The growing importance of public reporting in the age of transparency

In 2014, the EU Parliament made reporting on social, environmental and diversity matters a legal requirement for large companies[1]. A more gender-balanced workforce is critical to employee engagement, productivity and brand reputation. It is thus crucial for organisations to publicly disclose information on their diversity data and policies, if they are ever to meet this objective.

Public reporting shows to your investors, employees and customers that you hold yourself accountable and that you are taking responsibility. Being open and honest about your challenges is also the best way to understand where your gaps are so as to inform action. Soon, transparency will no longer be an option.

"This is the era of transparency, thanks to Youtube, the 24/7 news cycle, and the Internet, and what you don't admit to in public will hit the news in a nanosecond or two anyway."[2]

The world of the "naked corporation"

We recently entered the world of the "naked corporation"[3] where information is available to anyone who knows where to look for it. The amount of digital information increases tenfold every five years[4] and 40% of the world population is using the internet[5]. This trend towards global connectedness and responsibility has created an unprecedented power shift from businesses to customers, employees, shareholders and citizens.

In 2015, it takes only 15 seconds to discover, for example, the 20 largest polluters in your area or the 50 best employers for women in the UK. This year has also seen the launch of Goodguide.com, a website that rates and ranks over 250,000 consumer products on their environmental, health and social impacts.

We live in a democratic society where we expect politicians to be accountable to citizens, the same should be true for business and public institutions. Today, more than ever before, businesses are having a tremendous impact on the environment[6] and on society and it is only fair that they report on their policies and activities when these affect thousands of individual lives.

However, many companies continue to see corporate reporting as a compliance issue; if it's not mandatory, it's not a priority. This is a dangerous attitude in the 'age of transparency'. Instead of resisting change, companies should embrace it and seize it as a competitive opportunity.

What exactly is transparency?

Corporate transparency is the availability of company-specific information to those outside the organisation. The disclosure of information can be voluntary or mandatory. In order to be transparent, organisations need to produce, gather, validate and disseminate information[7]. This information needs to be accurate, honest, complete, relevant and accessible to different audiences. We strongly encourage organisations to disclose information on policies, risks and outcomes as regards environmental matters, as well as social and employees' aspects such as diversity activities, policies and practices.

The business case for transparency

In order to compete in a value-driven world, companies need to weave values into their strategy, operations and communication. According to research carried out by consultancy Global Tolerance over 2/3 of people think that businesses, governments and non-profits all need to deliver more social and environmental change[8].

"In today's economy, firms compete not just on price and quality, but on a range of intangible factors such as reputation, brand, and track record for corporate citizenship."[9]

1. Attract investors

From the investor's viewpoint, reporting provides insights into a company's business model, strategy, risk, performance and prospects[10]. As noted in a recent EY report, a study of industries with significant environmental impacts determined that sustainability disclosure was positively correlated with return on assets and cash flow from operations. Moreover, they found that voluntary sustainability disclosure by companies in these industries allows investors more information than government-regulated transparency alone[11].

2. Attract talent

Global Tolerance's survey of more than 2,000 people in the UK found that nearly three quarters want to see more transparency and 81% more accountability[12]. Ignoring those expectations would mean closing yourself off to two thirds of a potential talent pool.

Our own research into the views of more than 1,000 employees shows that the gender pay gap, along with a strategy for closing it, will likely impact an employer's ability to attract and retain talent. 93% of respondents believe employers should have to publish their overall gender pay gap and 90% want employers to break down the data by pay grade or job type. The pay gap itself may inform individuals' career choices - 92% of respondents would consider pay gap data when applying to jobs and deciding between two employers[13].

As large employers (250+ employees) will soon be legally required to publish their gender pay gap, getting ahead of the curve by reporting your data early could fuel your competitive edge in the employment market.

3. Boost staff engagement

By sharing your vision, your values and your approach, you open up the dialogue and empower your employees, making them feel more engaged and increasing their productivity.

Vineet Nayar, CEO of tech giant HCL Technologies, developed the management philosophy "[Employee First Customer Second](#)" (EFCS). By making management accountable to its employees[14], he created a culture of trust, innovation through transparent information sharing and decentralised decision-making. His company is now one of the fastest-growing and profitable IT services companies and according to BusinessWeek, one of the twenty most influential companies in the world.

Employees care about gender pay gap transparency, and, contrary to what many employers believe, publishing your data is unlikely to result in a rush of law suits. Our research[15] found that only 1% of employees would take legal action. Employees are far more interested in the contextual narrative around the pay gap and how their employer plans to close it. In fact, 89% of employees would feel more positively towards their employer if they published their data along with an action plan. So being transparent about your gender pay gap encourages your staff to contribute to the dialogue and feel engaged with the organisation.

"While even good reporting cannot ensure good company behaviour, it is an indication of commitment, awareness and action"[16].

4. Attract customers by enhancing your corporate reputation

Disclosing information sends a strong signal to customers of brand integrity. It enables you to build trust and thus loyalty. Our research based on a sample of more than 1,000 people found that 2/3 of respondents would be more likely to buy a product or service from the organisation with a smaller pay gap than a competitor – if it was the same price.

Where to publish data

With your investors & employees

- annual general meetings
- investor forums
- direct and open employee-leader/manager dialogues
- live or interactive platform like blogs and websites
- employee polls with live results available to all

With your customers & the public

- online/print media
- social media platforms (Facebook, Twitter, Linkedin, etc)
- annual reports, transparency and/or sustainability reports

Call to action

In order to advance women in the workplace, the government is creating new regulations (under Section 78 of the Equality Act 2010) that will require large employers, with more than 250 employees, to publicly report their gender pay gap. Greater transparency will force organisations to take action and accelerate the pace of change towards gender equality.

At Business in the Community we strongly encourage employers to measure, communicate and manage their social impact.

1. MEASURE
Collect your gender pay data and measure your overall gender pay gap, your pay gap broken down by pay band, and your data for full-time and part-time employees

2. COMMUNICATE
Analyse this data, investigate the causes for the gender pay gap, share it with your employees to hear their views and report it publicly.

3. MANAGE
Put in place an action plan to tackle your pay gap and promote gender equality at work by following our recommendations. Monitor and track your progress.

Endnotes

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[15] Business in the Community.

[16] Transparency International, *Transparency in Corporate Reporting: Assessing the World's Largest Companies*, 2012, p. 5.