

## TRANSPARENCY and ETHICS for SUSTAINABILITY

Peter L. Walker FCIPR — PIELLE Consulting - London

### NOW ABIDETH THESE THREE.....

For two thousand years the Western or so called civilised world has embraced the tenets of Faith, Hope and Charity as the three great virtues NEEDED to underpin in a well ordered society. According to St Paul the greatest of these is charity.

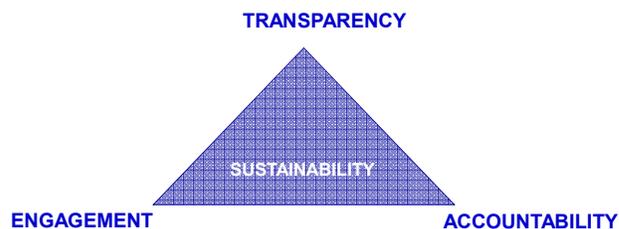
In the 21<sup>st</sup> century globalisation has been made irreversible by the technologies of communications and international rules based standards regulate trade, commerce and economic development. Underpinning a well ordered and 'civilised' society with moral values and aspirations is not considered enough. A new, and rather more practical triumvirate, has been established; Transparency - Engagement - Accountability, and there are powerful arguments to be deployed for each or either of these to be the key to sustainability.

Reality says that it is only together they provide the platform for sustainability.

TRANSPARENCY - Key to Sustainability



a practical 21<sup>st</sup> century  
*triumvirate*



It is arguable that economic growth and social development have been powered by international trade since the 16<sup>th</sup> century. If the first half of the 20<sup>th</sup> century was the culmination of the exploitation of the raw materials of national political empires the second half of the 20<sup>th</sup> century balanced the emergence of liberated and sovereign nation states with the growth of multi-national corporate industrial and commercial empires.

**TRANSPARENCY and ETICS for SUSTAINABILITY**  
**- NOW ABIDETH THESE THREE/cont:**

The paradox of globalisation – where the smallest unit of any society has the potential power and influence of the largest has seen the establishment of a complex set of interlocking pan national and international standards and regulatory systems to govern international trade, economic and social development.

When the economists at Goldman Sachs identified BRICs (Brazil, Russia, India, China) as the keys to future world growth and the rebalancing of the world economic order through to 2020 a new set of national and international governance issues were exposed. Economic powerhouses they may be but they are also emerging economies governed by fragile democracies a form of state capitalism. Poverty is endemic, physical and technological infrastructures poor and societies are largely agrarian. Sustainability has been established as the watchword in the struggle to stimulate economic development through international investment avoiding the crude exploitation of nations by international political empires.

In the ideal world any investment should be sustainable beyond the period needed to provide a return on the investment. Anything else is exploitation and in a wired world the capacity and capability of the smallest group to twitter, blog, and mobilise massive virtual armies and actual political power is all too for both the oppressed and the unscrupulous.

National and international business has responded to the threat to ability to continue to develop through international investment and trade. Non financial reporting standards have been developed to establish a level of international benchmarked accountability. Institutional investors and investment insurers have demanded stronger corporate governance, better reporting standards and clear evidence of social investment. Transparency has been seen as the key to reducing political and investment risk and essential as the Goldman Sachs next eleven – those countries in Africa, and South Asia that will be among the top twenty economies of the world after 2020 – start to dominate the international investment and trade strategies of the developed and developing countries alike.

Transparency on its own can not be enough. For the international agencies charged with supporting and stimulating economic and social development Transparency without Accountability has little

value. It is an argument that plays to the political, social and environmental pressure groups, low growth or no growth advocates and anti-globalisation lobbies.

**TRANSPARENCY and ETICS for SUSTAINABILITY**  
**- NOW ABIDETH THESE THREE/cont:**

Their individual and collective abilities to harness the world wide web and the tools of the technology that has made globalisation unstoppable provides a sort of political and social accountability based on corporate fear of reputations risk. Accountability on a structured basis to shareholders and stakeholders at all levels through a transparency in reporting is or should be the bench mark of good practice that capital markets local and national governments require of private, public and not for profit organisations which they regulate.

But event the partnership of Transparency and Accountability is, for many, insufficient to ensure Sustainability in the 21<sup>st</sup> century. In a speech to the Summit meeting of the African Union former Prime Minister Gordon Brown has called for 'aid to kick-start business-led growth and not to replace it'. His speech is set against a background where the World Bank estimates that some \$60bn of aid funded development fails to deliver sustainable projects because of the failure of those promoting the projects to engage and involve the societies they were intended to benefit. A failure to engage with society at a local level through commission or omission is the greatest threat to sustainability

According to the author of 'ChIndia Rising' – Prof Jagdish Seth, engagement for sustainability is an issue that crystallises the differences in thinking between management from emerging and developed countries. According to Seth for emerging economy management the responsibility for engaging with stakeholders rests firmly and directly with operational management. Few boards of national and international businesses from emerging economies would contemplate establishing some sort of head office function to manage community relations or deliver corporate and social responsibility programmes. The direct and accountable link between operational management and their stake holders is an essential for sustainability.

He contrasts that operational management based approach with that of both multi-national business from developed economies and aid and development agencies where corporate strategies and

resources determine corporate social responsibility programmes and local, national and international NGO's act as intermediaries with stakeholder societies.

**Where does accountability for CSR activities rest within your organisation?**

Specialist committee of the board	23%
Corporate communications/public affairs	24%
The Board	19%
Chief Executive	14%
The Chairman	10%
Operating management	10%

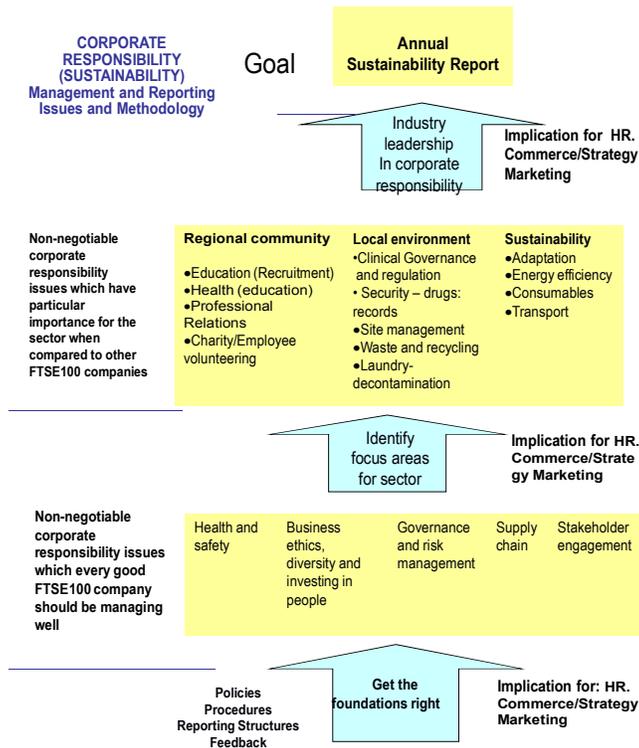
©PIELLE 2006

**TRANSPARENCY and ETICS for SUSTAINABILITY  
- NOW ABIDETH THESE THREE/cont:**

This chart from research conducted among the top 350 UK based companies on the role and management of corporate governance and corporate responsibility highlights the pattern. There is no shortage of accountability and sophisticated internal auditing and reporting structures in place but accountability and operational control is held at board level for two thirds of these businesses.

In a well regulated global economy where economic and social investment are essential for economic and social development It is difficult to argue against the power of Transparency. It is as difficult to avoid the need for Accountability in a stakeholder empowered society. Even with these two powerful concepts applied and working in partnership sustainability without stakeholder engagement and the active involvement of management at all levels is difficult to envisage.

No surprise really that the risk managers and accountants have led the move to developing the reporting frame works for Sustainability Reports. As successors to 'non- financial or operating financial reports (OFRs) they provide accountability and a level of structured and consistent, year on year transparency. Whether they are accompanied by the internal reporting and involvement structures and methodologies that are essential for engagement is not yet clear.



©PIELLE 2009

**TRANSPARENCY and ETICS for SUSTAINABILITY**  
 - NOW ABIDETH THESE THREE/cont:

As this work flow schematic for management engagement at all levels in the development of a Sustainability Report it is structured process that requires a level of commitment to ensure engagement at all levels and across all locations in a business. It is a methodology that encourages management at all levels to define the key performance indicators that are not set or required by existing regulation or statute.

Transparency may be the key to Sustainability but only as part of a triumvirate with Accountability and Engagement can it meet the needs and match the demands of the 21<sup>st</sup> century.

©Peter I. Walker 2011 - Publication is allowed with attribution to the author.