



INSPIRING STEWARDSHIP

HOW BUSINESSES CAN THRIVE WHILE ENHANCING THE WEALTH OF THEIR
STAKEHOLDERS AND SOCIETY

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Expectations that businesses should contribute to the well-being of society have never been higher. There are also an increasing number of different types of firms with various ownership systems: state-owned enterprises, family businesses, sovereign wealth funds, publicly traded companies with large holdings by institutional investors, and the list goes on.

Stewardship offers a way to meaningfully meet these legitimate societal expectations and to address the growing complexity of ownership structures.

Stewardship means that those who are entrusted with wealth of any kind have an obligation to hand those assets down in better shape than they inherited them. It means being responsible beyond the individual or company, and in the long-term beyond one's lifetime.

Until recently, the dominant view was that businesses should focus on creating value for a firm's owners and shareholders. But today's companies are compelled to redefine their view of corporate achievement and success.

Who are the steward leaders?

Individuals who are intrinsically motivated and focused on the big picture are more likely to act as stewards than those who rely on external rewards. Steward leaders are also invariably possessed with long-term vision, personal alignment with a genuine corporate purpose and deep care for their employees. There are many examples from around the world of leaders who have behaved as stewards, and created value on multiple levels, and over time.

Ratan Tata's clear focus on business success as well as social and national economic impact provided India with a solid domestic industrial foundation over the course of his tenure (1991-2012) of the Tata Group, illustrating how stewardship can contribute to emerging economies. The family business Maersk had a clear long-term focus from the start, which continues today. Founded by AP Moller, the company grew from a shipping company into a global trade conglomerate whose legacy was secured through its deeply held values.

When Chung Juy-yung founded Hyundai in 1946, his efforts led not only to the creation of a highly successful conglomerate, but also made a key contribution to post-war Korea's industrial sector.

While enlightened and responsible chief executives are key to driving stewardship, company owners, boards, and management have important roles to play in ensuring that the right governance is in place to foster stewardship.

How can companies build stewardship?

Well-stewarded organizations focus on delivering current performance without compromising future earnings; they also ensure the continuity of the capabilities and relationships which form the basis of their ability to create future value. For them, success is defined by the net positive economic, social, and environmental impact on future generations.

Safeguarding the future requires having a vision of where the company is going and why, and making the trajectory possible by investing in capabilities such as R&D, marketing and branding. Well-stewarded organizations are able to operate effectively over longer time horizons, enabled by a culture based on trust, structures that are well-aligned with their strategy and purpose, and support from boards which think strategically in the mid- and long-term, feeding and nurturing the succession pipeline to secure the leadership legacy over time.

Firms need to play their part in building a healthy ecosystem in which stewardship can flourish. They can do this internally, by stimulating intrinsic motivation in employees, and externally, through building clear links to stakeholders and surrounding communities to cultivate a landscape of greater transparency and trust.

What are steward leaders' key characteristics?

Prominent steward leaders share three key characteristics. First, they lead with impact. They are transformational leaders who inspire their followers to excel and achieve superior performance through their charisma, inspiration, intellectual stimulation, and individualized consideration.

Second, through a combination of prudence and care, steward leaders safeguard the future and ensure that the organization and its stakeholders thrive over the long-term. They exercise the judgment and discipline to sacrifice short-term profits for long-term gain. This enables the organization to regenerate over time.

Finally, by exercising transparency, accountability and responsibility, steward leaders demonstrate a deep understanding of the organization's broader social impact to bring about positive social change in spheres beyond the firm.

What are the stewardship risks?

Leaders are human and vulnerable to hubris. With dizzying rates of change and an ever more connected world, leaders can be affected by shocks and volatility. For steward leaders and their organizations, reinvention, flexibility, and adaptability are essential. Failing to identify threats can threaten the very survival of an organization and the future of all those involved with it.

Many leaders fall victim to their own success, and stay fixed in their ways. Others become enamored with their own views, overconfident and increasingly isolated in their thinking. Steward leaders acknowledge that they are vulnerable to risks – including those related to reputation, distorted perceptions of reality, transitions, feuding and political risks.

Great stewards enhance their self-awareness and manage their own weak points, by pursuing lifelong learning and building diverse teams to challenge them about their own views.

Fostering stewardship

Stewardship can translate into greater focus on the quality of interaction between management, boards, owners and shareholders. Or it might mean taking ownership and initiative to fill in institutional gaps, and to reinforce capabilities where they are lacking. In all cases, by acknowledging and building on the connections that do exist, stewardship helps to better build firm wealth over time and contributes to the well-being of society.

There are clear financial, economic, social and other benefits to be gained over the long-term through stewardship.

Can you become a steward leader and help make stewardship a reality?

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