Keeping under the Hat or Taking off the Lid: Determinants of Social Enterprise Transparency

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Abstract : Transparency could be defined as the voluntary release of information by institutions that is relevant to their own evaluation. Transparency based on information disclosure is recognised to be vital for the Third Sector, as civil society organisations are under pressure to become more transparent to answer the call for accountability. The growing importance of social enterprises as hybrid organisations emerging from the nexus of the public, the private and the Third Sector makes their transparency a topic worth exploring. However, transparency for social enterprises has not yet been studied: as a new form of organisation that combines non-profit missions with commercial means, it is unclear to both the practical and the academic world if the shift in operational logics from non-profit motives to for-profit pursuits has significantly altered their transparency. This is especially so in China, where informational governance and practices of information disclosure by local governments, industries and civil society are notably different from other countries. This study investigates the transparency-seeking behaviour of social enterprises in Greater China to understand what factors at the organisational level may affect their transparency, measured by their willingness to disclose financial information. We make use of the Survey on the Models and Development Status of Social Enterprises in the Greater China Region (MDSSGCR) conducted in 2015-2016. The sample consists of more than 300 social enterprises from the Mainland, Hong Kong and Taiwan. While most respondents have provided complete answers to most of the questions, there is tremendous variation in the respondents' demonstrated level of transparency in answering those questions related to the financial aspects of their organisations, such as total revenue, net profit, source of revenue and expense. This has led to a lot of missing data on such variables. In this study, we take missing data as data. Specifically, we use missing values as a proxy for an organisation's level of transparency. Our dependent variables are constructed from missing data on total revenue, net profit, source of revenue and cost breakdown. In addition, we also take into consideration the quality of answers in coding the dependent variables. For example, to be coded as being transparent, an organization must report the sources of at least 50% of its revenue. We have four groups of predictors of transparency, namely nature of organization, decision making body, funding channel and field of concentration. Furthermore, we control for an organisation's stage of development, self-identity and region. The results show that social enterprises that are at their later stages of organisational development and are funded by financial means are significantly more transparent than others. There is also some evidence that social enterprises located in the Northeast region in China are less transparent than those located in other regions probably because of local political economy features. On the other hand, the nature of the organisation, the decision-making body and field of concentration do not systematically affect the level of transparency. This study provides in-depth empirical insights into the information disclosure behaviour of social enterprises under specific social context. It does not only reveal important characteristics of Third Sector development in China, but also contributes to the general understanding of hybrid institutions.

Keywords : China, information transparency, organisational behaviour, social enterprise
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