Merchants of Transparency: Algorithmic Visibility as a Service

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Overview

1. global supply chains and how they are regulated
2. emerging field of "Predictive Risk Intelligence"
3. state of the art in transparency research
4. novel actors: "Merchants of Transparency"
5. contribution: analysing transparency as a mediated service
6. some preliminary findings from our ongoing analysis

high complexity in global supply chains: increase in network complexity and reduction of organisational slack (e. g. "just-in-time") leads to increased risk through unforeseen events
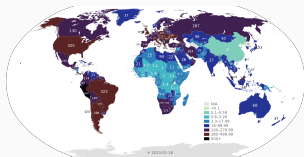
concurrently, stronger focus on **low working standards** and other human rights, environmental, social concerns

Laws and Regulations

thus far, mostly **limited to specific law sectors**, e.g. in the United Kingdom (2015, *Modern Slavery Act*) or the Netherlands (2019, *Wet zorgplicht kinderarbeid*) ...

...or **limited to specific business sectors**, e.g. in the United States (2010, *Conflict Minerals Provision*, formally Section 1502 of the *Dodd Frank Act*) or the European Union (2021, *Conflict Minerals Regulation*)

most recently: **more comprehensive regulation** in France (2017, *Loi relative au devoir de vigilance des sociétés mères et entreprises donneuses d'ordre*), Norway (2022, *Åpenhetsloven*) and, in particular, Germany (2023, *Lieferkettensorgfaltspflichtengesetz* or "LkSG")

(with comprehensive legislation at the EU level currently in negotiations in the form of the *Corporate Sustainability Due Diligence Directive*)

Emerging Field: "Predictive Risk Intelligence"

two main risk clusters for lead firms w.r.t. supply chains: **financial and regulatory**

to address these, firms turn to "**Predictive Risk Intelligence**", an emerging industry going beyond established services for predictive analytics and supply chain risk mitigation

term still not well-defined (and not standardised), neither in research nor in business, but main characteristics: use of **machine learning technology and heterogeneous big data**, in particular social media sources, to predict risks beyond "traditional" business-centred risk factors (in particular: "social risks", e.g. protests, political unrest and labour conflicts/strikes)

providers come from **different domains**: finance/insurance, consulting firms, existing software companies and, in particular, **tech startups**

transparency research has documented a broad **variety of practices** (documents, numbers, narratives, open data, video streams, . . .)

Flyverbom (2019): "**visibility management**" – transparency as a set of networked practices of **revealing and concealing** (also cf. Harness/Ganesh/Stohl 2022 on "visibility agents")

literature focuses on the **dyadic relationship** between an organisation and its audience(s) (e. g. member-driven, audience-driven, regulator-driven) and according practices of revealing and concealing **within** an organisation

Novel Actor: "Merchants of Transparency"

our proposal: focus on **third-party organisations** which invent, refine and promote **new transparency practices**

borrowing from Oreskes/Conway (2010), we call these actors "**merchants of transparency**"

their practices can include adaptation of existing off-the-shelf tools, but also more complex **socio-technical and algorithmic systems** with the potential to shape **situated practices** of transparency in the specific context of an organisation and its stakeholders

focusing on these new actors allows us to better understand

- the emergence of transparency in **interorganisational settings**
- the **proliferation** of transparency practices (cf. rating organisations)
- how **mediated transparency** between different stakeholders differs from "directly" negotiated practices of transparency

we followed a **constructive perspective** on transparency (Heimstädt/Dobusch 2020) and analysed our data **inductively and iteratively**

data sources include **31 semi-structured interview transcripts** across all three stakeholder groups (merchants, customers, audiences) as well as written material by various merchants of transparency and transcripts of public workshops and seminars held by merchants of transparency

(our analysis is still a work-in-progress, so what follows are **preliminary results**)

Contribution: Analysing Transparency as a Mediated Service

traditionally, research on organisational transparency suggests organisations come up with new transparency practices as **immediate responses** to changes in broader societal norms, regulatory changes, etc.

our findings imply that the **increasing complexity** (and, sometimes, vagueness) of new transparency requirements together with **more comprehensive coverage** gives opportunities for a new stakeholder group to **shape and mediate transparency and visibility** between their customers and the audiences (regulatory agencies, NGOs, media, the public)

by doing this, they **align and shift** other stakeholders' differing expectations and understandings of transparency, also w. r. t. the **actionability and practical use** of algorithmic visibility

Key Points from the Empirical Data

paradigm shift 1: human rights, environmental, social concerns previously often motivated for reasons of PR, now (by necessity) a specific interests in **practical details**

paradigm shift 2: risk management previously only relevant for **high-impact suppliers**, now (for regulatory reasons) more comprehensive

introduction of predictive tools partially motivated by new regulation, but also strong **intrinsic motivation** (often through previous history of unforeseen high-impact events)

. . . but not in all business sectors, e. g. thus far a negligible topic in the **commerce and retail sector**

some interviewees **highly sceptical** of (1) the **feasibility** of what many merchants of transparency claim to be able to do and, conversely, (2) that their tools and services surpass the existing **state of the art and best practices** in more advanced companies

Key Points from the Empirical Data (ctd.)

transparency definitions varied wildly between different stakeholder groups, with merchants sometimes bridging the gap and arguing for more comprehensive understandings

question of **meta transparency**: how transparent are mechanisms/tools for transparency? how transparent are input and data sources?

generally high awareness of **risks of technosolutionism** and complacency and the **importance of acting** ("it's nice to have the data, but the most important thing is to integrate them into processes and to do something with the data")

issue of **data quality**, data sourcing, effect of demands upon Tier *n* suppliers (in particular in the Global South)

questions regarding **practical effects** of Predictive Risk Intelligence on both **suppliers and unions/workers' rights**

Literature

Mikkel Flyverbom (2019): *The Digital Prism: Transparency and Managed Visibilities in a Datafied World*. Cambridge: Cambridge University Press. doi:10.1017/9781316442692

Naomi Oreskes and Erik M. Conway (2010): *Merchants of Doubt: How a Handful of Scientists Obscured the Truth on Issues from Tobacco Smoke to Climate Change*. Bloomsbury Publishing, New York, NY.

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Publications and Contact Details

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Lukas Daniel Klausner, Maximilian Heimstädt and Leonhard Dobusch (2023): *„Schöne neue Lieferkettenwelt": Workers' Voice und Arbeitsstandards in Zeiten algorithmischer Vorhersage*. In: Thomas Haipeter, Markus Helfen, Anja Kirsch and Sophie Rosenbohm (eds.), *Workers' Voice und die Sicherung sozialer Standards in globalen Wertschöpfungsketten*, transcript Verlag, Bielefeld (in press).

Lukas Daniel Klausner, Maximilian Heimstädt and Leonhard Dobusch (forthcoming): *Merchants of Transparency: Algorithmic Visibility as a Service* (in preparation).

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