

## **Towards 'good companies': Responsible leadership and 'good dividends'**

It is estimated that there are well in excess of 20,000 books on leadership (Grint, 2007). I would say very few explore address the theme of purposes of leadership (save for Kempster et al, 2011, and Hickman and Sorenson, 2014) and the related question of 'leadership for what?'. An answer to this question focuses on leadership of purpose. Leadership of purpose is an activity orientation focused on valued outcomes. In the organizational context the senior leadership orientation of purpose is to a fiduciary duty to shareholders (and/or owners) where the dominant outcome is the maximisation of share value. This is situated within upper echelon assumptions of free market ideology and the high prevalence of weak moral engagement (Hafenbräd and Waeger, 2016). The consequence of this 'cocktail' is an outcome of limited commitment and engagement to corporate responsibility beyond serving the financial fiduciary duty. My argument here is that this duty has been underserved as a consequence of focusing only on financial dividends. However, for change to occur the business case must be central: not simply a link between CSR and corporate profitability, but a reframing of the purposes of leadership to make CSR thoroughly integrated in the business model.

The central argument then is to position leadership of purpose through an interdisciplinary perspective that outlines the very real and tangible virtuous cycle of activity that generates the 'good dividends'. These are made up of Six dividends - operations, 'good work', innovation, brands and 'one planet'. The sixth, of course, includes the financial dividend which becomes a 'good' dividend in three ways: Good in the sense of size; good in the sense of how it has come about as the result of the other good dividends; and good in a sustainable sense as a result of the nature of how it has been derived – a medium to long term orientation.

The purpose of executive leadership of corporations is to pursue the legal fiduciary duty to maximise the financial dividend for shareholders. My thesis here is that such a duty has been poorly served. The financial dividend is as a consequence of the other dividends – that I have referred to as the 'good' dividends. Leadership of purpose then is to attend to all good dividends in order to deliver the financial dividend. This argument is not new to scholars within the field of corporate and social responsibility (CSR). Yet this field has not been able to reframe executive leadership beyond an awareness of needing to embrace stakeholder needs, observe legal requirements and generate a CSR policy within annual reporting. Framed this way CSR is a cost rather than a process of value generation. Recent research has helpfully shown that two aspects need to be congruent for CSR to have prominence in senior leadership attention: a belief in the link between CSR and profitability; and a sense of 'moral outrage' (Hafenbrädl and Waeger, 2016) – where business as normal is not acceptable. Debates repositioning CSR have offered useful evidence to suggest value is generated when corporate responsibility moves beyond the reporting process or philanthropic orientations and becomes an integrated aspect of the business model (Orlitzky et al., 2003; Porter and Kramer, 2006; Nakao et al., 2007; Halme and Laurila, 2009).

In the field of leadership, it is broadly understood that there are prominent dividends from effective leadership, for example: creativity, innovation, quality, productivity, and customer service excellence. These aspects are very real dividends and should be the everyday purpose of leadership. It seems an obvious truth but worth stating, that if these aspects are achieved (it seems highly probable that) the organisation would do better and would achieve greater financial dividends, and these dividends would be more sustainable. I presently know of no studies that can demonstrate how this becomes manifest and sustained. So why is this not everyday common-sense? Why is leadership of purpose not framed this way if indeed this is common-sense? Perhaps the simplicity and deep complexity are interconnected through a leadership paradox. The paradox is that it requires the energy, power and ambition of leadership to change the system, a system that sustains leadership orientation and expectation to the status quo – the focus on shareholder dividend.

Leadership then is both the solution and the problem. A solution to this well-rehearsed problem is the metaphor of judo. Use the strength of the system against its self. Focus on generating good dividends to maximize shareholder return. Reframe expectations through leadership discourse. Very quickly shareholders will demand 'good' dividends or remove capital and invest it with companies where leadership of purpose is in the overt pursuance of good dividends. Perhaps for no other reason than self-interest; but, more hopefully, as a stakeholder of the one planet.

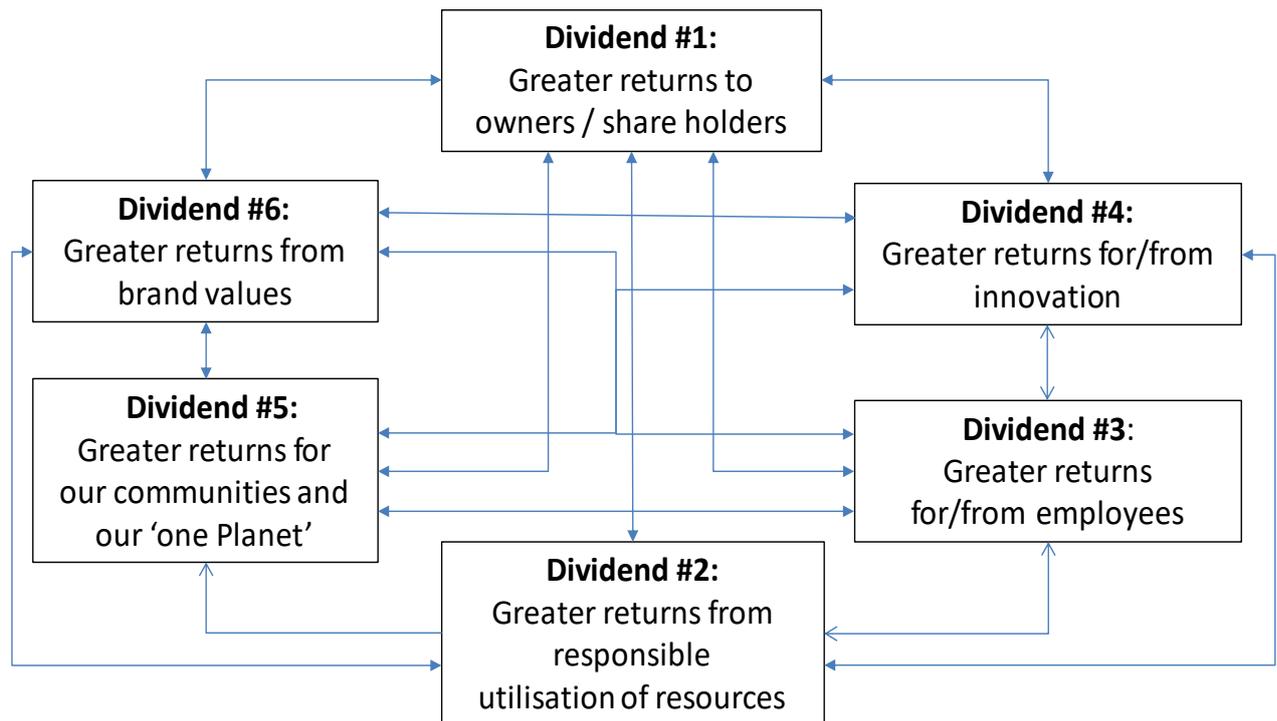
So, to restate, the organisational fiduciary duty to the shareholder has been underserved by not adopting integrated corporate responsibility (ICR). The likelihood of an ICR depends on whether the organisational leadership embraces the principles of responsible leadership. That is not to say leaders are currently acting irresponsibly. But, responsible leadership moves beyond the avoidance of irresponsibility and is the intentional adoption of a systemic set of dimensions that constitute responsible leadership, namely (Kempster and Carroll, 2016):

1. Attention and commitment to social responsibility
2. Applicable to multiple levels of responsibility – the individual, the team, the department, the organisation, and broadly societal
3. Going beyond a shareholder perspective to embrace a stakeholder perspective
4. Ethical assumptions to do no harm and do good connected with notions of duty – e.g. care, assistance, justice
5. Global intercultural sensitivity: as global citizens who are aware of 'one planet' challenges and 'worldly' local differences
6. Outcome orientation: economic, societal, ecological and encourages a humanitarian perspective
7. Engages with questions of purpose that underscore strategy
8. Shared orientation; a collaborative and relational approach to leading that connects stakeholders together
9. Fundamentally, responsibility embraces the use of resources: notably material, human, and financial
10. Long-term perspective; shareholder value has been historically short-term, while achieving stakeholder value is over the long-term

These principles sound rather romantic and idealistic, and perhaps even ill-suited for organisational processes. However, when consistently practiced, they lead to shareholder and stakeholder value. The challenge, therefore, is to integrate these principles into the everyday practices of leaders. To do this the principles must be integrated into and become part of the business model.

This integration process is the aim of the 'Good Dividends' Project. The essence of what I am suggesting is captured in the diagram below:

**Figure 1: Maximising the fiduciary duty through the good dividends**



This figure captures the systemic process of the Good Dividend's concept that form the 'good company'. Of importance are the ways that all individual dividends are interrelated – hence the messy arrows. For example, appropriate responsible leadership will yield greater returns from employees, including increased commitment, curiosity, engagement and responsibility. – hallmarks of 'good work'. Further, positive outcomes of this good work include reduced sickness, lower attrition, and greater well-being. And, this dividend connects with enhanced innovation and utilisation of resources. With responsible leadership aligned with societal needs, social innovations will inform organisational innovation and become a fertile ground for new products and services, alongside process improvements reducing waste and enhancing productivity. The overt dividend to our planet reinforces the meaning and purposes of the good work. With the organisation aligned, the authentic marketing narrative strengthens the customer relationship. The deepening of attachment, engagement and sense of collective community with customers enhances the value of the products and services. The dividend becomes manifest as increased brand equity and related brand value. For employees, there is further benefit from working for an organisation with a high customer reputation and is valued by communities for its approach and engagement with societal needs. Ultimately, of course, all these dividends feedback to greater returns for owners / shareholders.

But as my youngest son said 'surely this is common sense? Why would organisations not do this?' I was somewhat struck by this comment – particularly after he had explained what he was researching (protein refinement through bioinformatics). After a period of reflection, I agreed that this is in fact common sense, at least in terms of a set of guiding principles. Therefore, the challenge is to demonstrate an evidence-based argument of the Good Dividends' benefit. Although emerging research does suggest the integration of CR within the business model is most effective in generating value, we need much more data to support this claim.

Addressing this gap, A group of us are at the early stages of progressing the 'good dividends' project. We need strong empirical evidence drawn from longitudinal research of organisational activity

affirm our argument. The operationalization of the good dividends through qualitative, interpretive organisational data will facilitate the creation of quantitative measures that will test the relationships between value for stakeholders, shareholders, and owners. The project is not restricted to large business. It is applicable to all organisations, regardless of size.

The time is most pressing for responsible leadership. Leadership is the most influential mechanism on Earth to shape the social condition of people for good and for bad. Leadership is required to address the societal challenges that face humanity – climate change, poverty, modern slavery, food security, refugees. Leaders of business and many other stakeholders – including governments – must partner together to deliver on their fiduciary duty to address these challenges, through multiple means and avenues, that will culminate in a great movement of social change. In this way ‘good’ companies led by responsible leadership have the potential to deliver transformational change. Much has been said with regard to the failures of market capitalism. And a few have offered up the notion of moral capitalism without any sense of knowing what this might be and how it might work. I hope that the good dividends driven by leadership of purpose and responsibility might be a tangible way of making this occur.

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