SHINING A LIGHT THROUGH THE DATA

In the Big Data marketplace, too much can obscure more than it reveals. IAN POWELL, Chairman of PwC UK, explains the art of transparency

IN EARLY NOVEMBER 2014 at PwC UK we published figures on the "gender pay gap" between our male and female employees, one of a handful of UK businesses to do so. We took this step because we believe better transparency on gender pay helps everyone assess progress toward equality and see for themselves where further action is needed.

Arguably, we could have been even more "transparent." We could have published *all* employee data – names, grades, salaries – so people could work out anything they liked, including our gender gap. This might have been completely transparent but might also have been the opposite of helpful. The right data in the wrong hands can be a dangerous thing.

In an era when business needs to rebuild public trust, there's an assumption that organizations can do this by providing more information. However if we had simply published a mass of employee data, in addition to being foolhardy, it would have done nothing to clarify what was really happening in our workforce.

Data alone doesn't build understanding or trust. Today, everyone in business is bombarded with more information than we know what to do with. And while this may initially have promised a new world of total transparency, the real effect can be less insight rather than more, and ultimately less trust. When it comes to closing the trust deficit, the numbers are not enough: we need to provide an understanding of what the numbers really mean.

Consider the UK Office for National Statistics data on the inflation rate. If just raw data on prices was published each month without indicating what products they applied to, it would not be very helpful in understanding the inflation rate in the economy as a whole. To be effective, data needs to be well organized, contain all relevant information and conform to consistent, widely agreed standards.

Today's explosion in data is far outpacing people's ability to interpret and absorb it. And professional services firms need to be able to translate the data, and to create an environment where people can understand which parts are important and reliable. This requires people as well as technology. Automation has brought us new tools, more numbers, higher speed – but in translating data to build trust, the professional judgment and skepticism of qualified, experienced people is vital.

What do we do to improve understanding and trust in numbers? First of all, source the data: you need to know what you're looking for and where to find it. Second, make it usable by organizing it into a standard format or "common data model,"

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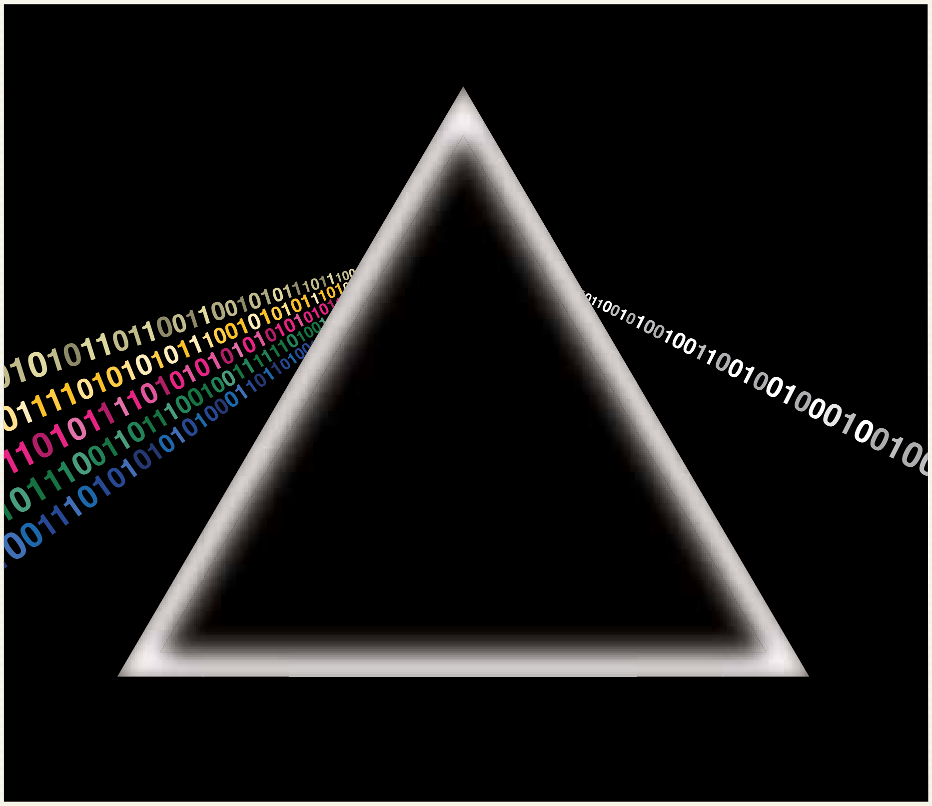

so you can test it, benchmark it and display it all in a consistent way.

Having done that, prepare a test of the information's reliability. In step three, you establish a hypothesis to validate against your expectation of what constitutes accurate information. Then step four is to test the information to see what conforms to the hypothesis, and identify patterns where things aren't as they should be. Fifth and finally, you visualize and display the outcomes in ways people can understand – helping to create insight and, hopefully, trust.

Whatever information we're seeking to assure, we've found these steps are the best way of validating its trustworthiness. One day, we think all corporate data will be tested in this way.

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IAN POWELL

Chairman and Senior Partner of PwC in the UK since 2008, Ian Powell was re-elected to a second term in 2012. He is a member of the team leading the international network of PwC firms and himself leads Central and Eastern Europe, Europe, Middle East, Africa, India and Russia. A graduate in economics, he has an honorary doctorate from Wolverhampton University in England's Midlands. Powell is a qualified Chartered Accountant and joined PwC as a trainee in 1977.

PwC
One of the largest professional services firms in the world, PwC is also one of the top four auditors. A network of firms in 157 countries, it employs nearly 200,000 people.

TIPS FOR TRANSPARENCY

PwC Director of Corporate Reporting MARK O'SULLIVAN gives some guidelines for communicating with clarity

1. **Relevance** Strip out immaterial disclosures, restrict repetition and consolidate content to focus on what is really relevant to users. Consider a target to reduce page count.

2. **Linkage** Align these critical elements in your reporting: business model, strategy, risks, key performance indicators and remuneration. Gaps may indicate flaws in internal thinking, operations or information.

3. **Communication** The narrative on strategic progress should be year-round, not a one-off compliance exercise. Update users on earlier announcements, make the most of existing content and tell a consistent story.

4. **Accessibility and conciseness** Experiment with the presentation of the annual report. Avoid lengthy, impenetrable documents that shareholders won't read. Consider the function of the report, and whether the strategic report can stand alone.

5. **Longer term** Focus on longer-term prospects rather than the current/next quarter's performance.

6. **Risk management** Focus integrated risk disclosures on what has changed in the year and align with insight into risk management, processes and controls. Relate to an overall risk appetite and the organization's culture, day-to-day management and governance processes.

7. **Impact** Show the outcome and impact on critical resources and relationships. Risk assessment and strategic planning should look beyond direct operations.

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