

DIDIER COSSIN | ONG BOON HWEE



# INSPIRING STEWARDSHIP

WILEY



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**Didier Cossin  
Ong Boon Hwee**

**WILEY**

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Prior to joining Stewardship Asia Centre, Mr Ong gained experience working in the corporate as well as the public sector. He started Beyond Horizon Consulting, a Singapore-based company that focuses on leadership development and strategic planning. He was the COO of Singapore Power (SP), responsible for its Singapore operations and also corporate functions. Before that, he was a Managing Director at Temasek Holdings, responsible for Strategic Relations & Projects, and concurrently the CEO of the Temasek Management Services Group (TMS), managing subsidiaries of diverse businesses including IT, training and logistics. And in his earlier military career, Brigadier-General Ong held key command and staff positions in the Singapore Armed Forces (SAF).

Mr Ong serves as a director on the boards of a number of companies and non-profit organizations. He graduated with First Class Honors in Economics from the National University of Singapore, and holds a Masters Degree in Military Arts & Science from the United States Command & General Staff College.

# Introduction

*“How can a business thrive and sustain growth while enhancing the wealth of its stakeholders and the well-being of the societies in which it operates over the long term?”*

**T**he notion of stewardship has never been more relevant to business than it is today. In a world where the ownership of firms is increasingly fragmented, and investment structures are more and more complex, the time horizons of investors, executives, and owners do not always coincide. Managing competing interests to find the right balance between short- and long-term considerations is perplexing for many leaders.

Stewardship is an inspiring way to revitalize this discussion. It encourages business leaders to shift mind-sets, to creatively engage their organizations and other societal actors, and to enhance wealth creation for all.

Stewardship requires the ability to step back, to consider the full extent to which business impacts depend on the relationship among different groups of people, the context in which the business operates, and the time horizons over which business activities occur.

We define this sort of organizational stewardship as the act of safeguarding and enhancing the capability of the organization to create economic and societal value over time.<sup>1</sup>

Let's be clear. Economic returns are fundamental to any firm's objectives. But, beyond that, stewardship advocates actively and constantly considering the value generated for the people critical to business success. Stewardship is inclusive. It demands consideration of the full roster of value-creating actors, including:

- Customers, suppliers, employees, investors, and stakeholders; those on whom a company's success ultimately depends;

- The local community, society, and the environment; the people and areas directly and indirectly affected by the firm's activities;
- Future generations; taking a long-term view, which safeguards the interests of those who succeed us.

By enlarging the spheres considered as relevant to a firm's activities, and looking to a much longer-term horizon, stewardship can help businesses deliver societal and economic returns.

## **The Stewardship Challenge**

There is no doubt that for many organizations and their leaders, stewardship presents an enormous challenge – both intellectually and practically. Until recently, the dominant view of business focus was on creating value for a firm's owners and shareholders. But, along with expanding their global footprint, today's companies are compelled to redefine their view of corporate achievement and success. In essence, the stewardship perspective is built on the concept of companies being designed to create lasting positive impacts for the markets in which they operate, society, and the environment.

Despite the obvious benefits of stewardship, the business community's understanding of it remains intuitive at best. In particular, the words "stewardship" and "stewards" are often used despite not being clearly understood. Even so, many of the issues and challenges related to the concept of stewardship have been analyzed in various forms in recent years. The lenses and terminology may vary, but the themes have many echoes of stewardship.

Jerry Porras and Jim Collins conducted one of the best known of these studies. Their 1994 bestseller *Built to Last* was the result of a six-year research project that surveyed 1000 CEOs on their perceptions of what made a company visionary. It told the stories of 18 firms.

Jim Collins further developed some of the ideas in his 2001 book, *Good to Great*. Here the concept of greatness was anchored in financial indicators: The eleven companies judged to be great were those that reported financial performance several multiples better than the market average over a sustained period. One-to-one comparisons were made between companies that had fulfilled their potential and their industry peers, which had not. A team of researchers spent five years poring over records and data points.

The years that followed were not always kind to the eleven firms heralded as great: Fannie Mae became involved in well-known home mortgage scandals; Wells Fargo was among the recipients of government aid under the 2008 Troubled Asset Relief Program (TARP); a year later, Circuit City Stores filed for bankruptcy.

Whatever greatness these firms possessed seems to have been concentrated in their pre-2001 past, with little carry-over effect for the future. In hindsight, *Built to Last* and *Good to Great* suggest that organizations are live, delicate organisms whose past performance holds little predictive power for their future prospects, as well demonstrated by Phil Rosenzweig in *The Halo Effect*.<sup>2</sup>

## Telling Stories

Our own work is built on a belief that the language of stewardship is critical. What the companies and their leaders tell the world, the narratives they create and use when they communicate, is significant. Their choice of terms – both conscious and unconscious – reflects their view of the world, and their underlying values, beliefs, and culture. As such, the language they use reveals the degree of their stewardship orientation, and offers insights about how stewardship drives decision-making. Moreover, words and languages can be described as unchanging in that they will outlive most corporate practices and even companies. Language and narratives live on in organizations.

Let us not be naive: Words can easily be turned into misleading expressions. Defamations, misinterpretations, and untruths abound. Still, words are important indicators (together with our actions) of the beliefs and culture of organizations.

With that logic in mind, the qualitative analysis in this book is reinforced by quantitative research based on an innovative approach of content analysis. The quantitative research was conducted in two steps, as detailed in the Appendix.

The first step was a word content analysis of 1.5 million words taken from the annual reports of two groups of companies. The first group was made up of companies that were potentially well stewarded and the second group comprised companies that were potentially poorly stewarded. The full list of companies can be found in the Appendix. We examined major differences in incidences of words between these two groups of companies. A word was only considered distinct if it appeared in the sample more than 20 times; the difference

between its incidence in one group as opposed to the other group likewise had to be more than 20 occurrences; lastly, this difference had to be greater than 20 percent of the word's total count (across both groups). These criteria could be described as a “20/20/20” rule. Differentiating in this way enabled us to identify significant terms that were distinctive between these two groups of companies.

The findings are fascinating: there are clear (and statistically significant) differences in word usage across companies; many of these variations reflect disparate narratives constructed around company attitudes toward stakeholders, employees, debt, time, and other dimensions related to stewardship. Full details of the word content analysis are described in the Appendix.

The second step analyzed the language used in more than 2500 annual reports from 872 companies of over \$10 billion in sales over several years.<sup>3</sup> With the two lists of distinct words specific to the companies, we constructed an Implied Stewardship Index, which was used to compare metrics across companies, as described in the Appendix.

We used the most impactful and striking results of both of these studies to inform the concepts and examples presented throughout the book. In this way, the findings provided useful insights on various dimensions of companies' activities like the use of R&D, trends in labor considerations, use of financial leverage, and so on.

## **The Principles of Stewardship**

Our analysis combined with a literature review and qualitative studies led us to identify three key principles underpinning stewardship:

### **1. Leading with impact**

Steward leaders inspire their followers, cultivating a sense of personal responsibility for the long-term well-being of the organization and the contribution it makes to society. Such leaders tend to have a transformational style of leadership – creating engagement with employees at the emotional level, placing a high level of trust in subordinates, and imparting a long-term view across the organization. Steward leaders are influential and respected due to a combination of their vision, values and integrity, their ability to understand and connect this vision with the needs of others, and their ability to deliver business results.



## 2. Safeguarding the future of the institution

Well-stewarded organizations are built on corporate cultures where relationships are based on trust and employees are actively engaged in achieving a meaningful, lasting corporate purpose. These employees have a long-term view of their career path within the organization, concrete ideas about the possibilities afforded by the company, and an understanding of how they can best contribute their talents and energies to create value for the company.

## 3. Delivering meaningful benefits to society

Well-stewarded organizations understand and build on their connection to all stakeholders, and seek to play a constructive role in delivering meaningful benefits to society. They articulate clearly, consistently, and authentically what the corporate purpose is – both internally and externally – and make sure strategy and operational processes are aligned with this purpose.

In well-stewarded organizations, profit is considered to be the reward for the firm's delivery of benefit to society, rather than its objective. Though important, profit maximization is not the only objective of business. Value creation (i.e., innovating, producing, delivering products to customers) is regarded as fundamental to the firm's purpose, and needs to be balanced with value appropriation (i.e., extracting profits).<sup>4</sup> Staying in touch with external and internal stakeholders' expectations of the company and actively managing the gap between their expectations and the organization's activities is required to minimize discrepancies. By understanding and actively engaging with stakeholders, the organization has an impact on society that is both positive and meaningful to its stakeholders.

## The Book

Part I tackles the fundamental question: *Why Stewardship?* We start by profiling a selection of steward leaders and their organizations – from Ratan Tata to Warren Buffett. This exploration uncovers insights and principles and enables a discussion on the concepts of stewardship and a societal vision for the future.

In exploring what stewardship looks like, we studied steward leaders at work in a variety of organizations and environments –

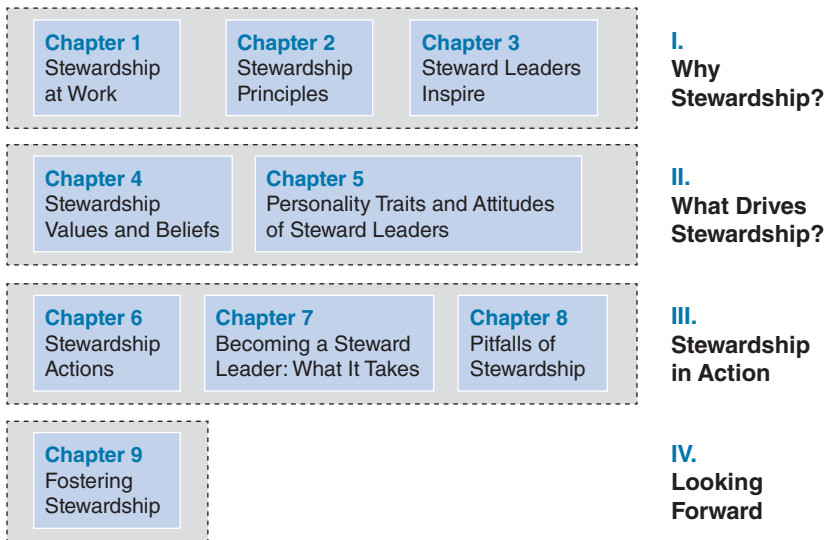
notably in situations where a volatile and uncertain context requires clear and bold direction, at inflection points and during crises. We were especially interested in the actions steward leaders took, often sacrificing short-term profits for the benefit of long-term interest. Gleaning insights from these examples, we extrapolate key stewardship dimensions and characteristics – including values and beliefs. We also tried to understand how stewards gain their inspiration as well as the powerful ways in which they communicate their vision to others – touching people with their passion to create and contribute to something bigger and more enduring than their individual lifetimes.

Part II – *What drives stewardship?* – explores the distinctive characteristics and attributes of steward leaders. Looking across different cultural contexts, we try to understand whether there is something fundamentally different about the make-up of steward leaders, how they come to have this exceptional drive, resilience, and willingness to shoulder such great responsibility. We examine business leaders' values and beliefs, as well as the personality traits and attitudes that seem to be fundamental to the stewardship mind-set.

Part III – *Stewardship in Action* – highlights a number of situations in which stewards really shifted the course of their organizations – or even their countries. We outline actions by different steward leaders demonstrating great courage in the face of difficult situations, rising to the challenge in a manner emblematic of sustained stewardship orientation. Of course, stewardship is not without its risks. We go on to examine some of the capabilities that can deepen organizational resilience, helping organizations to stay on course. We identify the best ways of securing stewardship for the next generation.

Many of our examples come from Asia – and may well be an inspiring surprise for Western readers. But, the book uses examples from throughout the world, including Europe and North America, and draws on our global research.

With a compelling vision of what a future motivated by stewardship can look like, we seek to inspire readers to find and embark on a stewardship path for their own context. To consider your own inclination as a steward leader, complete the questionnaire at the end of Chapter 7 to build your own self-awareness around each of the elements needed. This is offered not with a view to judgment or evaluation – but rather to help each of us consider our own areas of strength and those needing development.



**Figure I.1** Book roadmap

Stewardship offers clear financial, economic, social, and other benefits over the long term. Through this book, it is our intention to start a conversation on what stewardship looks like and the potentially game-changing contribution it can make. We encourage you to consider what impact you can make as a steward leader – individually and collectively – so that we can work together to make stewardship a reality.

The risks of not going down the stewardship path are real. Clear lines of responsibility for long-term business performance have been diluted and are in danger of dissolving. In a highly interconnected global economy, with increasingly complex and cross-boundary ownership structures, stewardship failures have real consequences – with shocks no longer contained to one context. In Part IV, we examine the forces at play that pose a real threat to global prosperity and how fostering stewardship serves to counteract these forces. Business has a key role to play in fostering a context for stewardship, in which all members of the stewardship ecosystem can contribute to creating a positive business legacy for the world and future generations.

Figure I.1 illustrates the logic of the book, providing an overview of its flow and a roadmap to guide you.



# **PART** **I**

## **WHY STEWARDSHIP?**

