

Financial information disclosure: negotiation or prescription?

As an accountant, auditor and Independent Mediation Services of SA (IMSSA) mediator, I have facilitated over 100 cases involving the sharing of financial information between labour and management. Almost without exception the sharing of financial information in these cases has benefited negotiations and hence the relationship between the parties. When negotiations occur on a mutually informed basis, they are raised to a higher level — therefore the parties' need to resort to their respective arsenals of power is diminished. Alternatively, power tactics are no longer seen to be relevant.

Information sharing will be fundamental to the success of workplace forums should they ultimately be created in the South African economy. In this article, I will argue that the disclosure of financial information in any forum should be the product of a process involving, *inter alia*:

- individual needs assessments by both management and the workforce;
- individual strategic planning by the same parties with regard to financial information sharing;
- training;
- negotiations/consultation between the parties with the aim of developing a joint strategic plan and information sharing policy specific to the workplace/enterprise.

The ILO has passed a number of recommendations concerning information sharing. For example, Recommendation 129/1967 recommends that management give information



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MEDIATION NOTES

Financial information disclosure should be the product of negotiations between the workforce and management rather than the product of prescriptive legislation or a NEDLAC determination, argues **DAVE DOUGLAS** of IMSSA.

regarding: general conditions of employment, job details, possibilities of training and advancement, the general situation of the undertaking and its prospects and plans, explanation of decisions likely to affect workers' education in the undertaking and methods of consultation between manager and worker representatives. (Certainly, any manager who does not adequately inform the workplace of these points should abandon ship.)

Apart from saying that the information shared should be contemporary, complete and objective, the ILO is vague about the specifics of financial disclosure, and correctly so. Each workplace is a unique environment affected by production, market and competitive conditions, and the degree of trust between, and the character of, its workforce and management. In addition, each workplace environment is constantly changing so it becomes effectively impossible to prescribe the detail of financial information sharing.

What we can say for sure is that the information disclosed in an average audited annual report of a South African company is inadequate to the information needs of the workforce of that company. The disclosure requirements of the Companies Act seeks to protect the interests of existing or potential investors and creditors, not employees. Some progress is indeed being made by the South African Institute of Chartered



Accountants, which is seeking to encourage the drafters of financial statements to provide for the needs of an expanded body of users — specifically including employees. However, progress on this remains slow and audited financial statements may at best meet only some of a workforce's information needs because audited financial statements have a broader focus and an historical, annual time period.

If management unilaterally initiates the sharing of financial information, this is more often than not regarded with suspicion by the workforce, who see the event not as management sharing or disclosing information, but as management exposing information. Very often in negotiations, I have seen financial information made available — but then completely disregarded, sometimes by both parties. Whatever form the new Labour Relations Act takes, the danger with the sharing of financial information in any workforce/management forum is that it is regarded with suspicion or as an irrelevant necessity — something like two boxers touching gloves before the actual fighting begins.

To overcome the possible hurdles of mutual suspicion and/or nominal compliance with the requirement to disclose information, I suggest three processes.

1. Clarify and develop initial attitudes and approaches to information sharing.

The workforce and management at an enterprise need separately to determine their initial positions on information sharing. Questions asked may include:

- What fears do we have about information sharing?
- What information should we request/disclose?
- How does information sharing fit in with our long-term goals?
- What information could be regarded as potentially damaging to the enterprise if competitors were to become aware of it?
- How do we deal with such potentially damaging information?

2. Training

Regretfully, accountancy has become a specialised skill, therefore both management and the workforce will probably require training to:

- master the meaning of relevant historical financial statements;
- use historical financial statements to determine likely outcomes of future scenarios, relevant to the workplace.

Hopefully, training will assist not only in providing the parties with a competent ability to understand and use relevant financial statements, but will also begin to build a measure of trust between the workforce and management.

3. Ongoing consultation

Information sharing is a process in which the nature of the journey is more important than the destination. Consultation with regard to information sharing has the following objectives:

- to build and maintain trust,
- to tailor the nature of the exercise to meet the specific needs of the workforce and of the enterprise;
- to monitor the success or failure of the information sharing process;
- to continually adapt the process to meet the needs of a changing environment.

Conclusion

The sharing of information between the workforce and the management of an enterprise does require a minimum level of trust between the parties in order to succeed in any way. In my experience, it has always been possible to develop this minimum level of trust given sufficient consultation and, if necessary, facilitation of the process by a third party. The successful conclusion of even a relatively small or introductory information sharing exercise will contribute to an increase in the level of trust between the parties, thus enabling a further degree of disclosure to occur.

Information sharing is obviously not an end in itself, but a vital contribution to worker participation and the building of stronger enterprises. For it to succeed the full range and detail of information disclosure must be a product of workplace consultation and creativity rather than a product of a prescriptive legislative or administrative decree. ☆



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