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Article

How important is transparency in business? Let’s be clear

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Please note this content was curated for SME businesses in the UK

Wherever you look these days, things are becoming less hidden – whether it’s a restaurant with an open kitchen, a documentary showing the lighting and camera operators, or the detailed labels on our groceries. People like seeing what’s under the bonnet, what’s behind the scenes, what’s in the small print. The same applies to running a business too.

Sometimes small business owners can be reluctant to share their information, especially around company finances. But evidence suggests that when you’re open and transparent, people are more likely to trust you. And trust, for businesses, is a valuable commodity. Improved trust could help build confidence, create loyalty, and strengthen relationships. So having a transparent mindset across all your business interactions could benefit your company in all manner of ways.

What does transparency mean in business? It

has been defined as a "lack of hidden agendas or conditions, accompanied by the availability of full information required of collaboration, cooperation and collective decision-making". For example, if you have a customer database, you'll know how customers need reassurance about the security of their information and what you're using it for. Or if you engage with other businesses, you'll appreciate the importance of transparent pricing, clarity on product sourcing, and honesty in contractual negotiations.

This article looks at some of the business benefits of being transparent and shares five steps you could take towards greater transparency for your company.

Transparently improving your business performance

Transparency is more than just an ethical value. Embedding transparency across your business could make your business more attractive, competitive and better prepared for growth.

Improved reputation: transparency is a key building block for cultivating a trusted reputation, which could build confidence and improve relationships from suppliers through staff to customers. In a recent study, 94% of customers said they were more likely to trust a brand that demonstrated transparency **(1)**.

More loyal customers: customers often value transparency as a reason not to switch to competitors. This reduced customer churn could reduce acquisition costs and increase opportunities for upselling. Evidence shows that transparent businesses have customers who are more likely to stay with them **(2)**.

Higher price tolerance: such is the value customers place on transparency, they could even be prepared to pay more for your products if they trust your company. According to research, as many as three-quarters of customers will pay more for products from brands they think are genuine **(3)**.

Better access to capital: just as important as loyal, trusting customers are loyal, trusting investors. Lenders could be more likely to provide capital if they have confidence in the financial state of your business. And that confidence can be built by being transparent **(4)**.

Richer customer feedback: we all know how valuable positive reviews are. But addressing any negative feedback openly and

constructively could be equally important. Having open, transparent channels of communication with customers could not only provide opportunities to improve customer service, but also to cultivate empathy and understanding **(5)**.

Whatever the area of your business, having a transparent approach could reap considerable rewards.

Practical steps towards greater transparency

Growing evidence shows that sharing information openly with all your stakeholders **could create a happier, more productive and more profitable working environment.** Here are five steps you could take to become more transparent.

Sharing information with employees: your employees are likely to value honesty over perfection. Transparent information-sharing practices might include being clear about company policies, benefits and opportunities, meeting regularly to share initiatives, goals and challenges, and making space for difficult conversations **(6)**.

Advertise the salary: several studies have shown that employers who show the salary in job advertisements receive more applicants. Being upfront about salary information also helps reduce gender and diversity pay gaps **(7)**.

Transparent supply chains: customers are increasingly asking questions about companies' supply chains. By asking your suppliers about the social and environmental factors affecting the products you source, you could play an active role in sharing open supply chain information **(8)**.

Learn more about supply chain transparency in our article **Your guide to sustainable and ethical sourcing.**

Open lines of customer communication: along with responding promptly and constructively to negative reviews, could you be more proactive about sharing information with your customers? Whether over email, on your website or across social media, customers are likely to value open, honest insights about their transactions with you **(9)**.

Honest pricing: being crystal clear about what is included in the price, providing comparisons, limiting options, and demonstrating value all contribute to transparent pricing that could build vital confidence and trust **(10)**.

The good news for small businesses is that there can be less room for a lack of transparency than in larger companies. With fewer staff, suppliers and customers it could be easier to create an open and transparent culture. From investment to employee satisfaction, customer loyalty to better social and environmental responsibility, transparency could be your key to better business.

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