and trust; the more managers try to be open and listen to others, the more they can build trust. Trust and leadership are keys to greater organizational transparency [13]. Despite the efforts of many organizational scholars, there is still a lack of consensus regarding how transparency should be operationalized. However, no study has examined the effect organizational transparency may have on organizational performance of insurance companies in Ikeja, Lagos State Nigeria. Therefore, the study aims to fill this gap in knowledge.

### **1.1 Statement of the Problem**

The news media most times do not shy away at reporting corporate frauds, or whether it is false announcements of good results, debt concealment and manipulation of all kinds of relevant information, which usually coincides with the end of financial fads or the bursting of bubbles. These malpractices have been regarded as an evidence of the failure of the then prevailing models of corporate governance, and of the dangers of a lack of relevant information disclosure. Widespread commercial fraud has shaken the trust of employees and customers alike. An organization puts itself at risk when it selectively discloses information without explaining the cultural context of the information. In other words, releasing information piecemeal regarding transparencies can be more hurtful than helpful. Observers both inside and outside of companies have noticed a loss in trust over the past years and ascribed the many causes to comprise the decline in transparency, in particular accountability, openness and communication [14]. Another cause in the decline of trust has been the participation of some CEOs in deception, financial abuse and organizational dishonesty [15]. An organization puts itself at risk for criticism if it is transparent internally and not externally. When there is a track record in adhering to certain values over time outsiders and insiders believe that its values are real in practice. The organization becomes predictable and dependable, and therefore, trustworthy [5]. People-centered leaders care about both results and people—they know the only way to obtain results is via their people (employees). They support their leaders to understand their employees and to meet their needs. And eventually, they must create the mind-set to

promote a culture shift that values results and employees. Therefore, there is need to examine how organizational transparency (through information disclosure, explicit values and people-centered leadership) affect organizational performance.

## 1.2 Objective of the Study

The main objective of the study is to examine the effect of organizational transparency on organizational performance. The specific objectives are to:

- i. Ascertain the influence of information disclosure on organizational performance.
- ii. Determine how explicit values affects organizational performance.
- iii. Evaluate how people-centered leadership influence organizational performance.

## 2. REVIEW OF RELATED LITERATURE

### 2.1 Organizational Transparency

Bernstein [16] posit that transparency varies according to the extent to which organizations make themselves observable to their publics (e.g., private vs. open offices). Similarly, studies of international non-governmental organizations such as Transparency International assert that transparency is associated with visibility, predictability, and understandability [17]. Transparency is the ease for the several maladies that go together with distressed relationships between a company and its stakeholders [18]. Transparency is regarded as information dissemination that creates no changes in what it seeks to make visible. A state of complete transparency emerges in conditions of full and comprehensible information disclosure, helping stakeholders to recognize apparent organizational truths [19,20]. The main underlying principle is that transparency efforts make trustworthy information accessible to produce insight, clarity and effectiveness and to eradicate what is secret [21]. Such studies maintain a duality between complete or true transparency and deliberate secrecy. In public relations and management, for example, transparency is usually defined as being simply the opposite of secrecy [19].

Accordingly, achieving transparency is considered as a matter of creating the right principles and practices to eradicate secrecy, because complete transparency is regarded to be a state in which no corporate governance

mechanisms would be needed [22]. In business ethics, for example, transparency is seen as an informational mechanism essential for justice, trust and prudence [23]. In fields such as corporate social responsibility (CSR), transparency is largely defined in the form of strategic information disclosure processes that create organizational legitimacy and successfully eradicate corruption and low levels of moral conscience [19].

Christensen (2002) in Bruhn [5] discusses two aspects of transparency: transparency as a condition and transparency as a strategy. Transparency as a condition entails the extent to which a company shares information about its future goals and involves the participation of the company's members to create trust among stakeholders, partakes in informed decision-making, and encourages greater involvement in the organization. Transparency is a core value which is part of an organization's culture. Transparency is about a company-wide access to information, processes and strategies that supports employees to act innovatively and autonomously on behalf of the company [24]. Transparency is created and modeled by leaders [5]. Transparency is not a major component in every organization's culture; it depends on the organization's goals and purpose. However, leaders and culture can change and so can transparency.

While transparency is not an ethical principle in itself, it is a condition for supporting other ethical practices and principles [25]. Transparency is valued in areas such as public relations, policy, management, finance and it is seen as a basic positive attribute of relations because the disclosure of information facilitates trust [18]. Pirson and Malhotra [26] examined the correlation between transparency and organizational trust within stakeholders. Stakeholders were classified along dimensions: *depth* of relationship (shallow or deep) and *locus* (internal or external). Results showed that external stakeholders with shallow relationships to the organization receive the least amount of first-hand information; therefore, they should have the highest need for transparency.

### 2.2 Organizational Performance

Performance is the end results of an activity of a person or an organization. Further, organizational performance can be described as the accumulated end result of all the company's work process and activities. The need for

organizational performance cannot be overlooked in the modern day business world; hence one major reason for organizational performance is to target huge cost saving opportunities [27]. Another reason for organizational performance is to determine the level of organization's competitiveness between the firm's actual performance and the standard performance. This is really done by looking at the standard performance in the industry [28]. Other purpose of organizational performance is to hire, develop and retain employee's that contributes to the success of the firm [29,30]. The study measured organizational performance with competitive advantage. Competitive advantage in the context of this study means that it is the ability of companies to offer services that their customers find more valuable than the services offered by their competitors.

Fig. 1 is an illustration of how the dimensions of organizational transparency influence organizational performance

### 2.3 Information Disclosure and Organizational Performance

Studies typically measure transparency as the frequency of information disclosure [22] and conclude that transparency will thus necessitate full disclosure of all relevant information in a timely manner [22]. Similarly, it is stressed that information must be openly disseminated for it to be regarded transparent [18]. Such study often indicates transparency as comparable to the disclosure of exact information [31]. Focused more on the cognitive capacity of receivers, observability is largely alike with understandings

of transparency that center on clarity, information and the lack of distortion [32]. Information disclosure is considered to enable observability, accountability, certainty and better conduct. When organizations deliver clarity and insight, stakeholders can see through the organization [19]. Information disclosure is central in the creation of integrative agreements reflecting a commitment to maximizing joint (instead of self) gain [33].

Cheung, Jiang and Weiqiang [8] divided information disclosure into two distinct categories: mandatory and voluntary. Mandatory information disclosure is based on regulations and laws in a specific jurisdiction and all listed firms must adhere to them. On the other hand, more disclosure has its benefits and some firms want to disclose more information than what is mandatory. This is called voluntary information disclosure and is considered to be the best practices.

Thus;

H<sub>1</sub>: Information disclosure has significant positive relationship with organizational performance.

### 2.4 Explicit Values and Organizational Performance

Transparent organizations have several characteristics that set them apart from traditional, hierarchical organizations. A transparent organization is characterized by explicit values and consistent adherence to them [5]. Values show how a culture is unique, what it stands for, what its members

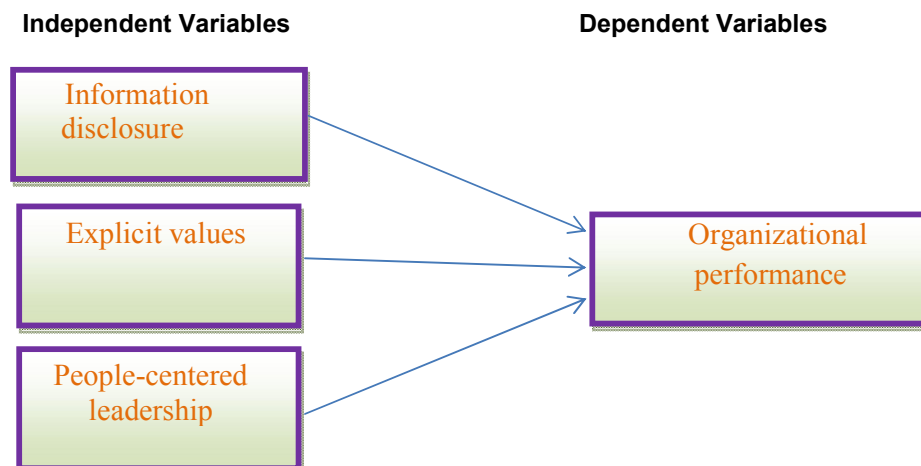


Fig. 1. Conceptual framework  
Source: Researchers Model (2020)

believe in and why it exists. The values that organizational leaders stand by and reward are communicated to organizational members continually. For example, if collaboration and teamwork are highly valued, the organization environment must be one that balances empowerment with collaboration. Members are encouraged to think for themselves, but work together. Team members are involved in maintaining loyalty to the team and their manager. When values are explicit everyone inside and outside the organization knows what the organization knows, what the organization stands for and how they relate to it [5].

Explicit refer to phenomenon that are accessible to conscious thought. Values are vital determinants of moral actions, but the extent of values' influence relies on whether it was implicitly or explicitly represented. Explicit values are processed in memory systems that are accessible to conscious awareness. For example, explicit values are likely used as a standard to guide moral actions when ethical prototypes are not available, such as when individuals confront novel or challenging ethical scenarios [34] or when they are motivated to effortfully engage in moral reasoning [35].

Thus;

**H<sub>2</sub>:** There is significant positive relationship between explicit values and organizational performance.

## **2.5 People-centered Leadership and Organizational Performance**

A trusting organization develops a leadership team that practices respect for persons and the values of the organization [5]. Leaders make sure that there is even-handedness and fairness throughout the organization. The leader maintains balance in the organization. Employees need to feel valued for their talents and what they contribute to the organization. Organizational members at all levels practice personal recognition with rewards tied to performance [5]. Trust, self-esteem and loyalty are the rewards for the organization. People-centered leadership extends beyond the leaders themselves. Organizations that want to adopt people-centered leadership most times help their leaders via knowledge tools, skill development, human resource systems and processes.

Great leaders (managers) understand that their first customer is their employees (people). If they

take care of their employees, train them and empower them, those employees will become fully occupied and committed about what they do. In return, they will reach out and take care of their second most vital customer—the customers who buy their products or services— and transform them into raving fans. These loyal customers will keep coming back and will tell their family, friends or acquaintance, thereby becoming part of the sales force. When that occurs, the organization becomes financially sound, which takes care of their third most relevant customer—the stockholders. Rather than profit being the reason for being in business, some companies have realized that profit is the outcome you get for developing a motivating environment for your employees so that they will take care of your customers. People-centered leadership has two parts: vision/direction and implementation.

In the visionary role, leaders define the direction and the desired results. It's their responsibility to communicate what the organization stands for and wants to accomplish. Players look to their coaches, kids look to their parents, and employees look to their company managers for direction. The visionary role is the leadership aspect of servant leadership. Once employees are clear about organizational goals, the manager's role shifts from being responsible for direction/ vision to being responsive to their employee via implementation—the second part of people-centered leadership. Implementation is the servant aspect of servant leadership where leaders feel their role is to help employees attain their goals. People-centered leadership recognizes that human resources such as creativity, knowledge, skills, and relationships are the true source of value creation—and that engaging people, empowering them to contribute, and providing them value in return are the prime goals of a company. People-centered leaders see their role as delivering results through people.

Thus;

**H<sub>3</sub>:** People-centered leadership has significant positive relationship with organizational performance.

## **3. METHODOLOGY**

The study adopted the survey research design method for the purpose of collecting data for empirical analytical purpose as it relates to the respondents view on the effect of organizational

transparency on organizational performance. The type of survey research design used for the study was cross sectional survey research design technique. It was adopted because it enabled the researchers to collect data from the respondents at a particular point in time. The companies sampled for this research covered selected insurance companies such as Alico Insurance Plc, Anchor Insurance Company Limited, Leadway Assurance Company Limited and African Alliance Insurance Company Plc that are located in Lagos State. They were selected because these companies were within the reach of the researchers and it gave them easy accessibility to collect data for the study. The target population from which this study sample was drawn was 402 employees, all of which are employees of the selected insurance companies in Lagos State. The sample size of 200 respondents was derived by using Yamane's sample size determination formula.

Out of the 200 copies of questionnaire distributed to the selected insurance companies, only 193 which represent 97% of the total questionnaire distributed were returned. 8 copies of questionnaire returned were not properly filled while the remaining 185 were used for data analysis. The respondent profile showed that the sample of respondents comprised of 72 males and 113 females which amounts to 39% and 61% of the sample respectively. In the age distribution of respondents; 64, 65 and 56 respondents were in the age bracket of 20-30, 30-40 and above 40 years of age with their proportional percentages as 35%, 35% and 30% respectively. 81 of the respondents being 44% were single, 95 being 51% of the respondents were married while 9 of them being 5% were divorced. The educational background of the respondents showed that 70(38%) of the respondents are OND/NCE holders, 83(45%) of the respondents are HND/B.Sc holders, 32(17%) of the respondents are M.Sc/MBA holders. 48(26%) of the respondents are senior staff, 55 being 30% of the respondents are middle staff while the remaining 82 respondents being 44% are junior staff.

The study adopted the simple random sampling technique in the selection of the companies whose employees participated. Stratified random sampling technique was also used because it helped to represent not only the overall population, but also key subgroups of the population, especially small minority groups. Data was collected through the use of structured

questionnaire. To validate the instrument for data collection, the questionnaire was given to renowned expert in the field of management sciences. To establish the reliability of the instrument, a test-retest method was used. After ensuring that the questionnaire is valid and reliable the final version of the questionnaire was administered by the researchers using the drop off and picks technique. In order to ascertain the internal consistency of the research instrument, particularly those using Likert scale items it is recommended to test the reliability of scales using Cronbach's alpha [36]. Since all coefficient values in Table 1 were above 0.6, which exceeded the common threshold this implies that the instrument was reliable. Data was coded and tabulated. The statistical techniques of data analysis applied includes: descriptive statistics, correlation and multiple regression analysis. All analysis was done by using the statistical package for social sciences (SPSS) software version 23.

#### **4. RESULTS OF DATA ANALYSIS**

Table 1 showed that information disclosure has a strong positive correlation coefficient with organizational performance (0.809<sup>\*\*</sup>). Explicit values shows a strong positive correlation coefficient with organizational performance (0.797<sup>\*\*</sup>). People-centered leadership shows a strong positive correlation coefficient with organizational performance (0.714<sup>\*\*</sup>).

Table 2, exhibited that information disclosure which is the first variable has the highest positive effect on organizational performance ( $\beta = 0.484$ ,  $P < 0.01$ ). Explicit values which is the second variable has positive effect on organizational performance ( $\beta = .359$ ,  $P < 0.01$ ). Similarly, it was noted that people-centered leadership which is the third variable has positive effect on organizational performance ( $\beta = 0.152$ ,  $P < 0.01$ ).

Table 3 indicated that 78% (0.783) of the change in organizational performance was brought about by the components of organizational transparency.

#### **5. DISCUSSION OF RESULTS**

Table 1 showed that information disclosure (0.809<sup>\*\*</sup>), explicit values (0.797<sup>\*\*</sup>) and people-centered leadership (0.714<sup>\*\*</sup>) have strong positive correlation coefficient with organizational performance. This means that information disclosure, adherence to explicit values and

**Table 1. Descriptive statistics, correlations and Cronbach's alpha for study variables**

Variables	M	SD	1	2	3	Cronbach's alpha
1. Information disclosure	19.08	.9142				0.812
2. Explicit values	19.04	1.0953	0.659**			0.771
3. People-centered leadership	19.05	1.1387	0.581**	0.783**		0.775
4. Organizational performance	18.94	1.0793	0.809**	0.797**	0.714**	0.811

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Table 2. Multiple regression analysis of the variables of organizational transparency coefficients<sup>a</sup>**

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.446	.804		-1.798	.074
	Information disclosure	.571	.054	.484	10.498	.000
	Explicit values	.354	.059	.359	5.958	.000
	People-centered leadership	.144	.053	.152	2.723	.007

a. Dependent Variable: organizational performance

**Table 3. Proportion of variance**

Model summary				
Model	R	R Square	Adjusted R square	Std. error of the estimate
1	.887 <sup>a</sup>	.787	.783	.5027

a. Predictors: (Constant), people-centered leadership, information disclosure, explicit values

people-centered leadership are very good measures of organizational transparency.

Table 2, exhibited that information disclosure which is the first variable has the highest positive effect on organizational performance ( $\beta = 0.484$ ,  $P < 0.01$ ).  $H_1$  test result in Table 2 showed that information disclosure has significant positive relationship with organizational performance ( $0.000 < 0.05$ ). This is consistent with Lewicki, Barry and Saunders [33] findings that information disclosure is central in the creation of integrative agreements reflecting a commitment to maximizing joint (instead of self) gain.

In Table 2, adherence to explicit values which is the second variable has positive effect on organizational performance ( $\beta = .359$ ,  $P < 0.01$ ).  $H_2$  test result in Table 2 indicated that there is significant positive relationship between adherence to explicit values and organizational performance ( $0.000 < 0.05$ ). This is in agreement with Bruhn [5] finding that a transparent organization is characterized by explicit values and consistent adherence to them. This implies that explicit values are processed in memory systems that are accessible to conscious awareness.

Similarly in Table 2, it was noted that people-centered leadership which is the third variable has positive effect on organizational performance ( $\beta = 0.152$ ,  $P < 0.01$ ).  $H_3$  test result in Table 2 indicated that people-centered leadership has significant positive relationship with organizational performance ( $0.007 < 0.05$ ). It supports the finding of Bruhn [5] that a trusting organization develops a leadership team that practices respect for persons and the values of the organization. This implies that when managers make sure that there is even-handedness and fairness throughout the organization it enhances employee performance.

Table 3 showed the extent to which the dimensions of organizational transparency accounted for change in organizational performance as indicated by the Adjusted R Square, which shows that 78% (0.783) of the change in organizational performance was brought about by the components of organizational transparency.

## 6. CONCLUSION

The main objective of the study was to examine the effect of organizational transparency on



organizational performance. In summary, findings showed that information disclosure, explicit values and people-centered leadership has significant positive relationship with organizational performance.

The implication of this finding is that information disclosure is considered to enable observability, accountability, certainty and better conduct. When organizations deliver clarity and insight, stakeholders can see through the organization this will create trust. This implies that organizations become predictable, dependable and trustworthy when they adhere to explicit value. People-centered leaders care about both results and employees—they know the only way to obtain results are through the employees.

The study will serve as a guide to organizations on how to disclose relevant information and to explain the cultural context of the information. Through this study, organizations will become transparent internally and externally to avoid criticism. The study will help managers to understand that people-centered leaders care about both results and people—and the only way to obtain results is via their employees. The study will help organizations to understand that explicit values are used as a standard to guide moral actions when ethical prototypes are not available.

The study was limited to three dimensions (information disclosure, explicit values and people-centered leadership) of organizational transparency. Therefore, future studies should include new variables to measure organizational transparency. The geographical scope of the study was limited to some selected insurance companies in Lagos State Nigeria. Further studies can focus on the deposit money banks.

## **7. RECOMMENDATIONS**

The study recommended that:

- i. In order to transform the insurance industry into a greater height the key players should always disclose relevant information, adhere to explicit values and practice people-centered leadership.
- ii. Companies that want to build and/or retain the trust of their customers should make efforts to enhance transparency.
- iii. Company managers should understand that the more they try to be open and listen to employees, the more they can build trust.

- iv. When values are explicit everyone inside and outside the organization must know what the organization knows, what they stand for and how they relate to it in.
- v. Managers should create the mind-set to promote a culture shift that values results and employees in order to enhance organizational performance.

## **DISCLAIMER**

The company's services used for this research are commonly and predominantly use services in our area of research and country. There is no conflict of interest between the authors and the selected insurance companies because we do not intend to use the study as an avenue for any litigation but for the advancement of knowledge. Also, the study was not funded by the insurance companies selected rather it was funded by personal efforts of the authors.

## **COMPETING INTERESTS**

Authors have declared that no competing interests exist.

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