In order for the boards and senior executives of any company to enjoy the benefits of organizational transparency, they need to get smarter and wiser about when to open up and when to withhold information while mitigating its unintended consequences.

Transparency either in the personal life or in the business environment – think of your own family life or companies and investors trying to attract each other on the stock exchanges – is generally considered a good way to increase trust and confidence. First and foremost, it creates an atmosphere of mutual respect, accelerates information gathering, helps people coordinate their efforts, and makes each party particularly those in positions of authority accountable to others – one has to respect/consider the rights of others first before taking any actions or decisions.

But there is a more fundamental ethical reason why ‘Transparency’ should be the first among other corporate governance principles. This ethical reason must be, first and foremost, well understood by any corporate boards and senior executives.

We know that the intellect in reason orients all persons towards the truth, which is the consistency between word and fact, between what is spoken or written with reality. This consistency is promoted by a culture of openness. All persons – including companies, which are juridical persons – need to be reasonable, and are therefore bound by the truth. Thus, any word they say or write needs to be consistent with fact and reality. Any communication they issue or any report they publish and make available to the general public needs to be in conformity with the ethical norm of truthfulness. It is this conformity, which enables all other persons to ascertain – based on facts they are told, communications they are privileged to access, or reports they get – whether in reality companies are treating them fairly.

Companies, as is the case of all other persons, need to measure their decisions and actions according to the norms and standards of proper behavior. These norms and standards are set by the demands of fairness and truthfulness. These are fundamental principles on which business ethics and responsible corporate citizenship are commonly rooted. In fact, truthfulness helps secure fairness.

The ethical norm of truthfulness calls for openness and transparency in all personal and therefore also all corporate acts. Transparency and truthfulness entail openness towards others, whose interest a company is bound to promote, in solidarity, as it pursues its mission and tries to realize its vision. Its openness towards others recognizes its interdependence with others who in varying ways help the company to move forward and progress towards its goals. In everything it does, a company cannot be selfish and narrowly focused on its interest, and the interest of its owners, alone. It needs to broaden its horizon. In many instances, it may even have to subsume its narrow self-interest under the higher imperative of adding positive value, serving the broader goals of the company, and promoting over-all corporate integrity and community welfare. It is duty bound to live up to the demands of the general welfare in the community.

Fairness entails deep respect for the dignity of other persons and demands that companies are just in the discharge of their duties to all their stakeholders, thus giving these different stakeholders whatever is due to them. It calls upon a company to treat other persons it deals with, and with whom it contracts duties and obligations, in a deferential and reverential manner, as befits their autonomy and dignity as persons (whether natural or juridical). The company is duty-bound to respect the autonomous existence (what they are on their own) and the property (what they have and what they justifiably earn) of these other persons.
In other words, a company has to hold as sacred the rights of others so that in turn it can demand the same respect for its rights from others. Due care must be taken by the company to give unto others what is due to them. Parties with a stake in an enterprise or undertaking need to have their rights respected and their interests duly promoted. It is duty-bound to consider, protect and promote the legitimate claims of all its different stakeholders in an equitable manner.

In order for all its key stakeholders to know that they are treated fairly, a company is then called upon to be transparent and truthful about its operations and the results of such operations. In other words, truthfulness demands that companies are transparent in all facets of their operations as well as the disclosure of the results of corporate operations and its impacts on the wider community and environment it is operating in.

In a company, for instance, a collegial body – the Board of Directors – is given the duty to ensure that all stakeholders’ rights are respected and their interests promoted. The Board of Directors in particular, in the exercise of its duty, is called upon to look after the long-term, strategic interest and sustained development of the entire company.

The demands of fairness and truthfulness cover all aspects of corporate relations with other parties. Precisely because other parties are involved, the norms and standards governing those corporate relations have to be objective and external to the company. They cannot be purely subjective and internal. In this regard, since those norms and standards also draw the line between what is proper and improper, between what is good and bad, they are fundamentally ethical. Those ethical norms and standards are set by customs and traditions based on reason and the common wisdom of humankind, global conventions, pertinent laws and regulations in a given country and society.

Transparency calls for virtually all corporate operations to be undertaken, not in some dark, secret corners, but in broad light of day. Except where prudence and the broader common interest dictate that few official secrets are kept, all corporate transactions should be subjected to scrutiny, tested under a system of checks and balances, and capable of being validated. These should help ensure that these transactions are done professionally, are above board and fully consistent with other ethical norms of corporate behavior. Moreover, the results of these transactions should be duly and accurately reported. Thus, all other persons that may have a stake in those transactions or may have a legitimate interest in them can make a judgment on whether they have been given a fair deal in the process. Transparency is indeed called for in undertaking and reporting on corporate acts.

The principle of transparency demands that loyalty is manifestly shown to the entire company, i.e. to the separate juridical personality, which is distinct and autonomous from the different juridical personalities – i.e. shareholders and other stakeholders – with their own different stakes in the company. Furthermore, that loyalty is manifestly shown in the diligence with which the Board of Directors carries out the functions of governance specifically reserved to it, while the Senior Management carries out the functions of management. Loyalty is also shown in the accuracy, completeness as well as timeliness with which it causes corporate accounts to be made and reports on corporate performance to be released. The Board needs to ensure that the company reports to all its stakeholders need to be accurate and true, timely and comprehensive, in line with globally accepted standards of reporting.

Transparency calls upon companies to follow these ethical norms in dealing with their shareholders and investors:

a) To give an accurate report to all shareholders and investors on corporate performance and prospects, including in such report a statement on the risks the companies may be facing as well as the steps they are taking to manage those risks properly and judiciously.
b) To furnish auditors with the information and explanation they may require for due diligence in
the performance of their functions.

c) To install a system for preparing and reporting information on the company in a manner fully
consistent with accounting and auditing standards. Regulatory requirements for public disclosure
also need to be fully complied with. The issuance of information should always be within
professional bounds, which exclude the improper use of information, especially those uses that
may unduly undermine the corporate interest in favor of others’ interests, let alone self-interest.

Transparency also calls for companies to observe these ethical norms in dealing with society at
large and environment:

a) To comply with all reporting requirements that the regulatory authorities may determine and
impose. In meeting these requirements, great care should be given to the professionalism and
adherence to standards particularly with respect to accuracy, coverage, timeliness and frequency.

b) To ensure that both the letter and the spirit of regulations, as mandated by law, are adhered to in
all aspects and facets of corporate operations. In this regard, corporate reports to the regulators
and the general public should include a statement on how the corporation is adhering to ethical,
social responsibility and environment protection standards, contributing to promote the public
interest, and securing its sustainability for the long term.

Observing the ethical norms that transparency imposes, companies may find it necessary to
configure their systems of decision-making, operating, and reporting in ways that secure checks and
balances, verifiability, accuracy and timeliness. These systems may require more resources, time and
effort. They may therefore be expensive and could slow some processes down. But in the end, these
systems because of their transparency and adherence to truthfulness can secure the long-term
sustainability of the company. They help ensure that all corporate transactions stay within the bounds of
what is good and ethical, thereby helping the company to live up to its corporate mission and fulfill its
corporate destiny.

Transparency should be part and parcel of the broader culture of openness that companies need to
foster. Companies need to be genuinely open to all their stakeholders, starting with society at large and
down to the last employee. They do need to look upon all their stakeholders as parties with which they
need to strike a productive, meaningful, beneficial relationship. After all, companies need to have the
continuing support of their shareholders and of investors and creditors, who may loan some resources to
them. Precisely because companies cannot stand apart from all their stakeholders, they need to reach out
to them in transparency and genuine openness, and in the process get them involved in creative and
appropriate ways in those aspects of corporate operations that they can help advance. In this respect, by
being open, and by getting their stakeholders to participate in positive ways to make them prosper,
companies through observance of the ethical norms of transparency promote their sustainability over the
long term.

Nairobi, June 2017