# Leadership for what, why, for whom and where? A responsibility perspective

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**Abstract**

A major assumption for both leadership researchers and practitioners is that the relationship between leaders and followers is the pivotal concern for leadership. Viewing leadership through the lens of responsibility, however, changes the pivotal relationship substantially. The principal relationship concern becomes the relationship between leaders and their stakeholders. To better understand this relationship the article seeks to explore the question: Leadership for what purpose? The article offers an initial answer to this question by looking at the *responsibilities* of those who lead in the corporate world. In particular, we argue that leaders need to give primary attention to what they seek to achieve, why, for whom, and where. In this way the article seeks to (re)centre the concerns of leadership scholarship to address the challenges and responsibilities of those who seek to lead. The article offers an inter-disciplinary theory rooted in an inter-complementary perspective on capitalism, purpose and responsibility that enables organizational leaders to understand how the fiduciary duty of generating value for shareholders can be aligned with other stakeholder interests including employees, communities, societies, the environment and indeed humanity. This theory we describe as the 'The theory of Good Dividends'. Covid 19 is one of a series of interrelated challenges that organizational leaders have to face, but its scale, duration, complexity and impact have put it uppermost in the minds of corporate leaders who have become powerfully reminded that they, like their corporations, are an integral part of a very delicate global ecosystem that needs to be nurtured in a considerably more responsible manner.

Key words: Purpose; responsible leadership; good dividends; capitalism; regenerative

**MAD statement:** *This article seeks to Make a Difference (MAD) through challenging how we consider leadership in order to address the perfect storm of societal challenges that threaten humanity. In the recent past, our most pressing challenge was Climate Change; but this has been overshadowed by Covid 19. And this too will be overshadowed by other more compelling challenges. Corporate leadership has the power and influence to address and tackle these challenges. The article argues that, in order to galvanise this effort, leadership scholars need to fundamentally shift our focus away from the leader-follower relationship*

*that has traditionally dominated our field of inquiry to the leader-stakeholder relationship. Accompanying this vital shift, we need to fundamentally address the critical what, why, for whom and where leadership questions, and move away from our unhelpful fixation on continually re-seeking theories of ideal leadership styles, behaviours and competencies. Ideas and provocations are offered to give primary attention to the purpose and the responsibilities of leadership. The most crucial of these is the need to forge a meaningful and binding link between leaders' fiduciary duty to shareholders and their fiduciary duty to citizens.*

**'The worst of times, the best of times'**

As we write this (May, 2020) pilot trials have just commenced at Oxford University to test a potential vaccine to solve the Covid 19 crisis. Best estimates indicate that a vaccine will be available to be distributed around the world in the spring or summer of 2021. Over the last few months, we have witnessed the 'worst of times and the best of times' (Dickens, 1859). The worst has been the deaths, the families devastated, and the millions of families and friends separated from each other. The worst has been the health workers (and other key workers) who have died trying to save lives. The latent worst may emerge with patients not presenting with serious illnesses for fear of catching Covid 19. And the worst of times for many months has been Covid 19's recessionary impact on the vulnerable in our societies.

On the other hand, the best of times has seen the re-emergence and widespread celebration of virtue practices in abundance. On a daily basis the mainstream and social media have been replete with continuous acts of non-transactional generosity to others: looking out for neighbours, volunteering to collect prescriptions or undertake weekly food shops, or manning the Covid 19 testing stations. Most memorable, in the UK, were the Thursday evenings at 8pm when citizens came out of their homes to clap and say thank you to the health workers. Perhaps we have also seen moments of organisational leadership in the pursuit of pro-social purpose. The Oxford vaccine trials provide a salient example. Astra Zeneca CEO, Pascal Soriot, spoke on Thursday 30th April (BBC, 2020) that they were partnering with Oxford University to make the vaccine available at cost. This example is but one of many examples in which those in leadership positions have been seeking to align their businesses to the Covid 19 crisis.

On the one hand we might be witnessing virtuous acts. Many in leadership positions may have been catalysed to (re)connect with society in response to the widely accepted gravity of the situation. Or on the other hand, this may be nothing more than cursory stakeholder management; a piece of business window-dressing to enhance reputation. The long-heralded reconnection of organisational leadership with humanity has not always been so overt as we now see it; and certainly there has been a dearth of research within leadership studies exploring such connections. Three of us argued a few years back (Kempster, Jackson and Conroy, 2011) that leadership studies had overlooked purpose as a key dimension of leadership; we attempted to add leadership as purpose into Grint's (2005) heuristic typology along with leadership as person, as position, as process, as performance and as results. Arguably, there has never been a more poignant moment for purpose to become a central preoccupation within leadership studies. We have been struck by the manner in which the world's major consulting firms, most notably McKinsey and Company, have dramatically pivoted to issue a clarion call for leading with and demonstrating corporate purpose based on a central concern for humanity in response to Covid 19 (e.g. *McKinsey Quarterly*, 2020; Schaninger, 2020).

From academe, we have been heartened by the remarkably rapid commissioning and production of a special issue of the journal *Leadership* on 'Leadership and the coronavirus academic' highlighting the crisis of leadership throughout the world that has radically exacerbated the impact of the coronavirus pandemic (Tourish, 2020) while noting a few honorable exceptions such as Jacinda Arden, the Prime Minister of New Zealand (Wilson, 2020). In as much as there may have been moments of exemplary leadership, Tourish (2020) highlights five types of poor leadership response that have been demonstrated throughout the crisis by global leaders – incompetent leadership, denialist leadership, panic leadership, othering leadership and authoritarian leadership. He concludes that the crisis of leadership extends beyond practice to leadership scholarship noting that, 'Mainstream leadership theories are of little help, since an environment of radical uncertainty means that leaders have less information, expertise and resources to guide them than is often assumed' (Tourish, 2020, p. 262).

Humanity most certainly has a perfect storm of grand challenges to contend with. Covid 19 is undoubtedly the most salient of these and requires our immediate attention; yet recent massive wildfires in

Australia and the United States West Coast have dramatically demonstrated the impact of climate change. Additional challenges include water security and food security, chronic disease and sanitation, poverty along with malnutrition, refugees displaced in numbers greater than the population of the UK and human rights abuses, which lead to greater numbers of people in modern slavery than at any time in the history of humanity. And the planetary boundary conditions for supporting life have been potentially irreparably breached (Steffen et al, 2015). The clock is ticking. We are not on life support yet; but in another 50 years, the world will need some extraordinary ventilators to keep our grandchildren alive (for Steve that's an anticipation!)

So please let's bring our scholarly attention to the what, why, where and for whom leadership power and attention is to be applied. However well we can develop people to be either transformational or authentic or charismatic there is a need to explore the purposes that such qualities are being developed. In our education and development work we need to encourage leaders to make leadership purpose and responsibility their primary concern and not their style or reputation. The focus of this article is to serve to catalyze attention to this agenda by seeking to address the composite question 'leadership for what, why, where, for whom and how?'

The article begins by revisiting Joseph Rost's (1993) honourable attempt to provide a universal and aspirational framework for studying and practicing leadership as the base from which we position and build our argument. Next, we outline notions of purpose and responsibility and explore how these two phenomena interrelate with particular attention to the emerging ideas that have advanced our understanding of responsible leadership (Maak and Pless, 2006; Kempster and Carroll, 2016). The third section explores why purpose and responsibility appear problematic to organizational leadership by looking at the principle of fiduciary duty and, through this lens, the broader relationship of organizational leadership with capitalism. We offer a theoretical argument to bring responsible leadership, capitalism, and purpose together – what we describe as the Good Dividends (GD) theory (Kempster, Maak and Parry, 2019). Examples of the GD theory in action are outlined for both major corporate and small business organizations. Finally, the article concludes by returning to the search for the vaccine for Covid 19 and the relationship between Oxford University and Astra Zeneca. We offer a hopeful argument for the 'best of times' to come

and the opportunity for organizational leadership and leadership studies to play a collective part in realizing a common sense of purpose in tackling Covid 19 and the other global challenges that confront and threaten humanity.

For reasons of clarity when we speak here of leadership we draw directly on Rost's helpful definition: 'As an influence relationship among [people] who intend real changes that reflect mutual purposes' (1993: 102). We have replaced 'leaders and followers' with 'people' because of the contested nature of the romantic, hegemonic and hierarchical association of the assumed relationship between leaders and followers, as well as the opportunity offered by 'people' to embrace collective, distributed, shared and community leadership relationships. And when using the term leader this is simply a placeholder word; we are referring to roles of individuals within organizations who have disproportionate influence and authority.

**Leadership for the 21st Century**

Joseph Rost's primary driver for writing the watershed book *Leadership for the 21st Century* (Rost, 1991), was his deep concern that because leadership studies lacked definitional clarity about its subject the 'scientism' imperative (Fleetwood, 2004: 2) had led to the proliferation of 'peripheral' studies into leadership traits and styles. The scientistic positivist approach to leadership (Chamaz, 2000) seeks to create a universal understanding of how someone should lead. The drive to build leadership constructs from these peripheral concerns has not abated since 1991, and the three influential theories that have dominated leadership scholarly attention from the positivist camp, namely leader member exchange, transformational leadership and authentic leadership, demonstrate this preoccupation (Jackson & Parry, 2018). In response, critics of such studies have begun to flourish, many of whom we have sympathy with. The critical leadership studies community has shown the countless flaws with this peripheral theory obsession. Perhaps the most prominent of which reflect the work of the late James Meindl (1985) and the critical lens that he brought to bear on a predominant romantic attachment to leadership that has been extended recently by Collinson et al (2019). The 'critters' mainly draw on a constructionist orientation to give voice to the marginalised in the pluralistic world of organizations where power, conflict, ambiguity, contradiction and paradox are highly prevalent but largely ignored by leadership scholars (e.g. Ford, 2010, Tourish & Tourish,

2010; Collinson, 2011; Harding et al, 2011; Alvesson and Spicer, 2012).

By way of empirical example, Kempster, Iszatt-White and Brown (2018) undertook a practice-orientated examination of authentic leadership through the lens of emotional labour. Through an in-depth autoethnographic narrative of a senior manager's leadership, the authors revealed that the idea of relational transparency, a core element of authentic leadership, is deeply problematic both in practice and in theory. Those leading have to consistently appear to be confident and optimistic, when inside they can sometimes feel terrified and pessimistic. Kempster et al (2018) offered the notion of 'fidelity to purpose' as a way of responding to the challenge of maintaining authenticity in leadership. In this response, the manager pursues a worthy purpose to mitigate the emotional dissonance of surface acting in order to achieve that purpose. Of significance in this research was the centrality of three interrelated aspects: responsibilities, purpose and relationships which we shall return to shortly as they are central to the arguments we are presenting in this article.

Rost's (1991) central thesis was the need to move away from peripheral distractions, which is arguably a charge that can be laid against both the positivists and constructionists in leadership research, and instead focus on the meaning of leadership. Rost (1991) emphasized that the core of leadership is its fundamentally relational nature. In common with most scholars, he assumed that the relationship is axiomatically that of leader with her or his followers. Relational leadership (Uhl-Bien, 2006) has become a flag for many in leadership studies to rally around. Both the 'scientistic' folk and the 'critters' assume quite different ontological ground and assume that this flag is planted within their camps. On the one hand, the scientism ontology views the leader as a separate entity from the follower who responds, supports and pursues the imparted directions that are given by the leader. This framing is deftly captured by the 'tripod' metaphor suggested by Drath et al (2008) to reflect the leader, follower and situation; the situation is a variable to be considered that may impact on leader behavior and follower reaction. On the other hand, the 'critters' tend to view the relationship through a constructionist ontology as more of an emergent asymmetric structural power-infused influence between leaders and followers that is continually drawing on the situation or broader context which plays an active role in shaping such leadership emergence.

The definition of leadership that Rost (1993: 102) offered by way of an antidote to peripheral

theorizing captures the relational emphasis well when he notes that leadership is 'an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes'. Rost highlights four essential elements that must be present for genuine leadership to take place. First, the relationship should be based on influence that is multidirectional (i.e. it is exerted downwards, upwards, laterally, within and beyond a particular organization) and non-coercive in that it is not achieved through force. Second, there is typically more than one leader and always more than one follower in the relationship. The followers are active partners but, even in the most democratic groups, the relationship is inevitably, usefully and even necessarily unequal. The third element of Rost's definition is that both leaders and followers work together to bring about substantial rather than superficial changes. These changes are driven by a mutual purpose that is forged through a non-coercive influence relationship. This asymmetrical view of leadership, therefore, does not preclude followers from being active co-producers. In fact, it emphasizes the idea that leaders and followers should share responsibility for any consequences that might arise as a result of the execution of the leadership relationship.

This kind of leadership relationship is something that is still the exception rather than the rule. Rost's definition is probably best thought of as an aspirational rather than a descriptive definition (Jackson & Parry, 2018). It's something that we should aim for if we wish to secure a sustainable future for everybody on the planet: the kind of leadership that is required if we are to confront complex and massive scale issues such as global warming, the elimination of poverty and the control of virulent diseases. Mutual purpose is arguably the most significant feature of Rost's definition. Building on Burns's (1978) influential text '*Leadership',* Rost foregrounds worthy outcomes being pursued by all concerned, the benefits of which accrue to individuals, communities and societies beyond the leadership relationship.

In this article we want to move from Rost's important contribution and indeed from many of our colleagues in leadership studies whose foci are centred on the leadership relationship between leaders and followers. Rather we seek to (re)orientate the leadership relationship in two fundamentally different ways: first, we draw on the arguments for responsible leadership (Maak and Pless, 2006; Kempster and Carroll, 2016; Kempster, Maak and Parry, 2019) and shift to seeing the relationship as being between leaders and stakeholders rather than leaders and followers; second, we shall give emphasis to outcomes. Drath et al

(2008) suggested leadership may be better understood not as the tripod but as an outcome of direction, alignment and commitment (DAC). Implied in DAC is a movement away from a normative and processual focus on how people should behave as leaders (for example transformational, authentic or ethical); and towards what they should be focused on. Connecting our two key points together sets up a series of critical questions: what should leaders and stakeholders pursue as their mutual purposes, why and for whom?

To these questions, we want to add the 'where' question. The coronavirus has graphically reminded everyone that where you are in the world matters at both the macro- and the micro-level. We have watched in growing horror the daily changes to the global mapping of the spread of the virus and the spectacular growth that has ensued in contracted cases and in mortalities. At the personal level we have become extremely cognizant and conscious of the concept of social and spatial distancing: who are we choosing or not choosing to interact with. During their 'lockdown' periods many people have remarked on the powerful connection that they have now been able to make to their immediate neighbourhoods due to the daily walk provision. As a result, they have become more appreciative of their immediate physical environment as well as the communities that have come together within their neighbourhoods to support each other. This type of response highlights the very close relationship that exists between purpose and place. There is the need for leadership researchers and practitioners to begin to recognise and better understand the process by which people draw meaning and ownership, energy and commitment because of a strong sense of alignment with the place in which they live and work (Jackson & Parry, 2018). This understanding can guide the extensive efforts to promote collaborative governance and cross-sectoral place-based policy initiatives in the pursuit of responsible leadership (Jackson, 2019).

So we have sought to define leadership in alignment with Rost focus on leadership relationships in pursuit of mutual purposes. We echo Rost's encouragement to let go of peripheral concerns and we seek to enable leadership to become anchored in the responsibilities of leadership – responsibilities oriented to realising value for stakeholders with a deepened appreciation of the significance of place. The next section explores the extent to which the idea of realising value for a range of stakeholders clashes with a manager's primary objective to serve the shareholders.

**Leadership, capitalism and fiduciary duty: Shareholders and also society?**

We observe that the responsibilities of business leadership rarely embrace the role of enhancing communities, society, the environment and indeed humanity. For a few organizations the notion of the triple bottom line (Elkington, 1998) does resonate – but we suggest these still constitute a small minority. The prevalent view is that these responsibilities are still the primary responsibility of governments and not businesses. However, pause for a moment and consider comparing the economic power of organizational entities with countries. In 2018, 157 of the largest 200 economic entities were companies (Global Justice, 2018). If we were then to consider the next 200,000 entities only 195 would be countries. We could continue this form of entity pyramid into the many millions. Our point here is to suggest that governments can create the enabling structures to address enhancing humanity; but the wealth, power, resources and influence in a very real and everyday manner resides with corporations. Typically, that power rests with a few individuals who shape the strategic responsibilities of the companies – that is, organizational leadership. Such leadership, unlike with many governments, has considerable agency to draw upon and deploy the capital of the organization in a manner that they consider most appropriate in order to meet the fiduciary interests placed in this agency. More on fiduciary interest shortly.

Imagine if the purpose of organizational leadership is to enhance the world. Viewing this outcome – an enhanced world – through the lens of responsible leadership, the purpose discourse of organizational leadership would focus on realising value for all of the businesses' stakeholders – including communities, the environment and humanitarian concerns. The neo-liberal discourse, however, sees the primary purpose of organizational leadership as maximizing the capital of the company in the interest of the shareholders. The argument we wish to pull together in the next section is that both of these discourses are not necessarily mutually exclusive and at loggerheads with each other, they can and should be complementary and congruent. However, we first need to unpack the relationship of organizational leadership with fiduciary duty and capitalism.

Simply put, capitalism is an economic system in which individuals and companies own (and use) capital with the intention to accumulate more capital. That is, 'capital is a condition and a routine consequence of capitalism' (Sternberg, 2015: 385). When the ownership becomes distributed and the

organization is run by managers (n.b. a derivative of the word manager is connected to agents hired to look after the owner's interests), the managers are required to act in the best interest of the owners. This duty of care is known as a fiduciary duty (Cikaliuk et al., 2020). The dominant way that capitalism has become enacted and understood is through the lens of neo-liberal capitalism which is pre-occupied with financial capital and is neatly encapsulated by the aphorism 'what can be counted, counts'. Neo-liberal capitalism emerged in the 1980s in reaction to the Keynesian post-war economic era, which promulgated constrained markets through government intervention and regulation. The supporters of deregulation argued that capital and labour should be freed to maximize productivity and profit. The culmination of such deregulation was the 2007 financial crisis (Engelen et al, 2011). Because neo-liberal capitalism is so dominant in economic thinking, the solution to the crisis was paradoxically neo-liberally informed austerity (du Gay and Morgan, 2013).

The notion of neo-liberal capitalism as disconnected from the needs of society runs counter to the writings of Adam Smith and the concept of the 'invisible guiding hand' which Smith viewed as the underlying morality within society that framed capitalism. Smith developed the *Wealth of Nations* (1776) as a companion to the *Theory of Moral Sentiments* (1759). This text articulates the role of individuals in society to be rooted in virtuous relationships with others. Throughout his life, Smith was deeply concerned about the moral foundations of society and the idea that markets should be cut loose from moral concerns would have appeared strange to him. We submit that, 50 years since it took over as the dominant driver in economic policy, the weaknesses of neo-liberal capitalism and the accompanying progressively widening levels of economic [social and health] inequality throughout the globe necessitates a fundamental shift to an alternative form of capitalism - moral capitalism - which overtly embraces the societal 'invisible [guiding] hand' (Kempster, Maak and Parry, 2019: 13). A focus on moral capitalism opens up a very different perspective to a pluralization of capitals. Keeping capital as the central guiding principle, Young (2007: 2) offers up an opportunity to connect capitalism and society together: 'To sustain our profits over time, we need to replenish the capital we invest in the business. That capital comes in different forms: social capital, reputational capital or "goodwill," finance capital, natural capital, and human capital. These forms of capital are the essential factors of production'.

Einstein reportedly observed that 'not everything that counts can be counted.' This quote quintessentially captures the essence of the argument of our article. It poses serious questions about the nature of value. Fortunately, alternative ideas are emerging on the nature of accounting and financial reporting. For example, the ideas captured in Integrating Reporting Ratings (IRR) (Dumay, Bernardi, Guthrie and Demartini, 2016) reflect Young's exposition of the capitals within moral capitalism. IRR is required in annual company statements in South Africa (Eccles, 2017) and is of growing interest in the UK (EY, 2018). The capitals specified within IRR (IIRC, 2013) are financial, human, social, manufactured, intellectual and natural. IRR is seeking to nudge the world towards rethinking value beyond financial capital to a balanced view of value that interconnects tangible and intangible aspects. With the re-thinking of organizational value to one that embraces a constellation of capitals (i.e. tangible and intangible sources of value) there is a corresponding need to re-think the nature of the organization's relationships with its stakeholders. This change in mindset has resulted in a move away from shareholder management as a primary concern for organizational leaders towards the value placed on building relationship with stakeholders where there is a mutual value dependency, or symbiotic relationship (Cikaliuk et al, 2020). For example, consider the range of capitals that can be associated with various stakeholders: financial capital with owners/investors; reputational capital with customers; social capital with employees and communities; natural capital with communities and societies linked to the environment; and human capital with employees. The only capital that is not explicitly associated with a stakeholder is that of manufactured capital (IRR), otherwise known as institutional or intellectual capital (Leitch, McMullan and Harrison, 2013). Such capital enables the activities, systems and practices within the organization to generate products and services. Arguably all of the stakeholders we have identified above are associated with this capital along with suppliers and partners. To align with the arguments we wish to develop we shall call this from of capital 'Operational' capital.

We have made the explicit association of capitals with stakeholders as such an association anchors to a core principle of responsible leadership. Responsible leaders strive to realize value for stakeholders by enhancing all the capitals and thus enhancing stakeholder value (Kempster et al, 2019). Yang, citing Confucius, memorably captures this argument: 'Now the [responsible leader] of perfect virtue, wishing to be

established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others.' The reciprocal relationship between a corporation and the stakeholders is the basis for moral capitalism (2010: 81).

We have now arrived at the critical 'acid test' of organizational leadership: fiduciary duty, specifically the extent to which it accords with the virtues of loyalty, care and prudence (Eccles, 2017). In the organizational leadership context, such a duty of care is owed to beneficiaries (DeMott, 1988) who are typically share-owners; in many countries there is indeed a legal duty to pursue this duty of care. We argue that the key question in addressing the grand challenges facing humanity, and certainly in terms of addressing Covid 19 is: Would the fiduciary duty to shareholders be met by enhancing all of the capitals? From a neo-liberal organizational leadership orientation the immediately obvious answer to this question would be framed with wry skepticism. For example, how could investment in enhancing the environment and local communities provide an increase in shareholder return? This reflects the oft-cited criticism of CSR activity, drawing on Freidman (1970), that the company's profit is not for managers to give away. Yet, if we draw again on Adam Smith in his *Theory of Moral Sentiments*, he explored just this issue through the notion of societal justice and nature: 'Justice [. . . .] is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society, the fabric which to raise and support seems in this world, if I may say so, to have been the peculiar darling care of Nature, must in a moment crumble into atoms' (Smith, 1759: 45).

The point that is beautifully captured by Smith is that the interests of the shareholders may not be met in the medium- to long-term if the capital of the environments and the communities in which the organization (and indeed the shareholders) is situated 'may [metaphorically] crumble into atoms.' Institutions can only survive with the commitment and good will of society (Donaldson, 1982). The fiduciary duty then becomes primarily one of maintaining value through time. Neo-liberal capitalism tends to be overtly short-term in its outlook with a focus on maximizing short-term financial capital through the exploitation of other capitals (such as human capital or natural capital). Moral capitalism, by contrast, is medium- to long-term in its outlook with its concern with the reciprocal enhancement of all capitals. It assumes that, by investing in the human, social, operational, reputational and natural capitals one can ultimately enhance financial capital.

Our point here is to develop the relationship of responsible organizational leadership with capitalism, stakeholders and fiduciary duty. If this relationship can be reframed by drawing on the ideas of moral

capitalism then perhaps there is the opportunity to use the power and influence of leadership to set up their organizations and their business models to realize social impact. Along these lines, Donaldson and Walsh have called for a theory of business that addresses the 'separation thesis' (2015: 195) — an argument that suggests that a company's business model and activities are indifferent and distant from ethical, social and environmental considerations. It instead recognizes that all of these concerns are integrative in nature (Kempster et al, 2019). We shall draw attention to the importance of integration (Harris and Freeman, 2008; Donaldson and Walsh, 2015; Kempster et al, 2019) shortly when we outline an integrative and systemic theory of business viewed through the lens of responsible leadership; but before we do this we need to properly explore the role of purpose in capitalism.

**The importance of societal purpose to the capitalistic endeavor**

While the premise for the importance of purpose in leadership might be a relatively straightforward proposition, it is an exceptionally complex phenomenon to enact in everyday leadership practice (Kempster et al, 2011). Most of what is assumed to be purpose is often captured by hackneyed marketing slogans that are empty, bland and uninspiring and/or it is often unrecognizably relevant in the daily practice of employees. Invariably, 'mission statements' tend to be utterly forgettable and an ineffective mechanism for making work meaningful. For public sector, education, health and voluntary sectors, the purpose of the organization is perhaps axiomatic – a university to undertake research and teaching to transform the world in some way, or in the health sector it is to save and enhance lives. For many engaged in these sectors, worthy purpose is associated with their employment: it is 'telos', a commitment and an ongoing quest or journey oriented to realising the purpose that will bring benefits to humankind (McCann and Brownsberger, 1990; By, 2021). For the private sector such a telos is perhaps much harder to obtain. For example, what is the benefit for human kind from filling a baked bean tin in a manufacturing plant? Or the purpose from smoothing down metal to create ultra-smooth and frictionless surfaces? The latter example is drawn from work Steve has recently undertaken with an owner-manager, Jamie Phillips of Fintek, who runs a metal finishing business. The following is a brief summary of the conversation between the two regarding the purpose of the work (the questions are from Steve, the answers Jamie):

> *What is your business about?* Metal surface finishing serving for example the aerospace, automotive, autosports, medical devices

*Why do you do that?* To make a profit

*Why do you make a profit?* So we can grow and improve the business

*In order to?* (considerable pause as Jamie thinks this through) So that our customers can succeed in what they are trying to do because we eliminate failures from abrasive finishes and this improves performance within our customers' products to help them achieve excellence and in many cases can enhance and save lives. We work with hospitals on knee implants, and with Williams in Formula 1. Also, so that we can create good jobs and develop our employees to achieve their best. And we are passionate about the excellence of finishes – it matters so much that others can rely on us.

*So how would you summarize that?* (Again long pause and a few attempts and then) I guess … to achieve excellence and enhance lives? Yes I guess that's what it's about.

This laddered conversation moving from the nature of business to the purpose of business brings us to an important assertion: If profit is an objective then it is subordinate to purpose. Purpose is the essence of why the organization exists in terms of its contribution to enhancing human kind. The connection of profit with purpose is a deep challenge for leadership and yet it is not generally considered as being part of the normal everyday concerns of leadership (Kempster et al, 2011). Yet surveys consistently show that, where purpose is palpable to the people who produce either the product or service, there appears to be a strong correlation with the profitability of a business.

The relationship of purpose with organizational value has been examined by various scholars and commentators for at least 30 years. Perhaps the most prominent text, *Built to Last* (Collins and Porras, 1994) showed that businesses that were anchored to an explicit purpose with aligned activities, outperformed the general market by 15:1. In the book *Grow*, Stengel (2011) created a matrix of 50 firms identified as having a strong purpose-driven brand, and which outperformed the broader S&P by 380%, known as 'The Stengel 50'. With such bold claims it is inevitable that these top-selling books have been subjected to critical scrutiny. Over an extended additional period of time, many of the leading companies identified by both authors did not continue with such great success. This could be explained by a myriad of reasons (e.g. change in market conditions, change in competitors, change in senior leadership priorities, etc.) in a way that provides an important warning that there is no guarantee that purpose-driven leadership success will be forever-lasting.

A more recent piece of research by Robinson-Hickman and Sorenson (2014) based on an examination analysis of an extensive portfolio of businesses in the New York State area provides another

empirical argument in favour of reinforcing the close relationship between organizational value and an organization-wide focus on purpose and employee engagement. It seems reasonable (at least to us) that a highly salient and valued sense of purpose appears to be correlated to some extent with greater financial performance, particularly if the mediating relationships of purpose with employee engagement, operational productivity and customer service are considered (See Harter, Schimdt and Hayes, 2002, for an examination of Gallup data for the correlated analysis of employee engagement and meaningful work with customer satisfaction, low attrition, employee safety, and profitability). Furthermore, the attractiveness of company purpose was shown in a Gallup annual employability survey (2018) to be strongly linked to employee engagement resulting in for example, decreases in quality defects by 41%, absenteeism down by 37%, attrition levels down by 45% while customer satisfaction levels increased by 10%, productivity was up by 21% and profitability was up by 22%.

In addition to employees, a purpose-driven brand is also argued to attract and retain customers (Kirkup and Illes, 2019). The Havas Media Group (2019) argued that a purpose-led brand can attract a significantly increased 'share of customer's wallet' and an increase in customer advocacy for the brand and the business.

Sustainability and corporate and social responsibility (CSR) – often associated with pro-social purpose – have been positively associated with many aspects of organizational value including financial performance, for example: innovation and the development of markets (Halme, Lindeman and Linna, 2012); strengthened customer relationship and increased advocacy (Taghian, D'Souza and Polonsky, 2015); enhanced operational improvements (Yin and Schmeidler, 2009), and a correlation (mediated through the above elements) to financial performance (Margolis and Walsh, 2003; Orlitzky, Schmidt and Rynes, 2003).

Research undertaken by EY (Keller, 2015) outlined in the *Harvard Business Review* entitled 'The business case for purpose' drew on a survey with 474 businesses that was conducted with senior executives. They found that, 'although there is near-unanimity in the business community about the value of purpose in driving performance, less than half of the executives surveyed said their company had actually articulated a strong sense of purpose and used it as a way to make decisions and strengthen motivation. Only a few companies appeared to have embedded their purpose to a point where they have reaped its full potential.

But in those organizations where purpose had become a driver of strategy and decision-making, executives reported a greater ability to deliver revenue growth and drive successful innovation and ongoing transformation' (2015: 1).

Of the evidence that has been offered it seems highly plausible that, if an organization can distil what the pro-social purpose of its existence is, and realize this, then there is a strong likelihood that substantial value will be derived by the business. The value is normally attributed to profit – the financial capital. However, purpose has a significant role in enhancing other capitals that can be accumulated by the business. The next section outlines how purpose as positive social impact – such as addressing Covid 19 – can be framed as being a central path in the capitalistic endeavor.

**Connecting purpose, responsibility and capitalism together: Leadership pursuing Good Dividends**

The argument that we have outlined thus far seeks to reframe the notion of organizational leadership. We are not arguing for better leaders who are more authentic, more transformational or more ethical in their approach or style, recognizing that these may well have merit and are not necessarily bad things in and of themselves. But rather we foreground what leadership seeks to realise, why, for whom and where. In the context of fulfilling business fiduciary duty, this type of leadership reframing encounters far greater difficulty than in the public sector, voluntary sector, political or military arenas, because organizational leadership has a history of short-term thinking and neo-liberal self-interest that dominates the paradigm of what business is and should be. We argue that in order to break such deeply held 'truth-like' assumptions, a theory of business value must do the following three things: first, it generates a business model that is rooted in capitalism and addresses the fiduciary duty to serve the shareholders; second, the model must realise value for all of the business' stakeholders, which includes generating positive social and environmental impact; and third the model should seek to connect the first and second core requirements in such a way that they are complementary rather than competing and conflictual. We offer the Good Dividends (GD) theory and its attendant Good Dividends model as an approach that sets out to fulfil these three requirements.

The thesis of the Good Dividends (Kempster, Maak and Parry, 2019) is a relatively simple theory of business (Donaldson and Walsh, 2015). We begin with the general assumption that the function of capitalism

is to increase capital. As we have outlined earlier, all businesses have (at least) six capitals – financial, human, social, reputational, institutional/operational and planetary encompassing community and environment. All of these capitals have the potential to be systemically combined in a way that increasing one can have the inter-related effect of increasing them all. Through the enhancement of all capitals, including planetary capital, good dividends can become manifest: good in the sense of larger, good that it is designed to be regeneratively based (as the business grows so the world is enhanced); and good in the sense of being ethically rooted. This systemic model is thus centred on seeking to enhance organizational value contemporaneously with realising social impact (i.e. increasing planetary-community capital). To do this otherwise might reduce organizational value. The system is depicted in Figure 1:

**Figure 1: A Regenerative System of Good Dividends** (Adapted from Kempster et al, 2019: 44)

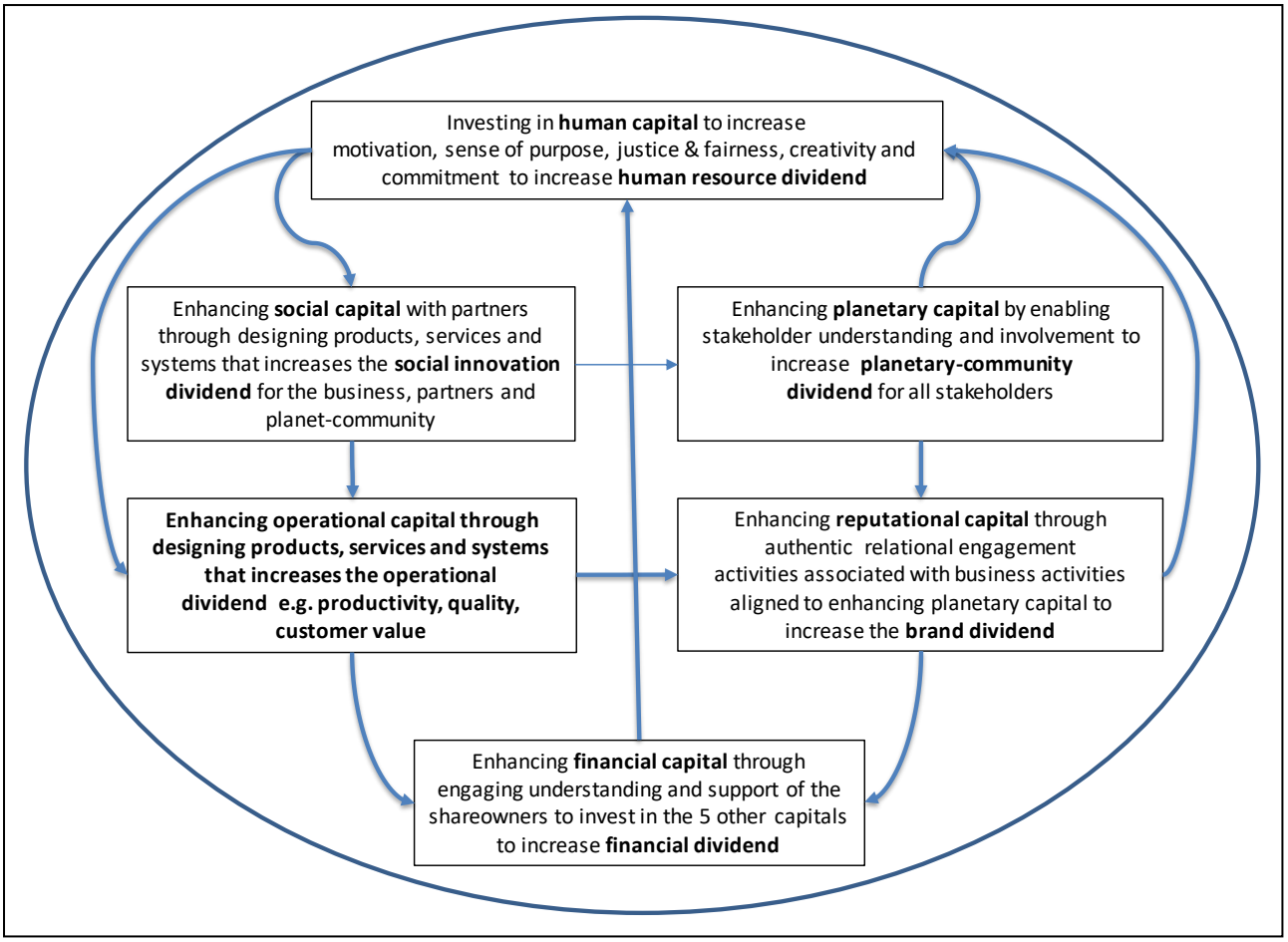


Figure 1 depicts a system which is interrelated and has dependencies on the various capitals to operate. The more efficient, productive, effective and ethical are the various elements, and importantly the degree of interconnectedness within the system, the greater the emergent property of the system (Checkland and Scholes, 1999). If the emergent property is viewed as a regenerative outcome then this would reflect the organization realising its purpose: that is, why the organisation exists. The system is offered as a theory of business that seeks to provoke an alternative reframing of capitalism and indeed it offers itself as a regenerative business model. By regenerative we mean the business enhances the world; because the organization exists, the world is better for its existence. Regeneration is distinct from sustainability – which is more about limiting the harm an organisation does to society and the environment. For example, the goal to be carbon neutral is heralded as a great thing. But, if businesses were only given permission by society (through law) to operate if they were carbon neutral, then the businesses are not necessarily enhancing the world. The Good Dividends theory of business as an integrative system of capitals could actively promote regenerative capitalism. We say more on this in the next section when we apply the Good Dividends theory and model to some for-profit businesses.

**Responsible leadership for a regenerative organization**

The notion of a regenerative organization draws on discourses associated with the regenerative economy (Lieder and Rashid, 2016, Fullerton, 2017). The regenerative economy provides a systemic appreciation that seeks to connect inputs and outputs; nature, society and the environment as assets that have a value that needs to be integral to understanding economic growth. Growth viewed through a regenerative lens emphasises health and vitality, efficiency (i.e. the importance of scale) and symbiotic connectedness. As Wallis notes:

> ‘A healthy plant, animal, or human must grow to full stature. One can even say something similar of a community [or business], which, unless it reaches a certain threshold of size and productive capacity, cannot expect to provide the range of services required in order to offer a satisfying life to each of its members [or stakeholders]. But in any such unit of growth, one must distinguish optimum from maximum. Optimum growth for any living entity is part of what constitutes fulfilment of its potential.

Anything above optimum, however, is pathological: the organism, whether an individual or a community [or business], suffers disequilibrium either among its component parts or between itself and its environment (or both)' (2009: 39).

A regenerative system that mimics natural systems seeks to take the outputs such as waste, or carbon from one process and use these as inputs into another in line with the argument for closed loop systems. Regenerative capacity addresses today's needs in ways that improve the underlying system. For example, with regard to the environment, this would mean developing the economy 'in ways that result in more rainforests, more fertile soils, restocked fisheries, clean and abundant aquifers and streams, a cleaner atmosphere, and even more biodiversity?' (Gabel, 2015: 1). The recent announcement from InterfaceFlor, a multi-national corporation that manufactures carpet tiles, that they are moving from the focus on zero emissions to seeking to become carbon positive in their approach to manufacture (i.e. to use carbon as an input in the process) provides a good example of a company that is taking a systemic orientation to a regenerative business model. Another example is the Finnish renewable energy company St1, led by Mika Attonen, is funding research in Morocco to develop a pilot project to test the commercial feasibility of developing a carbon sink by afforestation. Mika comments:

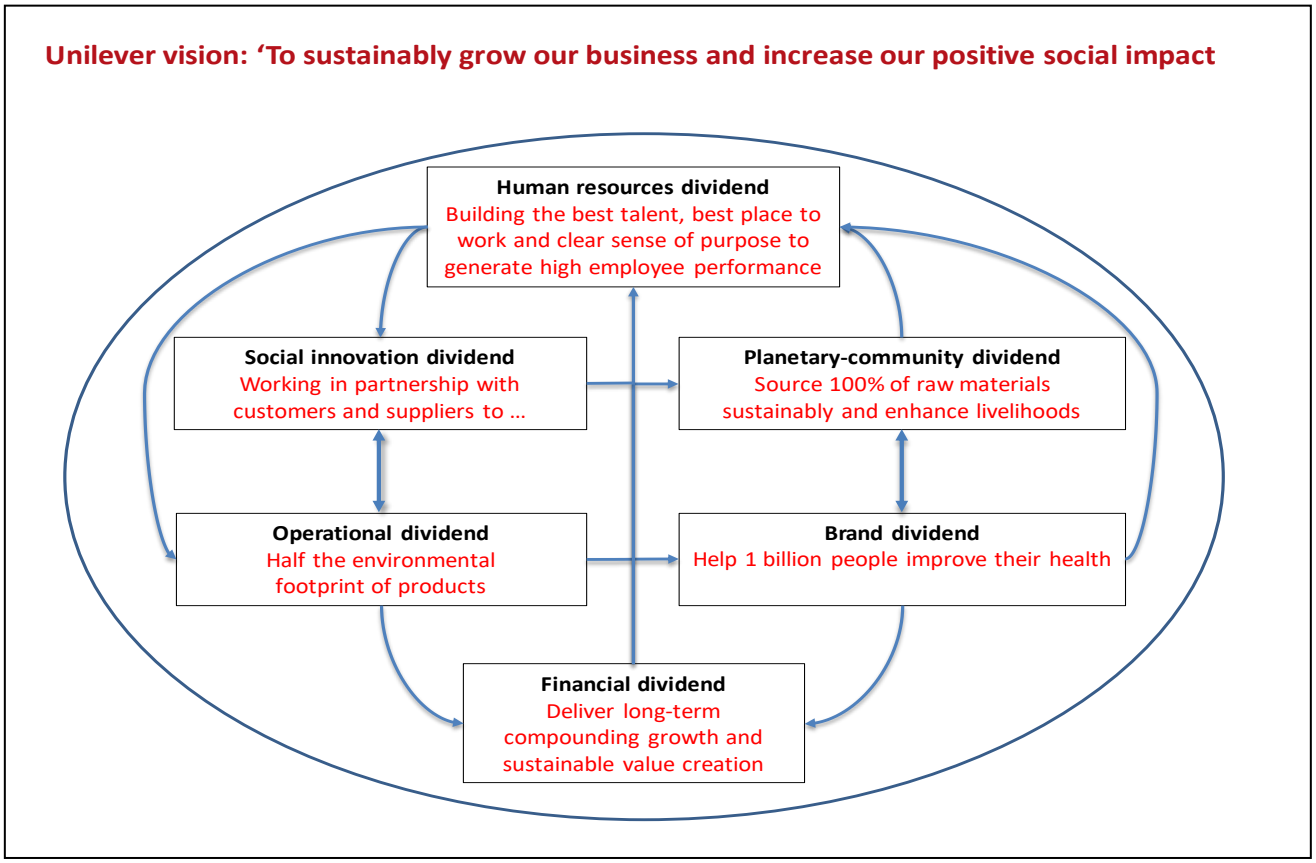
'Our estimates show that the cost should be much less than generating biofuel. First, I have to prove it works in real life, get it 'rock solid' get it to the market and then get the ball rolling globally. Get the big guys involved. [If the] carbon farming example works, then we get Al Gore or Barack Obama involved. If in 5 years' time it is working in real life – then I will contact the most powerful people on the planet to get it going. You can see what we have done, we want to share the knowledge, not holding back the IP. These things don't happen if we all don't participate' (Kempster and Halme, 2019: 105).

The regenerative capacity of organizations to be a force for good through regenerative long-term health is in the interest of all stakeholders, notably shareholders if they adopt a medium- to long-term perspective. Space does not allow for a review of the rapidly increasing appetite investors have for sustainable long-term growth. Perhaps most unsurprising (at least to us) is the value of a long-term perspective. Barton, Manyika, and Keohane-Williamson (2017) have looked at firms who use medium- to long-term indicators of financial value along with transparency (e.g. investment, earnings per share growth, quarterly reporting). The

correlation offered in their research is that such firms outperform the market over the medium- to long-term but not in the short-term. Commensurate with investors taking a long-term view has been the sizeable growth in impact investing. Funds have been roughly doubling over the last five years and in 2018 they stood at $502 billion (Mudaliar and Dithrich, 2018). Notwithstanding this impressive growth, Mudaliar and Dithrich comment that 'trillions of dollars are needed to effectively address the critical social and environmental challenges that face the world today' (2018: 13). They are, however, optimistic in their outlook: 'One in four dollars of professional managed assets (amounting to USD 13 trillion) now consider sustainability principles'. We are encouraged by the emerging reorientation of at least part of the shareholder market to a balanced long-term and impact investment perspective to growth. Not the whole market right now; but given time, we envisage that this could become mainstream investment practice.

Unilever have recently signalled that their portfolio of brands must be capable of being purpose-led; if the brands do not 'contribute meaningfully to the world or society in a way that will last for decades' (Jope, 2019 – CEO of Unilever) they will be sold. Using published material offered by Unilever, our interpretation of the Unilever business model, viewed through the system of good dividends, gives perhaps a glimpse of why Jope made such a statement and how a purpose-led corporation can seek to create a pathway towards generative capitalism (taken from Unilever, 2019).

**Figure 2: Unilever Business Model Framed Through the Good Dividends**




Understandably the business model is framed within the dominant discourse of sustainability, but it would not require much reformulation to be reframed to become regenerative in its outlook. For example, taking the lead from Interface mentioned earlier, the operational dividend can be reframed as heading towards zero emissions and even becoming carbon positive. The other dividends already have regenerative capacity. The significant aspect that needs to be recognised is the systemic nature of the business model seeking to realise a vision to '[regeneratively] grow our business and increase our positive social impact' (Unilever, 2019). We are not saying that Unilever is a regenerative business. Rather it has outlined and is pursuing a business model that has the potential to be reframed as being regenerative. Of importance to our argument in this article is the scope of very large and very small, and all organization sizes in-between to embrace a regenerative approach to business.

A regenerative approach is applicable to social challenges and to small and medium-sized businesses. Steve has been working with an owner manager, Adrian, who leads a facilities management business. The business has slightly over 600 employees and undertakes security, estate management and cleaning activities. Adrian's business problem was not in winning contracts but with recruiting and retaining employees as the nature of the sector is connected with relatively low remuneration; people use employment as a first step to

enhance their CV's and move to 'better' employment. Following a student project that sought to apply the ideas of the Good Dividends theory to a local business, the students engaged Adrian in considering the what, why and for whom and where questions of responsible leadership. In discussion with Adrian the students offered the idea of connecting the problem the business had around recruitment and retention with a societal challenge – that of modern slavery. Modern slavery is a global issue, but also one that has become manifest in a particular place – in the North West of England. The students' idea (following a session on connecting the grand challenges facing humanity with for-profit businesses) was to suggest that the capitals of the business could be enhanced by developing a partnership with charities and social enterprises that seek to assist people captured within modern slavery in the UK North-West. Here was the students' argument:

- Adrian's business could recruit through the charities and help support related aspects of housing, education and training. The charities would benefit from the partnership in being able to realize their purposes
- Adrian's business would recruit new employees, who are likely to be loyal, hard-working and enhance retention; the business could develop a clear sense of purpose connected to specific Sustainable Development Goals associated with good employment conditions and addressing human slavery – increasing planetary-community dividend
- The palpable purpose could be translated to other employees by helping them learn about modern slavery and become advocates for quality employment practices, thereby realizing human resource dividends through stronger levels of employee engagement, reduction of sick days, and increase in retention
- Operational dividend might reflect higher productivity and quality, delivery of customer contracts, and even increased return on training investment, culminating in enhanced levels of customer service
- Reputational dividend increasing through closely connecting the purpose of the business with engagement in addressing modern slavery and creating quality employment practices
- And with operational dividend increased and enhanced reputational brand dividend the engagement in addressing modern slavery and enhanced working practices could plausibly lead to increased profitability – enhanced financial dividend

Following the student presentation, Adrian has subsequently invested time into developing a partnership with the charities and social enterprises to understand how to mutually work together to deliver value for both. For Adrian he has been able to understand most clearly a direct relationship between positive

social impact and enhanced business value; he has a clear sense of what he is hoping to achieve and why. Undoubtedly the exploration of realizing value provides a significant journey ahead for many organizational leaders like Adrian. This does appear a difficult task that encompasses discerning and articulating purpose and positioning this within a reframed view of organizational activity and understanding of value; persuading shareowners that value will be enhanced; engaging a range of stakeholders in understanding value, and collectively working with these stakeholders to realize such value.

We recognize that responsible leadership is far easier to advance as an intellectual argument than as a practiced endeavor that is sustained over the longer term. Yet even the intellectual argument is not without its challenges. This is in major part because of the inter-disciplinary nature of the ideas being developed. For example, the Good Dividends theory has grown from a group of scholars across the world based in seven Universities who embrace the fields of leadership, CSR and sustainability, operations management, HRM, finance, marketing, systems thinking and innovation. Perhaps the inter-disciplinary challenge is a reason why limited attention has been given to seeking to understand and support those in leadership positions to connect positive social impact with enhanced organizational value.

**Perhaps the best of times to come …?**

Businesses are capable of contributing greatly to addressing the grand challenges that face humanity. As we stated at the outset of the article the scale, power and resources that can be drawn upon by many corporations are greater than those possessed by many countries. National states need to act as the enablers for businesses to act in a regenerative manner, but not as the engine room for addressing the challenges. The engine room for considerable change lies with organizations working in partnership with charities, social enterprises, NGOs and government departments. And here's the thing, organizational leadership has a far greater agency to bring resources and influence to bear on these challenges in a timely manner – as long as social impact is complementary to enhancing organizational value.

Imagine a world in which the role of organizational leadership was fundamentally a fiduciary duty of enhancing organizational value through a close relationship with positive social impact. Imagine further, employees working within a context where valued social purposes are overtly connected to the everyday

concerns of employees and citizens. Imagine customers becoming advocates of the cause and galvanizing greater community support. Imagine a world in which shareholders will only invest in those firms where the relationship of enhanced organizational value and positive social impact is actively pursued. And imagine a situation in which business students are encouraged by their parents to become organizational leaders not primarily because of job prospects, but because society values business leadership in similar ways to those in the health industry for enhancing humanity. Finally, imagine a world where leadership scholars are recognized for the contribution that they make in helping to reframe the role and the practice of organizational leadership. As Tourish observes, 'we have an opportunity to do research that really matters, and participate in vital conversations about how the theory and practice of leadership can contribute to better outcomes from the coronavirus crisis, and others still to come' (2020: 261).

So we end as we began with Astra Zeneca and its CEO, Pascal Soriot, and his announcement regarding partnering with Oxford University to develop a vaccine for Covid 19. Soriot recently commented in an interview (Nov, 2019) that the 'Pharma industry has a trust issue. That's a real pity as you have thousands and thousands of people across the industry coming to work every day to do a great job and discover medicines that really transform the care of many patients and reduce diseases, and we have to work really hard to win back that trust.' So, in part the decision to invest millions to trial a vaccine is about enhancing reputational capital; and it is also enhancing planetary-community capital. With regard to Astra Zeneca's share price, at the time of writing, was at an all-time high during a period where the UK FTSE has fallen by 24% (14th May, 2020). Watching television every evening we are encountering advertisements from a host of businesses seeking to demonstrate their support for communities in the UK. So is this again more window decoration, or are we on the cusp of a genuine sea change? Are we at a moment of time, or a fork in the road, when the relationship of businesses with communities changes fundamentally for a significant minority of businesses? If the answer is yes, then we may be moving towards the best of times. We as a community of leadership and change management scholars need to get behind this change. We need to offer some leadership ourselves in shaping our endeavours to provide the requisite support to the challenge of undertaking responsible leadership to enable businesses to generate value for all stakeholders: shareholders, employees, supply chains, communities, the environment and indeed humanity.

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