Tampereen yliopisto

Roope Horila

CAN BUSINESS VALUE STEM FROM PAY TRANSPARENCY AND PAY EQUITY?

Case Study of a Heavy Equipment Company

Master's Thesis
Faculty of Management and Business
Examiner: Tuomas Korhonen
Examiner: Jaakko Siltaloppi
December 2025

ABSTRACT

Roope Horila: Can Business Value Stem from Pay Transparency and Pay Equity?
Master of Science Thesis
Tampere University
Master's Programme in Industrial Engineering and Management
December 2025

Pay transparency and pay equity have become central topics for organizations and their strategic considerations, particularly amid changing regulatory landscapes, such as the European Union (EU) Pay Transparency Directive (PTD), and a cultural and generational shift toward higher expectations of transparency and equity. This, combined with the identified strategic importance of enforcing Diversity, Equity, and Inclusion (DEI) and the focus on traditionally male-dominant industries, such as heavy equipment manufacturing, presents both challenges and opportunities for business value creation.

Despite increasing pressure on companies to enforce higher levels of pay transparency and a more detailed, analytical approach to pay equity, there is limited empirical evidence on the effects of these elements when they are implemented and enhanced in practice. This study addresses this research gap by examining how pay transparency and pay equity-related practices are perceived, implemented, and leveraged within a global heavy equipment company, with implications for other organizations.

The objective of this thesis was to explore whether and how business value creation can stem from pay transparency and pay equity, and to identify the key considerations for a company preparing for and implementing such changes. Additionally, this thesis aimed to develop an understanding of the linkages between pay transparency and pay equity, examining these elements in the context of DEI.

The study used a qualitative research approach, based on 20 semi-structured interviews with employees of the case company. The interview data were analyzed using the Gioia methodology, providing a structured, transparent approach to identifying the key concepts, themes, and aggregate dimensions of the findings.

The findings reveal that while pay transparency and pay equity are not yet fully integrated into business strategies, their significant potential effects on employee trust, motivation, engagement, retention, productivity, and innovativeness are increasingly recognized and addressed. These practices are not seen as limited to the compliance view; they are also viewed as potential strategic contributions that are likely to enhance employer branding. On the other hand, the expected and sufficient levels of pay transparency and pay equity appear to vary by organization and individual, and their direct effects are often difficult, if not impossible, to isolate from other organizational factors and practices. A commonly shared perspective emphasizes the importance of aligning anticipated levels of pay transparency and pay equity within a company to meet the broader employment expectations of its workforce.

This study contributes to the growing body of literature on Strategic Human Resources Management (SHRM) by presenting a case study perspective on how pay transparency and pay equity are perceived as potential drivers of business value creation. This research provides an understanding of how work toward pay transparency and pay equity can be conducted in practice, considering organization-specific dimensions and differences, as well as commonly identified pitfalls, thereby enabling organizations to succeed in implementing related changes. Finally, the study emphasizes the importance of organizational alignment, particularly leadership commitment, in addition to the relational organizational readiness evaluation, to benefit rather than face potential challenges from the work towards achieving pay transparency and pay equity.

Keywords: pay transparency, pay equity, business value creation, human resources management

The originality of this thesis has been checked using the Turnitin Originality Check service.

TIIVISTELMÄ

Roope Horila: Voiko liiketoiminta-arvoa syntyä palkkaläpinäkyvyydestä ja -tasa-arvosta?
Diplomityö
Tampereen yliopisto
Tuotantotalouden DI-ohjelma
Joulukuu 2025

Palkkaläpinäkyvyys ja -tasa-arvo ovat nousseet keskeisiksi teemoiksi organisaatioissa ja strategiatyössä muuttuvan sääntelykentän, kuten Euroopan Unionin (EU) palkkaläpinäkyvyysdirektiivin (engl. Pay Transparency Directive, PTD), sekä kulttuurisen ja sukupolvien välisen muutoksen myötä kohti korkeampia odotuksia läpinäkyvyyden ja tasa-arvon osalta. Yhdistettynä monimuotoisuuden, tasa-arvon ja osallisuuden (engl. Diversity, Equity, and Inclusion, DEI) edistämisen strategiseen merkitykseen kohdentaen tarkastelua perinteisesti miesvaltaisiin toimialoihin, kuten raskaan kaluston ja valmistavan teollisuuden toimialat, voidaan huomata niin erilaisia haasteita kuin liiketoiminta-arvon luomisen mahdollisuuksia.

Vaikka yrityksiin kohdistuu kasvava paine palkkaläpinäkyvyyden edistämiseen ja tarkempaan sekä analyyttisempaan otteeseen palkkatasa-arvoa kohtaan, empiirinen näyttö näihin liittyvien toimenpiteiden vaikutuksista ja käytännön toteutuksesta on edelleen vähäistä. Tämä tutkimus vastaa kyseiseen tutkimusaukkoon tarkastelemalla, miten palkkaläpinäkyvyyteen ja -tasa-arvon edistämiseen liittyviä käytäntöjä koetaan, toteutetaan ja hyödynnetään globaalissa raskaan kaluston yrityksessä tulosten ollessa merkityksellisiä myös muunlaisille organisaatioille.

Työn tavoitteena oli tutkia, voiko ja miten liiketoiminta-arvoa voi syntyä palkkaläpinäkyvyydestä ja -tasa-arvosta, sekä mitä keskeisiä asioita organisaatioiden tulisi huomioida valmistautuessaan ja toteuttaessaan näitä muutoksia. Lisäksi tämä työ pyrki syventämään ymmärrystä palkkaläpinäkyvyyden ja -tasa-arvon välisestä yhteydestä, tarkastellen tätä kokonaisuutta DEI-kontekstissa.

Tutkimus toteutettiin kvalitatiivisena tutkimuksena puolistrukturoiduin, 20 tapaustutkimuksen kohdeyrityksen työntekijän teemahaastatteluin. Haastatteluaineiston analyysi tehtiin hyödyntämällä Gioia-metodologiaa mahdollistaen systemaattisen ja läpinäkyvän lähestymistavan löydösten konseptien, teemojen ja korkeamman tason kokonaisuuksien tunnistamiseksi.

Tutkimuksen tulokset osoittavat, että vaikka palkkaläpinäkyvyyttä ja -tasa-arvoa ei vielä ole täysin integroitu yritysten liiketoimintastrategioihin, näiden elementtien merkittävät vaikutukset työntekijöiden luottamukseen, motivaatioon, sitoutumiseen, pysyvyyteen, tuottavuuteen ja innovatiivisuuteen tunnistetaan entistä selkeämmin. Näiden käytäntöjen ei nähdä rajoittuvan lainsäädännön noudattamiseen, vaan ne nähdään mahdollisina, strategisesti merkityksellisinä tekijöinä, jotka voivat myötävaikuttaa työnantajamielikuvan kehitykseen. Toisaalta odotettu ja riittävä palkkaläpinäkyvyyden ja -tasa-arvon tila vaihtelevat niin organisaatioittain kuin yksilötasollakin. Lisäksi näiden tekijöiden suoria vaikutuksia on usein vaikeaa tai jopa mahdotonta eristää muista käytännöistä ja niiden vaikutuksista. Yleisesti jaettu näkemys korostaa sitä, kuinka tärkeää on suhteuttaa yrityksen odotetut palkkaläpinäkyvyyden ja -tasa-arvon tasot henkilöstön laajempiin odotuksiin nähden, niihin vastaamiseksi.

Tämä tutkimus lisää ymmärrystä strategisen henkilöstöjohtamisen (engl. Strategic Human Resources Management, SHRM) näkökulmasta tarjoamalla tapaustutkimukseen perustuvan näkökulman siitä, miten palkkaläpinäkyvyys ja -tasa-arvo nähdään mahdollisina liiketoiminta-arvon luomisen ajureina. Työ luo ymmärrystä siitä, miten työtä palkkaläpinäkyvyyttä ja -tasa-arvoa kohti voidaan tehdä käytännön tasolla huomioiden organisaatiokohtaiset piirteet ja eroavaisuudet sekä yleisesti tunnistetut sudenkuopat näin mahdollistaen erilaisten organisaatioiden onnistumisen muutosten toteuttamisessa. Lopulta tämä tutkimus korostaa läpi organisaation kulkevan yhdenmukaisuuden merkitystä ja erityisesti johdon sitoutumisen tärkeyttä sekä organisaation valmiuden arviointia hyötyäkseen työstään kohti palkkaläpinäkyvyyttä ja -tasa-arvoa välttäen matkalla näistä koituvia mahdollisia haasteita.

Avainsanat: palkkaläpinäkyvyys, palkkatasa-arvo, liiketoiminta-arvon luominen, henkilöstöjohtaminen

Tämän julkaisun alkuperäisyys on tarkastettu Turnitin Originality Check -ohjelmalla.

USE OF AI IN THESIS

I have utilized AI tools in my thesis:

☐ No
☒ Yes

The AI tools utilized in my thesis and their purposes are described below:

Names and versions of AI tools:

- Grammarly
- ChatGPT 4o

Purpose of using AI tools:

- Grammarly was used for spelling and language check, and improving wording. AI was not used to produce the text, and the spelling suggestions were carefully reviewed, with only some being applied.
- ChatGPT was used for helping to ideate the research scope and approach, supporting in structuring the literature review approach, and reviewing and enhancing the overall structure of the thesis report. AI was not used to generate text for the thesis.

Sections where AI tools were used: The whole thesis.

I acknowledge that I am fully responsible for the entire content of my thesis, including the parts generated by AI, and accept accountability for any violations of ethical standards in publications

PREFACE

This thesis, as the final step in my studies, marks the culmination of a slightly over 4-year academic journey begun in August 2021 and opens the next stage towards continuing with full force on my chosen professional path. From a professional perspective, I found the thesis work to be highly meaningful, as it has structural and societal implications for promoting equity and highlights structural issues and challenges from a company's perspective, also relating to its value creation.

I want to thank the case company and the people there for making this thesis possible in the first place, as well as my family and close relatives for their continuous support of my studies and throughout the thesis process. I especially want to thank my grandfather Seppo, for his encouragement throughout my academic journey and for being a guiding example on the path I have chosen, and Laura, for always being there for me.

From the academia perspective, I am grateful for the support and guidance I got for the thesis from Tuomas Korhonen and Jaakko Siltaloppi, but also for the help and support from my peers throughout these four years studying at Tampere University, including but not limited to all the extracurricular activities and organizations I have had the honor to participate in, belong to, and to contribute towards.

Tampere, 19th of December 2025

Roope Horila

CONTENTS

1. INTRODUCTION 1
1.1 Research context 3
1.2 Literature review methodology and research gap 4
1.3 Objectives and research questions 6
1.4 The structure of this thesis 9
2. DIVERSITY, EQUITY, AND INCLUSION AS PART OF HR STRATEGY 11
2.1 Strategy and HR strategy 11
2.2 Diversity, Equity, and Inclusion in the work community 13
2.2.1 Diversity 14
2.2.2 Equity 15
2.2.3 Inclusion 16
2.2.4 Diversity, Equity, and Inclusion summary 17
2.3 Diversity, Equity, and Inclusion as a part of HR strategy 18
2.4 The business connection to Diversity, Equity, and Inclusion 20
3. PAY TRANSPARENCY AND PAY EQUITY AS BUSINESS VALUE SOURCES 23
3.1 Pay transparency 23
3.2 Directive (EU) 2023/970 on pay transparency 25
3.3 Equity and equality 27
3.4 Pay equity 29
3.5 The connection between pay equity and pay transparency 32
3.6 The business connection to pay equity and pay transparency 35
3.7 Summary and findings of the literature review 40
4. RESEARCH METHODOLOGY 46
4.1 Methodological preferences 46
4.2 Research process and ethics 47
4.3 Data collection and analysis 49
4.3.1 Interviewees and interviews 49
4.3.2 Other data sources 52
4.3.3 Data analysis 53
5. FINDINGS 55
5.1 Data structure 55
5.2 Societal accountability 57
5.3 Benefit-driven change integration 61
5.4 Value realization from transparency, equity, and diversity 64
5.5 Proactive risk mitigation 69
6. DISCUSSION 72
6.1 Individual employees as the creators of value in a company 73

6.2 Implementing pay equity and pay transparency into a company 75
6.3 Enforcing pay transparency and pay equity differs by organization 77
6.4 Creating business value from diversity, pay transparency, and equity . 80
7. CONCLUSIONS 83
7.1 Scientific presentation of findings 83
7.2 The practical significance of the findings in the theoretical framework . 89
7.3 Proposal for action 90
7.4 Evaluation 91
7.5 Limitations and future work 94
REFERENCES 97
APPENDIX A: REFERENCE CLASSIFICATIONS 104
APPENDIX B: THE INTERVIEW GUIDE IN ENGLISH 105

LIST OF FIGURES

Figure 1. *DEI success elements (modified from Tucker 2023) 14*
Figure 2. *DEI Business connection summary..... 22*
Figure 3. *High-level timeline of the practical effects of the EU PTD (Directive (EU) 2023/970) 26*
Figure 4. *A visual representation of pay equity and pay equality (Directive (EU) 2023/970; UNESCO n.d.; United Nations Global Compact n.d.) 28*
Figure 5. *The concept of pay transparency as a potential driver of pay equity (Fahn & Zanarone 2022; Obloj & Zenger 2022; Maciejovsky et al. 2025). 34*
Figure 6. *A high-level literature summary of potential business effects stemming from pay transparency and pay equity 39*
Figure 7. *Illustration of the prior research and the research gap..... 41*
Figure 8. *The final schedule for conducting the research for the thesis..... 48*
Figure 9. *The data structure of the collected and analyzed data according to the Gioia methodology (Corley & Gioia 2004; Gioia et al. 2013)..... 56*
Figure 10. *The data structure of the aggregate dimension on societal accountability..... 58*
Figure 11. *The data structure of the aggregate dimension on benefit-driven change integration 62*
Figure 12. *The data structure of the aggregate dimension on value realization from transparency, equity, and diversity..... 66*
Figure 13. *The data structure of the aggregate dimension on proactive risk mitigation 70*
Figure 14. *Illustration of the employee experience effects and outcomes in the enforced pay transparency and pay equity context derived from the interviews..... 74*
Figure 15. *Illustration of the workforce age and industry characteristics likely driving the expectations of pay transparency and pay equity..... 79*
Figure 16. *The internal business value-creation mechanism..... 88*
Figure 17. *The external business value-creation mechanism..... 89*

LIST OF TABLES

Table 1. The theoretical and empirical relation of the research questions 8
Table 2. DEI elements summary 17
Table 3. Summary of the literature review findings 42
Table 4. Summary of the research gaps identified in the prior literature 45
Table 5. Summary of the interviews held 52
Table 6. Summary of other data sources supplementing the interviews 53
Table 7. Summary of potential business benefits identified in the interviews 69
Table 8. Key findings based on the literature 84
Table 9. Key findings derived from the interviews 85
Table 10. Key findings based on the literature and the analysis of the interviews combined 86

LIST OF SYMBOLS AND ABBREVIATIONS

D&I	Diversity and Inclusion
DEI	Diversity, Equity, and Inclusion
DM	Diversity Management
HR	Human Resources
HRM	Human Resources Management
HRS	Human Resources Strategy
PTD	Pay Transparency Directive

1. INTRODUCTION

This master's thesis report examines pay transparency, pay equity, and Diversity, Equity, and Inclusion (DEI) principles as potential sources of business value, viewed as integral parts of Human Resources (HR) strategy and people strategy. Based on 2023 global data, an overall gender pay gap exists across all countries included in the Organisation for Economic Co-operation and Development (OECD), favoring men over women (OECD n.d.), which motivates related work in organizations. This study aims to take steps towards achieving gender pay equity, with implications for a broader view of pay equity that goes beyond the gender perspective, considering other demographics and intersectionalities in the future.

Even though the topics of pay equity and DEI have their roots far in the history in Europe (European Economic Community 1957), the current legislation-driven approach in Europe is shaped by the European Union (EU) Pay Transparency Directive (PTD) (Directive (EU) 2023/970) which aims "*to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms*" (Directive (EU) 2023/970). There is room for discussion in the organizations to whom this applies to understand if the changes and process development made according to the PTD's (Directive (EU) 2023/970) requirements are only conducted with legal compliance emphasis or if there is a business value connection to be found and embraced, and from which to benefit simultaneously when implementing the changes from a more strategic perspective.

The significance of this study is underlined by the changing environment in which organizations operate. Organizations face growing expectations for fairness and transparency, not only from the legislative perspective but also from internal and prospective external stakeholders. As requirements and expectations build, the potential business benefits of exploring the topic should be of high interest, motivating this study.

Elaborating on the connection between people strategy implementation and this thesis, this thesis examines whether pay transparency, pay equity, and DEI principles can impact business value creation, and whether their successful implementation and utilization can contribute to it. On the other hand, this thesis report aims to provide an understanding of whether implementing, increasing, and emphasizing pay transparency, pay equity,

and DEI principles in an organization's practices poses challenges and complications, thereby negatively affecting business value creation.

The literature on pay transparency, pay equity, and DEI principles suggests that the successful implementation of these elements may yield far-reaching, multidimensional business benefits (Pless & Maak 2004; Olsen & Martins 2012; Reguera-Alvarado et al. 2017). These potential business benefits primarily stem from their contribution to business value creation, mostly indirectly by enhancing organizational performance and mitigating certain risks, primarily workforce-related ones such as turnover and the adverse effects of employee dissatisfaction. This underlines the practical significance of researching pay transparency, pay equity, and DEI principles. (Schnaufer et al. 2022; Cragun et al. 2024; Schumann 2024)

This thesis was commissioned by a globally operating heavy equipment company that is the subject of the case study research. Given the focus on the case company, this thesis primarily examines the case company's people strategy, its relational situation, and stance towards pay transparency and pay equity, and the potential business value in this context. Although the focus of this thesis is on the case company and not all results can be generalized, the theoretical background and some empirical findings may be of general significance in comparable contexts. This thesis aims to fill the practical research gap in the relationship between pay transparency and pay equity, as well as their combined business effects, while incorporating DEI principles into the analysis. Finally, the thesis seeks to deepen understanding of whether pay transparency and pay equity are seen as beneficial and desired approaches from the strategy and business value creation perspectives, or whether the primary view should be limited to the compliance perspective when planning and implementing related changes.

The key finding of this study is that enforcing pay transparency and pay equity can support and drive improvements, such as enhanced employee motivation and productivity, and strengthen the organization's position in the eyes of external stakeholders, including potential future employees and investors. Business value can stem from these aspects through different mechanisms, as many of the direct outcomes of enforced pay transparency and pay equity have rather indirect effects on business value creation. To capture the potential benefits, the related challenges must be overcome and proactively addressed, starting with an evaluation of the current state of affairs in the company and the expectations from the internal and operating environments.

1.1 Research context

As organizations within the EU are preparing for further requirements on pay transparency and reporting according to the EU PTD (Directive (EU) 2023/970), they might have mixed views on the value of the related work and the justifiability of the caused resource usage, but also concerns regarding the changes to be implemented. This master's thesis report aims to provide an extensive overview of the importance and effects achievable alongside the process, starting from the compliance point of view, but extending the view from there. The thesis aims to identify and highlight key observations, viewpoints, and considerations for implementing the change described above. This will help determine which kind of change to pursue in the organization in question, in different situations, to achieve contextual, tailored, and optimal results.

The case company in this research is among the companies intending to explore, identify, and likely benefit from these possible business connection points and value-creation opportunities stemming from the determined and profound work around the pay transparency and pay equity topics, not to ignore the pure legal requirements of the EU PTD (Directive (EU) 2023/970 2023) and the upcoming legislation on the EU member state level. On the other hand, in the case company, the previously mentioned elements are already considered crucial to the overall employee experience. They are identified as key considerations, regardless of legislative drivers. Ultimately, this research aims to provide understanding of the potential business benefits achievable around the topic, a contextual view to the possible benefits in the case company's situation and finally a basis for potential change to be pursued within the organization to be able to capture the potential benefits, including potential pitfalls that could be faced during and after the change implementation and related preparations.

Implementing changes related to pay transparency and pay equity to the level of detail required may itself pose various challenges and obstacles, as recognized in the practical work and process development surrounding the topic, also within the case company. This thesis focuses on the relatively high-level and methodological aspects of primarily HR-related matters and their business effects. Some of the more technical, practical issues, such as information security, data management, and data quality, are acknowledged but not discussed in great detail in this thesis report. The thesis focuses more on the higher-level, even philosophical and ideological, aspects of compensation, and on driving and enhancing pay transparency and pay equity within an organization. The practical implementation and the potential issues and challenges associated with it are thus left for each organization to adjust to according to its situation, as some of the potential challenges are generally identifiable and highlighted in this thesis report.

Finally, what makes this thesis's area of research extraordinarily fascinating is that the level of pay transparency and pay equity reporting has not been enforced to this extent in the past, with a comprehensive, strictly monitored legal approach. Even though some countries and smaller entities have had similar legislation and guidelines in place, this level of detail and a joint approach across different countries have not been implemented in the past, and the comparably significant and strict monitoring and sanctioning of injustices under the legislation have not been in place either. This reveals a new research gap, simultaneously complicating the theoretical research approach, as little research has been conducted on the topic, its legislative details, and its long-term effects.

Given the limited practical consequences to demonstrate in the business value creation context, there are significant examples of financial consequences of mistreatment in the pay equity context. Outside of the EU context, stemming originally from the United Kingdom Equality Act (2010), the United Kingdom has developed reporting requirements from which the first equal pay claims have emerged. In the first Employment Tribunal decisions, disputes over defining, evaluating, and grouping equal-value work and jobs have led to an estimated total of 30 million pounds in compensation for mistreated employees stemming from discriminatory pay policies in a single company's case. In the case in question, the core issue was that within the company, the highly gendered roles of warehouse workers and sales consultants were compensated differently, and the company could not provide sufficient grounds to justify this difference. (Employment Tribunal 2024; McGuigan 2024)

With the first supreme court rulings of the even more significant, but similar, legal cases, the financial magnitude of the compensation by the company to its employees can rise into billions (Supreme Court of the United Kingdom 2021; Strauss & Onita 2025) emphasizing the importance of succeeding in not just implementing pay transparency, but in defining the comparable and equal value job grouping as the steps towards reliable and rigorous pay equity analysis and to achieve and maintain equity and compliance with the applicable legislation. On the other hand, this view may have implications for the significance of documentation and a transparent rationale in decision-making regarding compensation and job evaluation.

1.2 Literature review methodology and research gap

The primary approach to the thesis's literature review was to search for literature on the topic using targeted search strings in various databases, including Scopus, Andor, and Web of Science. For the literature search, which was conducted in English, eventually the most significant search strings used were "pay transparency", "("pay equity" AND

directive)” and “(“diversity AND equity AND inclusion AND strateg* AND (HR OR ("human resources")))”, for which the search result set was of suitable scope and size without further refinements. Additionally, and especially regarding the significant search strings of “pay equity”, “equal pay”, “(diversity AND equity AND inclusion)” and “(diversity AND equity AND inclusion AND strateg*)”, further refinements such as a prioritizing and limiting the search to cover only the literature published after the year 2022 were utilized to achieve as relevant search results as possible. Some search strings, such as “pay equity”, “equal pay”, and “(diversity AND equity AND inclusion)”, were found to be too broad and were thus refined to yield more targeted search results.

A search log was maintained throughout the thesis and literature review process to document the work and provide a transparent, systematic approach to the literature review. The reference literature included in this thesis report was carefully reviewed from the base search results and selected, prioritizing literature published in the previous few years and the classification of the publication channels according to the Finnish publication forum.

The reference classifications of the publication channels for the articles cited in this thesis report, as determined by the Finnish publication forum, are presented in Appendix A. Literature rated at Level 0 (publication channels that do not meet the Level 1 criteria) was excluded from the thesis. While prioritizing levels 2 (leading level) and 3 (top level), a notable amount of the final reference literature represents the basic level 1. This was evaluated as acceptable in the context of this thesis, as many of the topics and perspectives stem from relatively new cultural and legislative developments, thus limiting the availability of related top-level literature.

In addition to the initial literature searches across various databases using different search strings, the pearl-growing method (Schlosser et al. 2006, p. 572) was employed to identify relevant literature from the sources initially identified and reviewed. Applying the pearl-growing method enables one to identify interconnected literature and build a comprehensive understanding of related topics (Schlosser et al. 2006, p. 572), thereby supporting the extension of the refined, targeted literature scope.

A preliminary mapping of the existing literature was conducted to identify potential research gaps, laying the foundation for this study and providing an understanding of the literature’s relation to the objectives and research questions presented in the next section. Through the preliminary literature review and mapping, the research gap was identified within the unified business connection among pay transparency, pay equity, and DEI principles.

All three elements of pay transparency, pay equity, and DEI principles have been extensively researched individually (e.g, Sherman et al. 2021; Avdul et al. 2024; Cullen & Pakzad-Hurson 2023; Kelleher & Chang 2023; De Poli & Maier 2024; Weaver et al. 2025) and to some extent combined (e.g., Fahn & Zanarone 2022; Lai et al. 2024; Holtschlag et al. 2025), but have been only touched on in terms of the direct and indirect business connections of these elements. Therefore, the practical understanding of the broader connections between business value creation and pay transparency, pay equity, and DEI remains relatively unknown and warrants further research, which further motivates this thesis.

In general, various potential business benefits stemming from pay transparency, pay equity, and DEI have been identified, but prior research does not examine the journey to their actualization. The existing body of literature is not only limited regarding the lack of a common legislative framework setting the context, but also regarding the practical steps to implementing pay transparency and pay equity, as well as taking into account various operating environment-related and situational differences between organizations.

From an academic research perspective, the need for and significance of this thesis work are underlined by the call for research in prior studies. Even though the need for research on diversity management and its relationship to changing environments and organizational performance (Shen et al. 2009; Olsen & Martins 2012), on the connection between diversity and business value creation (Herring 2009) and on the better understanding of individual-level strategic compensation changes (Larkin et al. 2012) have all been highlighted already over a decade ago, a gap in related literature still exists.

Research has been called for on pay transparency, including related risk mitigation (Austin et al. 2021), long-term consequences (Card et al. 2012), employee perceptions (Bamberger & Belogolovsky 2017), and the potential for business value creation (Fahn & Zanarone 2022). Additionally, over the last three years, research has been called for regarding pay transparency and pay compression and their consequences (Wong et al. 2023), on the long-term effects of pay gaps (Wang & Lin 2024), and on pay information sharing of different types and levels (Cragun et al. 2024).

1.3 Objectives and research questions

The objective of this thesis is to gain a better understanding of the connection between pay transparency and pay equity and to enable the case company to implement an in-

creased level of pay transparency and a more detailed approach to the pay equity analysis in its internal processes, while bringing the primary focus to the simultaneous business value creation potential. The internal processes development and alignment aspect in an organization might include connecting new or developed projects and processes to the organizational strategy, specifically the HR strategy or people strategy, as in the case company, while acknowledging the related interconnections with existing practices. As there is little to no research on the explicit people strategy available, this thesis's literature review focuses more on the generalized HR strategy (HRS) approach. However, the empirical part specifically discusses the people strategy, as the case company uses it in a manner similar to HRS in other organizations.

The implementation of changes towards reliable pay equity analysis and a thorough approach to pay transparency needs to be successful, considering the EU PTD's (Directive (EU) 2023/970) set requirements and limitations regarding the specifics of the gender pay gap reporting and the possible objective justifications of the potential gender pay gap. Another objective of the thesis is to map the viewpoints and reflections of the case company's key employees regarding this topic, as well as their expectations for advancing pay transparency and developing more detailed pay equity analysis models, practices, and processes within the organization. This can help the case company further align its internal approach to the topic and identify potential areas for emphasis in education and training.

To further identify the research context and the need for this kind of research, and to deepen the research question-setting beyond gap-spotting in the prior literature, problematization (Alvesson & Sandberg 2011) was employed alongside a review of the prior literature and the call for research presented therein. In relation to the problematization approach (Alvesson & Sandberg 2011), previous research on the topics of this study has been conducted across different contexts, lacking a unified legal framework to define and motivate the related work in organizations, thereby providing further research opportunities.

With the introduction of the EU PTD (Directive (EU) 2023/970), there is, for the first time, a practical framework common to all EU countries, opening new research avenues into the soon-to-be legally required actions and adjustments. Additionally, as there will be a common minimum compliance level across EU-based organizations, they face a new challenge: they need to define their approach and decide whether they are willing to go beyond the legally required minimum. Therefore, the context of this study and the legal compliance implications in the main research question-setting provide a new perspective

on the research topic compared to the prior literature, discussing also the simultaneous potential business benefits.

The main research question and the sub-research questions for this study are:

- How can pay transparency and detailed pay equity analysis contribute to business value creation beyond legal compliance?
    - What do pay transparency and pay equity mean, and how are they theoretically connected?
    - How can pay transparency and more detailed pay equity analysis be implemented into a company's processes and strategy?
    - What is the role of DEI in business value creation in this context?

The study's relation to the research question and the sub-research questions is described in Table 1 below, which structures the emphasis and significance of the literature review and practical sections of this thesis report in relation to the research questions. Overall, abductive reasoning was employed in the research process to connect the theoretical and empirical approaches, as shown in Table 1. According to the structure outlined in Table 1, the main and sub-research questions of this study are categorized into theoretical and empirical questions based on the primary methodological approach to answering each research question, acknowledging the overall abductive nature of the employed methodology.

Table 1. *The theoretical and empirical relation of the research questions*

Research question	Primary methodological approach to answering the research question
RQ: How can pay transparency and detailed pay equity analysis contribute to business value creation beyond legal compliance?	Empirical, but based on the background knowledge built in the literature review
SRQ1: What do pay transparency and pay equity mean, and how are they theoretically connected?	Theoretical, but also discussed in the empirical part as part of the interviews
SRQ2: How can pay transparency and more detailed pay equity analysis be implemented into a company's processes and strategy?	Empirical, but supported by the views provided in the literature review
SRQ3: What is the role of DEI in business value creation in this context?	Empirical, but supported by the literature review, providing background knowledge

With the context set by the research question and the sub-research questions described above, one objective of the research project is to provide an understanding of the feasibility and achievability of capturing and realizing the specific, tailored business value-creation opportunities for the case company. Simply put, the research project aims to build an understanding tailored for the case company to identify its capabilities and needs within the context of potential business value stemming from and around the profound

pay transparency and pay equity work, acknowledging the connection to DEI, while providing insights and observations on a general level for organizations around the topics discussed and researched.

1.4 The structure of this thesis

This thesis report is divided into six chapters, following the introduction chapter. The report follows the traditional linear-analytic approach, structurally mirroring the progression of the research process (Saunders et al. 2019, p. 712). The report is structured as follows:

Chapters 2 and 3 combined include the literature review part of the research, being structured into two main topics of firstly DEI in Chapter 2 and pay transparency and pay equity in Chapter 3, with both chapters not just reviewing the literature around the topics mentioned but also investigating connections within and between the topics and extending the view to potential business benefits. Chapters 2 and 3 are intended to provide sufficient context for the practical findings and discussion in the latter parts of this report. The literature review is concluded at the end of Chapter 3.

Chapter 4 describes the research approach, clarifying the choices made in the research process and discussing the overall process from different perspectives, including theoretical and methodological aspects and research ethics. It also describes the interview process and structure, which serve as the primary data collection mechanism for this study. In Chapter 4 the other data sources that augment the interview data collected and analyzed are summarized. Additionally, the methodology for analyzing the interview data is described in greater detail.

Chapter 5 presents the study's empirical findings, which form the core of the thesis report and are supported by the literature review. Chapter 5 focuses on the analysis and observations from the interviews and lays the groundwork for answering the empirical research questions of this study and for the discussion in Chapter 6. In Chapter 5 the findings from the interviews are structured, grouped, and linked, providing the basis for discussing and concluding the results in the following chapters. Again, the analysis of the interviews is augmented by observations and findings from other data sources, primarily as background contextual information that enables the interviews to proceed on a deeper level regarding the topic, with sufficient prerequisite levels ensured.

Chapter 6, as mentioned, discusses the study's findings presented in Chapter 5, within the context established in Chapters 2 and 3. Thus, in Chapter 6 the aspects from both the literature review and the qualitative research are combined and analyzed to gain a

deeper understanding. In Chapter 6 both the theoretical and empirical research questions, as well as the combined research questions, are addressed and discussed, with the approach presented in Table 1.

Chapter 7 concludes the thesis report, presenting the key practical findings within the theoretical framework, and evaluates the research process and quality. It also proposes and outlines the need for future research stemming from this study and prior research. In Chapter 7 the limitations of the study are also discussed, and practical action proposals based on this research, are presented to conclude the contributions of this study.

2. DIVERSITY, EQUITY, AND INCLUSION AS PART OF HR STRATEGY

This chapter presents the first part of the literature review in this thesis, focusing on DEI principles and their role in an organization's HR and people strategy. The chapter also aims to provide context for the DEI principles, serving as an important background for the pay equity view presented in the next chapter, which focuses on the specific compensation aspect of the equity dimension in DEI. Additionally, this part of the review aims to provide a better understanding of the concepts of HR work and strategy, as well as the linkages between these topics in this context.

This chapter consists of four parts. Section 2.1 introduces the concepts of strategy and HRS, and Section 2.2 and its subsections examine and explain the separate but interrelated DEI principles in the work community context. Section 2.3 aims to clarify the relationship between HRS and DEI principles. Section 2.4 then links the business value perspective to the implementation and enforcement of DEI principles and initiatives within an organization, concluding the chapter.

As this thesis focuses on strategy from the Human Resources Management (HRM) perspective rather than HRM in general, this chapter will not further cover HRM. The chapter focuses on developing an understanding of HRS and people strategy and their relationship, while only briefly addressing Strategic Human Resources Management (SHRM) as the connection and basis point of strategy in this context.

In the literature, the concept of people strategy appears to be neither commonly used nor widely researched, and the literature on HRS encompasses a wide range of approaches that are not entirely comparable to the approach the case company employs in this regard. The literature on HRS typically encompasses both the more functional approach specific to the HR organization and the comparably holistic, people-centric approach in people strategy. Thus, both the HRS and people strategy are covered in this chapter. However, the literature emphasizes the HRS approach, which is then viewed in light of the people strategy approach, given the case company's situation and context, and the existing literature on the topic.

2.1 Strategy and HR strategy

In general, a competitive strategy within a company's context refers to defining the approach a business will take to compete, including its targets and the tools and processes

to achieve those targets and pursue desired outcomes (Porter 1998, p. 24). According to one perspective, strategy can be viewed at three primary levels: corporate, business, and functional (Johnson et al. 2011, pp. 10–11). Ultimately, in this context, a business strategy is created to target business value creation (Raju 2006).

When specifying from the general definition of strategy, directing attention away from the corporate and business levels of strategy, the focus shifts to lower-level, more specific functional strategies (Johnson et al. 2011, pp. 10–11). These strategies focus on the different components of an organization (Johnson et al. 2011, p. 11). In the context of managing the organization's human resources, strategies such as an HRS or a people strategy can be identified. When specifying the approach to people strategy, the focus has traditionally not been on the functional aspects of the HR organization but instead on the broader concept of the optimal utilization of the organization's employees as a resource from a management perspective. (Gratton & Truss 2003)

The concept of HRS, with a focus on the system level, rather than the function of HR (Gratton & Truss 2003; Biron et al. 2024), encompasses different levels of systems and processes, including, but not limited to, employee development and relations, and compensation management (Biron et al. 2024). HRS, separate from the potential HR function strategy, is ultimately about the decisions made over time regarding workforce management and development, potentially involving trade-offs between social and economic aspects. HRS is typically segmented by organization- and function-level HRM approaches. (Boxall & Purcell 2022)

When discussing HRS, it could be linked to HRM. As a starting point, human resources refers to the individual capabilities of people that can be applied to various roles and tasks in the workplace. HRM refers to management activities related to human resources. (Boxall & Purcell 2022) HRM emphasizes the importance of aligning and leveraging the organization's human capital to contribute to its strategic goals (Biron et al. 2024). This approach is not only tied to individual employee development but also to the HR function's role within the organization's overall strategy. HRS and SHRM may have various practical connection points and implications for the organization's processes, such as recruitment, training, and compensation management. (Shen et al. 2009)

With a more strategic approach to clarification, the concept of SHRM can be seen as the link between the organization's business strategy and HRS (Biron et al. 2024). On the one hand, an organization's strategic management approach can affect its HRM. On the other hand, the organization's HRM approach may impact the success and quality of its strategic management. (Boxall & Purcell 2022)

Integral involvement of the workforce in executing the organizational strategy is required for long-term success (Gratton & Truss 2003). Especially at the higher levels of strategy, which essentially target business value creation, successful people management, and policy setting, drive business value creation from the people strategy perspective. It is essential to acknowledge that, for the people strategy to be effective and deliver the desired results, it must be well aligned with the business strategy. (Raju 2006)

2.2 Diversity, Equity, and Inclusion in the work community

DEI, consisting of three separate but complementary elements, diversity, equity, and inclusion, forms a comprehensive set of principles to build the ethical basis of a workplace on. The DEI principles are ultimately grounded in human rights, particularly the freedom from discrimination, and thus have their roots deep in the past. Proven across various contexts, the actualization and implementation of DEI principles in the workplace enhance business performance. (United Nations Global Compact n.d.)

Although DEI is often considered a tripartite entity, with the three dimensions observable both in combination and individually, it is also possible to combine only two of the three dimensions and examine them together with specific approaches to gain a more comprehensive perspective. For example, Diversity and Inclusion (D&I), as one of the initial approaches to the overall DEI principles topic, can be seen as a two-dimensional set of principles (Covington et al. 2025), and inclusion can also be combined with equity to form a unified approach, excluding the diversity dimension (Moore et al. 2023).

Over the last few years, the importance and emphasis on DEI have increased, creating discussion around the principles and their integration into strategy from both the challenges and opportunities perspectives. As the topic has only recently become a practical and significant consideration in the organization's strategic planning, the connection between strategy and DEI appears to be in its early stages. (Tagliaro et al. 2024) The more traditional approach and actions taken to implement DEI principles within an organization include viewing successful DEI management as an asset rather than a risk, taking practical steps to improve DEI implementation, and driving cultural change and genuine inclusion. Organizations achieve varying levels of progress in implementing DEI principles. However, organizations with the most successful DEI efforts tend to invest more resources in their DEI programs than others. In addition to greater resources, more successful organizations, from a DEI perspective, focus on aligning policies, holding leadership accountable for DEI, and raising awareness, thereby acknowledging the importance of considering the broader picture. (Tucker 2023) The cornerstones of a successful DEI approach are described in Figure 1.

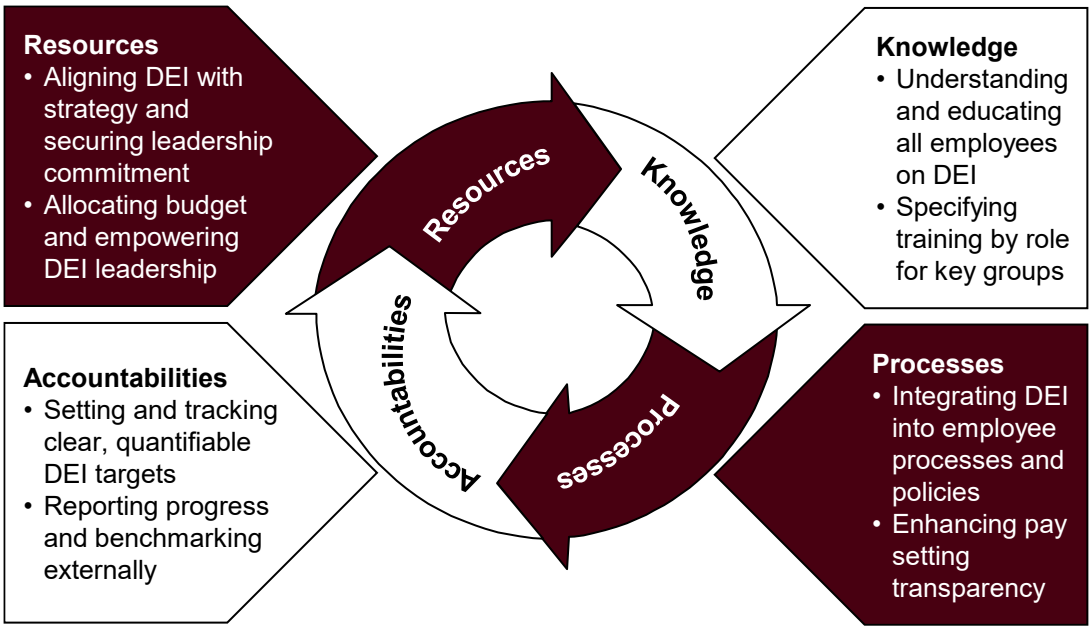


Figure 1. *DEI success elements (modified from Tucker 2023)*

Acknowledging the DEI success elements revolving around resources, knowledge, accountabilities, and processes illustrated above, it is essential to understand that implementing DEI principles and taking the initiative to develop a more equitable and inclusive workplace is not a one-time change. For the change to be successful, the initial approach should be a commitment to continuous work and development. (Moore et al. 2023)

2.2.1 Diversity

Diversity refers to the different backgrounds of people, from a company's perspective, employees within a group or organization, often measured by the number of individuals with specific personal characteristics. When evaluating workplace diversity, age, gender, and ethnicity are common elements to consider. With a more nuanced approach, elements and personal characteristics such as values, religion, and sexual orientation can be considered when evaluating diversity within an organization. It is also acknowledged that the groups each individual identifies with are not constant and may change over time. (United Nations Global Compact n.d.) Another, augmenting definition would view diversity in terms of practices and policies, focusing on the pursuit of including people who differ from the organization’s mainstream and average population (Herring 2009).

Tagliaro et al. (2024) define four diversity categories: psycho-physical conditions, socio-economic conditions, cultural aspects, ability, experience, and strengths. The psycho-physical conditions group, including aspects such as age and gender, and the cultural aspects, including for example, ethnicity and race (Tagliaro et al. 2024), appear to encompass the more common aspects and personal characteristics of reviewing and evaluating diversity (United Nations Global Compact n.d.). Socio-economic conditions, such

as family and employment status, as well as ability, experience, and strengths, including skills and psychological traits, can also be viewed as elements of diversity, thus aspects to be considered in workplace design and strategies (Tagliaro et al. 2024).

When discussing diversity matters within an organization, the efforts undertaken and the processes focused on DM can be one dimension for evaluation. The DM focus has traditionally been on demographic aspects, such as gender and ethnicity, even though diversity ultimately refers to differences in any characteristics within a group of people, setting a significantly broader context for overall evaluation. (Olsen & Martins 2012) When the focus is on general and specific dimensions, the effects of other dimensions may be underestimated, even when personal characteristics, such as age, could have significant effects on diversity and DM, particularly when they are neglected (Ali et al. 2025). The evaluation of DM and DM practices is a step toward the expanded involvement of DM and HRM in the organization's business strategy (Shen et al. 2009).

Diversity has recently been promoted through various guidelines and laws, for example, from the company's board's perspective on gender distribution. The desired outcome, for example, in Spain, is to have the former board minorities, in this context mostly women, to be represented equally compared to men. (Reguera-Alvarado et al. 2017) In practical terms, unrelated to the legislative aspect, diversity can mean emphasizing workplace diversity by increasing representation of historically underrepresented groups, such as people of color, in the workforce (Shore et al. 2018). One of the current challenges in diversity is no longer limited to recruiting from diverse backgrounds, but rather to maintaining the workforce's diversity throughout the entire employment lifecycle. The emphasis and focus could be underlined, for example, with targeted training and continuous data collection. (Trejo et al. 2025)

2.2.2 Equity

When evaluating each individual's attributes and unique circumstances, treating everyone with respect and acknowledging their background and capabilities, the elements and principles of equity are recognized. Equity, compared to diversity discussed earlier, is typically evaluated qualitatively rather than quantitatively. (United Nations Global Compact n.d.) Later in this thesis report, a more quantitative approach to evaluating the qualitative aspects acknowledged within the equity perspective is presented. The effects of equity, and specifically the observation of most workplace inequities, can be traced back to a few specific HR processes (Trejo et al. 2025). In their study, Trejo et al. (2025) identified the most important drivers of equity as processes in the initial stages of employment, specifically recruitment, onboarding, and compensation management.

Regarding compensation management, as a practical example, Holtschlag et al. (2025) propose incentivizing line managers to both comply with and actively enhance the implementation of pay policies, while also highlighting the importance of equity in employee compensation, if deemed necessary and suitable for the organization in question. On the other hand, Trejo et al. (2025) found that, in general, many inequitable processes are linked to support provided to individual employees, such as guidance and mentoring.

Inequities may arise at a structural level, for example, in promotions and salary increases processes, where performance is evaluated not only through formalized procedures but also by considering factors unrelated to actual performance. The aspects from which the inequities might stem include discrepancies in the equity of evaluating employees, often with a male-dominant perspective and tendencies creating unconscious gender bias. (Ugarte & Rubery 2021) In the field of surgery, Kelleher and Chang (2023) found that overall workplace equity is affected by inequalities in work opportunities. The diversity considerations in hiring do not automatically translate into equity across demographics in the long run, for example, when structural failures to provide comparable work opportunities to all employees, particularly between genders, persist. (Kelleher & Chang 2023)

2.2.3 Inclusion

As the third element of the DEI principles, inclusion is more focused on the individual's perception than on external evaluation. It is often evaluated with a qualitative approach. Perceived inclusion encompasses aspects such as a sense of belonging in the organization and its environment, and the feeling of being welcome in the group. Perception of inclusion also comprises the sense of being appreciated as an individual within a group. (United Nations Global Compact n.d.) From a diversity perspective, organizations should increase the representation of minority groups in their workforces to simultaneously enhance inclusivity. From an inclusion perspective, these employees should be provided with equal opportunities to other employees. These equal opportunities might be based on, for example, equal access to resources and training. (Shore et al. 2018)

Shore et al. (2018) developed a model to understand structural inclusivity in organizations by first dividing inclusion into two main elements of manager promotion and prevention orientations. The key idea behind the model is to adopt a compliance perspective within the prevention orientation, thereby laying the foundation for an improved inclusion climate and, subsequently, inclusivity-enhancing activities within the management promotion orientation. The element of manager promotion orientation is then built upon inclusion practices and processes, presumably affecting the perceived inclusion and employee retention. (Shore et al. 2018) An improvement in the inclusion climate is to be

pursued, as a favorable inclusion climate strengthens the individual employee's perception of being a welcome part of a workplace, built on trust (Trejo et al. 2025).

Inclusive leadership can be seen as an integral component of diverse organizations, enhancing performance. Inclusive leadership is associated with employees under the leader's guidance feeling a sense of belonging and maintaining an individual self-perception within the group. (Simmons & Yawson 2022) On the other hand, increasing employee engagement is among the most significant practical challenges for leaders (Raju 2006).

Another approach to enhancing inclusiveness in an organization could be to revise the employee benefits, for example, by offering more training and other activities. Tailoring the activity offering to meet employees' diverse needs, such as age-based needs, may enhance employees' sense of inclusion. (Ali et al. 2025) A practical implication of inclusive leadership is fostering a culture of equity and inclusion during organizational change, such as a technological transition, where support needs may vary across individuals, demographic groups, and socioeconomic backgrounds (Sharma et al. 2025).

2.2.4 Diversity, Equity, and Inclusion summary

Summarizing the previous subsections, Table 2 presents the dimensions of DEI, along with their definitions, practical implications, and examples, as outlined in the literature. The simplified structure of the DEI principles and their role in the workplace, described below, addresses some of the potential connection points across different organizations.

Table 2. *DEI elements summary*

DEI dimension	Definition	Examples in the workplace
Diversity	Variety of a population's backgrounds and personal characteristics and conditions (Tagliaro et al. 2024; United Nations Global Compact n.d.)	The employees of an organization represent diverse age groups, religions, genders, and ethnicities, and may also hold various positions, including those that are culturally and socio-economically diverse. (Tagliaro et al. 2024; United Nations Global Compact n.d.)
Equity	Relational consideration of individuals' circumstances and capabilities in their treatment (United Nations Global Compact n.d.)	Work opportunities are provided equally, regardless of background or demographics, and employees perceive fairness and equity in the workplace. (Kelleher & Chang 2023; United Nations Global Compact n.d)
Inclusion	Individuals' perceptions of being an appreciated and welcome member of a group and feeling belongingness, a workplace built on trust (United Nations Global Compact n.d; Trejo et al. 2025).	An organization's employees feel they are important and appreciated members, respected and offered a range of training and activities to suit their diverse needs and interests. (United Nations Global Compact n.d; Shore et al. 2018; Simmons & Yawson 2022)

Even with separate definitions and examples of workplace initiatives for each dimension of the DEI principles, their effects should be considered individually and collectively, as discussed in the following sections on the DEI principles' entity and its role in the HRS and in business value creation.

2.3 Diversity, Equity, and Inclusion as a part of HR strategy

As concluded in the previous section and the subsections on diversity, equity, and inclusion, successfully combining these interrelated elements can enhance organizational performance (United Nations Global Compact n.d.). According to the definition of strategy as focusing on the tools and means to achieve set targets (Porter 1998, p. 24), it is reasonable to identify the connection point between the implementation of DEI principles and the related functional sub-strategy, HRS (Johnson et al. 2011, p. 11).

One of the most important aspects to succeeding with DEI in an organization is to provide sufficient internal awareness communication and education, like different kinds of training, also emphasizing the approach of inclusivity with diverse and tailored offerings acknowledging different needs and capabilities (Ali et al. 2025) and focusing on, for example, onboarding processes (Tucker 2023; Trejo et al. 2025). To integrate the workforce and assist the organization's DEI initiatives, meeting the employees' perceptions, Lee et al. (2025) suggest that strategic internal communication combined with leadership supporting DEI principles can lead to the employees identifying their role in the workplace DEI initiative, thus providing support and cyclically enhancing the implementation success of the actions taken. Successful communication that emphasizes the value of diversity initiatives (Shen et al. 2009) and DEI leadership may also help the relationship between the organization and its employees thrive (Lee et al. 2025).

The organization's DEI initiatives may not always translate into, or be truly visible in, the workplace, especially in individual employees' perceptions. Although tracking the implementation and enforcement of DEI principles may be challenging, progress should still be measured to determine if the pursued targets and changes are being achieved. (Weaver et al. 2025) DEI initiatives must be deeply rooted in the organization and its mission to fully realize their benefits. Merely communicating and making DEI-driven decisions are insufficient in the broader context; they must be complemented by a comprehensive approach that includes a genuine cultural shift. (Tucker 2023; Weaver et al. 2025) For example, from the employee well-being perspective, ensuring employee health and enhancing employee health-related processes should be approached with

consideration for the DEI initiatives. In practical terms, this would mean ensuring accessibility and equity in health benefits management, with an objective approach to evaluating individual situations and the cost effect of healthcare utilization. (Sherman et al. 2021)

Following the COVID-19 pandemic, there has been debate about the adequacy of traditional DEI approaches and their coverage of contemporary DEI issues and concerns (Lai et al. 2024). Therefore, Lai et al. (2024) propose a new framework to guide DEI management within organizations, in which DEI topics and strategies are treated as system-level elements. Lai et al. (2024) suggest that more emphasis should be put on the diversity-supporting employment systems' equity analysis and ensuring quality of employment with all employment types and job levels while according to Lee et al. (2025), the current gap in DEI success in an organization is usually due to not involving its employees, as an internal resource, sufficiently in the processes.

As the diversity climate, and for example, a feeling of lack of support can be seen having effects on the employee outcomes and attitudes like retention and turnover, diversity seems to be a crucial aspect when creating and developing the organization's HRS, even though its strategic management has not been widely researched (Buttner & Lowe 2017). On the other hand, a favorable climate may help develop and improve both relationships within a group of employees and those between employees and their managers (Shore et al. 2018).

From a practical perspective, equal treatment in pay setting and policies, and the implementation of a performance-based pay ideology that genuinely considers the individual employee rather than basing policies solely on an organization-wide approach, can be seen as promoting diversity (Shen et al. 2009). From an equity perspective, potential discrepancies in HR processes and systems must be identified and examined to ensure equitable treatment and fair HRM practices, thereby establishing a strong foundation for driving gender pay equity and mitigating the risks of unintended actions that perpetuate gender pay inequity (Ugarte & Rubery 2021).

Castilla (2015) found that increased transparency and organizational accountability can be recognized as drivers of overall equity and fairness in the workplace, thereby supporting the view that cultural change is required to realize the benefits of enforcing DEI principles (Tucker 2023; Weaver et al. 2025). To achieve such cultural change, employees and managers within an organization should be trained and educated on diversity, equity, and gender pay equity. A key point to educate the workforce on is to build an understanding of the connection between enforced diversity and pay equity, emphasizing that one does not automatically translate into the other. Both elements are important

to focus on to succeed in a combined perspective. (Holtschlag et al. 2025) As part of the HRS and in line with the equity topic, compensation and compensation communication strategies play a key role in ensuring equal treatment within the organization. To drive equity in the HRS from a compensation perspective, the current practices should be revised and validated. Additionally, greater focus on the organization's compensation policies and clarifications is needed as overall pay transparency increases. (McMullen & Dahle 2024)

Overall, the work toward better DEI management and stronger organizational connections requires efforts toward meaningful change in both communication and culture development, as well as policy work to engage the workforce in the desired way (Tucker 2023). Focusing on communication itself does not inherently ensure that it drives targeted change. A straightforward, precise approach, including definitions of the covered elements, is mandatory to reliably achieve the intended change targets. (Moore et al. 2023)

2.4 The business connection to Diversity, Equity, and Inclusion

As early as the 1960s, the Equity Theory demonstrated that employees' perceptions of fairness and equity in the workplace affected their behavior. The perception of inequitable treatment, on the other hand, is likely to have adverse effects on employees' behavioral aspects, reflected in their motivation. (Adams 1963) DEI may be seen to have various business-effect connection points and opportunities for business value creation, most of which are indirect. For example, with benefits stemming from enhanced employee well-being (Sherman et al. 2021) and employee engagement and retention enhancing aspects (Shore et al. 2018; Ali et al. 2025), but including some more direct business value creation and business performance enhancing aspects (Pless & Maak 2004) like positive effects on creativity and decision-making (Olsen & Martins 2012; Simmons & Yawson 2022). The effects of D&I are increasingly being studied and focused on in the workplace, as discussions and research on the topic have intensified from an organizational performance perspective in recent years (Covington et al. 2025).

DM can have both positive and negative effects on organizational performance, ranging from the individual level to the organizational level. An example of a possible adverse effect is a conflict of any kind, for instance, during the initial step of understanding current inequalities and challenges. The potential positive outcomes would include, for example, benefits in overall creativity and improvements in decision-making. (Olsen & Martins 2012) Therefore, Olsen and Martins (2012) suggest that organizational processes and

decision-making should emphasize capturing the value derived from diversity while mitigating potential adverse effects in the diversity-to-performance relationship. The business benefits of successful D&I management are most significant in large organizations, thereby providing further avenues for leveraging workplace diversity (Covington et al. 2025).

Emphasizing diversity will not, by itself, yield business benefits or straightforward organizational and performance improvements. The deeper foundation in organizational values and norms is the most important factor in enforcing diversity within an organization. (Pless & Maak 2004) Pless and Maak (2004) suggest that the cultural shift towards a diverse workplace should include four steps: raising awareness of diversity issues, envisioning a clear path of change within the organization, re-evaluating current management principles, and utilizing a Human Relations Management System to drive practical change. From the resources' point of view, achieving better DEI success will most likely require additional resources, for example, through a separate and growing DEI budget and possibly even a new position, such as hiring a Chief Diversity Officer (CDO) to lead and supervise the diversity topic within the organization (Tucker 2023). In addition to, or instead of, a CDO, companies might have a Chief Inclusion Officer or a combined Chief Diversity and Inclusion Officer role (Shore et al. 2018).

Valuing and emphasizing workplace diversity may require a long-term commitment, but it also presents an interesting challenge for organizations. Although enforcing diversity may be challenging, successful diversity development can yield crucial business benefits, including an enhanced culture of innovation and creativity, thereby supporting business performance and creating competitive advantages. (Pless & Maak 2004) Additionally, research by Covington et al. (2025) demonstrates a connection between D&I and organizational innovativeness. While the study by Covington et al. (2025) is based on a separate D&I rating, the results support the causal relationship between the management of successful D&I practices and organizational innovation.

Extending the view of D&I beyond ethnic background and gender to include age, Ali et al. (2025) found that workplace inclusion supports employee retention by mitigating turnover risk, with particular emphasis on older employees. In the study by Ali et al. (2025), the decrease in turnover intentions was particularly pronounced among employees aged 45 and older, highlighting the potential benefits of the age D&I perspective. Inclusion and inclusive leadership are important for enhancing organizational performance and maximizing the potential of a diverse workforce. D&I, and especially employees' perceptions of the situation, can have practical benefits for an organization's innovativeness and teamwork efficiency. This is because diverse and inclusive organizations are more likely

to foster an environment where ideas can be shared and innovations developed. (Simmons & Yawson 2022)

The business benefits and processes that may be enhanced by emphasizing the DEI point of view, and those affected or influenced by DEI initiatives, are illustrated in Figure 2, separately for each dimension and combined into a set of principles.

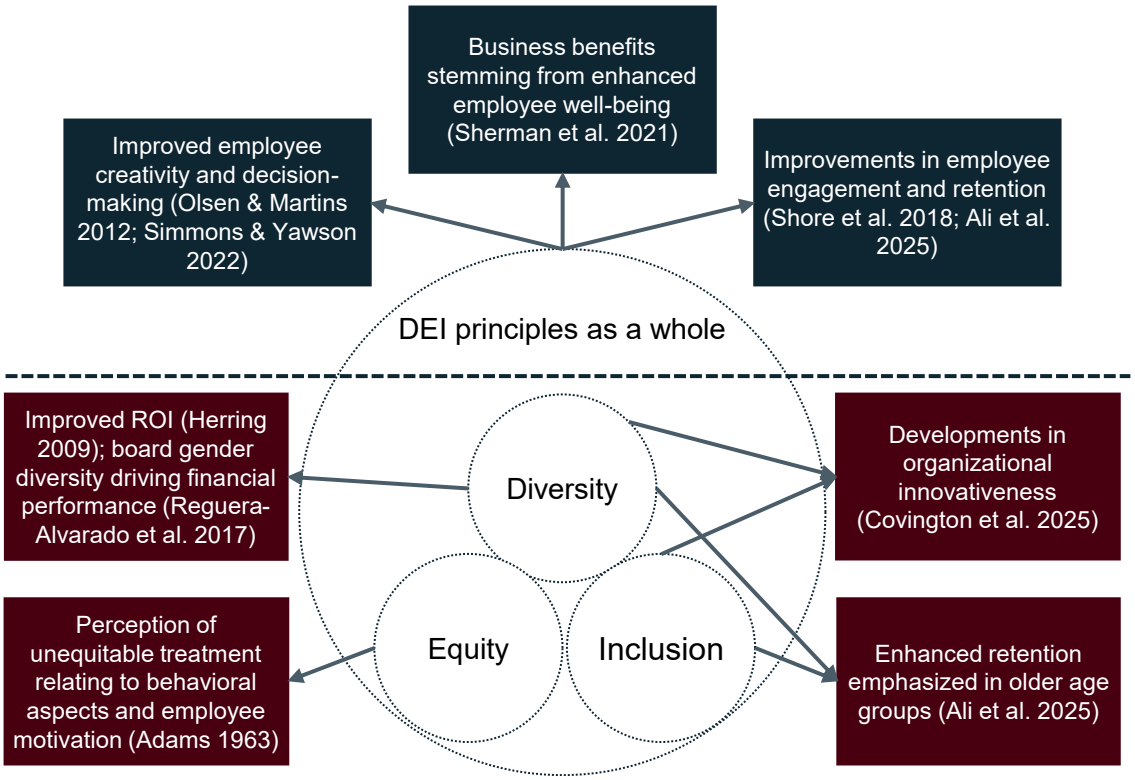


Figure 2. *DEI Business connection summary*

Successfully enforcing diversity in the workplace has practical implications for business benefits. Similarly, a diverse workforce drives a company's financial performance, as reflected in return on investment (ROI), compared with a non-diverse comparable organization. (Herring 2009) Additionally, in the case of Spanish companies' boards of directors, enforcing gender diversity on the board can be seen as positively affecting the company's financial performance, thus being strongly connected to the business-value perspective (Reguera-Alvarado et al. 2017). Overall, DEI initiatives in a company tend to enhance employee well-being and engagement and are associated with positive work-related outcomes, making the implementation and enforcement of DEI principles multi-dimensionally beneficial for an organization (Weaver et al. 2025).

3. PAY TRANSPARENCY AND PAY EQUITY AS BUSINESS VALUE SOURCES

This chapter comprises the second part of this thesis's literature review, focusing on pay transparency and pay equity, their interconnection, and their combined impact on business and value creation. Within the overall thesis context, this chapter presents the key theoretical aspects, building on the background provided in Chapter 2.

This chapter consists of six sections. Section 3.1 introduces the concept of pay transparency, and Section 3.2 provides the contextual approach to pay equity and pay transparency based on the EU PTD (Directive (EU) 2023/970). Section 3.3 discusses equity and equality and their relation with Section 3.4, specifying the introduced equity point of view in the pay equity context. Section 3.5 explains the relation between pay equity and pay transparency, and Section 3.6. links the business value point of view to pay transparency and pay equity. Finally, Section 3.7. summarizes the literature review contribution of Chapters 2 and 3 and further discusses the research gap around the thesis's topic.

3.1 Pay transparency

Pay transparency, in practice, sharing information regarding employee compensation structures and policies on a detailed level, possibly including exact figures and comparisons, is an organizational practice supported by the Pay Transparency Act in the United States (Schumann 2024) and driven by the EU PTD (Directive (EU) 2023/970) in Europe. Avdul et al. (2024) state that the growing discussion, development, and adaptation of the surrounding environment regarding pay transparency will likely causally affect the amount and level of detail in legislation on the topic. In contrast to pay transparency, at least some level of pay secrecy has been the common yet problematic approach to sharing compensation-related information within organizations (Colella et al. 2007).

The actualization of pay transparency in an organization can be broadly divided into three levels: full, partial, and limited transparency, with differences in whether the employee knows just the calculation methodology and policies behind their salary setting, also their position's salary range, or even additionally, what their colleagues earn on an individual or aggregated level (Schumann 2024). Given the varying levels of pay transparency, it is essential to recognize its multidimensional nature (Schumann 2024), noting that it cannot be defined universally by a desired level of implementation or adaptation, as these depend on the specific context. Additionally, pay transparency and pay secrecy can be

seen as extending beyond the type of information made available to the employee. The discussions could include organizational culture-related aspects, such as norms and practices regarding discussing and potentially prohibiting or limiting discussions about pay in the workplace from an employee's perspective. (Colella et al. 2007) With another dimension to the levels and types of pay transparency, the question of whether the information is shared only internally or also externally could be considered (Moriarty 2018).

From another perspective on the dimensions of pay transparency, within an organization or among a group of employees, peers' productivity may be observable to others, at least to some extent. This opens the dimension of that, in addition to pure pay equality, enforcing further pay transparency might reveal an approach to evaluating productivity and pay within a group of employees. (Gutierrez et al. 2025) Breza et al. (2018) found that pay differences in the same or similar jobs do not cause significant adverse social comparison outcomes when the productivity difference is observable and translates into corresponding effects on compensation. Building on the productivity angle, an extended pay transparency view might also include the possibility for an employee to understand the pay distribution of their respective comparison group better, not just from the absolute, horizontal pay comparison point of view, weighing on productivity, but also vertically between different organizational levels of the function, for example (Gutierrez et al. 2025).

Although pay transparency may seem like a one-sided initiative for a company to implement, it can be viewed as a balancing challenge. The balance lies between employees' pay equity and bargaining power, and therefore, changes in pay transparency and legislation can have far-reaching effects on maintaining adequate salary levels and raising them for all employees while enforcing pay equity at a finer level of granularity. (Fahn & Zanarone 2022; Cullen & Pakzad-Hurson 2023) In addition, resistance to change toward pay transparency, stemming from secrecy, is evident in specific contexts (Obloj & Zenger 2022). The decision-making process and the pursuit of balance can be guided by evaluating potential practical benefits while acknowledging related social risks (Smit & Montag-Smit 2019).

To enforce pay transparency successfully, the implementing organization should provide contextual links to its core values, for example, in its communications and rationale for the topic. Regardless of the level of pay transparency and the actions taken based on it, organizations should emphasize aligned, clear communication about their actions and targets to ensure internal support for the agenda. (Heisler 2021; McMullen & Dahle 2024)

Implementing pay transparency requires a strong connection to a clear and equitable compensation strategy and philosophy, as well as to equal pay policies and practices.

Successful pay transparency implementation and communication can help build trust and collaboration within the organization, reduce speculation and increase employee engagement, and enhance retention. (Avdul et al. 2024; Schumann 2024) The positive outcomes of increased job satisfaction and employee retention require a transparent pay structure that is sufficiently equitable to alleviate concerns about unfairness (Gulyas et al. 2023). On the contrary, from a structural perspective, enforcing pay transparency might have extensive, overall effects on retention and employment type, influencing how higher-paid individuals prefer to arrange their work, with the alternative of entrepreneurship being to continue working as salaried employees (Shang & Saffar 2024).

Although enforcing pay transparency can be viewed as a socially positive step toward a more equal workplace (Heisler 2021) and, according to Moriarty (2018), is supported by a moral perspective, it also carries risks. These risks include, for example, employee concerns regarding the job evaluation and performance evaluation systems – are they aligned, or can they be seen as potential sources of injustice (Heisler 2021). Additionally, the potential overall adverse effects on employee motivation may be considered a risk when increasing pay transparency in an organization, especially in the short term (Cragun et al. 2024). Extending this view from an individual employee focus to the work community, higher levels of pay transparency may have adverse effects on employee cooperation and, thus, overall teamwork (Bamberger & Belogolovsky 2017).

Having analyzed the potential effects and requirements of driving pay transparency, it is worth noting that most organizations are still in the early stages of implementing and integrating it into their strategies. Therefore, a scarcity of real-world examples is expected and acknowledged, which may pose challenges for drawing conclusions and assessing long-term impacts. (McMullen & Dahle 2024)

3.2 Directive (EU) 2023/970 on pay transparency

The EU directive 2023/970 was intended to address pay inequalities between male and female workers within the EU. As the gender pay gap between male and female workers was 13% in 2020 and had not decreased significantly over the previous decade, a need to strengthen the approach towards gender pay equity was identified, and the EU PTD was introduced. The EU member states are required to comply with the directive by 7 June 2026 and adjust their legislation accordingly. (Directive (EU) 2023/970) There are no country-specific details on transposing the directive into the local legislation available on a member state level yet, so most of the preparatory work in organizations towards complying with the upcoming legislation needs to be conducted based on the directive

itself, and at most, with the first drafts and views on implementing the directive in the countries in scope.

As the PTD is to be transposed into local legislation at the member state level by 7 June 2026, legislation based on the PTD should be in force by then, without precluding individual member states from taking proactive measures on the topic. This means that, likely but not certainly, many of the PTD's requirements are to take effect from 7 June 2026. However, some aspects, like the scheduled obligations for the reporting requirements, are to take effect only later, as specified in the PTD. The directive's reporting schedule distinguishes the first gender pay gap report from subsequent reports, whose frequency is determined by the legal entity's personnel headcount. The key points of the schedule of the PTD are demonstrated in Figure 3. (Directive (EU) 2023/970)

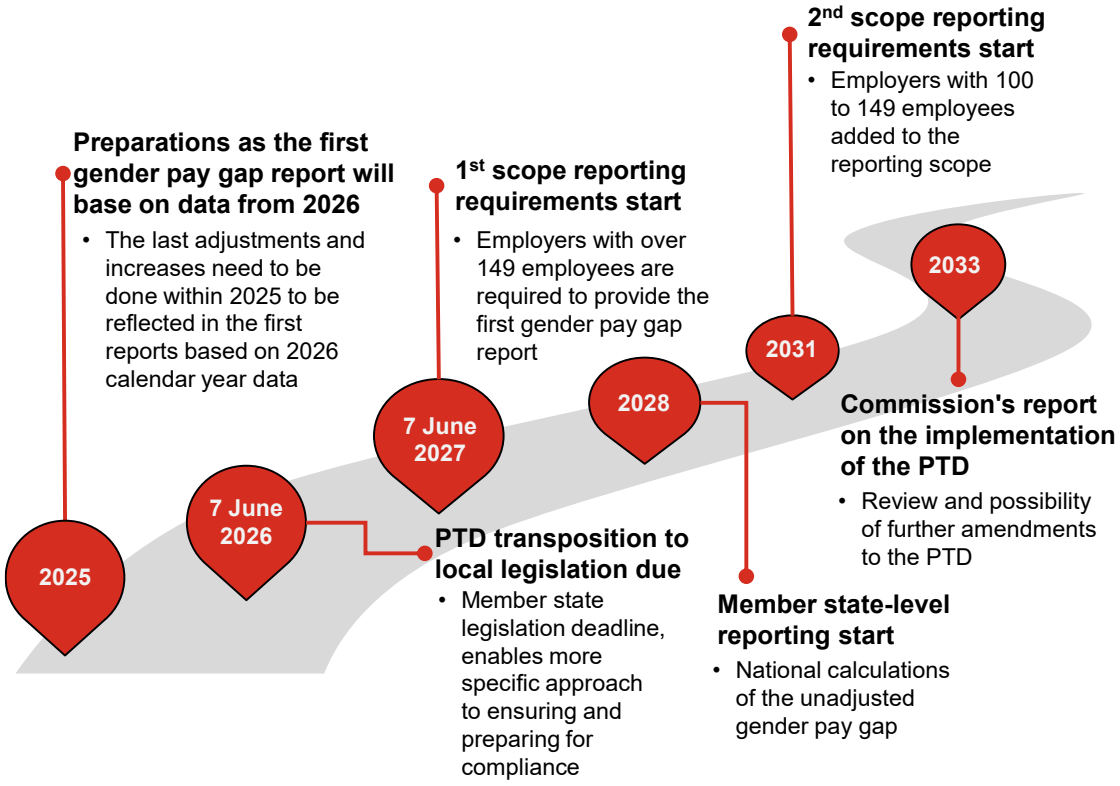


Figure 3. *High-level timeline of the practical effects of the EU PTD (Directive (EU) 2023/970)*

The PTD sets requirements for organizations and EU member states to report aggregated pay gap information at the national level. The requirements for the organizations as the focus area in this research primarily concern the gender-neutrality and objectivity of the recruitment process, the reporting of pay gaps between male and female workers, and the provision of sufficient information to employees regarding their pay levels relative to the reference group within the organization. (Directive (EU) 2023/970)

One of the most specific requirements of the directive for both public- and private-sector employers is to report their internal gender pay gaps by worker category. The key point is to first determine whether gender pay gaps exceeding 5% exist across any categories of workers within the reported entity. Additionally, it is necessary to assess whether these pay gaps are objectively and gender-neutrally justifiable. If unjustifiable gaps are identified, they must be addressed, and the employees must be compensated for the injustice. This aspect is closely tied to the burden of proof in suspected mistreatment cases, which shifts from the employee to the employer. A significant dimension of the shift in the burden of proof is that, if found guilty, the employer must compensate the employee for the entire period of experienced mistreatment, thereby increasing the financial magnitude of the consequences of non-compliance with the legislation. (Directive (EU) 2023/970)

To comply with the PTD and determine whether any unjustified gender pay gaps exceed 5%, a company could first investigate and analyze its unadjusted pay gaps, but, more importantly, its adjusted, or explained (Baggio & Marandola 2022) pay gaps. The adjusted pay gaps aim to explain pay differences by analyzing factors beyond gender, thereby better understanding whether and how gender affects pay in this specific context. (De Poli & Maier 2024) The objective factors explaining the pay gaps might include experience or education, or relate to the job itself and the actual working hours (Baggio & Marandola 2022). Finally, the adjusted pay gap view provides the organization with a clearer understanding of whether it has any objectively unexplainable gender pay gaps that require remediation (De Poli & Maier 2024).

3.3 Equity and equality

For the context of this thesis report, it is essential to understand and demonstrate the distinction between the concepts of equity and equality, as well as the background that explains the focus on equity in the pay context in the PTD (Directive (EU) 2023/970) and this thesis's work. Simplified, equality means providing everyone with the same resources regardless of their situation or capabilities (UNESCO n.d.). In contrast, equity considers an individual's personal circumstances and, accordingly, the provision of resources, enabling everyone to manage equitably (United Nations Global Compact n.d.).

As the EU PTD was set to *"strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency"* (Directive (EU) 2023/970) it seems that the core focus area is to achieve pay equality between men and women but further extending the approach also to cover pay equity with the equally valued work in which different positions might be comparable. Referring to the UNESCO equality definition with its purpose to provide the same resources to

everyone regardless of their situation or characteristics (UNESCO n.d.), in the gender pay context, gender, the core of pay equality, could be identified to lie within equal treatment regardless of gender in the EU PTD's context (Directive (EU) 2023/970).

A simplified example of the difference between equity and equality in the pay context is that, with the equality approach implemented, all employees performing the same job should receive the same compensation, as interpreted from the UNESCO (n.d.) equity definition. Extending the view to pay equity would enable justifying different compensation levels for different employees about their situation (United Nations Global Compact n.d.), even performing different, but equal value work, determined based on objective criteria, which according to the EU PTD (Directive (EU) 2023/970), could include factors like performance and differences in required or acquired competences for example. The simplified concepts of pay equality and pay equity, illustrating their fundamental differences, are presented and compared in Figure 4.

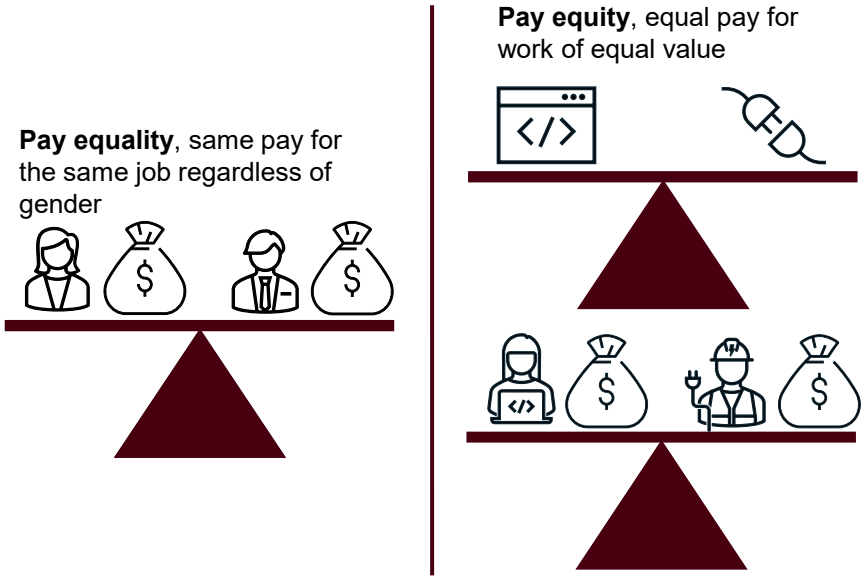


Figure 4. *A visual representation of pay equity and pay equality (Directive (EU) 2023/970; UNESCO n.d.; United Nations Global Compact n.d.)*

This underscores why the study focuses on the pay equity approach, incorporating an additional dimension of work value evaluation and comparability into the perspective, rather than limiting the work to an equality perspective that compares absolute pay between men and women (UNESCO n.d.; United Nations Global Compact n.d.). In addition to the simplified illustration in Figure 4, as discussed above, the pay equity approach permits pay differences between employees performing equal-value work if they are objectively and gender-neutrally justifiable (Obloj & Zenger 2022; Directive (EU) 2023/970).

3.4 Pay equity

By focusing more on the pay aspect and building on the equity and equality definitions and differences described in Section 3.3 (UNESCO n.d.; United Nations Global Compact n.d.), pay equality would be limited to simple comparisons of pay variance within a specific subject group. Pay equity, on the other hand, extends the view to the allocation of pay and its non-discriminatory justification and fairness based on factors such as performance (Obloj & Zenger 2022).

Pay equity, especially in the EU, has always been considered a crucial element, as getting paid equally for equal value work regardless of gender is one of the founding principles of the union (De Poli & Maier 2024), and was already included in the Treaty of Rome in 1957 before the existence of the EU (European Economic Community 1957). When discussing pay equity, it is important to consider the *perceived pay equity* dimension to better understand organizational and individual expectations and behaviors, rather than limiting the analysis to an absolute, external, numerical evaluation (Cragun et al. 2024). The broader perceptions of their organization might significantly influence employees' perceptions of equity and transparency. Thus, research indicates that pay transparency and pay equity are relatively narrow organizational focus areas, yet they remain linked to numerous other structures and processes. (Stofberg et al. 2022)

From a practical perspective, organizations may have been relying on the comparison ratio (also known as the compa ratio), which can be used in various ways. For example, it demonstrates the ratio of an individual's internal pay positioning within the organization compared to their position or job grade. With this absolute comparison value, individual and aggregated, comparable job-level gender pay gaps can be observed and analyzed at a simplified level. (Holtschlag et al. 2025) In their longitudinal study, Holtschlag et al. (2025) found that in their German research setting, women's, with on average lower compa ratios, salaries were increased more compared to men's salaries. However, this connection was weaker in units with higher gender diversity, suggesting that organizations may perceive they have met their gender diversity requirements and targets without fully addressing gender pay disparities. (Holtschlag et al. 2025)

The topic of pay equality has been researched for decades, for example, by Browne (2004), who focused on the relations and effects of corporate governance models on gender pay gaps. In addition, in the context of executive compensation, pay equity was studied almost 25 years ago by Bertrand and Hallock (2001) with the conclusion that with a relatively limited sample size of women executives in the United States, the absolute gender pay gap was around 45%, from which about 40% was found to be explainable

based on experience and seniority levels. Moreover, Bertrand and Hallock (2001) found that experience and seniority may be affected by structural discriminatory processes in career progression and in opportunities for women compared to men. Historically, the gender pay gap had declined over the decades leading up to the turn of the millennium. However, the disparity had improved only slightly in higher-paid roles compared to lower-paid ones. (Bertrand & Hallock 2001) The positive effects of bridging the gender pay gap have historically been attributed to factors such as improvements in women's education and the expansion of union coverage, not only for men but increasingly for women as well (Blau & Kahn 2017).

Recently, as pay equity has been emphasized as a practical implementation aspect of the PTD, there is a clear path to extensive member-state-level legislation addressing pay equity (Directive (EU) 2023/970). Organizations that have been and continue to be pro-active in ensuring and enhancing pay equity across their processes and practices are more likely to avoid negative consequences, such as litigation and related costs, arising from pay equity issues (Flannery & McMullen 2018).

From the structural perspective of pay equity – or *pay inequity* – social beliefs and overall perceptions may also contribute to maintaining and creating further perceived gender gaps. This is because women are occasionally misperceived as, for example, more generous and more equality-oriented than men. (Exley et al. 2025) At least in the medical field, the injustice in working opportunities between men and women – often resulting in female workers being assigned to lower-paying tasks – tends to perpetuate structural pay inequalities (Kelleher & Chang 2023).

As early as the 1990s, Bertrand & Hallock (2001) found that structural gender pay differences were even more pronounced, particularly in larger companies with few or no female executives. Moreover, the increase in female representation in top management, particularly in larger companies, has significantly narrowed the gender pay gap, suggesting that the effects of possible structural inequities are considerable (Bertrand & Hallock 2001). Blau and Kahn (2017) suggest that discrimination in the labor market is connected to maintaining or even increasing the existing gender pay gaps, not to ignore the mostly adverse effects to women of motherhood and men-driven family geographic relocation decisions, on women’s pay progression.

Pay equity is driven by organizational processes, practices, and factors such as leadership, compensation management, and talent acquisition (Flannery & McMullen 2018). In many cases, the gender pay gap is formed by women earning less than men on average.

Differences in job categories can explain some of these pay inequities, but overall, bridging the gaps is seen to be achieved by increasing women's salaries more than men's with similar backgrounds and positions in most cases. (Anderson et al. 2019)

Even if the EU PTD does not explicitly require the pay equity analysis with different variables and explanators, as the further understanding of explainability and the analysis of objectivity in the potential gaps are only triggered if there are significant pay gaps (Directive (EU) 2023/970), a thorough analysis of the pay equity situation might be seen necessary in organizations (De Poli & Maier 2024). As Anderson et al. (2019) suggest, a statistical analysis approach may be a reliable method for analyzing the case described above. However, the choices of including or excluding specific variables, introducing employee grouping, and valuing observables may compromise the credibility of the analysis results. Even minor changes in the statistical analysis approach might, in some cases, contribute to significant differences in the results. (Anderson et al. 2019)

Not limiting the pay equity analysis to only comparing within and between certain groups of employees or work of equal value (Directive (EU) 2023/970), the equity dimension might also be analyzed with the Chief Executive Officer (CEO) pay ratio to understand better the situations where the CEO might be overpaid and simultaneously, the average employees underpaid comparably (Rouen 2020). With different approaches, the ratio between CEO, or other highest-paid individual, and employee pay is also to be reported according to the specified reporting requirements linked to the Corporate Sustainability Reporting Directive (CSRD) defined in the Commission Delegated Regulation (EU) 2023/2772 (European Commission 2023, p. 177) in the EU and in the U.S. Securities and Exchange Commission's (SEC) pay ratio disclosure (2015).

From a leadership perspective, resilient leadership has been found to drive the closing of pay gaps, not specifically from a gender perspective, but instead regarding the gap between executive and average employee pay. The key mechanism in this context, actively mitigating the creation of gaps, stems from hiring skilled employees while avoiding excessive pay for executives. (Qiao et al. 2025) Additionally, Holtschlag et al. (2025) have emphasized the importance of focusing on diversity alongside an equity perspective to effectively address and ultimately close the gender pay gap.

Wang and Lin (2024) found that pay gaps may have a two-fold effect on organizational innovativeness, with both more and less significant pay gaps contributing positively to innovation. However, the benefits eventually become limited and ultimately turn into hindrances. In the context of executive pay, the two-fold effects include acknowledging the

significance of the executive's role in pay equity and related decision-making and consequences in an organization. Additionally, as noted in Chapter 2 of this thesis report, a connection has been identified between success in closing internal pay gaps and the presence of gender-diverse boards of directors, among other factors, which has implications for the dynamic relationship between diversity and pay equity. (Qiao et al. 2025)

Although some may view pay equity as a morally and objectively sound direction, views on equal pay differ and appear to be influenced by various demographic factors (Sandnes et al. 2023). According to Sandnes et al. (2023), attitudes toward equal pay are influenced by political affiliation, union membership, and gender, such that more positive perceptions are associated with women, those on the left politically, and those organized in unions. There were also remarks that higher education and lower income or wealth were associated with a more positive approach to pay equality (Sandnes et al. 2023). Finally, the levels of pay equity and the significance and vertical and horizontal location of the pay gaps, emphasis, and their effects, at least to innovativeness, both positive and negative, might vary by company, its size, and operating industry, thus there is no unambiguous solution to balancing the pay landscape (Wang & Lin 2024).

3.5 The connection between pay equity and pay transparency

At a general level, *"transparency creates accountability"* as Fahn and Zanarone (2022) conclude, thereby linking pay transparency to the implementation of employer compensation management policies and to promises made to employees. Assuming compensation-related promises are equitable among employees, pay transparency should drive pay equity. (Fahn & Zanarone 2022) Academics and policymakers anticipate enforcing higher levels of pay transparency, leading to positive effects on pay equity through increased accountability, which, in turn, enhances employer image (Sharkey et al. 2022). Regardless of the legislation, the connection between changes toward more transparent processes and practices, increased accountability, and declining pay gaps, as examined from a gender and ethnic comparison perspective, is evident in Castilla's (2015) longitudinal study results.

The connection between pay equity and pay transparency can be found and demonstrated, for example, in countries where the measures mentioned above have been enforced, likely at the legislative level. In Denmark, a 2006 legislative change required companies to be more transparent about their gender wage statistics, thereby enforcing the principle of pay transparency. This legislative change has helped reduce the gender pay gap ever since, primarily by slowing wage growth for male employees. Therefore, this Danish example demonstrates the potential benefits of pay transparency, leading to pay

equity, but with the downside of a decline in partial wage progression. (Bennedsen et al. 2022) Additionally, Cullen and Pakzad-Hurson's (2023) research on the United States private sector supports the notion that pay transparency laws can lead to a decline in average wages.

The effects of a legal policy change towards pay transparency may not always materialize as anticipated, as in the case of the 2011 Austrian pay transparency law. In the Austrian case, the established policies did not significantly affect or bridge the existing gender pay gap. This ineffectiveness may be attributed to policies that are not sufficiently stringent regarding publicity and consequences for pay transparency, as well as in addressing the gender pay gaps that may be revealed. (Gulyas et al. 2023) The Austrian example discussed by Gulyas et al. (2023) is supported by the views of Sharkey et al. (2022), who suggest that policy implementation and design should be carefully structured to ensure adequate evaluation of the change's success and to mitigate undisclosed, dishonesty-driven manipulations by the reporting organization.

Despite limited practical implications and examples of legislative change addressing the gender pay gap, laws mandating gender pay gap disclosure have been enacted in some countries and by certain entities. However, the effects and effectiveness of the legislative change remain relatively unclear. (Sharkey et al. 2022) Acknowledging this, the EU PTD's approach and intentions imply that it is pursuing practical measures to narrow the gender pay gap, to be evaluated after the implementation of the legislative changes (Directive (EU) 2023/970). As a relatively limited but practical example from the United States public sector, Mas (2017) examined the effects of a 2010 California legislative change that required the transparent online disclosure of public-sector salaries. Research on the effects of the California legislative change shows declines in compensation levels and increased turnover when the change was implemented in new geographic areas, compared with areas where it had already been implemented before (Mas 2017).

Employees with little to no factual knowledge of their employers' pay policies that affect their pay setting and perceptions of pay equity are more likely to seek pay information within the organization actively. This might lead to extended periods of interpreting pay equity discrepancies as significant, regardless of the actual situation. Simultaneously, the lack of pay transparency might reduce employees' trust in the organization's management, with adverse consequences. (Cragun et al. 2024) When employers provide sufficient pay transparency, employees can review their pay and conclude whether they are being treated equally. Finally, employees who feel mistreated may pursue action to drive change or at least gain a better understanding of their situation. (Heisler 2021)

The linkage between pay equity and pay transparency is strengthened by viewing pay transparency as a supporting instrument and mechanism for driving and achieving pay equity. The implementation of pay transparency, on the other hand, may require preparatory work, such as analyzing existing pay structures and proactively addressing potential unjustified pay gaps. (Schnaufer et al. 2022) When examining causalities, pay transparency can be seen as helping to bridge the gender pay gap (Obloj & Zenger 2022; Maciejovsky et al. 2025). Although the narrowing gap in pay between men and women as such is to be pursued, narrowing the gap might reduce the linkage between performance and pay, and related compensation philosophies and strategies, even if the organization's pay setting policies would suggest a preferably strong and desired causality between the two elements (Obloj & Zenger 2022). The rationale for viewing pay transparency as a potential driver of pay equity is illustrated in Figure 5 below, due to the increased visibility into potential compensation mistreatment.

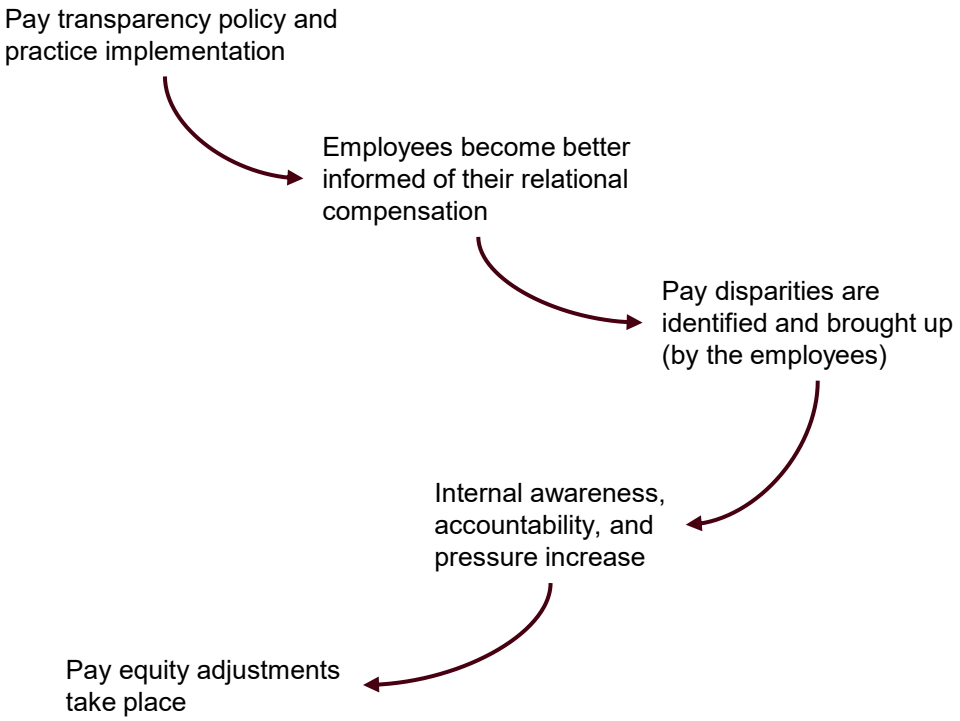


Figure 5. *The concept of pay transparency as a potential driver of pay equity (Fahn & Zanarone 2022; Obloj & Zenger 2022; Maciejovsky et al. 2025).*

Some concerns about enforcing higher levels of pay transparency include the risk that greater transparency would undermine the strong linkage between performance and pay, thereby hindering efforts to achieve pay equity and permitting objectively justifiable pay differences (Obloj & Zenger 2022). On the other hand, the absolute comparison of employees' compensation within a group is unlikely to be the basis for behavioral reac-

tions; rather, it is the perception of fairness, augmented by a relational view of performance (Gutierrez et al. 2025). This suggestion somewhat undermines the validity of concerns regarding the enforcement of pay transparency within the performance-based view of pay equity (Obloj & Zenger 2022). The efficiency of a performance-based compensation model is not inherent to the approach. To be successful, it requires evaluating and aligning the supporting psychological aspects when comparing employees and their behavioral tendencies. (Larkin et al. 2012)

3.6 The business connection to pay equity and pay transparency

Even though driving pay equity successfully by implementing pay transparency may partially reduce the average employee's wage (Bennedsen et al. 2022; Cullen & Pakzad-Hurson 2023) and might therefore be seen as a somewhat controversial aspect from the individual employee and broader business point of view, from the pure business figures perspective, this phenomenon might theoretically help create business value by decreasing personnel costs over time. From the employer's cost perspective, Cullen and Pakzad-Hurson (2023) found that driving pay transparency and identifying pay inequities consistently lead employers to generally refuse to pay higher wages to avoid complex, costly wage negotiations with other employees, thereby acknowledging the pay equity perspective. Adding to this view, when running scenario simulations for their study, De Poli and Maier (2024) found that, in one of their simulated scenarios, enforcing pay equity might help relationally increase female salaries while decreasing overall income poverty and increasing government revenues; therefore, in a sense, helping to drive equality.

Common perceptions and arguments regarding the consequences of enforcing pay transparency present both positive and negative views, with the positives including increased employee motivation and productivity, and the negatives including potential drawbacks in this regard (Baggio & Marandola 2022). On the other hand, Buttner and Lowe (2017) examine the relationship between perceived equity and employee turnover intentions, finding that perceptions of internal pay equity are associated with turnover intentions. Combining perceptions of a negative diversity and pay equity climate is likely to be associated with increased employee turnover intentions (Buttner & Lowe 2017), which may negatively impact business value creation due to the replacement needs of affected employees. To understand and anticipate the organizational effects of enforcing pay transparency, an extended view of the organization's structures, policies, and practices should be considered, because pay transparency as an individual element is linked

to other processes and is not individually sufficient for valid and isolated causal analysis in this context (Stofberg et al. 2022).

Implementing pay transparency might also have adverse effects on business value creation. Grasser et al. (2024) found that the most significant effects of implementing pay transparency on motivation occur among underpaid employees, who experience a decline in motivation when made aware of their mistreatment. Additionally, job satisfaction, motivation, and effort, which translate into productivity effects, are negatively affected when an individual's actual relational pay situation is revealed to fall short of their expectations (Card et al. 2012; Baggio & Marandola 2022; Schnaufer et al. 2022). Additionally, Sandnes et al. (2023) raise recruitment-related concerns about pay equity, such as the justification of significantly high pay for individuals recruited to especially challenging jobs that require specific competencies.

On the other hand, the employees who are overpaid or whose pay is aligned do not experience significant changes in motivation. Therefore, if an organization has underpaid, misaligned pay, and overpaid employees, the overall motivational effects of implementing and advancing pay transparency may be negative. (Grasser et al. 2024) When discussing motivation, the level of pay transparency can be seen as affecting the balance between different aspects and their impact on intrinsic motivation. In general, in a lower-pay-transparency environment, the process equity perspective is emphasized in perceptions of fairness, thereby affecting motivation. With higher levels of pay transparency, the pure comparison of the distributional aspects of pay is highly significant in evaluating the effects on perceived fairness and motivation. (Hartmann & Slapničar 2012) In conclusion, pay transparency may have both positive and negative effects on motivation, depending on an individual's pay position (Avdul et al. 2024). Connecting the motivational aspect to performance, positive effects on motivation tend to enhance individual performance (Ryan & Deci 2000).

People are inherently prone to comparing their circumstances with those of others, particularly in the pay context, which may lead to feelings of inequitable treatment. This can undermine employee engagement and potentially cause voluntary turnover within the organization. (Card et al. 2012; Obloj & Zenger 2022) The research by Smit and Montag-Smit (2019) supports the view that individuals adjust their preferences in accordance with the level of pay information sharing, consistent with their perceived comparison standpoint, which is heavily influenced by the assessment of risks associated with being potentially targeted in social comparisons.

Higher levels of pay transparency, depending on the individual, tend to increase envy within the organization, with a focus on higher-paid individuals. In addition, envy is associated with other employees being less likely to help those they envy, as well as with individual differences in willingness to help and stance toward individualism. (Bamberger & Belogolovsky 2017) On the other hand, Wong et al. (2023) suggest that pay transparency may shift the balance of total remuneration towards less visible and identifiable elements, thereby providing less grounds for peer comparison.

Even if people are seen as inherently engaged in social comparisons (Obloj & Zenger 2022), mistrust of the employer, stemming from low levels of transparency or even pay secrecy, may drive greater transparency, thereby acknowledging the inequities and addressing them accordingly (Fahn & Zanarone 2022). On the other hand, pay secrecy tends to heighten employees' concerns about pay equity (Schnaufer et al. 2022), whereas pay information sharing is associated with greater pay equity (Schumann 2024). Even if the immediate financial impact of correcting certain employees' inequitable salaries might be negative, the overall positive effects on employee trust in the employer might outweigh the momentary financial losses (Fahn & Zanarone 2022).

From another perspective, Gutierrez et al. (2025) suggest that employees who are overpaid are likely to increase their effort, whereas those underpaid are likely to decrease or maintain their effort. A reason for this phenomenon, from the perspective of overpaid employees, could be that they feel pressured to justify their comparatively higher pay, thereby increasing their productivity. Even if an employee's productivity might be affected and vary depending on their respective pay fairness situation when enforcing pay transparency, there is relatively little evidence of organizational-level effects on the practical connection between pay transparency and overall productivity. (Gutierrez et al. 2025)

Although there is legislation on pay transparency and pay equity, such as the EU PTD (Directive (EU) 2023/970), which has equality-driven objectives and requirements for change, organizations and individuals may still adopt different approaches. From the perspective of organizations that provide compensation to employees, they may refine their remuneration policies and practices to maintain, or at least aim to maintain, a level of secrecy, placing greater emphasis on less visible forms of remuneration (Wong et al. 2023). Highly paid individuals may be disproportionately affected by the enforcement of pay transparency in organizations compared with the average worker. Enforcing pay transparency is likely to increase the propensity toward entrepreneurship rather than salaried employment among high-paid employees, as such legislation tends to reduce their salaries. Making the transition from a salaried employee to an entrepreneur may have

significant organizational effects, particularly for high-paid individuals, as it may alter the workforce and internal balance. (Shang & Saffar 2024)

Research on pay disparity, in contrast to pay equity research, yields somewhat unclear results and effects on organizational performance, given the broader scope of pay disparity definitions. With the two-fold approach to remuneration elements explainable and unexplainable by economic factors, the business performance effects are also two-fold, with business performance levels increasing due to economic factors and decreasing due to non-economic factors. (Rouen 2020) Understanding the economic and non-economic factors explaining the pay differences, translating to objectively justifiable and non-justifiable pay gaps, disparity in justifiable pay gaps is linked to higher organizational performance, and the adverse effects are identified only in situations where the observed pay gaps are not justifiable with objective explanators connected to the economic dimension (Rouen 2020; De Poli & Maier 2024).

The research by Austin et al. (2021) shows that investors are more likely to invest in companies that disclose gender pay equity information than in companies that do not disclose any gender pay equity information, and that they are also more likely to invest in companies that disclose pay equity information beyond the absolute gender pay gaps. An investor may perceive a company's extended transparency in disclosing pay equity information as a positive indicator of the fairness and transparency of the company’s compensation processes and policies. A more transparent approach to disclosing pay equity information by a company may also enable potential investors to better understand the economic magnitude of gender pay equity issues and their potential financial consequences. It should be acknowledged that the investor’s investment decisions also take into account the revealed pay equity situation, not merely whether the information is disclosed in great detail. (Austin et al. 2021)

From an employee and public employer evaluation perspective, enforcing pay transparency and gender pay gap reporting can reveal a relatively low or unexpectedly narrow pay gap. This could be linked to positive public communication about the organization concerned. On the other hand, employees in organizations with revealed significant pay gaps are not strongly associated with negative public evaluations of the organization. (Sharkey et al. 2022) Sharma et al. (2025) found that perceived pay equity among an organization’s employees may significantly affect workplace dynamics, including adaptation to and acceptance of new technologies. Perceived pay equity has been found to significantly increase the likelihood of adapting to new workplace technologies, stemming from its effects on ease of use and technology acceptance (Sharma et al. 2025). The most important identified business connection points for enforcing pay transparency

and pay equity, as well as those at their intersection, are illustrated in Figure 6. As shown in Figure 6, most of the highlighted potential business effects of pay transparency and pay equity are indirectly related to business value creation, whereas direct effects are limited.

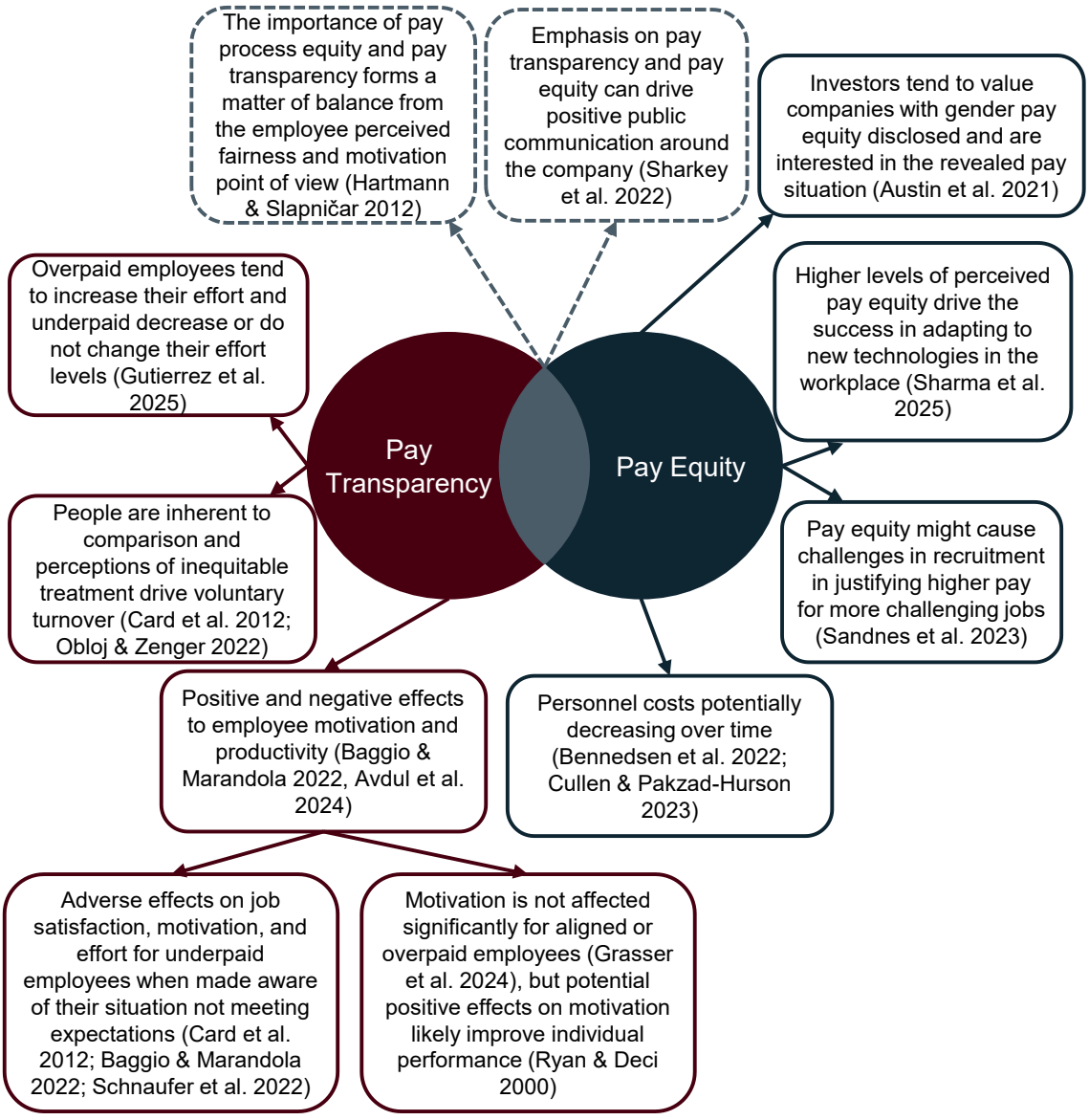


Figure 6. *A high-level literature summary of potential business effects stemming from pay transparency and pay equity*

To proactively mitigate risks and simultaneously advance fair and equal pay policies, organizations need to revise and ensure that their position and performance evaluation systems are aligned and do not lead to mistreatment (Heisler 2021). On the other hand, pay fairness has been recognized as a key positive factor influencing job attitudes (Schnaufer et al. 2022). In general, it is essential to ensure that pay policies and compensation strategies are updated and aligned with overall pay transparency, pay equity

communication, and actions to facilitate successful implementation and maximize business value creation (McMullen & Dahle 2024). This is also supported by the findings of Breza et al. (2018), which suggest that even when minor pay differences are generally perceived as equal and fair, they may be viewed as equally fair when the causes of the differences are clearly and objectively communicated and demonstrated.

Compensation and compensation management, when carefully aligned and used, can be the basis for enhancing and maintaining workforce performance. However, if neglected, they might undermine the overall benefits pursued and anticipated. (Larkin et al. 2012) Finally, suppose pay transparency is successfully enforced, and the cultural shift toward clear, strong communication is well managed. In that case, implementing pay transparency can help a company gain a competitive edge and maintain it while increasing employee job satisfaction (Avdul et al. 2024; Schumann 2024).

3.7 Summary and findings of the literature review

The literature review section of this thesis report, presented in Chapters 2 and 3, concludes by examining the relationality and business connections of DEI principles, pay transparency, and pay equity. The literature review's relation to the thesis's research questions is summarized below, setting the context for the following chapters of this thesis report and further underscoring the thesis's relevance to the existing literature on its key topics.

This thesis's literature review contributes to understanding the academic significance of this work by highlighting an existing research gap in the prior literature on the topic. Prior research on pay transparency, pay equity, and DEI, along with their relationships and intersections, provides the background for identifying the research gap and defining the study's academic significance and motivation, as illustrated in Figure 7.

In Figure 7, the intersectionality of the elements is acknowledged through the mapping of the reference articles to the illustration. The business connection relationality was assessed for each reference article, but this is not shown separately in the illustration. It is to be acknowledged that there is likely some overlap between DEI and pay equity, as by definition DEI principles already include the general equity dimension, even if it is not limited to the compensation view of the element in the DEI principles' context. This is also reflected in Figure 7 below.

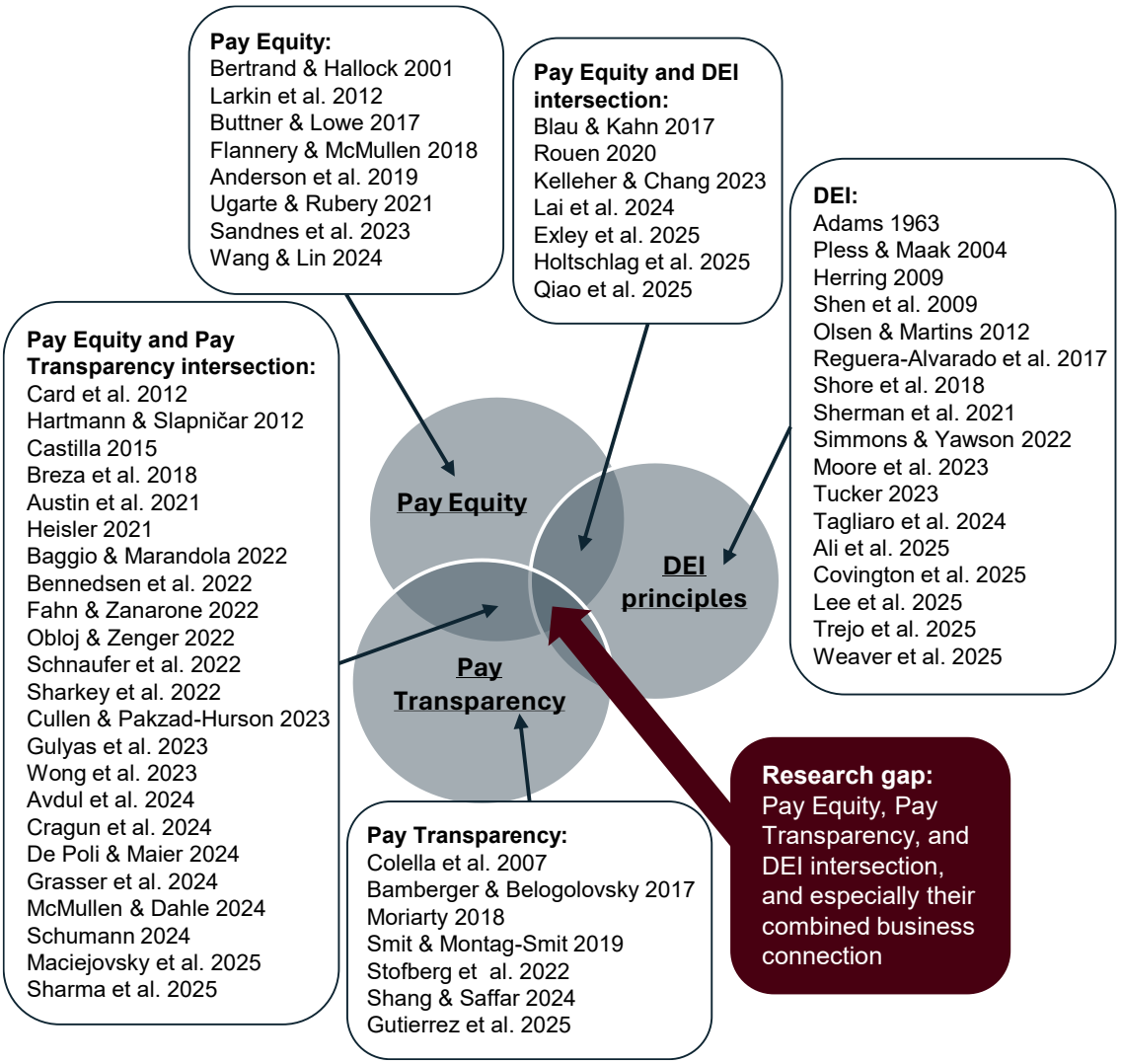


Figure 7. *Illustration of the prior research and the research gap*

Prior research on pay transparency, pay equity, and DEI has examined their relationships, as well as DEI principles and the business connection to these dimensions. The prior literature is limited regarding the connection between pay equity and DEI, and practically non-existent regarding the connection between pay transparency and DEI. There remains a research gap on the intersection of pay transparency, pay equity, and DEI.

Overall, prior literature has primarily examined indirect business benefits associated with pay transparency, pay equity, and DEI, and appears somewhat limited in its coverage of direct business connections. These benefits primarily pertain to people-driven effects, including motivation, creativity, well-being, job satisfaction, engagement, and retention. The connection points to different external stakeholders have been discussed, with an emphasis on their effects on investors, but this perspective has been limited in the prior literature. The key conclusions of the literature review are presented in Table 3, organized into individual, organizational, and interorganizational levels.

Table 3. *Summary of the literature review findings*

Level	*Literature finding*	*Author*
Individual	Pay process transparency and equity affect both employee motivation and perceived fairness	Hartmann & Slapničar 2012
	Job satisfaction tends to decrease if employees find out they are being or have been mistreated	Card et al. 2012; Baggio & Marandola 2022; Schnaufer et al. 2022
	Negative equity perceptions may drive turnover intentions	Buttner & Lowe 2017
	Mistreated employees are generally likely to seek change	Heisler 2021
	When made aware of mistreatment, the motivation of under-paid employees may decrease	Grasser et al. 2024
	Lack of transparency increases the tendency of employees to seek pay information more actively	Cragun et al. 2024
Organizational	Enhanced diversity can improve the culture of innovation	Pless & Maak 2004
	Enforcing diversity connects to benefits in decision-making	Olsen & Martins 2012
	DEI and successful DM can enhance creativity in an organi-zation	Olsen & Martins 2012; Simmons & Yawson 2022
	Enforced process transparency and increased accountability can help reduce pay gaps	Castilla 2015
	Driving DEI can boost employee engagement and retention	Shore et al. 2018; Ali et al. 2025
	Successful DEI practices can drive employee well-being	Sherman et al. 2021
	Driving pay transparency and pay equity may decrease av-erage salaries, potentially reducing personnel costs	Bennedsen et al. 2022
	Combining diversity with inclusion, successful D&I practices management can enhance organizational innovation	Simmons & Yawson 2022; Covington et al. 2025
	Pay transparency could be seen as undermining the strong linkage between performance and compensation	Obloj & Zenger 2022
	Pay transparency may reduce the willingness to pay high wages to avoid pay negotiations with other employees	Cullen & Pakzad-Hurson 2023
	There are only few practical examples of the long-term ef-fects of pay transparency	McMullen & Dahle 2024
Interorganizational	The potential business benefits stemming from diversity might require long-term commitment and perspective	Pless & Maak 2004
	Investors are more likely to invest in companies that dis-close their pay equity situation, emphasizing the equity demonstrated in the communication and figures	Austin et al. 2021
	Legislation has helped drive pay equity on some specific oc-casions	Bennedsen et al. 2022; Cullen & Pakzad-Hurson 2023
	"*Transparency creates accountability*" regarding pay equity	Fahn & Zanarone 2022
	Pay equity legislation may be ineffective if not monitored and enforced sufficiently	Gulyas et al. 2023

In the context of this study's research question, the literature has, to some extent, discussed the connection between pay transparency and pay equity, as well as steps for implementing them within a company's processes and strategy. Prior research has some indirect implications for business value stemming from actions related to the dimensions of pay transparency, pay equity, and DEI. These potential benefits include improvements in creativity, employee well-being, engagement, retention, innovation, and motivation.

From the perspectives of pay transparency and pay equity, the existing literature highlights varying perceptions and levels of transparency. Therefore, a comprehensive overview of these perspectives has not been provided in the literature. The literature provides some tools and perspectives for implementing pay transparency and pay equity within a company's processes and strategy. Still, the few implications are presented in different contexts, lacking a coherent overview.

Overall, the existing literature on the topic has been based on a rather scattered operating environment and legislative context, with studies motivated by different objectives, such as prior country-level legislation or broader efforts to understand the different viewpoints and effects of pay transparency and pay equity. Thus, coherent, empirically grounded, and up-to-date research on these topics appears to be extremely limited, particularly when attempting to integrate the three dimensions of pay transparency, pay equity, and DEI while identifying the potential business benefits of these elements.

From a problematization perspective (Alvesson & Sandberg 2011), the existing body of knowledge is based on assumptions that are no longer aligned with the new regulatory context created by the EU PTD. Therefore, current knowledge cannot explain how organizations will respond to and benefit from pay transparency in the upcoming legislative context, nor can it guide companies in updating and adjusting their approach solely from a compliance perspective, but also from a strategic perspective. Overall, from this viewpoint, the prior literature is fragmented, underscoring the need for research within a unified legislative environment, at least in the EU context.

The EU PTD (Directive (EU) 2023/970) has revised and specified aspects of pay transparency and pay equity compared to prior legislation. The PTD (Directive (EU) 2023/970) has also unified the context across all EU member states, potentially broadening the scope of future research arising from this directive. These elements, combined, further motivate this thesis research, particularly the empirical part, even though the country-level laws relating to the PTD (Directive (EU) 2023/970) are still to be implemented.

The literature review section of this thesis strengthens and clarifies its academic significance by thoroughly analyzing the research calls articulated in prior research reports.

From a DEI perspective, research has been called for on building an understanding of how an organization's diversity management approach evolves in response to changes in its operating environment (Olsen & Martins 2012) and how it is connected to organizational performance (Shen et al. 2009). Additionally, the proposed research topics include developing an understanding of how minorities perceive companies' different actions in enforcing DEI (Lee et al. 2025).

The need to better understand the methods and actions a company takes to mitigate potential adverse effects of pay transparency (Austin et al. 2021) and to evaluate more thoroughly the long-term consequences of enforcing it (Card et al. 2012) has been emphasized. Research is also called for on the relationship between pay transparency and the magnitude of pay gaps, as well as the objective justifiability in relation to employee fairness perceptions (Bamberger & Belogolovsky 2017). Regarding the connection between pay transparency and pay equity, a need for research to examine the relationship between pay transparency and pay compression, as well as the additional organizational performance effects of pay compression (Wong et al. 2023), has been recognized.

As a practical research implication, research is called for on the potential business benefits an organization can derive from pay transparency (Fahn & Zanarone 2022) and on how to achieve these benefits (Schnaufer et al. 2022). In addition to the research needs regarding understanding the motivational effects of pay transparency among peer comparison groups better (Grasser et al. 2024), research is called for on the detailed effects of different levels and types of pay information sharing, such as pay grades and averages of compensation figures (Cragun et al. 2024). On the other hand, a significant need for research to focus on the specifics of employees' perceptions of pay transparency, particularly which types of pay information they would like to be made aware of, has been suggested (Heisler 2021), potentially leading to increased employee satisfaction.

Focusing on strategy and business value creation, research has been called for on the practical route and process linking diversity to business performance (Herring 2009) and on the strategic elements of employee compensation (Larkin et al. 2012). Additionally, further research needs have been identified regarding investigating the structural pay gaps in detail, and their long-term effects on organizational innovation (Wang & Lin 2024). Extending from the internal perspective, research avenues have been proposed to examine how different external stakeholders are affected by pay transparency and companies' disclosure of their gender pay gaps (Sharkey et al. 2022). A summary of the research calls in the existing literature is presented in Table 4, which divides these calls into three levels: individual, organizational, and interorganizational.

Table 4. *Summary of the research gaps identified in the prior literature*

Level	*Call for research*	*Author*
Individual	Employee perceptions on pay transparency and information sharing	Heisler 2021
	Motivational effects of pay transparency among peers	Grasser et al. 2024
	Minorities' perceptions of companies' actions to drive DEI	Lee et al. 2025
Organizational	Practical connection between diversity and business performance	Herring 2009
	DM connection to organizational performance	Shen et al. 2009
	The strategic elements of employee compensation	Larkin et al. 2012
	Pay transparency-related risk mitigation actions	Austin et al. 2021
	Potential business benefits stemming from pay transparency	Fahn & Zanarone 2022
	Achieving the potential benefits stemming from pay transparency	Schnaufer et al. 2022
	Pay transparency and pay compression connection, organizational performance effects of pay compression	Wong et al. 2023
	Research on pay information sharing at different levels and types	Cragun et al. 2024
Interorganizational	Long-term consequences of enforcing pay transparency	Card et al. 2012
	Evolving DM in a changing operating environment	Olsen & Martins 2012
	The connection between pay transparency and pay gaps' size, pay gap justifiability, and fairness perceptions	Bamberger & Belogolovsky 2017
	Effects of pay transparency on different external stakeholders	Sharkey et al. 2022
	The structural pay gaps and their long-term effects on innovation	Wang & Lin 2024

Concluding the suggested research directions presented above and the aspects covered in the existing body of literature, the research gap motivating this study lies at the intersection of pay transparency, pay equity, and DEI principles, as well as their relationship to business value creation. None of the individual calls for research includes this topic as a combined research gap. However, all the separate elements and their intersections are highlighted in the further research needs identified in prior literature. Overall, the call for research is emphasized from an organizational perspective, with calls from different angles over the past few years. Specific limitations of the prior literature that require further research include the absence of empirical evidence on the topics mentioned above, particularly within the recent EU PTD framework (Directive (EU) 2023/970).

4. RESEARCH METHODOLOGY

This chapter discusses the overall methodological approach and choices made in Section 4.1 and describes the research process and ethical considerations based on the research design outlined in Section 4.2. The specifics of the data collection and analysis methodology are described in Section 4.3, along with its subsections. This chapter aims to provide a thorough and transparent understanding of the research conducted and the choices made in the process to achieve the findings presented in the next chapter.

4.1 Methodological preferences

The research philosophy and choices made in the research processes were shaped by both, the research onion presented by Saunders et al. (2019) and the fourfold research concept approach by Strang (2015, pp. 4–5) as they seem to complement each other, thus creating an extensive basis for the research design of this master's thesis not relying on a single approach. In line with the research onion structure (Saunders et al. 2019), this research follows a pragmatic research philosophy and an abductive approach to reasoning, grounded in a qualitative monomethod research setting. The research is a case study of a company, conducted with a cross-sectional perspective on the current situation, using semi-structured, thematic expert interviews as the data collection method. (Saunders et al. 2019) In the context of Strang's (2015, pp. 4–5) research design elements this research is guided by being pragmatic from the ideological perspective, using abductive reasoning combined with the research setting described in Chapter 1, as the research strategy, the method being a case study and the qualitative research technique for the empirical part focusing on semi-structured thematic expert interviews.

The pragmatic research ideology and philosophy pursues practical but also theoretical and methodological relevance, with the researcher analyzing and interpreting collected data (Strang 2015, p. 4; Saunders et al. 2019, pp. 6–7), suiting well to this result-centric research setting where one of the key focus areas is problem-solving to understand practical implications of proposed solutions. Driven by the research questions, this study aims to identify practical connections and linkages among pay transparency, pay equity, DEI, and business value creation, and to propose practical actions for these topics.

Abduction, applying features from both inductive and deductive approaches, as the approach to developing a theory and as the research strategic approach, aims to identify phenomena, which are attempted to be explained with existing theories and continued

with implications of new or existing, adjusted theories (Strang 2015, pp. 4–5; Saunders et al. 2019, pp. 155–157). In this study, abduction is employed to identify the best possible explanations for observations, acknowledging that the outcomes are not definitive.

As the research topic and related elements were understood to be challenging to quantify because of the lack of existing data and on the other hand, the limitations of further data collection opportunities within the research scope of the single organization case study, the research design of choice was monomethod qualitative study with semi-structured thematic interviews (Saunders et al. 2019, pp. 176–179). The semi-structured thematic interview approach enables interviews to focus on the identified key themes and to be relatively flexible in the wording, order, and even the scope of specific interview questions (Eskola & Suoranta 1998). The foundational rationale for selecting interviews as the data collection method also includes the view that not everything can be observed, nor can all observed aspects be fully understood, which provides grounds for interviewing others to learn and understand their different perspectives on the shared topic (Patton 2015, p. 425). The semi-structured interview approach allows for slight adjustments to the interview structure to accommodate the diverse areas of expertise and backgrounds of the interviewees, while also providing flexibility in case the interview time is unexpectedly limited (Eskola & Suoranta 1998), making it a suitable choice for this research setting.

The selection of a case study as the research method is based on the view that the research topic and setting require significant, in-depth analysis to address the research questions (Yin 2018 p. 33). The selection of a case study in the research setting, with existing access to a case company, is also supported by the anticipated benefits of helping build understanding and providing essential, practical results (Meredith 1998).

The choice of a cross-sectional time-horizon approach is based on the topicality of the research topic and the need for practical implications and prompt actions. On the other hand, the research aims to provide an understanding of the current situation and relationality of different elements rather than a longitudinal view of development over time. (Saunders et al. 2019, p. 212) The data collection-related choices and the corresponding methodological approach are described in Section 4.3, which provides background for the research techniques and procedures (Strang 2015 p. 4; Saunders et al. 2019).

4.2 Research process and ethics

To ensure an ethical approach and a transparent connection to the research methodology, the research's subject interviewees were informed that their participation was en-

tirely voluntary. The interviewees were informed of their right to withdraw from the research at any time, including after the interview and before submitting the thesis report, in the interview invitation, and again before the start of the interview. This contributes to the concept of informed consent discussed by Kvale and Brinkmann (2009, p. 70).

The ethical aspects of this research were considered in the design of interview questions, emphasizing clarity and respect to avoid unnecessarily placing participants in uncomfortable situations. The emphasis was placed on creating an interview environment that promotes open and honest communication to produce as objective and comprehensive knowledge as possible (Kvale & Brinkmann 2009, p. 16).

In the interview invitation, interviewees were informed that the interviews would be recorded and were offered the opportunity to discuss this in advance if they had any questions or concerns. Recording the interview was also verbally agreed with the interviewee at the beginning of each interview to ensure an ethical process, rather than relying solely on the interviewee's acknowledgment of the invitation (Eskola & Suoranta 1998).

The overall research process schedule is illustrated in Figure 8. It is worth noting that the period from February to April included a lighter workload emphasis on the thesis work. In this context, the preparation work conducted from February to April refers to tasks and elements such as research planning and design, preparation work for the literature review before conducting the actual research, and discussing and adjusting the preliminary research approach with the thesis supervisors from the university and the case company's sides, ensuring alignment. Even though not reflected in Figure 8, some finishing touches were completed between October and December before submitting the thesis, but this workload was not comparable to that of the previous months and is therefore not included in the illustration below.

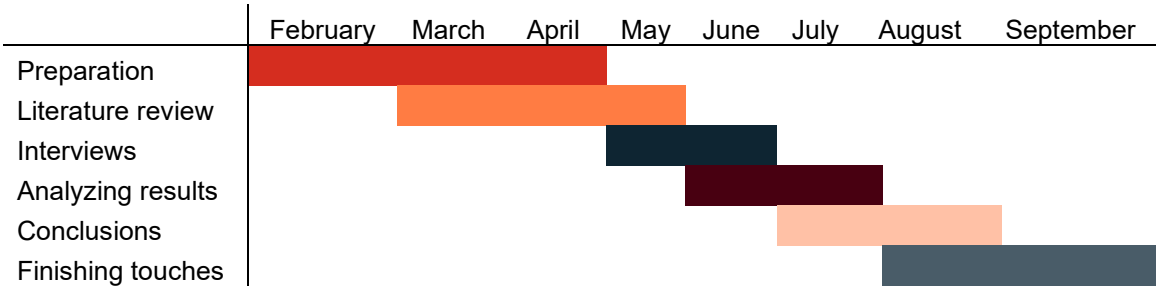


Figure 8. *The final schedule for conducting the research for the thesis*

With the thesis work agreed upon with the case company only in February 2025, the specific, thesis-related work began only then, even though much of the contextual material had already been covered and discussed between September 2024 and January

2025, prior to the agreement. The collection and use of this material and data, which build the background for this research, are described further in Subsection 4.3.2.

4.3 Data collection and analysis

As described in Section 4.1, the primary empirical data collection technique employed in this master's thesis was semi-structured thematic expert interviews. The interviews were recorded, including both video and audio from the remote calls and only the audio from the in-person interviews. Additionally, only the voice would have been recorded if the interviewee had declined to record the video; however, no such situation arose during the interview process. All meetings were recorded in Google's systems, which were used by the company, using Google Meet and its recording features. Data collection and analysis software was limited to Google Workspace to ensure internal compliance with employee data management policies and the privacy of interviewee data.

The automatic transcription feature was used for the English interviews. In contrast, the Finnish interviews were transcribed manually because automated transcription in Finnish was not available in Google Workspace at the time. After the interviews, the recordings were first reviewed and then transcribed. All transcriptions were manually reviewed to facilitate coherent analysis of the interviews and their associated materials. Additional information for each interview, including duration, language, and date, was also collected.

The approach was to conduct interviews in Finnish with Finnish natives and in English with all other interviewees, so both an English and a Finnish version of the interview guide were used. Where feasible, the intent was to conduct as many interviews in person at the case company's office; however, 9 of the 20 interviewees were located outside Finland and were interviewed remotely by default. Additionally, two of the Finland-based interviewees' interviews were organized remotely due to scheduling conflicts or unexpected scheduling changes. From a data-collection perspective, the interview data were supplemented by observations and materials collected during internal and external meetings on pay transparency and pay equity within the case company's context.

4.3.1 Interviewees and interviews

The interviewees were carefully selected to enhance the possibility of answering the research questions using the purposive sampling approach in the non-probability sampling context (Eskola & Suoranta 1998; Saunders et al. 2019, pp. 315–323). The aim was to get the most comprehensive overall view of the topic. Therefore, the interviewees were selected to represent different job levels among employees involved in the aspects and

organizational processes researched, either directly or indirectly, and thus were likely to have different perspectives on the shared topic. By carefully selecting the interviewees, the intention was also to uncover possible historical reasons, to understand certain phenomena better, and to further extend the research approach, with the possibility that the interviewees would highlight additional viewpoints and sources of information (Yin 2018, p. 185).

The interviewees represented roles ranging from specialists to top management. The majority of the interviewees held a managerial or director-level position. Although the division of the interviewed employees primarily involved categorizing the subject group into supporting functions and top management, it focused primarily on distinguishing between top management and the HR organization. In addition to the various roles and responsibilities represented in interviews with the HR organization, the sustainability function was involved in supporting function interviews, where applicable and relevant to this project.

A total of 20 semi-structured thematic expert interviews were conducted as part of the research process. The interviews were conducted using the interview guide provided in Appendix B. The interviews covered five themes: background, current state of the organization, individual approach and understanding, linkage to the people strategy, and business connection, all of which were reflected in the interview guide. The interview questions included simpler binary questions, more nuanced follow-ups, and questions that invited deeper reflection and responses that might not be as straightforward. Different types of interviewee questions were asked, including experience and behavior questions, opinion and values questions, and knowledge questions, as categorized by Patton (2015, p. 444).

The interview guide was not sent to the interviewees beforehand to ensure that the interview questions would be answered based on the initial thoughts and perceptions, bearing in mind that the topic may have been seen as somewhat sensitive, which can be seen as a decision corresponding to the choices made regarding research ethics (Kvale & Brinkmann 2009, p. 68). The rationale was to mitigate the risk of the interviewee overpreparing and presenting a more polished approach to the case company than their own genuine sentiments and viewpoints on the topic. Contextual, internal material presented to interviewees in other contexts before the interview was included in the interview invitation to help align the approach and set the context for the interview. The material did not include any new insights, views, or proposed actions. The material included an objective summary of the topics discussed, and the interviewees were asked to review it before their interviews.

Some of the questions in the interview guide might be seen as leading from the initial research perspective on dependability, but in these cases, the approach was intended to be as it is. For example, when asking the interviewee about business value-creation opportunities, rather than settling on discussing broader business effects, the question already conveys the background perception that such opportunities are relatively rare and challenging to identify, compared with the possible adverse effects in the business effects approach.

On the other hand, the basic assumption was made that increasing activity and emphasis on more detailed pay equity analysis would itself increase resource usage, thus causing costs, and that to justify the resource allocation to the business, there should be corresponding business benefits achievable, especially when considering actions to be taken beyond the pure compliance level. As another example, questions about the current state of affairs and what would need to change might seem to point to a need for change. However, the basis for these questions is that many of the discussed aspects and elements had not yet been fully implemented in the case company, at least not in depth, so there would likely be identifiable areas for development and potential directions to follow.

The interviews were conducted over approximately six weeks, from May 26, 2025, to July 9, 2025. The interviews ranged from 38 to 60 minutes, with an average duration of 51 minutes. The order of the interviewees to be interviewed was not strictly defined by a single reason or perspective, but taking into account the overall perspective of the individuals' schedules to enable as many in-person interviews as possible, while targeting a framework to start with the supporting functions' employee interviews and moving up to the top management interviews towards the end of the interviewing process. All the interviews were coded with a function and number combination, with the letters SF referring to supporting function and TM referring to top management, resulting in all the interviews being coded from SF1 to SF15 and from TM1 to TM5, representing the combination of the function and the order of the interviews for both functions. A summary of the interviews held is presented in Table 5.

Table 5. *Summary of the interviews held*

Ordinal number of the interview	Function of the interviewee in this context	Date	Duration
1	Supporting function	26 May 2025	53 min
2	Supporting function	28 May 2025	48 min
3	Supporting function	30 May 2025	60 min
4	Supporting function	2 June 2025	53 min
5	Supporting function	2 June 2025	54 min
6	Supporting function	6 June 2025	55 min
7	Supporting function	6 June 2025	39 min
8	Top management	9 June 2025	52 min
9	Supporting function	9 June 2025	52 min
10	Supporting function	11 June 2025	55 min
11	Supporting function	11 June 2025	51 min
12	Supporting function	11 June 2025	57 min
13	Supporting function	11 June 2025	41 min
14	Supporting function	16 June 2025	55 min
15	Supporting function	17 June 2025	57 min
16	Top management	23 June 2025	38 min
17	Supporting function	23 June 2025	57 min
18	Top management	25 June 2025	51 min
19	Top management	9 July 2025	42 min
20	Top management	9 July 2025	50 min

The interviews and their results were not weighted by interviewee role or level; all interviews were treated objectively and equally in the analysis. Therefore, the separation of the groups SF and TM was intended solely to provide context for the citations analyzed in the next chapter; these groupings did not affect the analysis.

4.3.2 Other data sources

In addition to the interviews, other data sources were used to collect data for the empirical part of this thesis. The other data sources comprise various meetings and both formal and informal discussions on the topic, which were held either within the case company or between the case company and a third-party representative or representatives. These meetings and events are compiled in Table 6 and summarized by data source type, along with the number of corresponding events or meetings of each kind. The specific, thesis-related research interviews are excluded from the data sources listed in Table 6.

Table 6. *Summary of other data sources supplementing the interviews*

Data source type, event definition	Count
One-on-one meetings with the line manager	54
High-level concept meetings	12
Consultancy discussions	9
Workshop days	8
Pay reporting and pay components meetings	31
External benchmarking and roundtable discussions	5
Team meetings on the topic	5
Other internal supporting meetings	55
Total	179

The meetings and events contributing to the other data sources were held between September 2024 and August 2025. However, consistent and explicit documentation of the meetings and events began only in February 2025, when the master's thesis was agreed upon with the case company. Thus, only data from February 2025 regarding the aforementioned events and meetings can be used explicitly in the research. However, these meetings and events were primarily based on prior, undocumented meetings and events, which provided sufficient context and insight into the topics. Therefore, meetings and events prior to February 2025 have also been included in the list of data sources.

The primary purpose and use of information collected from other sources was to provide context and background for the themes covered in the interviews. This information includes the starting point, stance, current situation, and the case company's pursued state regarding pay transparency and pay equity at a high level. Therefore, the interviews focus more on individual views and perceptions, thereby avoiding the need to discuss and explain all the specifics of their roles and the company's context, such as its detailed people strategy and the division and location of its workforce across different countries and areas of work.

4.3.3 Data analysis

First, the recorded and transcribed interview materials were cleaned of filler words, slightly summarized, and checked and validated for potential transcription errors to ensure the interview material was of high quality. The analysis of the interviews' data was conducted using Gioia methodology. The first steps toward qualitative theory building in the background of Gioia methodology were taken and published in the literature as early as the 1990s (Gioia & Pitre 1990). The methodology approach was later developed and refined. The first visual representation of the three-part data structure, comprising first-order concepts, second-order themes, and aggregated dimensions, was presented by Corley and Gioia in 2004, and this thesis follows that framework.

With the Gioia methodology, data analysis begins by forming simple, first-order concepts from the data, in this case, the interview transcripts. The first-order concepts are based on interviews and interviewees' insights, including direct quotations, and are not further analyzed or interpreted; the number of recognized concepts is not intended to be highly constrained at this step. (Corley & Gioia 2004; Gioia et al. 2013) The interview transcripts were reviewed and analyzed, and first-order concepts were defined and compiled in a separate Google Sheets spreadsheet. All interviews in which the identified first-order theme was discussed were recorded in the column corresponding to the concept in the spreadsheet, with the coding presented in Subsection 4.3.1.

The second step of the Gioia methodology involves forming second-order themes from first-order concepts, aiming to identify and structure combinations and patterns among these concepts (Gioia et al. 2013). This step also aims to understand how the different concepts relate to one another (Corley & Gioia 2004). At this stage, the researcher's analysis and interpretation are incorporated into the process (Gioia et al. 2013). The formation of second-order themes was conducted in the same Google Sheets spreadsheet where the first-order concepts were defined. When defining the second-order themes in this study, the number of similar interview observations for each first-order concept was acknowledged but not utilized further, for example, in weighting the significance of the first-order concepts due to the limited dataset in this context.

As the third and final step in the Gioia analysis process, the second-order themes are aggregated and clustered to form broader dimensions, thereby adopting a more comprehensive approach to the level of detail (Gioia et al. 2013). The final step is intended to lay the groundwork for the creation of frameworks and theories (Corley & Gioia 2004). The three-step process described above is combined into a single chart, with the background process illustrated to strengthen the credibility of the findings and provide a more transparent representation of the qualitative data analysis in the research process.

As noted above, the Gioia methodology combines induction and abduction as approaches to reasoning, beginning with first-order concepts, progressing to second-order themes, and finally to aggregate dimensions. Overall, the Gioia methodology aims to provide a systematic, transparent framework for analyzing interview data and deriving theoretical contributions. (Gioia et al. 2013) In the research process of a case study, these contributions can then be compared against the initial research questions and approach, which can be iterated further where applicable and necessary (Eisenhardt 1989).

5. FINDINGS

This chapter presents the findings of the research conducted in accordance with Section 4.3, organizing the chapter into sections by the themes and aggregate dimensions of the findings. The findings are discussed in Chapter 6 and concluded in Chapter 7. As the case company does not have a separate, established HRS in place but rather a people strategy to cover the function from a strategic perspective, the findings in this regard are based on the concept of people strategy, even though the literature in Chapter 2 focuses primarily on HRS. In this context, the findings examine whether pay transparency and pay equity are viewed as integral parts of the people strategy and whether they are interconnected with other elements of the people strategy, as in the HRS.

5.1 Data structure

The data collected in this research were analyzed and structured into first-order concepts, from which second-order themes were identified as the basis for the aggregate dimensions (Corley & Gioia 2004; Gioia et al. 2013), as described in Subsection 4.3.3. With the finalized data structure, presenting the key findings, supported by the concepts and themes in the background, is transparent, and the rationale is simple to follow.

As the 20 interviews provided a significant number of views comparable to the Gioia method's first-order concepts (Corley & Gioia 2004; Gioia et al. 2013), some filtering was conducted to structure the findings effectively. The filtering process aimed to include only non-confidential topics and concepts relevant to this study and the research questions, resulting in a preliminary list of 217 first-order concepts derived from the interviews. When forming the initial first-order concepts, the duplicate concepts were combined. The list was reviewed once more, and similar concepts were merged into a single concept and filtered again. Therefore, the final data structure includes 148 first-order concepts.

The 148 first-order concepts were grouped and structured into 20 identified second-order themes, which were, in turn, organized into four defined aggregate dimensions. The high-level data structure of this study is illustrated in Figure 9, and the more detailed structure is described in Section 5.2. - 5.5. Some of the wording in the data structure has been summarized to illustrate the results in this report concisely. Additionally, to enhance the visual representation of the data structure, some abbreviations not previously included in this report have been used in the illustrations. These include pay transparency (PT), pay equity (PE), pay for performance (PFP), and employees first (EF).

Figure 9. *The data structure of the collected and analyzed data according to the Gioia methodology (Corley & Gioia 2004; Gioia et al. 2013)*

When structuring the data, it was noted that the number of recognized first-order concepts was high, but overly simplifying and aggregating the concepts was avoided to prevent compromising the level of detail and insights provided by the interview data when analyzed. In Figure 9, the first-order concepts are presented as broad summaries of each second-order theme and are further detailed in the following sections.

5.2 Societal accountability

This section contributes to the view that work, life, and society are not unrelated, separate aspects but rather actively affect one another, thereby setting further requirements for companies to act in ways that enhance and emphasize beneficial practices and principles, rather than limiting their perspective to a business focus. The perspective sets the context for further findings that relate more directly to pay transparency, pay equity, diversity, non-discrimination, equal opportunities, and inclusion principles. The data structure of the dimension on societal accountability and companies' role as contributing members of society is illustrated in detail in Figure 10, and the five second-order themes are discussed below.

Modern companies as responsible and interactive members of society

The interviewees emphasize the importance of modern companies contributing to society in this sense, for example, by actively participating in enforcing pay transparency and pay equity, as well as taking practical action to drive diversity in the workplace (SF1, SF2, SF3, SF11, TM1). According to the interviews, workplace diversity can be driven by clear process development and definition, emphasizing the mindset that a company should not settle for less if diversity is currently not achieved due to the industry being gendered or facing other structural challenges (SF6, TM3). From the societal contribution perspective, companies also have the responsibility to provide an overall understanding of the existing pay gaps and their reasoning to build understanding of the pay gaps and the possible inequities within them, as described by SF1 and TM1:

> *"Work is not an element separate from life and society" (SF1)*

> *"As a company we have a mission to set new benchmarks to pay transparency and pay equity" (TM1)*

An important aspect of the interviews was to recognize that, as companies already operate in a rapidly changing environment, they need to acknowledge changes to their workforce and the tendencies, preferences, and expectations of future generations (SF1, SF6, TM4). In the coming years, failing to enforce pay transparency will be treated as a conscious choice, highlighting its importance (SF14).

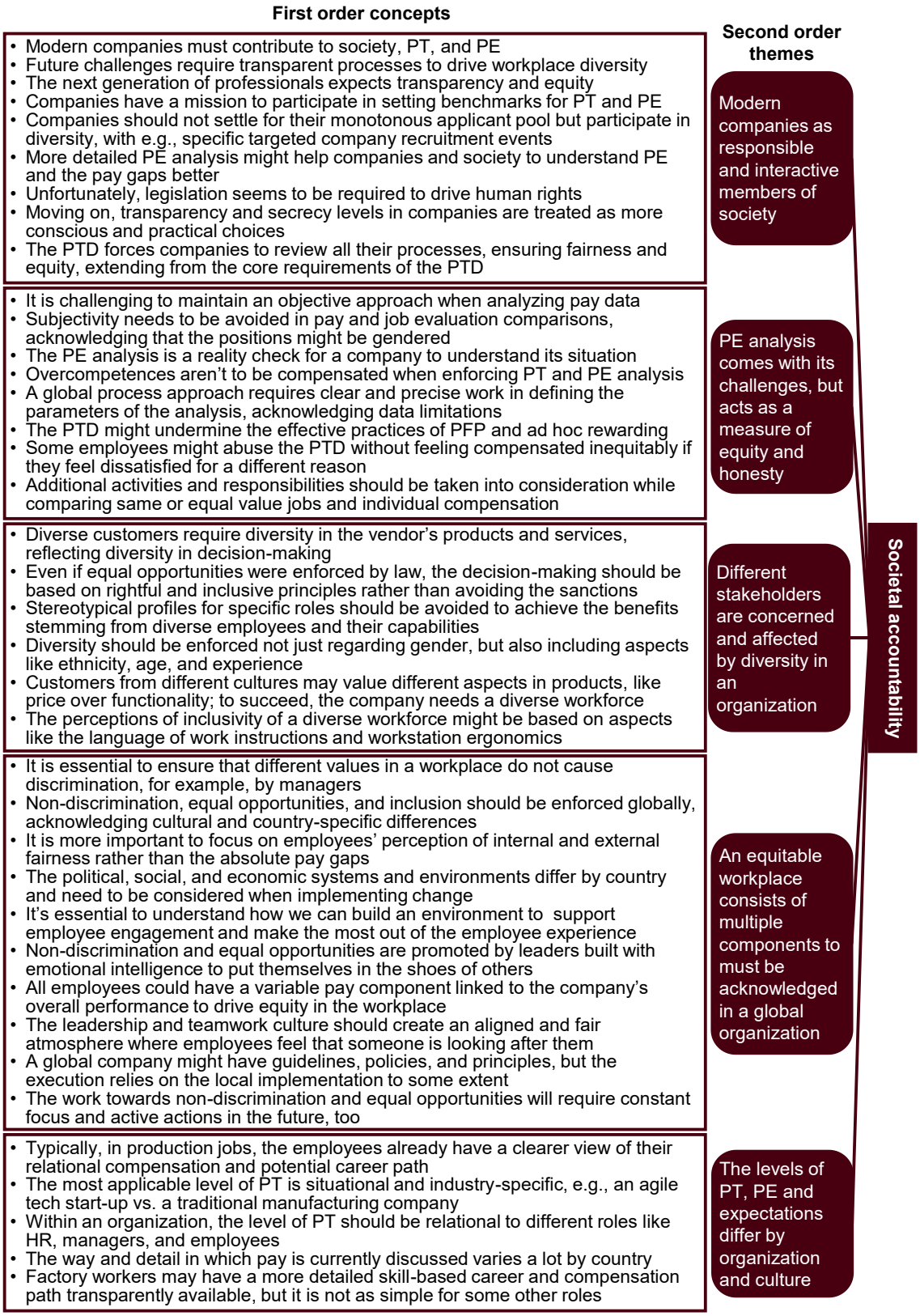


Figure 10. *The data structure of the aggregate dimension on societal accountability*

Pay equity analysis comes with its challenges, but it acts as a measure of equity and honesty

The pay equity analysis was recognized as an important process and project that measures internal practices, objectivity, and honesty when defining the analysis evaluation criteria, including supporting practices and tools such as job evaluation (SF1, SF8, SF10). A key concern identified was maintaining objectively justified differentiation practices, such as pay for performance and ad hoc rewards, which have been proven and experienced to be highly effective (SF13). The challenges revolve around the perspective of the analysis and whether all the gender-neutral elements, like additional responsibilities, have been managed to be taken into consideration rightfully in the analysis:

> *"Just because two people are in the same position does not mean they create the same value for the organization because there is what you do based on your job description but then there are a lot more aspects that a person can do to create value in their organization. They could be mentoring, they could be onboarding buddies..." -- "So doing different activities that add more value beyond the job description." (SF3)*

Transparency in the process also affects employees, influencing their willingness and ability to challenge the company's analyses and results, regardless of whether they feel mistreated (SF12).

Different stakeholders are concerned and affected by diversity in an organization

The diversity aspect in a modern company was discussed in the interviews from two main perspectives: external stakeholders, primarily customers, and internal capabilities and abilities. From the perspective of external stakeholders, the most important factor was ensuring internal workforce and decision-making diversity, thereby enabling the successful service of customers from diverse backgrounds (SF1, SF10). This is seen stemming from the internal practices and approaches of ensuring diversity not only from the gender perspective but also considering aspects like experience, ethnicity, and age:

> *"--people from different cultural backgrounds who also have different objectives or ways of working and I think for a big global company you need diverse thinking if you want to push to the next level" (SF6)*

Diversity was emphasized with the view that pursuing job profiles for specific positions should not be limiting, but rather extend the approach to allow non-stereotypical profiles:

> *"Companies should discuss more and be more open towards different profiles looked for and performing a job, removing stereotypes." (SF5)*

Adding to the practical perspective, enforcing diversity may begin at the workstation, considering ergonomic differences and promoting inclusion through accessible work instructions (TM1).

An equitable workplace consists of multiple components to must be acknowledged in a global organization.

The interviews emphasize that a global organization must understand its position and internal cultural differences when implementing change, particularly given the level of sensitivity (SF2, SF12, TM4). With the cultural differences in mind, it is crucial to enforce global approaches and alignment in matters like non-discrimination, equal opportunities, fairness, leading by example, and a culture of teamwork, even if the change is ultimately executed locally:

> *"-- I think it has to be part of a bigger totality of good leadership, good teamwork, purpose in what we do together as a team. A feeling that I can have an impact on the organization and a feeling that someone is looking after me and taking care of me in terms of my competence, feelings, and motivation" (SF15)*

The levels of pay transparency, pay equity, and expectations differ by organization and culture

The interviewees state that, with respect to culture, job, role, and industry, both the levels and expectations regarding pay transparency and pay equity tend to vary (SF13). It is expected that, for example, technology start-ups would have higher levels of transparency compared to a more traditional manufacturing company (SF9). It is also expected that transparency levels differ by role from two perspectives: HR and managers are expected to have greater visibility than the average employee (SF10), and operational manufacturing roles are expected to have a better overall understanding of their situation and of career and compensation progression opportunities.

> *"We have clarified skill-based compensation and career progression opportunities for blue-collar workers within factories, encouraging the employees to acquire such skills." -- "This approach works for blue-collar, but for example, for a sales director, it would be challenging to define the required skills to the same level of detail as there are also many other elements linked to the role" (TM3)*

In the interviews, it was also acknowledged that individuals differ in how they expect and value compensation, transparency, and equity, although the overall effect of monetary compensation tends to be generally insignificant and short-term (SF10, SF15).

5.3 Benefit-driven change integration

This section covers the approach of change from different perspectives and the specifics to succeeding in a change of this magnitude and context, illustrated in Figure 11. The second-order themes contributing to this aggregate dimension have been structured into key steps and elements toward succeeding in change of this type this starting with the alignment of strategy, practices, and approaches, evaluating the company's situation and long-term views pursued with the change, acknowledging potential gaps between the current state and the benefits, and concluding on the crucial element of communication.

Strategy needs to be considered and adjusted to capture potential benefits

In the interviews, the concept of strategy was discussed from multiple perspectives, acknowledging the dimensions of HR and people strategies while situating them within the broader context of business strategy.

> *"The HR strategy is supporting the implementation of the business strategy" (SF11)*

The HR and people strategies are seen to set the policies and guidelines for various related processes, like recruitment, but also from the indirect perspective of setting clear roles and responsibilities:

> *"Everyone should know what they are accountable for within a given process" (TM2*

The strategy considerations include creating a roadmap toward the intended changed state, considering pay transparency and pay equity, and developing supporting steps and processes to achieve the pursued results (SF1, SF3, SF4, SF5, SF6, SF8, SF9).

Alignment of practices and approaches is required to drive pay transparency and reliable pay equity analysis

The cultural change aspect was recognized as a crucial, multidimensional perspective in the interviews. Once the strategic decision regarding the direction and magnitude of the change has been made, both the direct and indirect related processes and practices must be aligned step by step to implement the change, taking into account country-specific aspects while pursuing the change globally (SF1, SF2, SF14). This dimension strongly connects back to the strategy theme discussed earlier in the change context.

> *"Enforcing pay transparency requires revision of all the related practices, tools, and policies in bigger companies as the standards are raised in this sense" (SF14)*

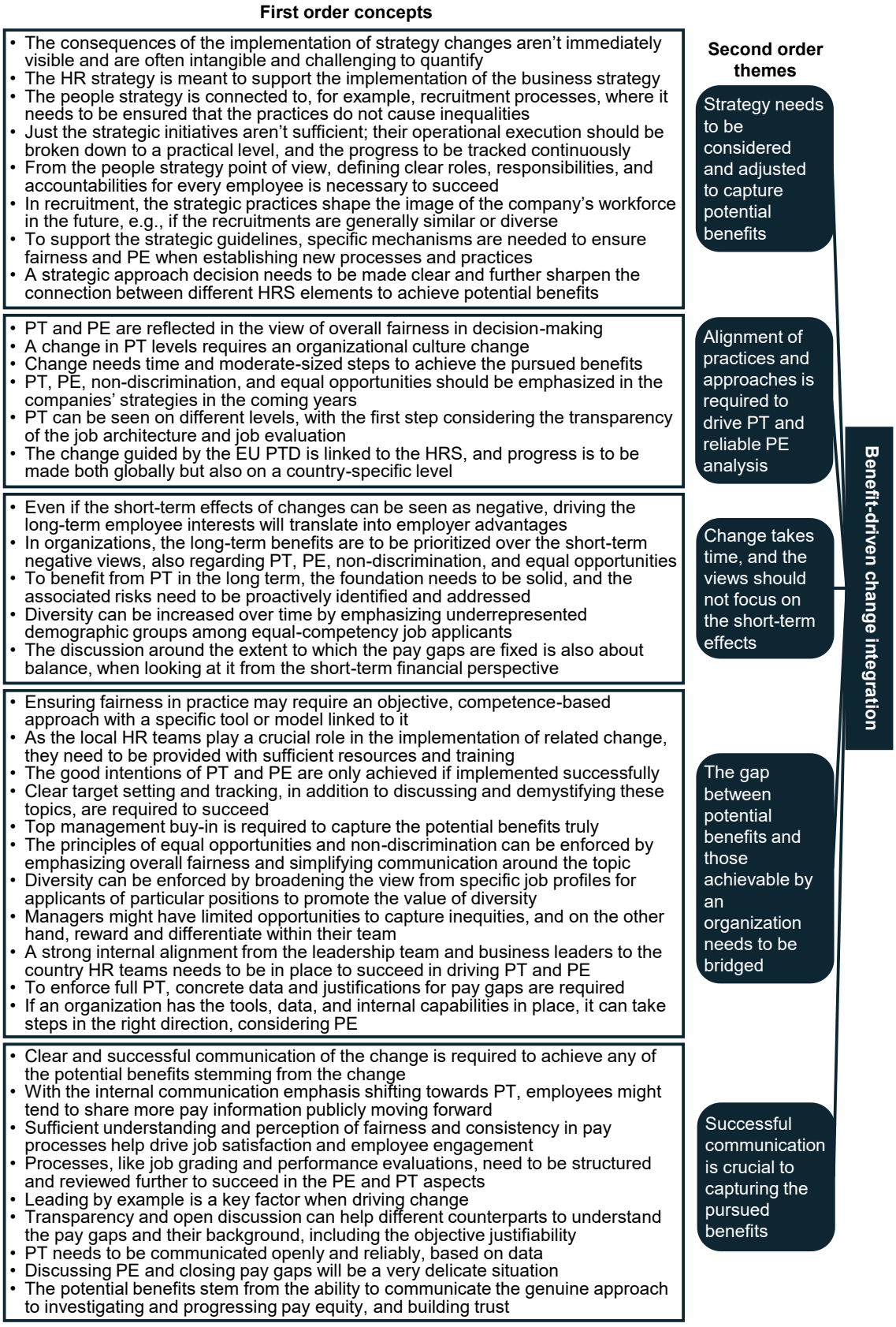


Figure 11. *The data structure of the aggregate dimension on benefit-driven change integration*

Change takes time, and the views should not focus on the short-term effects

The interviewees acknowledged the direct impact of this change on its sensitivity, which is likely to be controversial and potentially even harmful. One of the direct threats identified circles around the financial aspect of the potential sudden need to compensate extraordinary amounts to mistreated employees if they are to be identified when conducting the detailed pay equity analysis:

> *"I definitely believe that businesses can benefit from [pay transparency and pay equity] even though initially it might seem like putting yourself in a more vulnerable position because you are leaving yourself open to people contesting their pay. Also, if you have to close [pay] gaps that affects your bottom line" (SF3)*

On the other hand, the interviews emphasize the long-term view of building a solid basis for change and a more equitable and diverse culture for the future (SF3, SF6, TM5), even if the change might have some negative short-term implications:

> *"Yet I believe in the long-term benefit of the employees first philosophy that if it is good for the employees, it is good for the business even though it is not straightforward" (SF3)*

The gap between potential benefits and those achievable by an organization needs to be bridged

From evaluating the current state of a company and reflecting on it to the desired state, the interviewees recognize the importance of reviewing and revising current practices and policies to ensure they enable the achievement of the intended outcomes (SF14). Bringing down barriers, starting with simplifying language and wording, as well as clarifying target-setting and tracking processes, are seen as necessary practical steps (SF9, TM5). A critical recognized aspect is the top management buy-in in which sets the framework for thorough organizational alignment from the top management to the employees:

> *"I think one [important] thing is to ensure buy-in from as many people in the senior management as possible." (SF11)*

> *"To capture the potential business benefits, sufficient awareness and knowledge on the benefits and that they are to be pursued, from the top management is required" (SF14)*

As an important identified factor, the interviews emphasize the importance of providing sufficient training and sharing information, for example, with local HR teams, as well as with managers involved in more complex analysis and communication situations in the future (TM1, TM2).

Successful communication is crucial to capturing the pursued benefits

Communication success was highlighted in the interviews as a pivotal factor in achieving change or failing to capture the pursued benefits, even with otherwise precise and thorough work (SF8, SF13). The importance of communication is recognized not limited as a direct change towards a more transparent compensation environment but including the clarifications and enhanced transparency in the related elements and processes, like job grading and performance evaluation:

> *"To communicate effectively, we need data that we can provide to empower the employees, and from that sense, pay transparency definitely plays a role. Being able to really communicate to the employees how we act as an employer" (SF13)*

> *"I think the success of introducing pay transparency will depend on the approach when implementing it, and what I mean by that is how successful we are in communicating throughout the business, ensuring overall alignment from the leadership team to the country HR and all the business leaders throughout the organization" (SF8)*

Finally, the communication aspect is identified within directly addressing potential pay gaps and discussing their closure at both the general and individual levels (SF10, TM5).

5.4 Value realization from transparency, equity, and diversity

As discussed in the previous sections, enforcing pay transparency, pay equity, and diversity can have both business benefits and pose threats and challenges. This section, as illustrated in Figure 12, focuses on the potential business benefits, structuring them by the mechanisms that drive them. The following section examines the potential pitfalls and considerations in this context. The key to business benefits is recognized as residing within the company workforce, from individual employees to aggregated external views.

Pay transparency tends to increase employee trust and clarify potential questions among employees

According to TM3, the employees within the company form the business-critical group, allowing the company to create value, compared to the group of people whom the company potentially hires in the future:

> *"The employees who are currently working for us contribute to a significant part of the company's overall value creation, not the ones who we might hire from external markets" (TM3)*

The interviews imply that a higher level of pay transparency is likely to help improve employee trust and engagement, bringing various indirect benefits like improved retention, team dynamics, and decision-making:

> *"For me, it will always go back to the culture of morale and trust. That is what the pay transparency really builds." (SF6)*

> *"[With a higher level of pay transparency] you would think that there will be more employee trust so that the employees know how much they are paid, [and] they know what the next level is. So, there is not a perception that the company is trying to hide something" (SF8)*

> *"I think any level of transparency that increases your understanding of where you are now and what you need to do to invert is mutually beneficial [for the employee and the employer]" (TM5)*

The background to this observation includes the aim of clarifying the fog surrounding various organizational processes, some of which serve as the starting point for hearsay (SF6). A simultaneous requirement for more proactive planning is also associated with increased transparency and employee perceptions (SF8, SF14).

Additionally, the interviews describe potential benefits of greater pay transparency in recruitment, such as better alignment with candidates from the outset, particularly regarding the position's intended compensation (SF5, SF6, SF14, TM4). Additionally, a connection to improved recruitment efficiency can be seen stemming from an equal and transparent employer brand, which may create flexibility and effectiveness in recruitment processes, allowing, for example, improvements in the company's scalability (TM1).

Pay equity can be seen playing a key part for both the internal workforce and the external point of view

From the more direct business perspectives, the interviewees note pay equity is a potential mechanism towards mitigating overpaying employees while improving the branding externally towards investors:

> *"I would expect that investors are scrutinizing companies now around ESG, and when pay equity and pay transparency come in, we will also be scrutinized in relation to that" (SF8)*

Finally, the employer of choice and substantial utilization of the "pay for performance" approach are associated with improved employer branding (SF6, SF12).

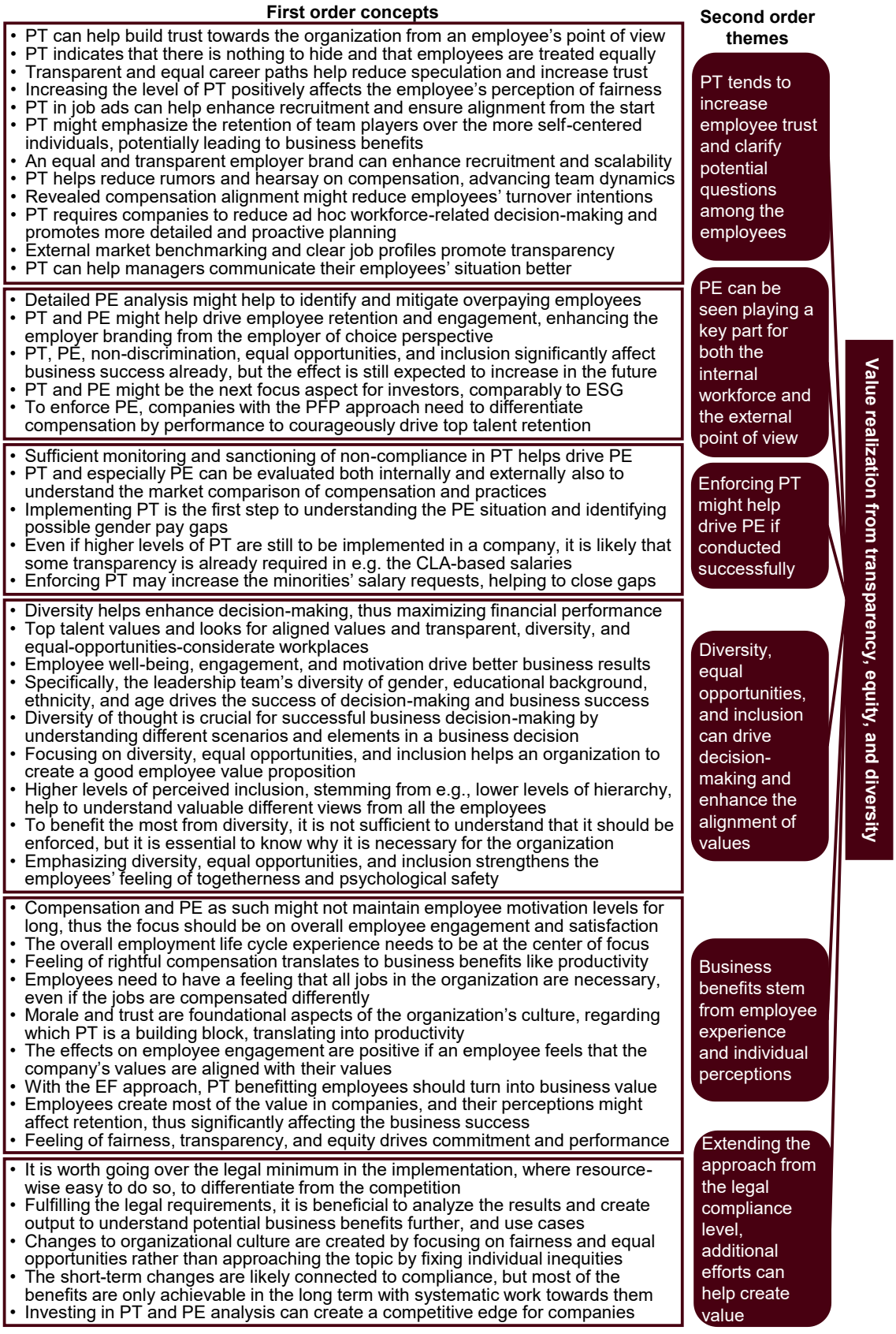


Figure 12. *The data structure of the aggregate dimension on value realization from transparency, equity, and diversity*

Enforcing pay transparency might help drive pay equity if conducted successfully

In the interviews, the detailed, monitored enforcement of pay transparency is seen to lead to better actualization of pay equity, largely through accountability, also driven by legislation (SF1, SF14). The understanding of current pay gaps is seen as the first step towards fixing the possible pay discrepancies:

> *"There will be a significantly different pressure on the company to ensure its pay equity status as pay equity starts to be addressed more publicly, so I believe pay transparency will drive pay equity." (SF14)*

Indirectly, pay transparency is expected to improve pay equity by aligning salary requests, particularly those from minorities and traditionally inequitably treated groups (SF5, SF9). It is also recognized that some level of pay transparency may already be required in Collective Labor Agreement (CLA)-based roles and salaries, demonstrating its effects at this time (SF7, SF8, TM2).

Diversity, equal opportunities, and inclusion can drive decision-making and enhance the alignment of values

The interviews emphasize how diversity enhances decision-making by considering multiple perspectives and dimensions, with positive implications for the company's financial performance (SF1, SF6, SF9, SF13, SF14). One view brought up was about enhancing the diversity of thought (SF11, TM3) as an important element in the background, promoted by diversity within the decision-making group:

> *"Decision-making is more successful if there are different views on the subject." (SF1)*

> *"Personally, I believe that if we have diverse people on all the different levels of the organization, we will have more diverse viewpoints leading to higher quality decision-making, finally driving better long-term [business] results." (SF14)*

Lower levels of hierarchy, in addition to emphasizing employee engagement and well-being, are seen to drive organizational performance through increased motivation (SF3, SF12). Additionally, clarifying and aligning transparent values driven by an equal opportunities approach is linked to attracting and retaining top talent who are considerate of these matters, thereby driving the company's financial performance (SF4, SF5, SF6, SF8, SF9, SF10, SF11, SF12). Additionally, TM2 provided a practical example of increased diversity in one of the case company's factories, which necessitated some changes but ultimately led to improvements in productivity, quality, and safety.

Business benefits stem from employee experience and individual perceptions

The feeling of being valued, cared for (SF15), and treated fairly over the employment lifecycle was seen as one of the key drivers of individual employee satisfaction, engagement, performance, and retention, translating into business benefits, in the interviews:

> *"I believe that if a person feels fairly compensated for their work, it will be reflected in the results of their work."* (*SF4)*

> *"If employees feel they are treated equally with trust and high morale, that leads to a bit better productivity." (SF6)*

Based on the interviews, the mentioned *employees first* approach implies that the benefits of employees should translate to the benefits of the company over time (SF3, TM5).

Extending the approach from the legal compliance level, additional efforts can help create value

In general, additional information provided by pay equity analysis is recognized as beneficial in the interviews:

> *"Any additional data-driven insights you can have around that topic [pay equity] is quite valuable" (TM5)*

Even when the practical and timely accelerator for change toward pay transparency and more detailed pay equity analysis is challenging to identify, according to some interviews, it may lie within the new legislation. Regardless, there were potential benefits recognized when going over the minimum requirements of the legislation:

> *"Going a bit over the requirements can give a company a competitive advantage over the other companies, who now also will be forced to do at least the bare minimum." (SF2)*

The interviewees brought up views of benefits tied to extending the approach beyond the legislative minimum requirements, emphasizing the aspect of at least experimenting and analyzing the additional use cases of the analyzed data and produced information with implications to differentiating from the competitors and taking genuine steps towards organizational change, not just settling on the external requirements (SF2, SF7, SF8).

As presented above, the interviews highlighted different perspectives and mechanisms for creating and sustaining business value. As the core of this thesis report, the most significant potential business benefits of pay transparency, pay equity, diversity, equal opportunities, and inclusion, as discussed in the interviews, are summarized in Table 7.

Table 7. *Summary of potential business benefits identified in the interviews*

Identified potential business benefit	***Interviewee***
Pay transparency builds a culture of morale and trust	SF6
Employee trust is likely to increase with a higher level of pay transparency	SF8
Recruitment processes and the proposed starting pay setting can become better aligned and effective with increased pay transparency	S5, SF6, SF14, TM1
Pay transparency can improve the scalability of a company through improved employer branding towards potential employees	TM1
Investors will likely be interested in the pay equity and pay transparency	SF8
Diversity can enhance decision-making and thus improve, for example, the company's financial performance	SF1, SF6, SF9, SF13, SF14
Promoting equal opportunities and transparently aligning values accordingly can help attract and retain top talent	SF4, SF5, SF6, SF8, SF9, SF10, SF11, SF12
The perception of equal treatment can increase productivity	SF6

Overall, the potential business benefits identified in the interviews focus primarily on internal employees but also consider external effects, such as employer branding and investor interest. The findings presented in Table 7 are further discussed in the following chapters, in the context of the existing literature.

5.5 Proactive risk mitigation

This section builds on the potential benefits and challenges described in Section 5.4, focusing on the aspects to consider and proactively mitigate to succeed. The challenges and points to acknowledge raised in the interviews include direct risks, as well as potential shortcomings in processes and specific challenges linked to certain events and activities in practice. The data structure relating to this section is illustrated in Figure 13.

Threats to an organization stemming from injustice may have significant consequences

Increased pay transparency is seen to come with possible challenges, especially if the revealed pay landscape is not equitable or if it is at least more inequitable compared to the anticipated situation among the employees, as identified in the interviews:

> *"You have the possibility where some employees will get dissatisfied and demotivated when they might get the perception that their salary is less than somebody else's or they are well below the midpoint of their salary band*." (*SF8)*

> *"A quick way to demotivate somebody is for them to learn that they are on a lower level of salary than somebody next to them doing the same role." (TM2)*

Additionally, the interviewees raised concerns about the potential undercompensation of employees relative to competitors, which could have harmful consequences (TM2).

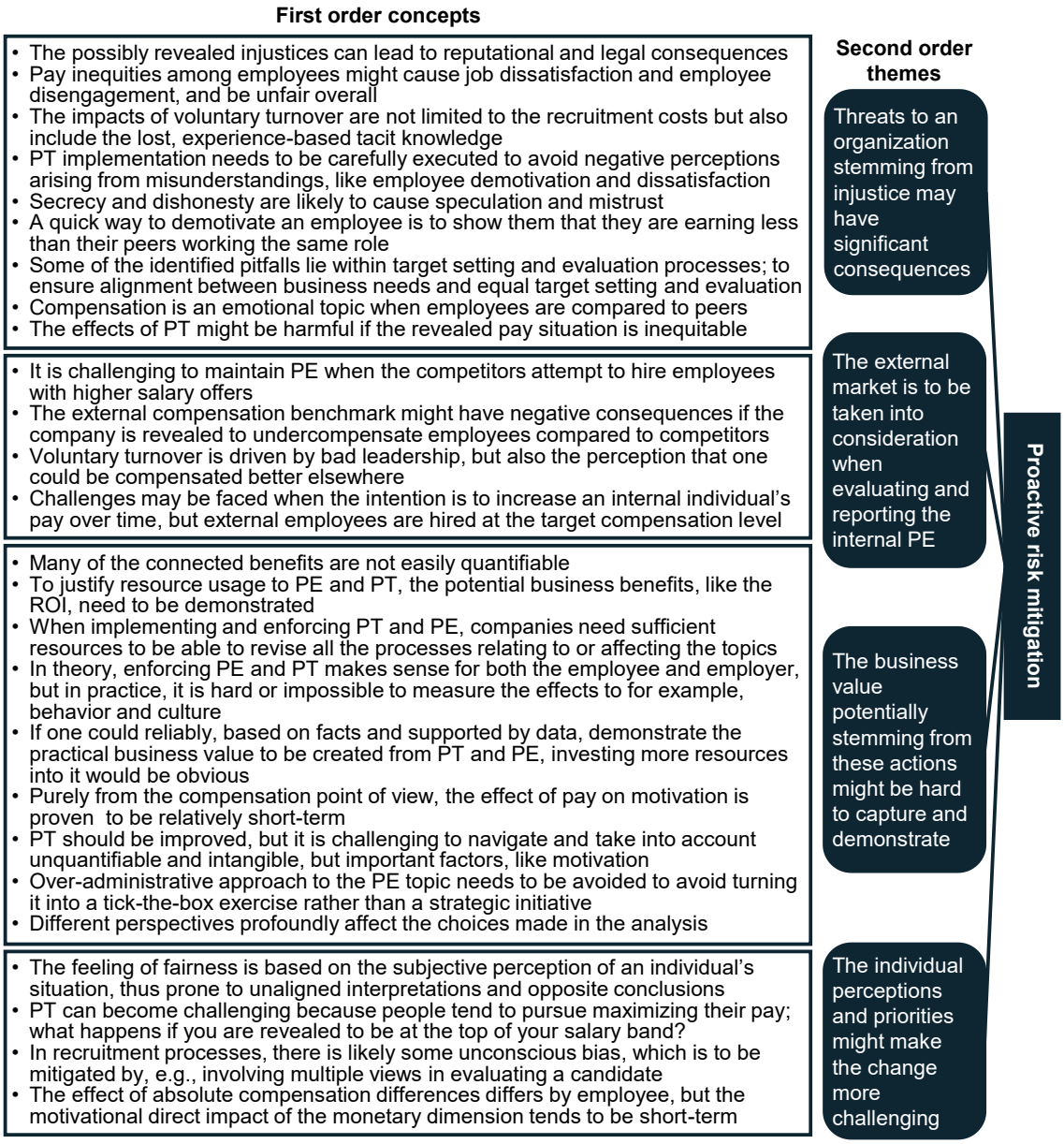


Figure 13. *The data structure of the aggregate dimension on proactive risk mitigation*

The external market is to be taken into consideration when evaluating and reporting the internal pay equity

In the interviews, it was recognized that challenges may arise from the situation where the company's competitors pay comparably higher salaries, causing dissatisfaction internally (TM2), as such, but also possibly creating inequities when needing to hire new workforce with higher salary expectations:

> *"I see the biggest risk is the external factors and the market conditions, especially for some resources." (SF15)*

Individual pay-setting challenges may be specific and role-based. They can be particularly challenging, especially from the perspective of maintaining a dynamic balance in specific micro-markets where demand may be significant at the moment. However, in the past, it might have been oversupplied and lower compensated, for example (SF14).

The business value potentially stemming from these actions might be hard to demonstrate

Limiting the certainty of potential business benefits, the interviews noted that most potential positive impacts are hard, or even impossible, to reliably demonstrate and measure due to their intangible and, at most, indirect monetary value (SF2, SF3, SF14, TM2, TM4). Elements such as behavior, culture, and motivation can be investigated through polls and questionnaires. However, the direct link between increased pay transparency and pay equity levels to the employee perceptions remains difficult to conclude, especially in the long term:

> *"I am not really sure if anybody has quantified if we are X amount of transparent then that leads to Y amount of business benefits, increased sales or profits but it's looking at how companies who are not transparent versus companies who are transparent [perform]. So it's not easy to isolate the effects." (SF3)*

The individual perceptions and priorities might make the change more challenging

As discussed in Section 5.4, recognizing the numerous business benefits stemming from employee experience and perceptions, the interviewees noted that employees' interpretations of these matters may vary and be subjective. Overall, the personal employment lifecycle experience (SF4) significantly affects retention and motivation. A recognized key challenge is potential bias, particularly from a recruitment perspective, which should be addressed by incorporating multiple perspectives on candidates into the process (TM3). Additionally, acknowledging that there are differences between individual employees, the effect of monetary compensation on motivation is generally limited:

> *"[according to motivation theories] we know that pay is very short-term motivation for people, so it is important that it is a hygiene factor. You want to trust that you are paid fairly compared to others on a similar level." (SF15)*

Finally, people tend to pursue maximizing their salaries, which might be problematic firstly from the direct financial cost-effect perspective and secondly with emphasis on the effects on job satisfaction and interpretation of room for further development (TM3).

6. DISCUSSION

This chapter presents the empirical findings from Chapter 5 within the context of the theoretical framework outlined in Chapters 2 and 3. The chapter focuses on the perspectives of pay transparency and pay equity as they affect individual employees, including their motivation, job satisfaction, and engagement, while also discussing the potential business benefits. In addition to the individual employee perspective, this chapter discusses the aggregated perspective on business value creation through the enforcement of higher levels of diversity, pay transparency, and pay equity, while acknowledging the associated risks, potential pitfalls, and gaps that require bridging.

Overall, the key theoretical and empirical findings of this study emphasize that there are various potential business benefits stemming from pay transparency, pay equity, and DEI. Most of these benefits are indirect and emphasize mechanisms that begin with effects on individual employees and extend to the organizational level, potentially with implications for the interorganizational level. Thus, the findings of this study bridge gaps among the different findings and research calls presented in previous studies organized across these levels. Given the different organizations operating in distinct environments and facing distinct expectations, both the generalized steps for implementing pay transparency and pay equity within an organization and specific situational observations are discussed.

This chapter consists of four sections. Section 6.1 discusses the view that individual employees are the key to taking the first, rather indirect steps in the mechanism for business value creation through enforced pay transparency, pay equity, and DEI. In Sections 6.2 and 6.3, the key points for successful implementation and practice of pay equity and pay transparency are identified and evaluated, while acknowledging and emphasizing contextual differences across organizations. Section 6.4, supported by the background provided in the previous sections, addresses the study's research question by discussing the potential business value potential of pay transparency, pay equity, and diversity.

Overall, this chapter aims to build an understanding of how business value can be created, with implications for both the value-creation mechanisms and practical considerations. The chapter is structured so that the crucial elements and steps for enabling the capture of business value are discussed in the first sections, with Section 6.4 concluding the related discussion.

In the background, this chapter builds on the understanding developed from different data sources outside the interview context, as described in Subsection 4.3.2. These elements include, for example, a deeper understanding of the case company's workforce gender diversity, the content of the people strategy, and the organizational structure.

6.1 Individual employees as the creators of value in a company

Concluding the interviews, employees' perceptions of fairness, equity, and equal treatment, which indirectly translate into business benefits through productivity and motivation, should be a central focus when pursuing business value creation stemming from increased pay transparency and pay equity. As derived from the interviews, it is important to acknowledge the importance of employee satisfaction, well-being, and motivation contributing to employee retention as well as translating into better performance, finally leading to better overall business results, also supported by the literature (Shore et al. 2018; Sherman et al. 2021; Ali et al. 2025). These aspects underscore the call for research on minorities' perceptions of companies' actions to advance DEI (Lee et al. 2025). Additionally, the calls for research addressed include the effect of pay transparency on motivation (Grasser et al. 2024), a more detailed examination of employee perceptions stemming from pay transparency, and the specifics of the type of shared pay information (Heisler 2021).

With the interview data emphasis on employee experience, engagement, and job satisfaction, the subjectivity of perception is also to be acknowledged, as different individuals have different priorities, needs (Ali et al. 2025; Sharma et al. 2025), and self-concepts, which might affect their stance towards their anticipated relational compensation and reaction to the revealed situation. Additionally, the literature emphasizes the importance of the compensation-setting process, equity, and transparency in evaluating their impact on an individual employee's motivation and perceptions (Hartmann & Slapničar 2012). These mechanisms can be seen supporting the actualization of the desired outcomes of improved employee experience and engagement, highlighted in the interviews.

On the other hand, as discussed in the interviews, business value creation might be enhanced by promoting teamwork and team-oriented employees; in this sense, the possibility that self-centered employees are affected comparably negatively by increased pay transparency and pay equity might not carry significant consequences. As identified as a potential outcome in the interviews, pay transparency may favor the retention of team players over other employees. This finding, based on the analysis of the interviews, is supported by the literature and has implications for the relationship between envy and individualism (Bamberger & Belogolovsky 2017).

With the employees' first approach, from the interviews, it can be derived that, at least in the long term, employees' benefits will ultimately translate into benefits for the company. This approach strongly supports the view that employee perceptions and engagement should be emphasized, and that employees should be regarded as central to the company's overall business value creation. From this perspective, the potential, especially short-term, adverse effects of increased pay transparency and stricter enforcement of pay equity should not be overemphasized. Figure 14 below illustrates the positive inputs likely to result from enhanced pay transparency and pay equity in the employee experience, as well as the potential business benefit outputs.

Figure 14. *Illustration of the employee experience effects and outcomes in the enforced pay transparency and pay equity context derived from the interviews*

Ultimately, it appears that people are inherently prone to comparing themselves with their peers (Obloj & Zenger 2022). In this context, this view may have implications for employees who compare themselves to the highest-paid individual, as the interviews indicate that people generally seek to maximize their own salaries, also supported by research (Adams 1963; Cragun et al. 2024). A sense of mistreatment can be a threat to employee satisfaction, engagement, and motivation, potentially affecting retention and performance. This contributes to the call for research on pay transparency and employee motivation (Grasser et al. 2024) by discussing mistreatment not only from the perspective of comparably underpaid employees but also by acknowledging the possible challenges faced by highly paid employees.

The contribution of this part of the study described above offers a more comprehensive view of employees as the backbone of value creation within an organization. From this section, it is to be concluded that even with a limited view to the specifics of different individual employee situations, each individual employee's experience and perception of matters within their operating and working environment may have significant effects on the entire organization in the bigger picture. It is acknowledged that employees do not inherently feel valued, noticed, and appreciated, but that explicit, meaningful actions by the company are needed to enable the organization to thrive through its workforce, before even discussing the related effects on sales and other customer-related aspects.

6.2 Implementing pay equity and pay transparency into a company

As evidenced in the interviews within the case company, the gap between the anticipated benefits and the benefits achievable in the current situation, given the existing practices and policies, may be significant. On the other hand, this finding appears to have been mentioned at most briefly in the literature on the topic, possibly due to the issue's situational and individual nature. The analysis of the interviews suggests that organizations need to critically evaluate and revise all their processes that relate directly or indirectly to practices, policies, and processes surrounding pay transparency and pay equity. These aspects encompass elements from recruitment to performance-based salary increases, along with the supporting processes and criteria that justify and underpin related decisions, as emphasized in the literature (Holtschlag et al. 2025; Trejo et al. 2025) and in the interviews. These elements contribute to the proposed information needs to better understand the actions organizations can take to mitigate the adverse effects of pay transparency (Austin et al. 2021).

In practice, as identified in the interviews, the enablers and requirements for achieving the pursued benefits in the first place include aspects such as top management buy-in, understanding and balancing the immediate financial implications of the necessary actions, and overall alignment, transparency, documentation, and communication regarding the topic. The overall alignment aspect is linked to the strategic perspective, in which the HRS, or people strategy, is viewed as supporting the execution of the business strategy, as supported by Raju's (2006) findings.

Based on the interpretation of the interviews, an emphasis should be placed on adjusting all current and future practices, processes, and policies that are directly or indirectly related to implementing a change to increase pay transparency and to adopt a more comprehensive and rigorous approach to pay equity. This viewpoint, combined with the underlined importance of top management buy-in for such change, places greater emphasis on the genuine willingness to implement the change at the organizational culture level, thereby ensuring its full implementation and capturing its benefits. On the other hand, with alignment from the leadership team throughout the entire organization, all the way to each employee, it seems likely that the change and cultural shift become more evident, and the perception of that becomes more genuine. From a DEI literature perspective, Tucker (2023) suggests that leadership commitment is a key success factor, supporting the viewpoint raised in the interviews, which emphasized pay transparency and pay equity.

As a potential driver of change and higher levels of pay transparency in organizations, both the interview analysis and the literature recognize its importance in ensuring pay equity. It seemed fairly evident to many of the interviewees that a transparent and honest investigation into compensation, along with shared visibility into comparable situations of individuals, sparks discussion and provides background for pay equity standpoints. This finding is strongly supported by the literature (Fahn & Zanarone 2022; Sharkey et al. 2022) and by the interpretation of empirical evidence from interviews.

With the potential benefits and motivators towards increased pay transparency and more detailed pay equity analysis, as identified in the interviews, the company preparing for change needs to recognize its current situation regarding these aspects and, if necessary, proactively prepare and mitigate the potential risks associated with the proposed change, according to the analysis of the interviews. The company first needs to understand how the change aligns with its existing policies and practices, and to consider its industry, workforce, and strategy regarding this topic. The generalized industry- and workforce-related anticipation towards pay transparency and pay equity is discussed in the next section.

It appears to be a recognized best practice to identify the current state and the desired situation, then define the gap between them and the actions and steps required to bridge it. The initial internal evaluation view contributes to the call for research on how companies can proactively mitigate risks associated with pay transparency (Austin et al. 2021). From a practical perspective, in this context, this study emphasizes the importance of beginning with mapping and developing an understanding of the current state of different, interrelated processes and practices to drive comprehensive change.

Additionally, drawing on the interviews, companies pursuing change in this context need to be aware of their potential pay gaps and of the structural elements that affect gender pay equity, such as the company's job architecture. Based on the interview analysis, the company is likely to succeed in implementing such changes only if it is aware of its situation from multiple perspectives and acknowledges and proactively addresses the challenges specific to the company. From the literature point of view, if the pay gaps are demonstrated and justified acceptably to the individual employee, the response is likely fair (Rouen 2020; De Poli & Maier 2024). On the other hand, if the relational compensation of an individual employee is revealed to be worse than anticipated, the effects on the employee’s work results are likely adverse (Card et al. 2012; Baggio & Marandola 2022; Schnaufer et al. 2022) and therefore present an essential factor to consider and prepare for.

The key conclusion of this section is that, according to both the literature and the empirical evidence from the interviews, organizations are initially curious but also, to some extent, hesitant and concerned about advancing pay transparency and pay equity, while acknowledging the possible adverse effects. Building around the core of an organization's value creation, the employees, as discussed in Section 6.1, the revision and alignment of surrounding practices and policies can be identified as the next set of actions to ensure the successful implementation and advancement of pay transparency and pay equity. With little to no direct point of contact with the business, these elements can be considered indirectly linked to a company's success by fostering resilient, aligned ways of working and an environment focused on achieving the desired targets and end state.

6.3 Enforcing pay transparency and pay equity differs by organization

Even though the literature on pay transparency and pay equity is relatively limited in practical examples and in demonstrating perceived and actualized consequences, the interviews highlight various perspectives on the industry and environment in which the organization operates. In addition, some of the identified potential pitfalls in implementing change towards higher levels of transparency and more detailed, analytical pay equity approaches appear to be related to the company and industry, as supported by the literature (Wang & Lin 2024). Additionally, research is called for on organizations' evolving DM approach in a changing environment (Olsen & Martins 2012), which is indirectly touched on in this section by acknowledging the different operating environment-related starting points across organizations, specifically from the operating industry and the organization workforce perspectives.

Drawing on the interviews, it is evident that there is consensus that ensuring pay equity and taking necessary action to rectify potential injustices are fundamentally important and a key area for improvement. While acknowledging the importance of ensuring equitable treatment among employees, it was emphasized that the heavy equipment industry is currently and has historically been male-dominated, which has affected norms around discussing pay and promoting pay equity. This, in addition to interview observations that younger generations expect greater openness and transparency, including pay transparency, while the current and older workforce generations are accustomed to greater secrecy, suggests there may be differences to consider when planning and implementing change.

On the other hand, as the theoretical approach suggests that higher levels of enforced pay transparency within an organization may increase employees' tendency toward entrepreneurship rather than remaining salaried employees (Shang & Saffar 2024), organizations' needs, readiness, and receptiveness to change may differ fundamentally. This could imply that companies and business models built around more entrepreneurial employees may be better prepared for and more accepting of change, thereby increasing the company's internal pay transparency and individual employees' visibility into their comparable compensation.

Figure 15 illustrates how the results of this study could be used to demonstrate, at a general level, how an organization's industry and workforce are likely to be reflected in its readiness toward and anticipated levels of pay transparency and pay equity. For practical reference, the figure includes highly simplified examples of how different types of generalized companies could position themselves in the matrix to enhance the reader's interpretation of the illustration.

One interpretation of Figure 15 and its analysis is that alignment in anticipation and readiness levels between employees and the company is more likely to be achieved when industry characteristics and workforce age are aligned. This scenario is reflected in the bottom-left and top-right quadrants of Figure 15, where the company operates in a conservative industry with an older workforce or in a modern industry with a younger workforce. Alternatively, a lack of alignment may arise when the company operates in a modern industry with an older workforce, or in a conservative industry with a comparably young workforce. In Figure 15, white indicates fewer anticipated challenges in workforce-organization alignment, based on workforce age and the organization's operating industry characteristics. In contrast, the dark red color indicates potential misalignment arising from these aspects within the respective quadrants.

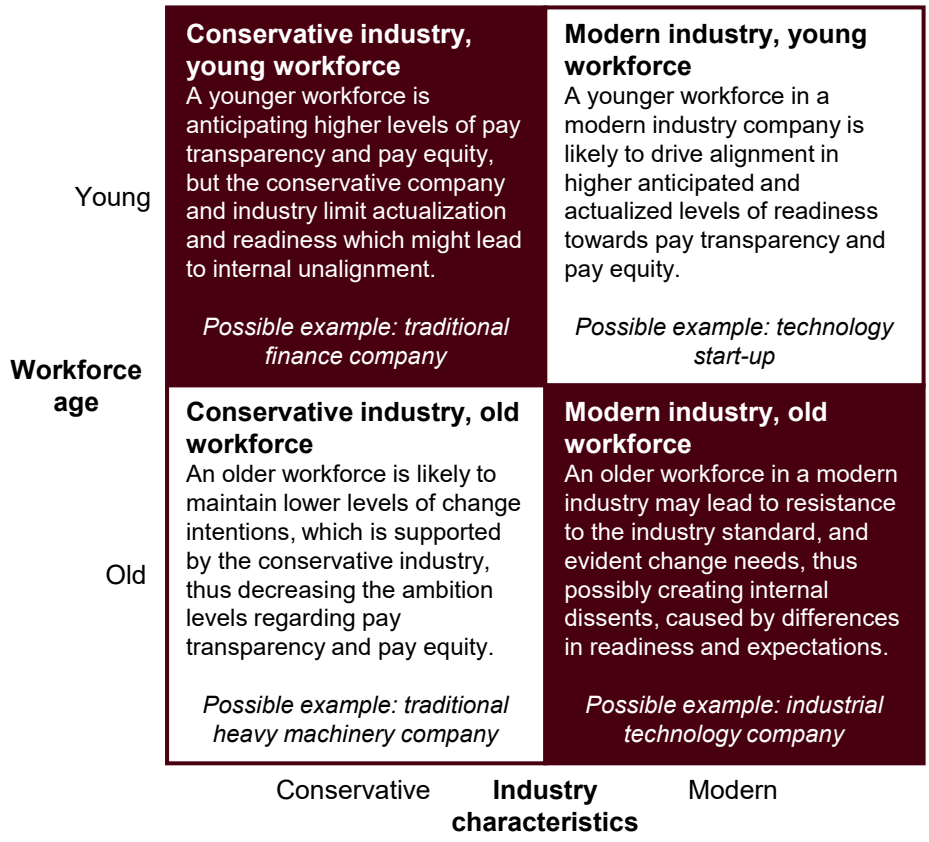


Figure 15. *Illustration of the workforce age and industry characteristics likely driving the expectations of pay transparency and pay equity*

Even if the current gender diversity is heavily male-dominated or the workforce is relatively old, it is possible to create and maintain specific structures and norms. However, the shift towards pay transparency and more detailed pay equity analysis is evident and is legally mandated in certain instances. The concern raised in both the literature (Sharkey et al. 2022; Gulyas et al. 2023) and derived from the interviews underlines that the pay transparency driving the change towards pay equity is not self-evident on a broader level, but is likely actualized if pay transparency is enforced by legislation with sufficient levels of related monitoring and sanctioning of non-compliance. These elements of this study contribute to the call for research on changes to organizations' DM approaches (Olsen & Martins 2012), acknowledging demographic and other factors that affect employees' expectations and tendencies. Even if this study does not demonstrate a direct linkage to the effects of the evolving operating environment, it has implications for related aspects that may be topical in the context of change.

In this context, during the interviews, it was emphasized that the road to successfully implementing changes in pay transparency and equity requires a genuine desire to understand the organization's current situation and potential structural challenges. Only then can work towards change begin. It was also noted that, especially in the long term,

the more important consideration is to evaluate the actions an organization has taken and will take in response to its situation, rather than focusing on the starting point. In conclusion, the analysis of interview results underscores the modern company's role as an interactive and responsible participant in society, while highlighting concerns stemming from structural challenges, such as gendered practices and processes that shape career paths. This view argues that companies should not accept society's structural inequities but should play an active and accountable role in working toward improvement.

An additional consideration to be acknowledged and addressed when pursuing change toward pay transparency and enhanced pay equity is the compensation strategy and philosophy-related concern regarding the relationship between performance and compensation. Both the literature (Obloj & Zenger 2022) and the interview analysis conclusions identify potential challenges associated with the pay for performance rewarding approach and narrowing the pay gaps. As derived from the interviews, if the organization's compensation philosophy acknowledges the causal link between better performance and higher compensation, performance should be a justifiable factor in evaluating pay gaps; in some cases, it should both cause and maintain absolute or unadjusted pay gaps.

Finally, this section highlights practical examples that reveal differences between anticipated and perceived levels and dimensions of pay transparency and pay equity, which generally vary by an individual's age and the organization's operating industry, for example. The limited view is confined to a few practical examples and lacks substantial evidence from real-world organizational cases. These limitations, combined with individual perceptions and interpretations, on the one hand help to understand some generalized assumptions and expectations, but on the other hand, should be treated only as suggestions when evaluating an individual company's situation and the preferred actions to be taken.

6.4 Creating business value from diversity, pay transparency, and equity

This section addresses most of the information needs highlighted in the existing body of literature, such as calls for research on the potential business benefits of pay transparency (Fahn & Zanarone 2022) and pay equity, and proposals for research on how to achieve these benefits (Schnaufer et al. 2022). Additionally, this section addresses the research needs regarding the relationship between diversity and business performance (Herring 2009) and the effects of companies that promote pay transparency on various external stakeholders (Sharkey et al. 2022).

Based on the interpretation of the interviews, there are undoubtedly various business benefits and value-creation opportunities arising from enforced diversity and a focus on pay transparency and pay equity. Acknowledging the potential benefits, it was noted that, to capture these positive outcomes, successful implementation is essential, as various threats and challenges have been identified across the processes and in the surrounding context. This view calls for sufficient resources and a level of passion and detail when working towards a change of this sensitivity and magnitude to capture most of the potential benefits while avoiding the more significant pitfalls.

As a key challenge to be addressed, as highlighted in the analysis of the interviews, is the quantifiability of the achievable business value, which primarily involves intangible direct effects, such as those on motivation, trust, and engagement, which are often viewed as indirect effects on business value creation. Based on the interviews, a need for a business case approach is sensed to objectively demonstrate and weigh the business benefits to be realized against the corresponding sacrifices and resource use. In this sense, it is also recognized that the isolation of effects stemming from pay transparency or pay equity might be challenging or nearly impossible to conduct and measure, as these elements are seen as contributing to a bigger cultural shift and topic of employee treatment, as noted also by Stofberg et al. (2022).

From a diversity perspective, both the interview analysis and the literature support a causal link between higher levels of diversity in decision-making and the success of the decision-making process, ultimately leading to enhanced business performance (Olsen & Martins 2012; Simmons & Yawson 2022). In the interviews, an emphasis was placed on the concept of diversity of thought as the underlying mechanism for successful decision-making stemming from diversity, contributing to business success, and addressing the proposed research needs on the connection between diversity and business performance (Herring 2009). The rationale and conclusion of the benefits stemming from diversity in this context is not directly explained with diversity of gender, ethnicity, education, and other aspects, but rather the differences anticipated to stem from these aspects in an individual's way of thinking and making decisions, bringing value into the processes and decision-making outcomes in that sense.

In the interviews, the dimension of pay transparency was examined from two main perspectives: external transparency and the more emphasized internal pay transparency, as noted by Moriarty (2018). As internal pay transparency encompasses aspects related to the visibility of individual employees regarding compensation, as well as the visibility of people managers to such elements, in addition to transparency regarding pay struc-

tures, policies, and processes, the external evaluation dimension also has its implications. As derived from the interviews, the external dimension of pay transparency is recognized to affect the competitiveness of the company among its competitors when recruiting top talent. It may also reflect in the attitudes of the internal workforce, who may become more aware of their position's intended compensation when similar positions are recruited, contributing to the proposed information needs regarding the possible business benefits stemming from pay transparency (Fahn & Zanarone 2022).

From an external viewpoint, in relation to the call for research on pay transparency affecting different external stakeholders (Sharkey et al. 2022), it is also noted that the company's intended external pay transparency in job advertisements, for example, may not be entirely controllable in a broader context if pay information sharing spreads to third-party websites and platforms. The emphasis on the external dimension is also evidenced by the effects of pay transparency and pay equity on potential investors, as discussed in the literature (Austin et al. 2021), and by the anticipated increase in related future interest, as noted in the interviews. Finally, the analysis of the interviews revealed that greater pay transparency may contribute to more efficient recruitment processes, thereby indirectly creating business value.

Concluding on the business value-creation aspect, in the core of this study, that even if the explicit quantifiability of the potential business benefits is somewhat limited, there are plenty of potential, and even likely benefits, stemming from either diversity, pay transparency, pay equity, or all these combined. Enforcing diversity, pay transparency, or pay equity as individual elements is identified as having the potential to enhance business value creation. However, the more significant benefits, those that ultimately lead to a competitive edge, stem from the broader set of actions taken to deliver a desired and coherent employment lifecycle experience from an individual employee's perspective.

From the internal stakeholders' perspective, business value-creation opportunities are understood to arise from motivational effects on individual employees, driven by feelings of appreciation and equality, ultimately translating into increased individual, group, and organizational performance and, thus, potentially leading to business success. From an external perspective, there are no identified direct connections between these aspects and the company's financial performance, for example, by direct effects on sales. However, the connection can likely be established by first strengthening the company's position in the eyes of investors through aligned, socially sustainable actions, and secondly, by attracting, and more importantly retaining, top talent as the employer of choice for each individual throughout their employment lifecycle.

7. CONCLUSIONS

This chapter provides an overview of the thesis's key findings, covering both the theoretical and empirical aspects of the research, with particular emphasis on those unique to the empirical research conducted through interviews. In the context of both theoretical and empirical findings, this chapter presents the study's key contributions. This chapter proposes practical actions based on the findings in the related context. Additionally, this chapter evaluates the research process, its limitations, and suggests the need for further research.

7.1 Scientific presentation of findings

In the context of the main research question and the sub-questions presented in Section 1.3, this study concludes that an increased level of pay transparency and more detailed pay equity analysis can help create business value over the compliance level through various ways and mechanisms, even in the context of the EU PTD (Directive (EU) 2023/970). To capture the benefits of exceeding the legally required minimum implementation, avoid potential challenges, and even just to comply with the updated legislation, organizations need to implement the related changes thoroughly and successfully.

As presented in Section 1.2 and further specified in Section 3.7, the research gap this study aims to address lies at the intersection of pay transparency, pay equity, and DEI principles, and their connection to business value creation. Regarding the research gap, an additional specification is that limited prior empirical research within the unified EU PTD context (Directive (EU) 2023/970) has been identified. This viewpoint aligns with the problematization perspective (Alvesson & Sandberg 2011), acknowledging that prior research has lacked a unified legal framework to serve as the motivator and rationale for setting minimum compliance requirements and has been based on rather outdated assumptions in this regard.

The role of DEI in companies is recognized to have two main effects, with one being its contribution to employee perceptions and experiences, and the other affecting decision-making and, therefore, the business value-creation dimension. The effects of DEI are, to some extent, evaluable as a combination of the three principles. However, most of the literature and views discussed in the interviews indicate that a significant proportion of the associated business effects is attributable to one or two of the three principles.

To succeed in the change, pay transparency and pay equity must be enforced with organization-wide alignment, beginning with a strategic decision. Therefore, the implementation of pay transparency and pay equity into an organization's strategy can be seen as starting with the decision towards an increased level of pay transparency and more detailed pay equity analysis, which is then enforced and supported by aligning people, processes, policies, and practices with the pursued results while setting clear targets and continuously monitoring progress and performance.

The connection between pay transparency and pay equity is recognized in the rationale for detailed pay transparency legislation. It is connected to companies' rising levels of accountability, the need for a more detailed understanding of their situation, and, as individual employees become more aware of their relational and individual compensation relative to their peers, their ability to draw further conclusions about whether they should be compensated differently. From the purely legislative perspective, both the literature (Bennedsen et al. 2022; Gulyas et al. 2023) and the analysis of the interviews highlight the role of sufficiently monitored and sanctioned legislation enforcing pay transparency, paving the way for pay equity while bringing up the viewpoint of potential shortfalls in the surveillance undermining the initially pursued targets when setting the legislation.

The key findings from the literature alone, not raised in the interviews, consider the potential overall effect of pay transparency in decreasing salaries and affecting salary increases, and the specific connection points of diversity, equal opportunities, non-discrimination, and inclusion to innovation and creativity. The key findings unique to the literature, excluding the findings based on the analysis of the interviews, are presented in Table 8. The interpreted and summarized findings are on the left side of the table, and the literature basis for the interpretation is demonstrated on the right.

Table 8. *Key findings based on the literature*

Key finding	***Literature contribution***
Enforcing pay transparency and pay equity may affect average salary progression and, consequently, an organization's personnel costs over time.	Implementing pay transparency and driving pay equity may decrease average salaries in the future, potentially partially reducing personnel costs (Bennedsen et al. 2022). It can also be interpreted as lowering the organization's willingness to pay high wages to avoid challenging salary negotiations with other employees (Cullen & Pakzad-Hurson 2023).
Enforcing diversity, equal opportunities, non-discrimination, and inclusion can enhance organizational creativity and innovation.	Enhanced diversity can improve the culture of innovation (Pless & Maak 2004) and, together with inclusion, successful D&I practices management it can enhance organizational innovation (Simmons & Yawson 2022; Covington et al. 2025). DEI, particularly successful DM (Olsen & Martins 2012), can improve creativity within an organization (Simmons & Yawson 2022).

When it comes to the novelty of the findings and the contribution of this study, the observations unique to the interviews and the related analysis play a significant role. These findings provide a broad overview and then drill down into the specific overall alignment requirements, enabling successful change implementation. They underscore the importance of top management buy-in for the change and acknowledge the implications and potential benefits of enforcing greater pay transparency in recruitment processes and regarding their efficiency. The existing literature has highlighted leadership commitment as a key element of DEI success (Tucker 2023). However, it does not address the potential effects on pay transparency and pay equity, nor the related changes. The key new contributions drawn from the interviews that are not reflected in the literature review are presented in Table 9, similar to Table 8, but with the key finding interpreted from the interviews and the basis for the interpretation on the right side of the table.

Table 9. *Key findings derived from the interviews*

Key finding	***Interviews contribution***
The purpose of the pay transparency and equity work is commendable, but it must align with the organization and its operating environment to succeed.	The required overall alignment to drive change and capture the related benefits encompasses aspects from the process and practices (SF1, SF2, SF14) perspective, as well as personnel and organizational alignment (SF8). Ensuring overall alignment also depends on whether the communication on the topic and change is successful and aligned (SF8, SF10, TM5).
Top management buy-in, as a single element, plays a crucial part in implementing change towards pay transparency and pay equity.	To fully benefit from efforts towards pay transparency and pay equity, top management buy-in is required (SF11), implying also the need for sufficient education and knowledge for top management to acknowledge and understand the potential benefits (SF14).
Pay transparency can enhance the company's recruitment processes from different perspectives.	Pay transparency can help ensure initial alignment with the job applicant before applying (SF5, SF6, SF14, TM4). An equal and transparent employer brand can enhance recruitment, benefiting the company through flexibility and scalability (TM1).

The key findings of just the literature and those specific to the empirical part of this study are noteworthy. Still, the more practical findings, not only presented in the literature but also supported by or discussed in the interviews, are presented in Table 10. The findings common to both the literature and the analysis of the interviews are interpreted as highly rigorous, as they have related implications across both dimensions, providing multiple viewpoints and evidence that contribute to the common topic in separate yet, to some extent, comparable settings. In Table 10, each interpreted key finding is presented separately from the related contributions, first from the literature perspective and second, drawn from the interviews, describing the findings from both perspectives and their relationality, summarized in the last column on the right side of the table.

Table 10. *Key findings based on the literature and the analysis of the interviews combined*

Key finding	***Literature***	***Interviews***	***Interviews' relation to literature***
Pay transparency, equity, diversity, equal opportunities, non-discrimination, and inclusion connect to employee experience.	Pay process transparency and equity affect employee motivation and perceived fairness (Hartmann & Slapničar 2012). Successful DEI practices drive employee well-being (Sherman et al. 2021) and enhance engagement and retention (Shore et al. 2018; Ali et al. 2025).	Fair treatment and compensation are associated with positive effects on job satisfaction, engagement, performance, and retention (SF4, SF6, SF15).	Overall, the analysis of the interviews aligns with and supports the literature but is primarily based on personal interpretations rather than evidence-based findings.
Perceived mistreatment is likely to have adverse effects on employee motivation and satisfaction.	Mistreated employees are likely to seek change (Heisler 2021). When made aware of the situation, underpaid employees' motivation may decrease (Grasser et al. 2024), with similar effects on job satisfaction (Card et al. 2012; Baggio & Marandola 2022; Schnaufer et al. 2022). Negative employee perceptions of equity may drive turnover intentions (Buttner & Lowe 2017).	The perception of being undercompensated demotivates employees (SF8, TM2). Job satisfaction may also be a challenging aspect in employees' perceptions of opportunities for growth and salary increases (TM3).	The literature findings are specified with practical concerns related to the employees' feeling mistreated. Adding to the literature, interviews highlight potential adverse effects on employees who feel limited in their development and growth opportunities.
Business value stemming from diversity, pay transparency, and equity is to be evaluated long-term.	The potential business benefits stemming from diversity might require long-term commitment (Pless & Maak 2004). There are few practical examples of the long-term effects of pay transparency (McMullen & Dahle 2024).	The long-term benefits of pay transparency, equity, and diversity should be prioritized, even if it comes at the cost of potential short-term adverse effects (SF3, SF6, TM5).	Consistent with the literature, the interview analysis highlights prioritization of long-term commitment over short-term setbacks, where crucial.
Pay transparency and pay equity might affect performance-based reward philosophies	Concerns regarding pay transparency include the view that it could undermine the stronger justification for linking performance to compensation (Obloj & Zenger 2022).	The concerns center on whether maintaining the pay for performance approach and ad hoc rewarding are acceptable in the future (SF13).	The interviews align with the concerns presented in the literature and add the ad hoc rewarding, proven to be effective, to the challenges.
Pay transparency is recognized as a mechanism for enhancing pay equity.	Enforced process transparency and increased accountability can help reduce pay gaps (Castilla 2015). A lack of transparency increases employees' tendency to seek pay information (Cragun et al. 2024).	Emphasized by inequitably treated groups, pay transparency is seen to drive pay equity by aligning and increasing salary requests (SF5, SF9).	Given the limited practical evidence, the interview analysis supports the views and rationale presented in prior literature regarding causality.
Sanctioned and monitored pay transparency legislation affecting pay equity.	Legislation has helped drive pay equity (Bennedsen et al. 2022; Cullen & Pakzad-Hurson 2023), but it may also be ineffective if not monitored and enforced sufficiently (Gulyas et al. 2023). In addition, *"transparency creates accountability"* (Fahn & Zanarone 2022).	Pay transparency is seen as a key driver of pay equity, serving as the first step in addressing potential pay inequities, and is supported by increased accountability and by guiding legislation (SF1, SF14).	While the literature demonstrates practical examples of the legislation's impacts, the interviews share similar views and emphasize the rationale of increased accountability.
Investors are likely increasingly interested in transparency and pay equity	Investors are more likely to invest in companies that disclose their pay equity information and present it transparently (Austin et al. 2021).	Similar to ESG considerations, pay transparency and pay equity may become important for investors in the coming years (SF8).	As the literature focuses on prior practical evidence, a similar example is provided in the interviews (ESG).
Enhancing diversity drives decision-making success, which in turn drives organizational performance.	Enforcing diversity is associated with benefits for decision-making (Olsen & Martins 2012).	Diversity is seen to improve decision-making by having various views on the decision (SF1, SF6, SF9, SF13, SF14), with the concept of diversity of thought (SF11, TM3)	Building on the literature on how diversity enhances decision-making, the interview analysis highlights the concept of diversity of thought.

Together, the findings above in Tables 8-10 describe the overall individual and somewhat interrelated dimensions and contributions of this study for organizations regarding pay transparency, pay equity, diversity, equal opportunities, non-discrimination, and inclusion. Simultaneously, the findings strengthen and build understanding of the significant, both direct and indirect, potential business value, the connection points, and the implications.

Based on the empirical and theoretical findings, the key contributions of this study can be summarized as two distinct chains of mechanisms that illustrate how focusing on and enhancing the actualization of pay transparency, pay equity, and DEI principles can be translated into business value. The business value-creation potential is achieved only if the implementation is successful and related challenges are identified and addressed proactively (cf. Austin et al. 2021), without limiting the approach or ambition to legal compliance alone, which aligns with this study's research question.

The business value-creation effects of pay transparency, pay equity, and DEI appear to be predominantly indirect, as most of the connection points relate to and directly affect only employees. Therefore, the connection between business value creation (as called for by Fahn & Zanarone 2022; Schnaufer et al. 2022), seen as mostly indirect, can be analyzed through different chains of mechanisms. On the other hand, some effects relate more directly to the company's public image, which may affect future job applicants and investors. Considering both the company’s workforce and public image, the identified effects can be divided into two streams: external and internal. Overall, these mechanisms illustrate the impact on business value creation across individual, organizational, and interorganizational levels, acknowledging their relationships.

The internal business value-creation support stream, beginning with pay transparency, pay equity, and DEI principles, can be identified as a first step toward employee experience-related benefits, grounded in increased trust, satisfaction, and engagement. The positive effects can be identified in both mitigating adverse aspects, such as employee turnover intentions, and enhancing positive outcomes, including employee motivation and productivity (cf. Grasser et al. 2024). These benefits for employee experience can then be observed translating from individual employees to aggregate company-level improvements, such as productivity and decision-making (building on earlier knowledge in this area, e.g., Herring 2009). Ultimately, these improvements can support business value creation by providing a more direct connection than the initial first-level mechanism and by enhancing the actualization of pay transparency, pay equity, and DEI principles. The internal, people-driven business value-creation chain of mechanisms concept is illustrated in Figure 16.

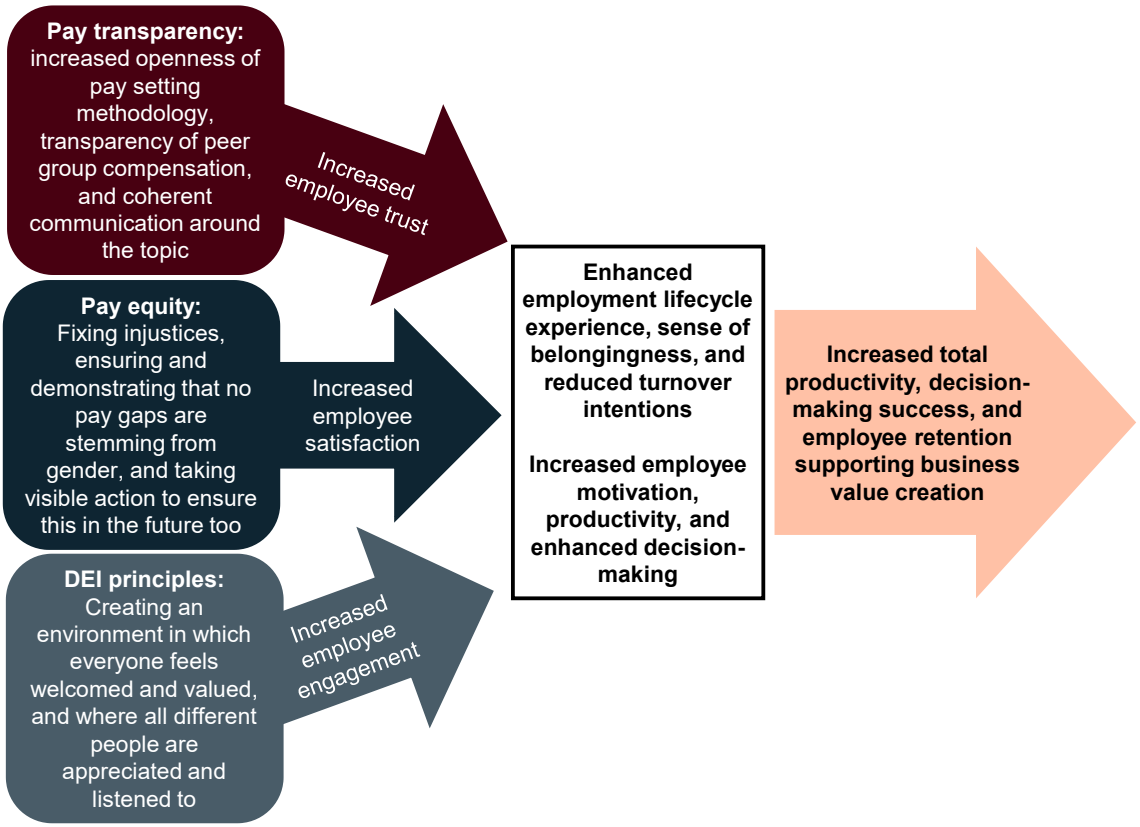


Figure 16. *The internal business value-creation mechanism*

To realize the benefits that may stem from the described chain of mechanisms, companies need to proactively investigate and address their current situation and future intentions regarding pay transparency, pay equity, and DEI principles. Trust cannot be built on manipulating the truth or on sharing only selected information that benefits the company. To succeed in this sense, companies need to be able to genuinely analyze and address their internal discrepancies and communicate the findings effectively, rather than limiting their work to meeting legal requirements. Current challenges may initially limit the degree of immediate transparency, but in the long term, the message must be clear and well planned, addressing potential historical challenges and inequities to foster genuine fairness and trust.

To support business value creation from an external stream perspective, the image created and communicated must be acknowledged and prioritized from the perspectives of both prospective employees and the investors. While pay transparency and pay equity are both found to support the company's investor appeal, a focus on DEI principles and pay equity is identified as a factor affecting employer branding among prospective employees (contributing to the call for research by Sharkey et al. 2022). The business value-creation and support mechanism in this context is grounded in the rationale that attract-

ing positive interest from both the talent acquisition and investor perspectives will translate into business benefits through the employment and retention of a talented workforce and improved access to capital. The external business value-creation chain, encompassing mechanisms that address different aspects of the company's public image, is illustrated in Figure 17.

Figure 17. *The external business value-creation mechanism*

The challenges to be addressed and overcome from the external business value-creation perspective are, to some extent, comparable to those highlighted in the context of the internal business value-creation mechanisms. Although genuine actions are central to success from both internal and external perspectives, some might argue that, in the external context, the communicated image may be prioritized over the transparent disclosure of all details. Therefore, to succeed from an external perspective, the focus should be proactively set on creating and communicating a coherent narrative around topics related to pay transparency, pay equity, and DEI principles, alongside genuine, reflective analysis and actions.

7.2 The practical significance of the findings in the theoretical framework

As the theoretical findings presented in Chapters 2 and 3 are based on various types of research and different research settings and scopes, mostly covering general-level topics and phenomena not limited to the industry and type of organization of the case company's context, a profound evaluation of the connection points between theoretical and practical findings is challenging to compile. By combining and analyzing findings from the literature and the interviews, the practical implications of the interview analysis can be assessed within the study's theoretical framework.

The theoretical framework discussed in this study provides support for organizations in investigating their pay equity situation and likely motivates the pay equity analysis work, while providing the rationale for investing resources in these actions if current resources

are insufficient to conduct this work rigorously. This study acknowledges and emphasizes both the potential risks and benefits associated with increased pay transparency and improved pay equity within an organization, concluding that the successful implementation of related changes is necessary to avoid undermining the intended benefits. This viewpoint emphasizes the need for sufficient resources to avoid setbacks, even if the benefits pursued are likely to materialize in the long term.

From a practical significance perspective, the findings of this study can support organizational leadership and HR personnel in making informed decisions regarding pay transparency and pay equity initiatives. The practical significance is emphasized for companies that lack established, robust formal processes to support pay transparency and mitigate structural pay inequity. The findings provide valuable insights into key aspects and elements to consider, highlighting the specific, essential benefits unique to the organization in question.

7.3 Proposal for action

According to the literature around the topic augmented and validated with the views captured in the interviews, the proposed action for companies with low or moderate levels of current pay transparency and detailed insights into their pay equity situation is to invest and allocate sufficient resources into evaluating their internal status. With the connection between pay transparency and pay equity in mind and emphasized on the EU level by the upcoming EU member state legislation it is advisable to conduct at least some level of pay equity analysis and reviewing and revising of internal processes and structures relating directly or indirectly to compensation, job and performance evaluation and career progression to ensure alignment and compliance.

With the level of detail required in the pay equity analysis described in the EU PTD (Directive (EU) 2023/970) it seems likely that no similar in-depth analysis would have been made recently or constantly in organizations and on the other hand as there are facts in the background demonstrating the existence of the absolute and unadjusted gender pay gaps (Directive (EU) 2023/970; OECD n.d.), it would be recommended for companies to start with internal honesty and objectivity looking into their relational situations. The findings of this type of analysis provide a better understanding of the potential issues and their significance, setting the initial steps and requirements for addressing the immediate gender pay gaps, while working towards identifying the processes and structures that maintain or create these gaps, if any exist.

Having obtained a sufficient data-based understanding of the pay equity situation and evaluated and validated the findings, companies should plan their next steps and approach on a strategic level, considering their values, industry, and priorities. The most appropriate level of detail for pay transparency and pay equity may vary by company and industry, so there is no one-size-fits-all solution. However, it is essential to take an honest, critical approach to understanding the situation and addressing potential inequities. After this step it is for the company to decide if they desire to pursue business benefits and employee experience improvements linked to increased levels of pay transparency and detail in pay equity analysis or not and what is the suitable schedule for implementing the related change taking into attention different dimensions like the immediate financial consequences but also the evident global market change and related expectations towards higher levels of transparency.

7.4 Evaluation

The objective of this thesis was to deepen the understanding of the relationship between pay transparency and pay equity and to enable the case company to successfully implement and enhance these elements within its strategy, internal practices, and policies. This study offers practical insights, tailored to the case company and applicable more generally, on the aspects to consider and actions to take to successfully implement the related change. It provides detailed implications for the potential business benefits that can be captured simultaneously within the case company's environment and context.

As this study was conducted as a case study of a single company, the practical significance of the results and their generalizability are limited. Many of the findings are not company- or even industry-specific; instead, they depict a modern company and its decisions and actions, which should be considered when moving forward, particularly with respect to pay transparency and pay equity. The study was, to some extent, motivated by the EU PTD (Directive (EU) 2023/970). As the corresponding requirements are still to be transposed to the EU member states' legislation, the applicability of the PTD (Directive (EU) 2023/970) to organizations of different sizes and headcounts remains to be clarified, which could be seen as a limitation of the application of this study's findings when viewing the topic from a purely legislative requirement perspective.

In addition to evaluating the study's relevance and results, the extent to which the research objectives have been met is assessed, and the results are evaluated from the four perspectives of credibility, transferability, dependability, and confirmability, as structured by Shenton (2004). The credibility of a study focuses on how accurately its findings reflect reality (Shenton 2004) and on how the perceptions and interpretations of concepts

align between the researcher and the informants (Eskola & Suoranta 1998). A study's transferability addresses the degree to which its results can be applied to other contexts or settings. The dependability of a study assesses whether it would be repeatable, yielding the same results in the same context. Lastly, a study's confirmability evaluates whether it is conducted objectively and whether, for example, the researcher's preferences influence its results. (Shenton 2004)

Credibility

From the study's credibility, or internal validity (Saunders et al. 2019, p. 217), perspective, the choice to use purposive rather than random sampling might have introduced bias into the selection of interviewees (Shenton 2004). On the one hand, one could argue that, given the niche and relatively unknown nature of this topic within the case company, purposive sampling was the most appropriate method for achieving comprehensive and relevant findings, as discussed in Subsection 4.3.1. On the other hand, the credibility of the study was strengthened by many of Shenton's (2004) mentioned elements, such as, adapting research methods, substantial involvement in the case company and its culture already before the research process strengthening the qualifications and experience towards the case company and the topic, and using triangulation by supplementing the interviews and related data analysis with supporting data providing background to the study and analysis.

As all the interviewees had attended an internal presentation of the EU PTD (Directive (EU) 2023/970) and the changes stemming from both the directive and the case company's choices made for the people strategy of the upcoming few years, before their interview, the interviewees' standpoints might have been subjectively affected in advance. Given the above, sufficient fundamental knowledge and background were considered necessary to participate in the interviews, thus justifying providing the background knowledge before the interview.

To further support the study's credibility, different approaches to ensuring interviewees' honesty were used (Shenton 2004). One of these elements included not sharing the specifics of the interview, such as the interview guide, with the interviewees before the interview to gain as genuine and intuitive views as possible. Additionally, a kind of iterative questioning (Shenton 2004) was intended in the interviews, starting by asking the interviewees about the status of some elements in the case company at the moment and following up with questions specifying related aspects, in addition to the *how* and *why* follow-up questions, thus either confirming or providing reasoning to question the provided answers and the related background knowledge. Additional credibility for the study

was provided by a transparent, structured overview of prior research findings, as well as occasional debriefing sessions with the thesis supervisor from the case company's side (Shenton 2004).

Transferability

To ensure the transferability of the study's results, many of Shenton's (2004) listed issues are transparently presented in this thesis report. These elements include Table 5 and its related description, which provide information on the number of participants, the number and duration of interviews, the data collection sessions, their dates, and the overall data collection time period. The overall data collection method is transparently presented in Chapter 4, and the selection of interviewees and the types of people included in the interviews are also described. (Shenton 2004) The specifics of the single case company are not discussed in the thesis. However, the case company's operating industry is mentioned to provide context for the study results.

Dependability

To support the dependability of this study, according to Shenton (2004), this thesis report provides detailed explanations of both the strategic level of the research design and implementation, as well as a detailed view of the data collection and analysis, supported by including the utilized interview guide as an appendix to this thesis report. On the one hand, possibly challenging the study's dependability, from the interview's point of view, defining the key concepts at the beginning of the interview was identified as a way to improve the quality of the interviews, as it ensured a level of alignment with somewhat specific concepts, such as pay equity. On the other hand, because some interviewees were not entirely familiar with the specific wording before the interviews, the use of key concepts in the interviews may have been somewhat confusing in some cases. This may have influenced the alignment and success of the interviews emphasized in the first interview questions, even if the matters were clarified toward the end of the interview.

Confirmability

This study's results confirmability was emphasized through a transparent approach to illustrating the data structure analyzed in Chapter 5, aiming to provide a comprehensive audit trail and an objective view of the background of the study's results (Shenton 2004). On the other hand, regarding the interviews, it was acknowledged that conducting them in both English and Finnish, remotely and in person, depending on the situation, caused slight differences in the research setting and environment of the individual interviews. Differences in language used meant that the interviews and interview guides were slightly different, as not all concepts and definitions of the elements discussed are directly

translatable from English to Finnish. This aspect also affected some of the direct quotes of the interviewees presented in Chapter 5, as there the originally Finnish quotes had been translated into English.

However, the native-language discussion opportunity was considered beneficial to the interviews and their quality when interviewing Finnish speakers in Finnish. The rationale behind these differences and the related decision-making focused on the efficiency and convenience of the interviews. The balance of the previously mentioned aspects was analyzed to minimize the impact on the confirmability of the research results.

7.5 Limitations and future work

The identified research gaps regarding the isolated effects and multidimensional consequences of increasing pay transparency and enforcing pay equity indicate a need for future research on the outcomes of the cultural and legislative shift toward greater openness and more detailed equity analyses of compensation. This kind of research will likely continue to have its typical limitations and issues especially in isolating and quantifying the specific results and effects of pay transparency and equity, but this could be approached with for example longitudinal analysis of employee experiences and surveys around those, when implementing change relating to or even independent from the EU PTD (Directive (EU) 2023/970).

The availability of practical studies on pay transparency and pay equity at the level of detail required by the EU PTD (Directive (EU) 2023/970) was identified as a limiting factor in this study's literature review. On the other hand, as mentioned before, a profound limitation is also the view that the effects of enforced pay transparency and pay equity are difficult or even impossible to completely isolate, as these elements are firstly, typically interconnected to other factors, and secondly perceived as parts of the bigger picture from the generic employee perspective.

The software usage limitation to Google Workspace had a slight negative impact on the effectiveness of the data analysis, as it was conducted without designated analysis software. The data analysis and the formation and illustration of the data structure were evaluated as equally successful, despite not using designated software, as the effects were found to be emphasized in the increased workload of the analysis rather than in the quality of the analysis work and results.

As discussed in Chapter 3, the previously implemented pay transparency and pay equity-related legislative changes have had different effects and differences in their success, for example, in Denmark (Bennedsen et al. 2022) and in Austria (Gulyas et al. 2023), as

the details and requirements of the legislation have been somewhat different. In the context of the EU PTD (Directive (EU) 2023/970), although the upcoming member-state-level legislation may vary, it could create a new research opportunity to examine the similarities and differences across legislative implementations and the directive's overall effects. As a target of the PTD is to *"strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms*" (Directive (EU) 2023/970), it would be interesting to study in the future if this pursued change will be achieved.

Reflecting on the future theoretical research directions suggested in the prior literature and the contributions of this study in that context, there remains a need for further research on the topics discussed in this thesis, with particular emphasis on the organizational and interorganizational dimensions. These include the current lack of practical evidence regarding employee reactions to the justifiability of pay gaps and the objective criteria that explain these gaps (Bamberger & Belogolovsky 2017), as well as the practical relational effects of pay transparency on pay compression, while acknowledging the organizational effects (Wong et al. 2023).

While identifying, analyzing, and categorizing the prior literature, another research gap emerged, in addition to the gap at the core of this study. Even though all three elements, pay transparency, pay equity, and DEI, have been researched separately, and pay equity and pay transparency, as well as pay equity and DEI also been combined, prior literature on the intersection of pay transparency and DEI appears to be practically non-existent. This could be a possible area for future research, for example, by examining how differences in levels of pay transparency and related approaches could affect the realization of DEI within an organization.

Additionally, the aspects relating to overall business value creation and especially measuring the created value, covered in this study, would require further research and practical evidence, as the current understanding provided by prior research and this study is mostly based on theoretical frameworks and current views of employees around the topics, but lacks comprehensive real-world observations and conclusions. The proposed future research directions linked to the elements mentioned here could include specified research aimed at a better understanding of the different behaviors and reactions to pay transparency and pay equity. Future research could examine how differently pay-positioned employees respond to and interpret the effects of increased pay transparency and pay equity, compared with prior research that primarily discusses generalized effects and expectations across demographic groups and the operating industries of various organizations.

As this study's approach is a cross-sectional empirical review of a single organization, both the time and organizational scope could be extended to gain a more detailed understanding of the phenomena. A longitudinal research approach could facilitate a deeper understanding of the actual effects of enforcing pay transparency, conducting detailed pay equity analyses, and implementing efforts that support DEI principles, including the ongoing and upcoming changes. The long-term effects view has also been proposed as a research direction in prior literature (Card et al. 2012; Olsen & Martins 2012; Wang & Lin 2024), and the contribution of this study is somewhat limited in this regard. To further strengthen the study's findings and implications, case studies of comparable organizations could be beneficial.

As the approach of demonstrating business benefits and securing top management buy-in for pay transparency and equity was recognized as significantly important when intending to implement related changes, future work could also focus on quantifying and measuring the effects of these elements. As previously discussed, a research gap exists regarding isolating the effects mentioned above. However, even if the effects could be fully isolated and researched, a gap likely remains in quantifying the results and ultimately providing sufficient, reliable, preferably monetary, value and business effects to support arguments and business case concepts.

Further extending the view from the gender pay equity, future research could include more profound approaches to other demographics pursuing to understand the situation and possible causes behind other structural inequities outside the gender context, as the findings of this study indicate that the most significant effects of pay transparency and pay equity stem from individual perceptions and on a broader level, likely from inequitable structures. These demographics could focus more on ethnicity, age, and nationality when working abroad, for example.

As discussed in Chapter 6, pay transparency can be examined from both internal and external perspectives within a single company and its workforce. A need for future work may stem from the relationship between the two – the internal and external viewpoints – and from how these two dimensions are interconnected and affect each other in this context.

REFERENCES

Adams, J.S. (1963). Toward an understanding of inequity. *Journal of Abnormal and Social Psychology*, *67*, 442–446.

Ali, M., Baker, M., Grabarski, M. K., & Islam, R. (2025). A study of inclusive supervisory behaviors, workplace social inclusion, and turnover intention in the context of employee age. *Employee Relations: The International Journal*, *47*(9), 1–23. https://doi.org/10.1108/ER-04-2024-0252

Alvesson, M., & Sandberg, J. (2011). Generating research questions through problematization. *Academy of Management Review*, *36*(2), 247-271. https://doi.org/10.5465/amr.2009.0188

Anderson, D., Bjarnadóttir, M. V., Dezső, C. L., & Ross, D. G. (2019). On a Firm's Optimal Response to Pressure for Gender Pay Equity. *Organization Science, 30(1)*, 214–231. https://doi.org/10.1287/orsc.2018.1248

Austin, C. R., Bobek, D. D., & Harris, L. L. (2021). Does information about gender pay matter to investors? An experimental investigation. *Accounting, Organizations and Society*, *90*, 101193. https://doi.org/10.1016/j.aos.2020.101193

Avdul, D. N., Martin, W. M., & Lopez, Y. P. (2024). Pay Transparency: Why it is Important to be Thoughtful and Strategic. *Compensation & Benefits Review*, *56*(2), 103–116. https://doi.org/10.1177/08863687231181454

Baggio, M., & Marandola, G. (2022). Employees' reaction to gender pay transparency: an online experiment. *Economic Policy, 38(113)*, 161–188. https://doi.org/10.1093/epolic/eiac066

Bamberger, P., & Belogolovsky, E. (2017). The Dark Side of Transparency: How and When Pay Administration Practices Affect Employee Helping. *Journal of Applied Psychology, 102(4),* 658-671. http://doi.org/10.1037/apl0000184

Bennedsen, M., Simintzi, E., Tsoutsoura, M., & Wolfenzon, D. (2022). Do Firms Respond to Gender Pay Gap Transparency? *The Journal of Finance*, *77*(4), 2051–2091. https://doi.org/10.1111/jofi.13136

Bertrand, M., & Hallock, K. F. (2001). The Gender Gap in Top Corporate Jobs. *Industrial and Labor Relations Review, 55(1)*, 3–21. https://doi.org/10.1177/001979390105500101

Biron, M., Boon, C., Farndale, E., & Bamberger, P. A. (2024). Human Resource Strategy. 3rd ed Routledge. https://doi.org/10.4324/9781003402176

Blau, F. D., & Kahn, L. M. (2017). The Gender Wage Gap: Extent, Trends, and Explanations. *Journal of Economic Literature*, *55*(3), 789–865. https://doi.org/10.1257/jel.20160995

Boxall, P. & Purcell, J. (2022). Strategy and Human Resource Management. 5th ed Bloomsbury Academic

Breza, E., Kaur, S., & Shamdasani, Y. (2018). The Morale Effects of Pay Inequality*. *The Quarterly Journal of Economics*, *133*(2), 611–663. https://doi.org/10.1093/qje/qjx041

Browne, J. (2004). Resolving Gender Pay Inequality? Rationales, Enforcement, and Policy. *Journal of Social Policy, 33(4)*, 553–571. https://doi.org/10.1017/S0047279404007998

Buttner, E. H., & Lowe, K. B. (2017). Addressing Internal Stakeholders' Concerns: The Interactive Effect of Perceived Pay Equity and Diversity Climate on Turnover Intentions. *Journal of Business Ethics*, *143*(3), 621–633. https://doi.org/10.1007/s10551-015-2795-x

Card, D., Mas, A., Moretti, E., & Saez, E. (2012). Inequality at Work: The Effect of Peer Salaries on Job Satisfaction. *American Economic Review*, *102*(6), 2981–3003. https://doi.org/10.1257/aer.102.6.2981

Castilla, E. J. (2015). Accounting for the Gap: A Firm Study Manipulating Organizational Accountability and Transparency in Pay Decisions. *Organization Science*, *26*(2), 311–333. https://doi.org/10.1287/orsc.2014.0950

Colella, A., Paetzold, R. L., Zardkoohi, A., & Wesson, M. J. (2007). Exposing Pay Secrecy. *Academy of Management Review*, *32*(1), 55–71. https://doi.org/10.5465/amr.2007.23463701

Corley, K. G., & Gioia, D. A. (2004). Identity Ambiguity and Change in the Wake of a Corporate Spin-off. *Administrative Science Quarterly*, *49*(2), 173–208. https://doi.org/10.2307/4131471

Covington, T., Le, T. D., & Ngo, J. (2025). Diversity and inclusion in the workplace and corporate innovation. *Finance Research Letters*, *76*, 106938. https://doi.org/10.1016/j.frl.2025.106938

Cragun, O., Kautz, J., & Xiu, L. (2024). Pay equity perceptions and pay disclosure preferences: The moderating role of pay transparency. *Nankai Business Review International*, *15*(3), 542–559. https://doi.org/10.1108/NBRI-06-2023-0052

Cullen, Z. B., & Pakzad-Hurson, B. (2023). Equilibrium Effects of Pay Transparency. *Econometrica*, *91*(3), 765–802. https://doi.org/10.3982/ECTA19788

De Poli, S., & Maier, S. (2024). Enforcing 'Equal Pay for Equal Work' in the EU: What would it take? *The Journal of Economic Inequality*. https://doi.org/10.1007/s10888-024-09654-5

Directive (EU) 2023/970 of the European Parliament and of the Council of 10 May 2023 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms. *Official Journal of the European Union, L 132/21*. URL: https://eur-lex.europa.eu/eli/dir/2023/970/oj (accessed on 02/27/2025)

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review, 14(4)*, 532–550. https://doi.org/10.5465/amr.1989.4308385

Employment Tribunal (2024). Ms M Thandi and Others v Next Retail Ltd and Next Distribution Ltd (1302019/2018). URL: https://www.gov.uk/employment-tribunal-decisions/ms-m-thandi-and-others-v-next-retail-ltd-and-next-distribution-ltd-1302019-slash-2018-and-others (accessed on 08/19/2025)

Eskola, J., Suoranta, J. (1998). Johdatus laadulliseen tutkimukseen. Vastapaino

European Commission (2023). Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards. *Official Journal of the European Union, L 305, 1–414*. URL: https://eur-lex.europa.eu/eli/reg_del/2023/2772/oj/ (accessed on 05/23/2025)

European Economic Community. (1957). Treaty establishing the European Economic Community (Treaty of Rome)

Exley, C. L., Hauser, O. P., Moore, M., & Pezzuto, J.-H. (2025). Believed Gender Differences in Social Preferences. *The Quarterly Journal of Economics*, *140*(1), 403–458. https://doi.org/10.1093/qje/qjae030

Fahn, M., & Zanarone, G. (2022). Transparency in relational contracts. *Strategic Management Journal*, *43*(5), 1046–1071. https://doi.org/10.1002/smj.3348

Flannery, T. P., & McMullen, T. D. (2018). Getting a Handle on Pay Equity. *Compensation & Benefits Review*, *50*(4), 201–202. https://doi.org/10.1177/0886368719851371

Gioia, D. A., & Pitre, E. (1990). Multiparadigm perspectives on theory building. *Academy of Management Review, 15(4),* 584–602. https://doi.org/10.5465/amr.1990.4310758

Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, *16*(1), 15–31. https://doi.org/10.1177/1094428112452151

Grasser, R. A., Newman, A. H., & Xiong, X. G. (2024). The Effect of Horizontal Pay Transparency on Employee Motivation When Pay Dispersion Is Performance Based and Non-Performance Based. *Journal of Management Accounting Research*, *36*(2), 99–122. https://doi.org/10.2308/JMAR-2023-025

Gratton, L., & Truss, C. (2003). The three-dimensional people strategy: Putting human resources policies into action. *Academy of Management Perspectives*, *17*(3), 74–86. https://doi.org/10.5465/ame.2003.10954760

Gulyas, A., Seitz, S., & Sinha, S. (2023). Does Pay Transparency Affect the Gender Wage Gap? Evidence from Austria. *American Economic Journal: Economic Policy, 15(2)*, 236–255. https://doi.org/10.1257/pol.20210128

Gutierrez, C., Obloj, T., & Zenger, T. (2025). Pay transparency and productivity. *Strategic Management Journal*, smj.3707. https://doi.org/10.1002/smj.3707

Hartmann, F., & Slapničar, S. (2012). Pay fairness and intrinsic motivation: The role of pay transparency. *The International Journal of Human Resource Management*, *23*(20), 4283–4300. https://doi.org/10.1080/09585192.2012.664962

Heisler, W. (2021). Increasing pay transparency: A guide for change. *Business Horizons*, *64*(1), 73–81. https://doi.org/10.1016/j.bushor.2020.09.005

Herring, C. (2009). Does Diversity Pay?: Race, Gender, and the Business Case for Diversity. *American Sociological Review*, *74*(2), 208–224. https://doi.org/10.1177/000312240907400203

Holtschlag, C., Morales, C., Masuda, A., & Reiche, B. S. (2025). The Diversity Paradox: The Unintended Consequences of Gender Diversity on Gender Pay Equity. *Human Resource Management*. https://doi.org/10.1002/hrm.22308

Johnson, G., Whittington, R, Scholes, K., Angwin, D., Regner, P. (2011). Exploring strategy: text and cases. Pearson Education

Kelleher, C. M., & Chang, D. C. (2023). Equal Work for Equal Pay. *Annals of Surgery*, *277*(2), e247–e248. https://doi.org/10.1097/SLA.0000000000005734

Kvale, S., & Brinkmann, S. (2009). InterViews: Learning the craft of qualitative research interviewing. 2nd ed. SAGE

Lai, P. H. L., Hogan, D., McNamara, T., Pitt-Catsouphes, M., Christensen, K., & Bradley, S. L. (2024). A new lens into workplace equity: The equity of employment systems. *Equality, Diversity and Inclusion: An International Journal*. https://doi.org/10.1108/EDI-01-2024-0028

Larkin, I., Pierce, L., & Gino, F. (2012). The psychological costs of pay-for-performance: Implications for the strategic compensation of employees. *Strategic Management Journal*, *33*(10), 1194–1214. https://doi.org/10.1002/smj.1974

Lee, Y., Tao, W., Li, J.-Y., & Yoon, D. (2025). Drivers of employee engagement with organizational diversity: The power of strategic internal communication. *Public Relations Review*, *51*(3), 102583. https://doi.org/10.1016/j.pubrev.2025.102583

Maciejovsky, B., Teekathananont, G., Chen, P., & Garcia, S. M. (2025). Standard-Based Entitlement: How Relative Performance Disclosure Affects Pay Requests. *Journal of Business Ethics*. https://doi.org/10.1007/s10551-025-05995-x

Mas, A. (2017). Does Transparency Lead to Pay Compression? *Journal of Political Economy, 125(5)*, 1683–1721. https://doi.org/10.1086/693137

McGuigan, D. (2024). UK Retail Workers Win Landmark Equal Pay Case. Ogeltree Deakins. URL: https://ogletree.com/insights-resources/blog-posts/uk-retail-workers-win-landmark-equal-pay-case/ (accessed on 08/19/2025)

McMullen, T., & Dahle, J. (2024). Pay Transparency Causing Major Impacts in Reward Strategies: New Research from Reward Leaders. *Compensation & Benefits Review*, *56*(2), 76–82. https://doi.org/10.1177/08863687241234860

Meredith, J. (1998). Building operations management theory through case and field research. *Journal of Operations Management*, *16*(4), 441–454. https://doi.org/10.1016/S0272-6963(98)00023-0

Moore, K. R., Amidon, T. R., & Simmons, M. (2023). Equity and Inclusion as Workplace Practices: A Four-Step Process for Moving to Action. *Technical Communication*, *70*(3), 7–27. https://doi.org/10.55177/tc710097

Moriarty, J. (2018). Against Pay Secrecy. *Journal of Applied Philosophy*, *35*(4), 689–704. https://doi.org/10.1111/japp.12273

Obloj, T., & Zenger, T. (2022). The influence of pay transparency on (gender) inequity, inequality and the performance basis of pay. *Nature Human Behaviour*, *6*(5), 646–655. https://doi.org/10.1038/s41562-022-01288-9

Olsen, J. E., & Martins, L. L. (2012). Understanding organizational diversity management programs: A theoretical framework and directions for future research. *Journal of Organizational Behavior*, *33*(8), 1168–1187. https://doi.org/10.1002/job.1792

Organization for Economic Co-Operation and Development (OECD). (n.d.). Gender wage gap. URL: https://www.oecd.org/en/data/indicators/gender-wage-gap.html (accessed on 06/04/2025)

Patton, M. Q. (2015). Qualitative Research & Evaluation Methods: Integrating Theory and Practice. 4th ed. SAGE

Pless, N., & Maak, T. (2004). Building an Inclusive Diversity Culture: Principles, Processes and Practice. *Journal of Business Ethics*, *54*(2), 129–147. https://doi.org/10.1007/s10551-004-9465-8

Porter, M. E. (1998). Competitive strategy. Techniques for analyzing industries and competitors. The Free Press

Qiao, P., Xiu, Y., Fung, A., & Fung, H. (2025). Resilient leadership: Closing the internal pay gap. *Finance Research Letters*, 77, 107089. https://doi.org/10.1016/j.frl.2025.107089

Raju, P. V. L. (2006). Creating business value through people. *International Journal of Learning and Intellectual Capital*, *3*(4), 357. https://doi.org/10.1504/IJLIC.2006.011746

Reguera-Alvarado, N., De Fuentes, P., & Laffarga, J. (2017). Does Board Gender Diversity Influence Financial Performance? Evidence from Spain. *Journal of Business Ethics*, *141*(2), 337–350. https://doi.org/10.1007/s10551-015-2735-9

Rouen, E. (2020). Rethinking Measurement of Pay Disparity and Its Relation to Firm Performance. *The Accounting Review*, *95*(1), 343–378. https://doi.org/10.2308/accr-52440

Ryan, R. M., & Deci, E. L. (2000). Self-Determination Theory and the Facilitation of Intrinsic Motivation, Social Development, and Well-Being. *American Psychologist, 55(1),* 68–78. https://doi.org/10.1037//0003-066X.55.1.68

Sandnes, F. E., Örtenblad, A., & Bøhn, E. D. (2023). For or Against Equal Pay? A Study of Common Perceptions. *Compensation & Benefits Review*, *55*(3), 87–110. https://doi.org/10.1177/08863687231162812

Saunders, M., Lewis, P. & Thornhill, A. (2019). Research Methods for Business Students. 8th ed. Pearson Education

Schlosser, R. W., Wendt, O., Bhavnani, S., & Nail-Chiwetalu, B. (2006). Use of information-seeking strategies for developing systematic reviews and engaging in evidence- based practice: the application of traditional and comprehensive Pearl Growing. A review. *International Journal of Language & Communication Disorders, 41(5)*, 567– 582. https://doi.org/10.1080/13682820600742190

Schnaufer, K., Christandl, F., Berger, S., Meynhardt, T., & Gollwitzer, M. (2022). The shift to pay transparency: Undermet pay standing expectations and consequences. *Journal of Organizational Behavior*, *43*(1), 69–90. https://doi.org/10.1002/job.2575

Schumann, L. (2024). Pay Transparency and Pay Communication. *Compensation & Benefits Review*, *56*(1), 7–15. https://doi.org/10.1177/08863687231200082

Shang, L., & Saffar, W. (2024). Pay transparency and entrepreneurship. *Journal of Banking & Finance*, *162*, 107128. https://doi.org/10.1016/j.jbankfin.2024.107128

Sharkey, A., Pontikes, E., & Hsu, G. (2022). The Impact of Mandated Pay Gap Transparency on Firms' Reputations as Employers. *Administrative Science Quarterly*, *67*(4), 1136–1179. https://doi.org/10.1177/00018392221124614

Sharma, S., Aplin-Houtz, M. J., Murray, J., Leahy, S., Sanders, M., & Meriac, J. (2025). Fairness in Pay and Technology: How Pay Dynamics Influence the Perception of Technology. *Employee Responsibilities and Rights Journal*. https://doi.org/10.1007/s10672-025-09537-5

Shen, J., Chanda, A., D'Netto, B., & Monga, M. (2009). Managing diversity through human resource management: An international perspective and conceptual framework. *The International Journal of Human Resource Management*, *20*(2), 235–251. https://doi.org/10.1080/09585190802670516

Shenton, A. K. (2004). Strategies for ensuring trustworthiness in qualitative research projects. *Education for information, 22(2)*, 63–75. http://doi.org/10.3233/EFI-2004-22201

Sherman, B. W., Kelly, R. K., & Payne-Foster, P. (2021). Integrating Workforce Health Into Employer Diversity, Equity and Inclusion Efforts. *American Journal of Health Promotion*, *35*(5), 609–612. https://doi.org/10.1177/0890117120983288

Shore, L. M., Cleveland, J. N., & Sanchez, D. (2018). Inclusive workplaces: A review and model. *Human Resource Management Review*, *28*(2), 176–189. https://doi.org/10.1016/j.hrmr.2017.07.003

Simmons, S. V., & Yawson, R. M. (2022). Developing Leaders for Disruptive Change: An Inclusive Leadership Approach. *Advances in Developing Human Resources*, *24*(4), 242–262. https://doi.org/10.1177/15234223221114359

Smit, B. W., & Montag-Smit, T. (2019). The pay transparency dilemma: Development and validation of the Pay Information Exchange Preferences Scale. *Journal of Applied Psychology*, *104*(4), 537–558. https://doi.org/10.1037/apl0000355

Stofberg, R., Bussin, M., & Mabaso, C. M. (2022). Pay transparency, job turnover intentions and the mediating role of perceived organizational support and organizational justice. *Employee Relations: The International Journal*, *44*(7), 162–182. https://doi.org/10.1108/ER-02-2022-0077

Strang, K.D. (Ed.). (2015). The Palgrave Handbook of Research Design in Business and Management. Palgrave Macmillan US, New York. https://doi.org/10.1057/9781137484956

Strauss, D. & Onita, L. (2025). Retailers risk multibillion-pound bill as UK equal pay claims gain momentum. *Financial Times*. URL: https://www.ft.com/content/f545483d-3351-4211-afea-806267030eb3 (accessed on 07/17/2025).

Supreme Court of the United Kingdom (2021). Asda Stores Ltd v Brierley and others (UKSC/2019/0039). URL: https://www.supremecourt.uk/cases/uksc-2019-0039 (accessed on 07/17/2025)

Tagliaro, C., Migliore, A., Mosca, E. I., & Capolongo, S. (2024). Room for diversity: A review of research and industry approaches to inclusive workplaces. *Journal of Corporate Real Estate*, *26*(2), 131–152. https://doi.org/10.1108/JCRE-04-2023-0017

Trejo, A., Christensen, K., & Pitt-Catsouphes, M. (2025). An innovative framework to advance workplace equity. *Business Horizons*, *68*(3), 241–252. https://doi.org/10.1016/j.bushor.2024.10.004

Tucker, E. (2023). Diversity, equity and inclusion: From aspiration to impact. *Strategic HR Review*, *22*(3), 92–97. https://doi.org/10.1108/SHR-03-2023-0015

Ugarte, S. M., & Rubery, J. (2021). Gender pay equity: Exploring the impact of formal, consistent and transparent human resource management practices and information. *Human Resource Management Journal*, *31*(1), 242–258. https://doi.org/10.1111/1748-8583.12296

UNESCO (n.d.). Equality. UNESCO International Institute for Educational Planning Learning Portal. URL: https://learningportal.iiep.unesco.org/en/glossary/equality (accessed on 08/25/2025)

United Kingdom (2010). Equality Act 2010, c. 15. URL: https://www.legislation.gov.uk/ukpga/2010/15/contents (accessed on 07/17/2025)

United Nations Global Compact (n.d.). Diversity, Equity and Inclusion (DEI). United Nations. URL: https://unglobalcompact.org/take-action/action/dei (accessed on 05/08/2025)

U.S. Securities and Exchange Commission (2015). Disclosure of pay ratio between chief executive officer and median employee (Release Nos. 33-9877; 34-75610; File No. S7-07-13) (80 Fed. Reg. 50400). Federal Register. URL: https://www.sec.gov/files/rules/final/2015/33-9877.pdf (accessed on 05/23/2025)

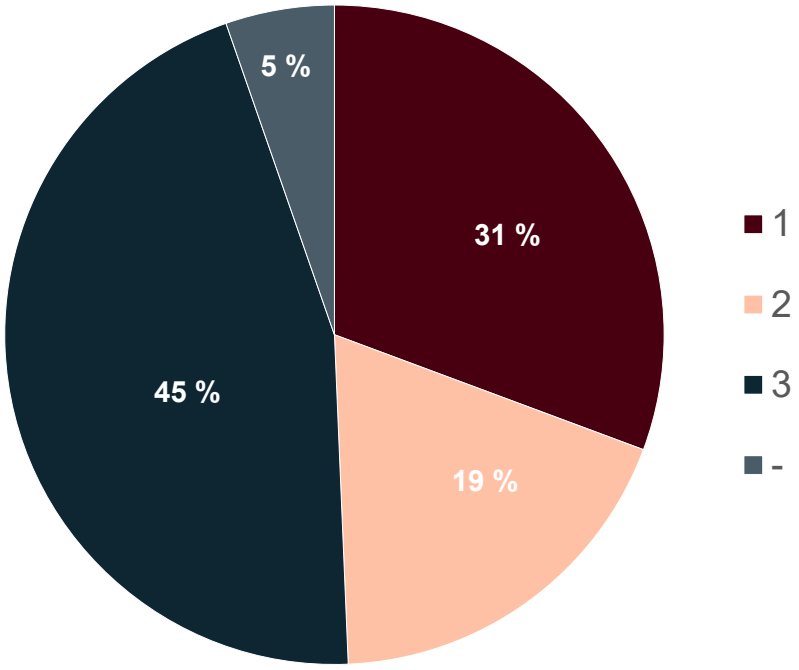
Wang, S., & Lin, Z. (2024). Pay structure and firm technological innovation: comparative research based on three pay gaps. *Humanities and Social Sciences Communications, 11(1)*. https://doi.org/10.1057/s41599-024-02820-0

Weaver, A. K., Libby, N. E., Goodale, G., & Alexander, S. (2025). Workplace diversity initiatives: More than ticking a box. *Discover Social Science and Health*, *5*(1), 33. https://doi.org/10.1007/s44155-025-00176-7

Wong, M.-N., Cheng, B. H., Lam, L. W.-Y., & Bamberger, P. A. (2023). Pay Transparency as a Moving Target: A Multistep Model of Pay Compression, *I* -Deals, and Collectivist Shared Values. *Academy of Management Journal*, *66*(2), 489–520. https://doi.org/10.5465/amj.2020.1831

Yin, R. K. (2018). Case Study Research and Applications: Design and Methods. 6th ed. SAGE

APPENDIX A: REFERENCE CLASSIFICATIONS



The chart above illustrates the distribution of academic article references in this thesis report across the Finnish Publication Forum Classification levels, with the most significant share being the highest level. In addition, 22 other references were utilized in this thesis report, but as they were not published in academic journals, they are not included in this classification.

The Finnish Publication Forum Classifications:

0 = Publication channels that do not meet the level 1 criteria

1 = Basic level

2 = Leading level

3 = Top level

- = Not evaluated, Professional and general series and scientific channels that have not yet been evaluated.

APPENDIX B: THE INTERVIEW GUIDE IN ENGLISH

Introduction:

- the topic and research process, planned duration and structure of the interview
- confidentiality, ethics, recording
- defining key concepts to be covered in the scope of the research and interview

Background:

- Briefly describe your job and in which organization [in the case company] do you work in.
- Does your job, directly or indirectly, relate to:
    - the implementation of pay transparency or the implementation of related changes?
        - If yes, how?
    - the implementation of pay equity or the implementation of related changes?
        - If yes, how?
    - the implementation of DEI principles or the implementation of related changes?
        - If yes, how?

Status in the case company:

- How would you describe pay transparency being actualized [in the case company] at the moment?
    - Do you feel there is a need for change in this regard? What?
- How would you describe pay equity being actualized [in the case company] at the moment?
    - Do you feel there is a need for change in this regard? What?
- How would you describe DEI principles being actualized [in the case company] at the moment?
    - Do you feel there is a need for change in this regard? What?
- Do you feel like [the case company's] remuneration practices support DEI principles?
    - If yes, how?
    - If not, what should change [in the practices to support DEI principles]?

Personal attitude, understanding and perception:

- What is your attitude to:
    - driving pay transparency and the need for implementing related changes?
    - driving pay equity and the need for implementing related changes?
    - driving DEI principles and the need for implementing related changes?
    - What is or are the things that guide your attitude to the above-mentioned factors and themes?
- What significance do you think ensuring and driving the implementation of pay transparency and equity in companies should have on a general level?
- Do you see pay transparency and equity in companies more as a responsibility and compliance issue or do you see it relating more to the strategic business elements?
    - (What business elements or opportunities do you see them relating to?)
- In your opinion, how are pay transparency and pay equity related to each other?
    - Is this connection visible on a practical level [in the case company]?

        - If so, how?
        - If not, what do you think should change to make it visible?

[Case company] people strategy connection:

- Is your job directly or indirectly related to the [case company's] people strategy or its implementation?
    - If so, how?
- How would you describe pay transparency, pay equity, and DEI principles as part of the [case company's] people strategy?
    - How do these elements relate to other components of the people strategy in your opinion?
    - What measures and elements should the [case company's] people strategy include so that it would genuinely drive the implementation of pay transparency and pay equity?

Business perspective:

- How do you see the importance of pay transparency, pay equity, and DEI principles from a business success perspective?
- What business benefits do you believe can be achieved on a general level by focusing on driving pay transparency in companies?
    - Do you feel that achieving these [benefits] is possible in the context of [the case company]?
        - If not, why? What would need to change to make it possible
- What business benefits do you believe can be achieved on a general level by focusing on driving pay equity in companies?
    - Do you feel that achieving these [benefits] is possible in the context of [the case company]?
        - If not, why? What would need to change to make it possible
- What business benefits do you believe can be achieved on a general level by focusing on driving DEI principles in companies?
    - Do you feel that achieving these [benefits] is possible in the context of [the case company]?
        - If not, why? What would need to change to make it possible
- Have you observed that pay transparency, equity, or DEI has had a practical impact on [the case company's] employees or business elements?
    - If yes, how?
- Do you believe that promoting and driving pay transparency and equity [in the case company] can create a competitive advantage for [the case company]?
    - If yes, how?
    - If not, why?
- How would you justify to [the case company]:
    - Why is it worth investing more resources in pay transparency and equity?
    - (Why is it not worth investing more resources in pay transparency and equity?)

Closing the interview:

- Is there anything else you would like to add or emphasize regarding this topic?
- Do you have any feedback or questions regarding this interview or thesis research?