



Resource Guide

# Financial Transparency



## Why Should a Company Be Financially Transparent?

Sharing financial information with employees supports productivity and performance because employees understand the rationale for executing their roles and bear a sense of responsibility for the company's financial success. With transparency into financials, all workers can help ensure a company's finances reflect its mission and values by increasing the breadth of oversight into corporate financial priorities. It can also increase employee's sense of inclusion and empowerment in the workplace.

## Strategies for Increasing Financial Transparency

**Be Specific:** Representing actual business numbers and concrete information about how the business works financially will be more motivating to employees than vague percentages or abstract targets. Specificity is more likely to drive understanding and support employee engagement in financial goals. Remember it is not essential that the company share sensitive information like employee salaries, but it should include information like profits, revenue, cash flow, and budgets.

**Create Financial Reports:** Presenting information in engaging, standard, and easy to interpret reports will support employee understanding of the information being distributed and should build alignment amongst the team. Make sure employees receive training on the reports and integrate trainings into employee onboarding processes.

**Consistency is Key:** Sharing on a schedule will build employee confidence that information is fully transparent. Companies should share information even when the news is not good. Educate employees on the ebbs and flows of the company cash flow and build their confidence that the leadership is working to address potential lean times or shortfalls. This may also motivate employees to proactively resolve issues that are hurting financial performance.

**Staff Retreats:** If the company holds semi-regular staff meetings such as retreats or quarterly meetings, consider sharing financial information with employees at these events alongside financial literacy training.

**Prepare to Answer Questions:** If the employees understand the financial reports presented by a company, they are likely to ask thought-provoking and challenging questions. Leadership should prepare for these and be able to explain the business strategy behind the numbers. Sharing in person provides an opportunity for employees to ask questions of those in the know that are presenting the information rather than speculating or seeking answers from uninformed sources.

# What is an Open Book Management Process?

Open Book Management (OBM) is a formal process that encompasses:

- Transparency
- Literacy
- Engagement with employees about financials

OBM is intended to reward businesses that not only share financials on a periodic basis, but also enable employees to access real-time financial and operational data that allows each employee or department to set goals and contribute to the overall success of the company. OBM requires more participation, and the practice is often made possible through enabling software. Even if a company is not able to fully implement an OBM process, they can still increase the financial transparency of the company.

## Steps to Improve Financial Transparency

1. Discuss with financial managers and senior leadership the value of financial transparency and decide the type of information that the company is comfortable sharing.
2. Identify the best method and forum for sharing information for the company, such as at staff meetings, a retreat, company intranet, etc.
3. When sharing with employees, provide a rationale for why the information is being shared and what it means, and allow for employees to ask questions.
4. Be aware that many employees might not have financial experience. Consider providing financial literacy education to enhance their understanding.
5. Consider incorporating principles of open book management where employees are invited to be more directly involved in financial planning.
6. Commit to sharing at consistent intervals to keep employees up to date.

## Resources

- [Why Transparency is Essential to a Trusting Staff](#) from Entrepreneur Magazine
- Inc. shares the [Power of Financial Transparency with Employees](#)
- Forbes discusses [How One Company Uses Transparency to Attract and Engage Millennials](#)
- [Let's Talk Money: 5 Ways Businesses Can Maintain Financial Transparency with Employees](#) from IOU Financial
- The National Center for Employee Ownership provides guidance on [Open Book Management](#)
- [Kurtosys](#) discusses their experience with financial transparency in a blog on their website

## Associated Resource Guides

- Mentoring & Internal Promotion
- Training Employees on Social & Environmental Aims
- Employee Engagement & Feedback

