

BEYOND THE REPORT

The Transparency Paradox — More Reporting, Less Visibility

A Practitioner's Perspective on Information, Governance and the Illusion of Oversight



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The Transparency Paradox — More Reporting, Less Visibility

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1. Executive Summary

The past eighteen months have taught the corporate world a hard lesson about the fragility of trust. A large energy trader collapsed into scandal; a major telecoms carrier was found to have misstated its position on a scale few thought possible; a great accounting firm did not survive the fallout. In the aftermath, the instinct of legislators, boards and regulators has been the same, and it has been expressed in a single word: transparency. If only we could see more, the reasoning runs, none of this could have been hidden. And so we have been handed mandates — to report more, to disclose more, to certify more, to attest more.

I want to argue, from the vantage point of someone who sits where these reports arrive rather than where they are written, that we have made a category mistake. Transparency mandates have unquestionably produced more reporting. They have not produced more visibility. The two are not the same thing, and the gap between them is where the real risk now lives. We have multiplied the documents without improving the sight, and in doing so we may have made ourselves less able to see, not more, because the signal we need is now buried under a far greater volume of dutiful noise.

This essay examines why this has happened — why more reporting so reliably fails to become more visibility — and what the distinction demands of anyone responsible for a portfolio of investments, programmes or businesses. The argument is not that disclosure is wrong. It is that disclosure is not sight, and confusing the two is precisely the error that lets the next failure hide in plain view.

2. The Promise We Were Sold

The promise behind every transparency mandate is intuitive and, on its surface, unarguable. Things go wrong in the dark. If reporting is thin, if disclosure is partial, if information is held closely by those with an interest in concealing it, then failures can grow unseen until they are too large to contain. Shine a light — require the numbers to be published, the risks to be disclosed, the position to be certified — and the failures will have nowhere to hide. Sunlight, as the old phrase has it, is the best disinfectant.

The logic is so appealing that it has become almost impossible to question in the current climate. To argue against more disclosure is to sound as though one has something to hide. And so the mandates have arrived with little resistance, and organisations have responded with a great deal of activity: new reporting lines, new certification requirements, new controls documentation, new attestations flowing upward from

operating units to the centre and outward from the centre to the market.

But notice what the promise quietly assumes. It assumes that the reason we could not see was that the information did not exist, or was withheld. It assumes, in other words, that the constraint on visibility is supply. Produce the information — force it into the open — and sight follows automatically. This assumption is, I have come to believe, almost entirely wrong. The constraint on visibility was rarely supply. It was, and remains, the capacity of the observer to make sense of what is in front of them. And that is a constraint no amount of additional reporting can relieve; on the contrary, additional reporting makes it worse.

3. What Actually Happened

Consider what the past year has actually produced in the organisations now subject to these mandates. Reporting has multiplied. Where a business unit once submitted a monthly pack, it now submits that pack plus a certification, plus a controls attestation, plus an expanded risk schedule, plus supplementary disclosures on matters that were previously summarised in a line. The volume of paper — and of the spreadsheets and system extracts behind the paper — arriving at the centre has grown severalfold.

And yet ask the people who receive it whether they can now see their portfolio more clearly than they could two years ago, and the honest answer, offered quietly, is almost always no. They have more documents and less sense of the whole. They can tell you that a hundred certifications were received and that ninety-eight were clean; they cannot tell you, with any more confidence than before, which two of the ninety-eight clean ones are quietly heading for trouble. The reporting has grown; the judgement has not; and it is judgement, not reporting, that visibility is made of.

More reporting answered a question no one was really asking. The question was never "can you produce the numbers?" It was always "do you understand what the numbers mean?" — and that question a report cannot answer on the reader's behalf.

The pattern that recurs is this. The mandate specifies what must be produced. It is silent on what must be understood. Production is measurable, auditable, enforceable — and so production is what organisations optimise. Understanding is none of those things, and so it is quietly left to look after itself. The result is a governance apparatus that can prove, to any inspector's satisfaction, that the reporting occurred, while remaining exactly as blind as before to what the reporting was supposed to reveal.

4. Why Reporting Does Not Become Visibility

Why is the gap so persistent? Three structural forces sustain it, and each is worth naming, because they will not be dislodged by good intentions.

The first is the confusion of data with information, and of information with understanding. These are three different things, and the distance between them grows at every step. Data is the raw extract: the figures, the statuses, the entries. Information is data placed in a context that gives it meaning: this figure, against this expectation, moving in this direction. Understanding is information integrated into a judgement about what it implies and what to do. A transparency mandate operates almost entirely at the level of data and, at best,

the lower reaches of information. It can compel the figure to be disclosed. It cannot supply the context that turns the figure into information, and it certainly cannot supply the judgement that turns information into understanding. Every mandate therefore delivers its cargo one or two full steps short of the thing the reader actually needs, and leaves the reader to close the gap unaided — across a far larger pile than before.

The second force is defensive reporting. In the current climate, the person preparing a report is acutely aware that the report is now a legal and reputational instrument. The incentive is no longer to communicate clearly; it is to be unimpeachable. And the safest way to be unimpeachable is to disclose everything, qualify everything, and commit to nothing. The expanded risk schedule lists forty risks rather than the four that matter, because omitting a risk that later materialises is a career-ending act while burying it among thirty-six trivial ones is not. Defensive reporting is rational for the reporter and catastrophic for the reader, because it deliberately destroys the ranking of significance that visibility depends upon. When everything is disclosed, nothing is highlighted, and the reader is left to find the four real risks in a haystack the reporter has been incentivised to make as large as possible.

The third force is the asymmetry between producing and consuming. It is far easier to produce a report than to consume one. A business unit can generate a fifty-page pack in an afternoon by extracting from its systems; the executive who receives forty such packs cannot read two thousand pages in any afternoon, or any week. Production scales with the number of reporting entities. Consumption is bounded by the fixed attention of a small number of senior people. As mandates increase production without doing anything whatsoever to increase the capacity for consumption, the ratio between what is produced and what can possibly be absorbed grows steadily worse. We are, quite literally, generating information faster than any human being can turn it into sight.

*“We had mistaken the production of a report for the
acquisition of sight, and the two have almost nothing to do
with one another.”*

5. Transparency Is a Property of the Observer

Beneath these three forces lies a deeper confusion, and it is the heart of the matter. We have been treating transparency as a property of the thing observed — as though an organisation could be made transparent in the way a pane of glass is transparent, by an act performed upon it. But transparency, properly understood, is not a property of the observed at all. It is a property of the relationship between the observed and the observer. Something is transparent only to someone, and only when that someone has the framework to interpret what they are looking through.

A balance sheet is not transparent to a person who cannot read one, however fully it is disclosed. A portfolio is not transparent to an executive who lacks a model of what good and bad look like within it, however many reports arrive. The disclosure is a necessary condition of visibility but nowhere near a sufficient one. The sufficient condition lives in the observer: in their attention, their framework, their judgement, their capacity to know what to ignore. And this is exactly the part of the equation that every mandate leaves untouched, because it is the part that cannot be legislated. You can compel an

organisation to emit information. You cannot compel a human being to understand it. Sight remains, stubbornly, on the far side of a line that reporting mandates cannot cross.

This is why the reflex to answer every failure of oversight with more disclosure is so misdirected. It pours effort into the one side of the relationship that was rarely the binding constraint — supply — while doing nothing for the side that was — the observer's capacity to see. It is a solution aimed at the wrong half of the problem, and its very plausibility is what makes it dangerous, because it lets everyone believe the problem has been addressed when it has merely been relabelled.

6. What Visibility Actually Requires

If reporting is not visibility, what is? The essay would be incomplete if it only diagnosed. Let me set out, in the spirit of accumulated observation rather than prescription, what actually seems to produce sight in the portfolios where sight exists.

- Ruthless selection over comprehensive disclosure. The portfolios that are genuinely visible are not the ones that report the most; they are the ones that have decided, deliberately, what few things matter and report those with clarity, while refusing to let the vital signals drown in the merely available. Visibility is an act of subtraction, not addition.
- A shared model of what the numbers mean. Sight requires that the observer and the reporter hold a common framework — an agreed sense of what good looks like, what the warning signs are, what a given movement implies. Without it, every report must be decoded from scratch. With it, a small signal carries a large meaning, because both parties know how to read it.
- Attention treated as the scarce resource it is. The binding constraint on oversight is not the availability of information but the attention of those who must act on it. A portfolio is well governed when its reporting is designed around the fixed, precious attention of its leaders — spending it on the few things that could change a decision and protecting it fiercely from everything that could not.
- Judgement kept close to the numbers. Visibility decays with distance. The further a figure travels from the person who understands the operation that produced it, the more meaning it sheds along the way, until it arrives at the centre as a bare number stripped of the context that made it intelligible. The portfolios that see clearly keep interpretation close to the source and pass upward not raw data but understood judgement.

None of these can be mandated, which is precisely why the mandates do not deliver them. They are cultural and cognitive achievements, not compliance outputs. An organisation can be forced to disclose; it cannot be forced to select ruthlessly, to hold a shared model, to husband attention, or to keep judgement close. Those are things a portfolio's leadership must choose to build, and no external requirement will build them by proxy.

7. Where This Leaves Us

I do not write any of this to argue against disclosure. The scandals of the past year were real, the concealment was real, and a world with less reporting would not be a safer one. Disclosure is a floor, and it is right that the floor has been raised. My argument is narrower and, I think, more important: that we must stop mistaking the floor for the building.

Having raised the floor, we are at risk of believing we have constructed sight, when all we have constructed is a larger pile of paper on which sight must still, somehow, be built.

The transparency mandates will do their work at the level they operate on. They will make concealment harder and disclosure fuller, and that is worth something. But the person responsible for a portfolio should harbour no illusion that the arrival of more reports has made their world more visible. It has, if anything, made the achievement of visibility harder, by raising the volume of noise through which the signal must be found. The real task — the task no mandate touches — remains exactly where it always was: in the disciplined, unglamorous, unlegislatable work of turning what can now be seen on paper into something that is actually understood in the mind of the person who must decide. That work is ours, and it always was. The mandates have not done it for us. They have only made it more urgent, and more difficult, than before.