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Press Release

GBP Monitor: Almost One Third of Companies Demand Fewer Disclosure Requirements

The German Business Panel asked and companies answered: In July almost one third of companies demanded fewer disclosure requirements. Amongst them are mainly small companies that have access to fewer resources and qualified personnel. Larger companies often times even benefit from more transparency. They use the data disclosed by competitors as a source of information for themselves and therefore assess the requirements as much more positive.

Not only large corporations but also small and medium sized businesses need to report detailed company data in Germany. Disclosure requirements are important. This way, the public can get informed about the economic situation and performance capability of a company. This serves to protect business partners and ensures proper functioning of the market. At the same time, disclosure of business data entails costs for the companies. The new Corporate Sustainability Reporting Directive (CSRD) includes further disclosure requirements as of 2024 – and therefore higher costs. The German Business Panel now took this as an opportunity to survey how companies evaluate the current disclosure requirements in Germany. Because “successful regulation needs to find the right balance and should not demand too much of companies,” explains project leader Jannis Bischof.

Assessment of disclosure requirements depends on resources.
The new GBP report shows: The disclosure requirements in place are a burden for many companies. While only 13 percent of companies demand more transparency, 30 percent demand less. Their position regarding this issue primarily depends on their size and their resources. Small companies with less than 10 employees are more likely than average to demand fewer disclosure requirements. On the other hand, larger companies are more than twice as likely to demand more transparency. It is a question of perception of costs versus benefits, the report suggests.

“For small companies, costs obviously outweigh the benefits of disclosure,” says Bischof. “They have fewer resources and qualified personnel. As a result, preparing and publishing information is costly for them, even if they have to disclose significantly less data due to their size.” Support for transparency regulations also increases with the size of the finance departments. Companies with at least five employees in this area give an above-average rating of 5.5 on a scale of 0 (We want much less transparency) to 10 (We want much more transparency). The approval ratings of companies with smaller financial departments are considerably lower at 4.7.

Larger corporations can take advantage of transparency
At the same time, the data reveals that, over the last two years, particularly larger companies have increasingly extracted and used relevant information from competitors' reports. This shows, says Jannis Bischof, that “Companies with sufficient capabilities and resources will not only be better at coping with the demands of reporting, but they will also be better at taking advantage of the benefits of disclosure. Consequently, they give a much more positive assessment of disclosure requirements.”

However, companies must expect that their information will also be used by their competitors to draw conclusions on confidential company data. As a result, companies that increase their investment in research and development tend to be less willing to disclose this information than companies that reduce their investment – even though the public perceives an increase in investment as positive. It is precisely these investments in research and development that provide crucial information for competitors.

Transparency policies have an influence on the assessment of economic policy
The level of satisfaction with transparency policies has a decisive influence on companies' assessment of the economic policy of the Federal Government. Companies that perceive disclosure requirements as too demanding are much less satisfied with current economic policy. This is particularly true for smaller companies, which regard disclosure requirements more negative in general.

The complete report on company trends in August 2023 (“GBP-Monitor: Unternehmenstrends im August 2023”) can be found here:
https://www.accounting-for-transparency.de/wp-content/uploads/2023/08/gbp_monitor_2023_08.pdf

Further information on the GBP monitoring report
The German Business Panel interviews more than 800 companies per month on the economic situation in Germany and collects data on 1) any expected changes in revenue, profit and investments, 2) economic decisions, 3) the expected shutdown rate in the sector, and 4) the satisfaction with the economic policy. Furthermore, GBP reports on particularly relevant questions once per month.

Background information on the German Business Panel
The GBP is the long-term survey panel of the trans-regional Collaborative Research Centre “Accounting for Transparency” (www.accounting-for-transparency.de). The Collaborative Research Center (CRC) “TRR 266 Accounting for Transparency” was established in July 2019. In May 2023, the German Research Foundation (DFG) approved the extension of four additional years. It is the first CRC with a focus on business administration. More than 100 researchers from the following nine universities are involved in the CRC: Paderborn University (host university), Humboldt-Universität zu Berlin, University of Mannheim, researcher od Ludwig-Maximilians-Universität München, Goethe University Frankfurt am Main, Frankfurt School of Finance & Management, WHU - Otto Beisheim School of

Management and University of Cologne. The researchers examine how accounting and taxation affect the transparency of companies and how regulation and firm transparency impact our economy and society. The CRC is funded with approx. EUR 18 million.

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