

Organizational arrangements for targeted transparency

Legal or communicative enactment of disclosure requirements

Albert Meijer^{a,*}, Stephan Grimmelikhuijsen^a, Louise Nell^b and Leo Lentz^b

^a*Utrecht School of Governance, University of Utrecht, Utrecht, The Netherlands*

^b*Utrecht Institute of Linguistics OTS, Utrecht University, Utrecht, The Netherlands*

Abstract. Disclosure of information is an increasingly popular policy instrument. While the use of disclosed information by consumers has been studied, little is known the disclosure practices of organizations. The central question in this paper is: how do organizations translate the trade-off between legal and communicative quality into an organizational arrangement for the production of client communication products? Scholars suggest that the translation of this trade-off into organizational practices is influenced by the perception of the regulatory environment. We present an empirical study of 24 pension funds in the Netherlands to investigate this issue. Our findings falsify the expected relations between perceptions of the environment and organizational arrangements for client communication practices. Instead, this study highlights that a hybrid organizational arrangement for communicating with clients is the *modus operandi* for most organizations as it is an attractive way of integrating both legal and communicative expertise.

Keywords: Transparency, disclosure, organizational arrangements

1. Introduction

Regulation is a key area of government activity and academic attention for regulation has increased substantially over the past years [2,3,13]. Disclosure of information is a specific regulatory instrument that has gained popularity in governments all around the world since this instrument fits the basic philosophy of New Public Management [12,23]. Disclosure of information is an effort to approach the ideal of perfect information that is supposed to result in adequately functioning markets. As opposed to more traditional regulatory instruments, such as legal sanctions and financial instruments, disclosure seeks to influence through improving consumer choice (e.g. [7,11,20]). Disclosure requirements mean that government enables consumers to act as ‘regulators’ [19,20].

Disclosure is seen as a relatively cheap and ‘soft’ policy instrument [6,19]: it does not impose sanctions or rewards upon certain behaviour but assumes that actors will behave rationally and according to the policy makers’ wishes when they have the right information. Prior research on targeted transparency focused on its effectiveness of a disclosure system at large [8] or on the degree to which companies comply with the law due to disclosure [20]. Fung [8] emphasizes that the quality of information is

*Corresponding author: Albert Meijer, Utrecht School of Governance, University of Utrecht, Bijlhouwerstraat 6, NL3511ZC Utrecht, The Netherlands. E-mail: a.j.meijer@uu.nl.

crucial to the success of disclosure and stress the need for specific legal guidelines for information. The problem with these legal requirements, however, is that they may result in texts that are legally correct but incomprehensible to consumers.

Most of these analyses, however, focus on the legal and policy instruments and the need for accessible information for consumers, and pay little attention to organizational production of information. Some investigations focus on the responses to signals from consumers but little is known about the way companies translate legal obligations to provide information in organizational arrangements for the production of consumer information (see [19] for an exception).

Studying organizational behaviour is crucial since the legal regime never has a direct effect: it is always mediated through organizational behaviour. Even if legal requirements are specific, organizations still need to develop procedures and responsibilities to fulfil them. This means that the ‘black box’ of organizations needs to be opened to obtain a thorough understanding of the effectiveness of disclosure regimes. We employ classic organizational theories about organizational behaviour to open the ‘box’. Organizational action is often driven by perceptions of the environment consolidating or strengthening organizational legitimacy [4,27]. When translating legal disclosure requirements into organizational arrangements, organizational legitimacy – the support from relevant stakeholders for the organization – is thought to be the driving force.

The obligation to fulfil legal obligations for disclosure is translated into organizational arrangements for the production of client communication products. An organizational arrangement reflects a structural design choice in terms of the emphasis on certain types of expertise to be used in decision-making and procedures for allocating resources [cf. 21]. Two dominant choice options of organizational arrangements are available for targeted transparency: a legal and a communicative arrangement. A legal arrangement puts an emphasis optimizing the legal quality – i.e. the inter-subjective quality of texts according to the professional group of lawyers – whereas a communicative arrangement aims to optimize the communicative quality – i.e. the inter-subjective quality of texts for the intended audience of consumers.

There is a trade-off for the two options of organizational arrangements for targeted transparency: a legal arrangement ensures that the legal risk for organizations is minimized but could result in legalization of external communications to consumers that, in effect, could undermine their comprehensibility [10, 26]. At the same time, a communicative arrangement could be expected to make the disclosed information more comprehensible to consumers but this may also result in increased legal risks for these companies. Organizations face the seemingly inextricable tension between the regulatory demand of giving legally correct and complete information, versus providing information that is both comprehensible and concise [5,7,15]. This leads to the following central question: how do organizations translate the trade-off between legal and communicative quality into an organizational arrangement for the production of client communication products?

This paper presents qualitative empirical research into the translation of disclosure requirements by (commercial) pension funds in the Netherlands. The empirical material consists of one in-depth interview with experts at the regulatory authority (AFM) and 37 interviews with mostly communication officers and managers of 24 pension funds. On the basis of these interviews, we reconstruct (1) how the respondents perceive their disclosure obligations and the regulatory agencies enforcing these and (2) how these perception result in different organizational arrangement for disclosure. This research contributes to our understanding of using the obligation to disclose information as a policy instrument by opening up the black box of organizational translation of legal requirements.

2. Legal and communicative arrangements for disclosure

Regulatory disclosure can be seen as a policy instrument: disclosure requirements mean that government enables consumers to act as ‘co-regulators’ [20,28]. As such, it is also referred to as ‘targeted transparency’ [7,8,19]. Targeted transparency can be defined as imposing disclosure requirement on a market sector with the objective of enabling consumers to consider information about compliance in their decisions to buy products or services.

From a legal perspective, three parts of regulatory disclosure can be distinguished: setting a legal norm, enforcing the norm, and implementing the norm in practice. The latter is done by the targeted organizations, i.e. companies that are under inspection by the enforcement agency [14]. Hence, regulatory disclosure has organizational consequences. For example, more stringent rules may lead to more strict supervision by the top management. Most importantly it is reputational damage that drives organizations to change, disclose or comply [20]. If a company does not comply with legally obliged information demands it may face a fine, and is ‘named and shamed’ by the enforcement agency, giving them a bad reputation [28].

Perceptions of the environment are seen as the main driving forces of organizational action by organizational scholars (e.g. [27]). Disclosure regulations are perceived by organizational actors, and the way they are perceived affects how companies organize their communicative efforts. The organization-environment interdependence has been subject of study of organizational theorists for many years (e.g. [9,16,20,27]). Contingency theorists, such as Lawrence and Lorsch [16], Galbraith [9] and Mintzberg [21] point out that those organizations that are best fit to adapt to the environment are most likely to survive and flourish. Pfeffer and Salancik [25,62,63] argue that environments must be perceived in order to influence actions. In other words, perceptions of the environment by individuals in an organization influence organizational arrangements. In case of regulatory disclosure this means that the way the legal obligations are perceived may influence organizational arrangements for the production of client communication products.

In general, two ways of perceiving the legal requirements for disclosure can be distinguished. The first type of perception is seeing these legal requirements as obstructive to developing good relations with consumers. Graham [11] emphasizes that companies often lobby to exclude facts that do not promote their interests from transparency obligations. An example would be schools that communicate with parents about their school programs and that are obliged to present information about test scores while they do not regard these as being of the utmost importance. Schools have lobbied against this obligation and the only reason that schools will communicate these scores is that they might face legal sanctions if they do not [18]. The second category of perceptions is seeing these legal requirements as supportive to building the relation with consumers since it creates a clear level playing field in the sector [20]. An example would be pharmaceutical companies that need to communicate that pregnant women should not use certain drugs. When all companies are obliged to provide this information, they will be willing to communicate this to prevent that their consumers will be damaged by the use of these drugs.

We expect that these two broad categories of perceptions will result in different organizational arrangements for the production of client communication products. An organizational arrangement is a way of organizing a specific process by including certain individual employees in the implementation process of a rule in the organization. These individuals may have different types of expertise. This arrangement of expertise may consist of a legal specialist who understands the rules, communication experts (who know how to make information understandable), or a combination of these. An organizational arrangement puts an emphasis on certain types of knowledge to be used in organizational decision-making and

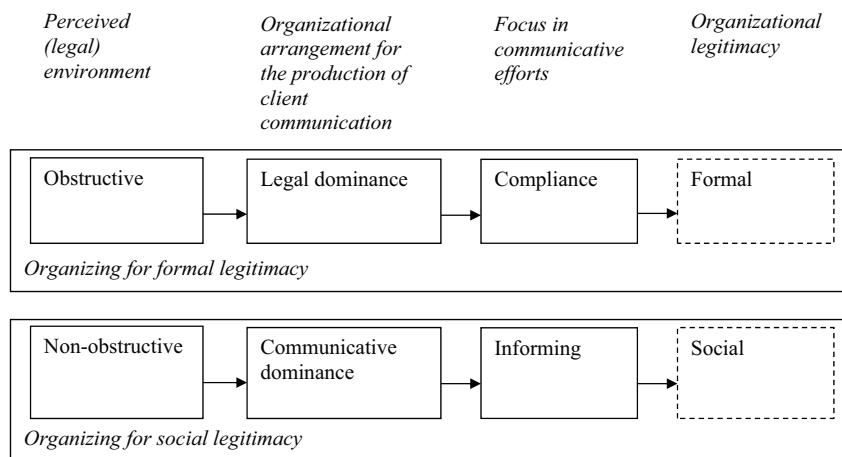


Fig. 1. Organizational responses to disclosure requirements.

certain norms in allocating resources. The choice for a certain arrangement is expected to affect organizational behaviour. Building upon the notion of contingency [16,21], we propose the following two different foci in communicative efforts:

1. *Compliance: a focus on legal quality.* If the organization perceives the rules and regulatory agency as ‘obstructive’, the legal department will control the disclosure of information and this will result in compliant – but not informative – communication.
2. *Informing: a focus on communicative quality.* If the organization perceives the rules and the regulatory agency as ‘non-obstructive’, the communication department will control the disclosure of information and this will result in informative – but possibly legally risky – communication.

Legal and communicative arrangement for the production of client communication products present two different routes to realizing organizational legitimacy [27]. The legal route focuses on realizing formal legitimacy in the form of adherence to formal rules whereas the communicative route puts an emphasis on social legitimacy in the form of trust and acceptance of the organization’s practices [4].

The relations between the perception of the environment, the organizational arrangement and the focus of disclosure are summarized in the following model (see Fig. 1). The boxes with social and formal legitimacy are dashed since these relations are not investigated empirically but presented as the objective of the different organizational responses.

On the basis of this model, we propose two organizational responses to the requirements of targeted transparency:

1. *Organizing for formal legitimacy.* The organization perceives legal obligations as obstructing communication with consumers. This will result in a strong position of the department of legal affairs which determines the information provision and a focus on legally correct and complete information, but which comes at the costs of comprehensibility of the information.
2. *Organizing for social legitimacy.* The organization does not perceive legal obligations as obstructing communication with consumers. This will result in a strong position of the department of communications, which determines the information provision and a focus on information that is easy to understand for consumers, but which may force the organization to sacrifice completeness of the information.

We conducted empirical research to test whether these configurations can be identified in organizational practices.

3. Research methods

3.1. Case selection and institutional context

This study investigates the use of mandatory disclosure in the Dutch financial domain. In the Netherlands, most people working for an employer are obliged to participate in a pension fund. Others save for their pension through insurers. Pension funds and pension insurers are obliged to inform their clients, so called participants, about their pension situation with a start letter and a Uniform Pension Overview (UPO). These rules oblige pension funds to provide factual and informative communication to their members.

The norms for disclosure in this domain focus on two types of 'information products': the so-called 'start letter' and the 'uniform pension overview' (UPO). The first is sent only once: when someone starts saving at a pension fund. The start letter informs the client about the most important elements of his or her pension. The UPO is an annual oversight of the current situation of the pension of a client. Most pension funds, however, provide additional brochures and marketing-based information. Communication between clients and pension funds and insurers is mostly written or digital (see [22] for an extensive description of this domain). Research by the AFM [1] highlights that the start letter and UPO are sometimes inaccessible to the average reader. The focus in our research was not to evaluate the accessibility of these texts but to understand organizational arrangements for the production of these texts.

The agency enforcing disclosure is the Dutch Authority Financial Markets (AFM). The AFM was established in 2002 and supervises the market conduct of over 25,000 financial institutions in the Netherlands. We will focus on one case within the financial domain: information disclosure by pension funds, a domain that has not been investigated yet with regard to disclosure [8,20]. Further, it is particularly relevant to investigate this case, since this consists of complex financial products that many consumers struggle with to comprehend [17,24].

The external communication of pension funds operates at the border of legal and communication affairs. The norms for information disclosure are imposed by law, yet disclosure itself is an act of communicating with clients. We investigated the organizational arrangements for the production of client communication products of 24 pension organizations: six company pension funds (CPF), eight industry pension funds (IPF), one profession pension fund (PPF), four pension insurers (PI) and five pension administrators (PA).

3.2. Operationalization

The perception of the environment was measured on the basis of two indicators: perception of rules and perception of enforcement. If the perception of both rules and enforcement was 'too strict', the environment was qualified as 'obstructive'. The environment was qualified as 'non-obstructive' when both rules and enforcement were qualified as supportive. The organizational arrangement was qualified as showing either 'legal dominance', 'communicative dominance' or 'mixed' by asking the respondents about the dominant profession in organizing the communication process with clients. The focus in communicative efforts on either 'compliance' or 'informing' was measured through two indicators: the projected goal of communication and the type of emphasis on communicative means. The focus was qualified as 'compliance' if both indicators were scored as 'compliant', 'informing' if both scored 'informing' and 'mixed' if the indicators yielded different scores.

Table 1
Data analysis categories

Categories	Sub categories
Perceived environment	<ul style="list-style-type: none"> – How are rules perceived? (too strict/neutral/supportive) – How is the enforcement perceived? (too strict/neutral/supportive)
Organizational arrangement for the production of client communication products	<ul style="list-style-type: none"> – Which professionals are most heavily involved in drafting communication products for clients? (legal professionals, communication professionals)
Focus in communicative efforts	<ul style="list-style-type: none"> – Do participants state compliance or informing people as the most important goal of their communication efforts? – Is there an emphasis on compliant means (i.e. start letter and UPO) or on communicative means (i.e. websites, brochures)?

3.3. Data collection

Data was gathered by means of expert interviews with respondents working for Dutch Authority Financial Markets (AFM). In addition interviews were conducted with respondents from 24 pension organizations (including insurers, funds). The majority of the respondents are mid-level employees that worked for the communications department of their organization. In some organizations senior-level employees were interviewed. All interviewees were somehow involved in the communication processes of their organizations, which means they are experts on this terrain and a reliable source of data on this topic. Prior to the interviews with pension organizations, eight interview topics were specified (see Appendix). The interviews were semi-structured, because this method of interviewing gave the informants the chance to mention subjects that were not raised by the interviewer.

3.4. Data analysis

All interviews were recorded and transcribed in Excel. Next, we coded in three broad categories: perceived environment, organizational arrangement for the production of client communication products, and focus in communicative efforts. These were based on the model depicted in Fig. 1. Next, these three broad categories were specified in order to discover patterns within each category. The categories are shown in Table 1 above.

4. Results

The structure of the results section follows the three main categories from Fig. 1. That means that the first question is how companies perceive the legal environment, second how they internally organize regulatory disclosure, and third in what kind of communication strategy this results.

4.1. How do companies perceive the legal environment?

The perception of the environment as being either ‘obstructive’ or ‘non-obstructive’ was measured in through two indicators: perceptions of the rules and perceptions of the enforcement. The first relevant dimension of the legal environment is the rules for disclosure. Unsurprisingly, the respondents of most organizations (13 of 24) perceive the legal norms regarding pension fund communication as too strict. The norms impose detailed instructions on what should be in the start letter and in the UPO. According

to respondents with a critical attitude towards these rules, the strictness of the rules comes at a loss of the possibility of tailor-made communication. This tension is clearly put forward by R5B, a communication officer: *“There is always a tension: lawyers want to avoid any risk by closing all possible gaps, but if you only use legal language the text is not comprehensible for the receiver.”* According to these respondents focusing on complete and legally correct information affects the comprehensibility and usability of pension information. The rules imposed by the AFM are perceived as detailed and giving too little room for communication purposes (R2,3,4,5,7,9,10,12,14,16).

On the other hand, a large minority (11 out of 24) has mixed or positive attitudes towards the disclosure norms. Five of these organizations were mainly positive, whereas six had a mixed attitude (i.e. not outspoken positive nor negative). Mostly these respondents emphasize that the rules enable comparability and uniformity of information between pension funds. It also enhances the overall clarity of information. This is exemplified by R15a, a communication official working for the pension fund of a large bank in the Netherlands: *“I agree with the goal [of these rules] and also the information that we provide. It contributes to the comparability of the information. Before everybody did it in his own manner.”*

More or less neutral respondents thought that detailed but uniform rules are good to force ‘badly communicating’ organizations to improve. On the other hand, these respondents say, the elaborate demands that derive from these rules may hold back ‘innovatively communicating’ organizations (R11,16,18,19,20,24).

The second important perspective in the perceived environment of organization is the enforcement agency AFM. Compared with their perceptions of the rules, respondents had milder attitudes toward the enforcement agency. Seven respondents expressed negative attitudes (R1,2,4,8,12,14,20). According to these respondents, the AFM is too narrowly focused on rule compliance, instead of the ‘principle behind the rule’. Two respondents at two different organizations also mentioned that they were afraid to do something wrong in their communication and because of that followed rules and procedures meticulously.

Respondents from ten organizations indicated that they were positive about the AFM, or at least could understand the agency’s point of view. According to these respondents it is a good thing that the AFM enforces rules to improve transparency in the communications of pension funds (R3,5,7,15,17,18,19,22,23,24). The rules may at times be difficult in daily operations, but the AFM enforces them to reach an overarching goal: clear and complete communication of pension organization with their clients. The relationship of these organization with the AFM is exemplified by R7a: *“I believe their ideas are not that different from ours. . . they are sufficiently competent, maybe they have a legal approach, but let themselves inspire by communication officers. Their intentions are good.”*

Next to these more pronounced attitudes, respondents of seven out of twenty-four organizations had no specific opinion towards AFM. One could interpret this as meaning that they accept AFM as a fact of life without thinking about the question whether this is a good or a bad thing: *“we have to do so we do it”* (R8).

These two dimensions were brought together to qualify the organizations’ perceptions of the environment as either obstructive or non-obstructive. We found that 10 organizations regarded the environment as ‘obstructive’, 8 ‘organizations’ as non-obstructive and 6 organizations as ‘mix’.

4.2. What is the organizational arrangement for the production of client communication products?

All respondents emphasize that communication with clients is a mutual endeavour of communication affairs and legal affairs. According to respondents, the legal department emphasizes completeness

and legal correctness, whereas the communication department values comprehensibility and clarity of communication (R1-4,7,8,12,16,17,20,22,24). Dominance of a particular department may lead to a communication product that emphasizes the values of certain departments. Hence, assessing the diverging organization arrangements is vital to understanding the way they communicate with the public.

In eight organizations there is a dominance of legal officers in the organization of the communication process. In these cases legal officers are the first to determine what the start letter and UPO will look like. Next the communications department ‘checks’ the result on comprehensibility and clarity in a communicative sense. This often leads to conflict, or dilemmas between legal affairs and communication affairs, because of their diverging demands of communication products. In four cases the communications department was dominant in the process of design. In these cases, the legal affairs department only performs a legal check. In most cases (twelve) the start letter and UPO were designed by a mix of legal and communication officers. This means that regulatory disclosure often is not arranged by a single department, or not even in co-production of departments, but that project teams are formed in which communication and legal employees work together.

In sum, we found that 8 organizations had an organizational arrangement for the production of client communication products that was dominated by legal professionals, 4 organizations had an arrangement that was dominated by communication professionals and 12 organizations had a mixed organizational arrangement.

4.3. *What is the focus in the communicative efforts of client communication?*

Two elements of the organizations’ communication strategy will be highlighted here to analyse whether the communication strategy focuses on compliance or informing. First, the projected goal of communication (mere rule compliance or information compliance) and second, the type of emphasis on communicative means, such as the official channels as regulatory prescribed or more marketing-based communications such as websites and brochures.

In just four cases only compliance was mentioned as the main goal for communicating with clients. Respondents in these organizations mentioned ‘informing people about rules and regulations regarding their pension’ as the most important goal of communication (R7,14,20,22). In sixteen cases a more communicative goal was stated explicitly. These goals regarded informing clients, for example by encouraging people to pay attention to their pension (e.g. R6,10,11,13). A typical communication goal was expressed by respondent R12: *“Our goal is that people can make independent decisions with regard to their financial situation, based on the information we provide. . . the goal is also to create a certain consciousness about pension, that it is understood. Here we need to balance detailed information with the possibility to explain it understandably.”* In four cases both compliance and informing people were mentioned as relevant goals for communicating with clients.

Further, we investigated the emphasis on different means of communication between pension funds and clients. Broadly speaking, there are two ways in which pension funds communicate: through two legally obliged documents (start letter and the UPO) and by additional means, such as brochures, magazines and websites. Generally the legal documents emphasize legal correctness and completeness over comprehensibility and attractiveness (R1,4,7,15,18,20,21,23). We analysed which organizations emphasized which means of communication. In eight cases the mandated legal means of communication were emphasized and in five cases the additional (communicative) means. Remarkably, in a rather large number of cases (eleven), no clear emphasis on either of the means could be found. These pension organizations are focused on both means; the interviewed communication officers perceived communication

Table 2

Relation between perception of the environment and organizational arrangement for the production of client communication products

Perception environment → Dominant organizational arrangement ↓	Obstructive	Mixed	Non-obstructive	Total
Legal dominance	3	2	3	8
Mixed	6	4	2	12
Communicative dominance	1	0	3	4
Total	10	6	8	24

Each cell displays the number of organizations.

as a combination of several channels (R2,3,10-13,16,17,19,22,24). Regulatory instruments may impose rigid demands on the disclosed information, which limits the freedom to present information in a concise or attractive way. By equally focusing on additional means, organizations keep the opportunity to communicate more freely with their clients, next to the obliged information that is presented in the start letter and annual overview (UPO). This way the rigidity of regulations can be surpassed without losing the aim of delivering comprehensive information.

On the basis of these two dimensions we qualified the focus in the communicative efforts of client communication. We found that 8 organizations had a focus on compliance, 5 organizations focused on informing and 11 organizations had a mixed focus in their communicative efforts.

4.4. What is the relation between the perceived environment and the organizational arrangement?

The findings of the perceptions of the environment and the organizational arrangements for the production of client communication products were analysed to see whether the expected relations – obstructive environment resulting in a legal arrangement and a non-obstructive environment resulting in a communicative arrangement – were found. The analysis of the relation between the perception of the environment and the organizational arrangement for the production of client communication products is presented in Table 2.

Table 2 provides some evidence of how perceptions of the environment are translated into the organization. Only in one organization, the perception of the legal environment as being obstructive resulted in communicative dominance in the organizational process. Three organizations that perceived the environment as obstructive organized their communication so as that the legal department was dominant in the organizational process. However, in the majority of cases (6) both communication and legal affairs are represented equally in the organizational process. In those organization in which respondents did not express a clear opinion about the environment two different organizational arrangements for the production of client communication products were reported. Of these arrangements, the one in which legal and communication experts work in teams is the most likely (4 organizations). Further, if the legal environment is perceived as non-obstructive this can coincide with all three organizational arrangements: legal (3), mixed (2) and communicative dominance (3).

This analysis provides hardly any support for the expected relationship between the perception of the environment and the organizational arrangement for the production of client communication products. We found that communicative dominance is rare when the environment is perceived as obstructive and more prevalent when it is seen as non-obstructive. Still, the mixed arrangement is dominant when the environment is perceived as obstructive and the legal professional are as often dominant as the communication professionals when the environment is perceived as non-obstructive. These findings highlight other considerations than the perceptions of the environment determine the organizational arrangement for client communication.

Table 3

Relation between organizational arrangement for the production of client communication products and focus in communicative efforts

Dominant arrangement → Focus in communicative efforts ↓	Legal	Mixed	Communicative	Total
Compliance	2	4	2	8
Mixed	3	7	1	11
Informing	3	1	1	5
Total	8	12	4	24

Each cell displays the number of organization.

4.5. What is the relation between the organizational arrangement for the production of client communication products and the focus in disclosure?

How does the organizational influence the focus in the disclosure of information? Does a legal dominance indeed lead to a focus on compliance as opposed to additional brochures and websites for informing clients? Table 3 shows an analysis based on the interviews with respondents.

Again, there is little support for the expected relations: there appears to be no clear relation between the organizational arrangement for the production of client communication products and the focus in communicative efforts. Only in the case of a mixed process, organizations tend to have a more balanced focus on compliance and informing. However, legal dominance in the organizational process does not correspond with a stronger emphasis on compliance. Nor does a communicative dominance in the process seem to relate with an exclusive focus on informing clients.

Overall, the expected relations between perceptions of the (legal) environment, organizational arrangements for the production of client communication products, and foci in communicative efforts are not clear. Instead, a wide variety of perceptions of the environment, organizational arrangements and foci in communicative efforts occur in this group of companies. Further, respondents report that their organizations generally tend to have a balanced approach toward regulatory disclosure: legal and communication experts work together in teams. Eventually, most organizations tend to regard both compliance and informing as equally important in their communicative efforts (11 organizations) or they focus on compliance (8 organizations). Only few organizations tend to strongly emphasize the additional means of communication such as brochures and websites for informing clients (4 organizations). Other factors than the organizational arrangement determine the focus of the communicative efforts in their client communication.

5. Conclusions: From distinct configurations to hybrid arrangements

We started this research with the expectation that two distinct organizational configurations could be distinguished: a legal and a communicative configuration. This expectation was tested in the domain of the Dutch financial sector and, more specifically, organizational responses to disclosure requirements of pension funds. We investigated the perceptions of the (legal) environment, organizational arrangements for the production of client communication products and the focus in the communicative efforts and we found considerable variation for all the variables. We analyzed the relations between these variables to find out whether there was support for the expectation that there would be a legal and a communicative configuration. We found remarkably little support for this expectation. Although there was some support

for the relation between the perception of the legal environment and the resulting organizational arrangement, we found no support at all for the relation between the organizational arrangement and the focus in communicative efforts. Organizations with a legal organizational arrangement proved just as likely as those with a communicative arrangement to focus on informing instead of compliance.

How can we explain this unexpected outcome? And can we present another (tentative) answer to our central question: how do organizations translate the trade-off between legal and communicative quality into an organizational arrangement for the production of client communication products? We highlighted that organizations face two risks: communications that are not fully compliant with legal requirements can result in a decline in formal legitimacy while communications that are not comprehensible due to legal requirements may result in a decline in the organization's social legitimacy. The results showed variation but we could not present an explanation for this variation. There are two options for further research. Qualitative research could investigate the specific dynamics of the translation of transparency requirement. How are organizational history, culture and structure related to these responses and how do these factors interact? Quantitative research could identify certain factors that are associated with the different foci in communicative efforts. What is the explanatory power of factors such as the size of the organizations, its age, financial situation, etc.?

The research suggests that, relatively independent of the fact whether they perceive the environment as obstructive or non-obstructive, organizations find ways to create hybrid arrangements that combine legal and communicative expertise. These hybrid arrangements for the production of client communication products do not produce hybrid information products. They do not solve the tension between legal and communicative requirements within one communication product and therefore they add additional communications to work around this. The empirical research indicates that organizations develop parallel communication streams with customers. Customers are presented with legally correct – but possibly incomprehensible – texts through one stream of communications and comprehensible – but possibly not legally fully complete and accurate – texts through another stream. This means that the tension between legal and communicative requirements is not resolved within the organizations but passed on to the customer.

The hybrid response to the dilemma of legal and communicative requirements also raises new questions. On the one hand, these questions are of a legal nature: what if people use information from leaflets that appears to be incorrect? Whose liability? On the other hand, there are more empirical questions such as how customers deal with the parallel communication streams. Do they study both types of information? Do certain customers study the legal communications and others the informative communications? Or do customer study these different types of communications at different moments? Or do customer eventually ignore all communication because they feel they are confronted with an information overload?

The questions emerging from our results highlight that the ideal of regulatory disclosure – providing information as a policy instrument to improve customer information and choice [7,11,20] – is not easily realized and requires an understanding of the complex communicative interactions between organizations and customers. Scholars on 'targeted transparency' have emphasized (e.g. [8]) that the quality of information is crucial to the success of disclosure and that this requires specific legal guidelines. In addition, we have found that the problem does not only lie in the legal requirements but also in the process of organizational translation of requirements into communication products and the resulting implications for customer communication in parallel streams..

This study of financial disclosure in the Netherlands has resulted in the mapping of a variety of organizational responses. This variety could not be explained on the basis of direct relations between

perceptions of the environment, organizational arrangements for the production of communication products and focus in communicative efforts. The most common response was a hybrid one that aims to strengthen both the formal and social legitimacy of these organizations by providing legally compliant and informative communications. A hybrid organizational arrangement for the production of client communication products seems to be an attractive way of realizing both formal and social legitimacy. The benefits, costs, effects and drawbacks of the hybrid response to realizing mandated disclosure while at the same time providing customers with accurate and accessible information demand further study.

References

- [1] AFM (2010). Rapport Volledigheid en Begrijpelijkheid Startbrief. Onderzoek naar de informatieverstrekking aan nieuwe deelnemers. The Hague: AFM.. Available at: <http://www.afm.nl/~media/Files/rapport/2010/rapport-volledigheid-begrijpelijkheid-startbrief.ashx> (25 March 2015).
- [2] R. Baldwin, M. Cave and M. Lodge, *Understanding Regulation: Theory, Strategy, and Practice*, Oxford: Oxford University Press, 2012.
- [3] R. Baldwin, M. Cave and M. Lodge, eds, *The Oxford Handbook of Regulation*, Oxford University Press, Oxford, 2010.
- [4] D. Curtin and A.J. Meijer, Does transparency strengthen legitimacy? *Information Polity* **11**(2) (2006), 109–122.
- [5] S.S. Dawes, Stewardship and usefulness: Policy principles for information-based transparency, *Government Information Quarterly* **27**(4) (2010), 377–383.
- [6] A. Etzioni, Is transparency the best disinfectant? *Journal of Political Philosophy* **18**(4) (2010), 389–404.
- [7] A. Fung, Infotopia: Unleashing the Democratic Power of Transparency, *Politics & Society* **41**(2) (2013), 183–212.
- [8] A. Fung, M. Graham and D. Weil, *Full Disclosure. The Perils and Promise of Transparency*, Cambridge University Press, Cambridge, 2007.
- [9] J.R. Galbraith, *Designing complex organizations*. Addison-Wesley Longman Publishing Co., Inc., 1973.
- [10] R. Goldfarb, My secretary, hereinafter referred to as cuddles, *Barrister* **5** (1978), 40.
- [11] M. Graham, *Democracy by Disclosure. The Rise of Technopopulism*, The Brookings Institute, Washington DC, 2002.
- [12] C. Hood, A public management for all seasons?. *Public Administration* **69**(1) (1991), 3–19.
- [13] C. Hood, H. Rothstein and R. Baldwin, *The Government of Risk. Understanding Risk Regulation Regimes*. Oxford University Press, Oxford, 2004.
- [14] W. Huisman and A. Beukelman, *Invloeden op regelnaleving door bedrijven. Inzichten uit wetenschappelijk onderzoek*, Boom Juridische Uitgevers, Den Haag, 2007.
- [15] A.F. Karr, Citizen access to government statistical information, in: *Digital Government: E-Government Research, Case Studies, and Implementation*, H. Chen, L. Brandt, V. Gregg, R. Traummüller, S. Dawes, E. Hovy, A. Macintosh and C.A. Larson, eds, Springer, New York, NY, 2008, pp. 503–529.
- [16] P.R. Lawrence and J.W. Lorsch, Differentiation and integration in complex organizations, *Administrative Science Quarterly* (1967), 1–47.
- [17] L.R. Lentz, *Let op: Begrip verplicht! Begrijpelijkheid als norm in de wet*, Inaugural Speech, Utrecht University, 2011.
- [18] A.J. Meijer, Publishing public performance results on the Internet: Do stakeholders use the Internet to hold Dutch public service organizations to account? *Government Information Quarterly* **24**(1) (2007), 165–185.
- [19] A.J. Meijer, Local Meanings of Targeted Transparency, *Administrative Theory & Praxis* **35**(3) (2013), 398–423.
- [20] A.J. Meijer and V. Homburg, Disclosure and compliance: The ‘pillory’ as an innovative regulatory instrument, *Information Polity* **14** (2009), 263–278.
- [21] H. Mintzberg, *Structure in fives: Designing Effective Organizations*, Prentice Hall, Englewood Cliffs, 1983.
- [22] L. Nell, L. Lentz, M.L. Nell and L.R. Lentz, Pensioenorganisaties en communicatiewetgeving. Exploratief onderzoek naar keuzes en verplichtingen, *Netspar NEA Paper #49*, Tilburg, 2013.
- [23] D. Osborne and T. Gaebler, *Reinventing government: How the entrepreneurial spirit is transforming government*, Addison Wesley, Reading Mass., 1992.
- [24] H.L.W. Pander Maat and L.R. Lentz, Een kennisbank over begrijpelijke taal, *Tijdschrift voor Taalbeheersing* **23**(3) (2011), 208–232.
- [25] J. Pfeffer and G. Salancik, *The External Control of Organizations*, Harper & Row, New York, 1978.
- [26] J. Redish, How to draft more understandable legal documents. In A. MacDonald (Ed.), *Drafting Documents in Plain Language* (Handbook A4-3034), New York: Practising Law Institute, 1979.
- [27] W.R. Scott, *Organizations: Rational, Natural and Open Systems*, (5th ed.), Upper Saddle River, NJ: Prentice-Hall, 2003.
- [28] J. Van Erp, Naming without shaming: The publication of sanctions in the Dutch financial market, *Regulation and Governance* **5**(3) (2011), 287–308.

Appendix: Interview topics

1. Drafting process of the start letter;
2. Attitudes towards and experiences with laws and regulations on pension communication;
3. Definition of communication goals and how to reach them;
4. How to distinguish and reach target groups;
5. Use of additional communication resources next to the start letter and UPO;
6. Communication resources and target group research among participants;
7. Expectations for the future of pension communication within the organization and the pension industry in general; and
8. Pension organizations' vision on pension communication.