Advances in Project Management Series¹

Leadership of purpose: In search of Good Dividends ²

By Steve Kempster, Ken Parry and Thomas Maak

Business has the very real potential to be the greatest mechanism on the planet to enhance humanity, if it can do this profitably and generate dividends for all its stakeholders.

All businesses seek to generate good dividends – how could it be otherwise. But let’s go further, all organisations should generate good dividends – private, public, and voluntary, NGO’s and even local and national governments. It is quite likely that the second sentence will have created a disquiet, alarm and even doubt as to whether you should read further. We hope you do.

A dividend is more than simply the term for a payment. It is an ownership in something to which a return today or in the future is anticipated. That return is typically divided up between the owners. It is of course a term we closely associate with business where shares are bought and sold on the basis of success and anticipated future performance. Yet it does apply to all organisations and institutions who have owners who can anticipate receiving dividends – hopefully good ones.

Employees have a stake in the success of their organisations. We have a stake in our governments. Further, we all have a stake in the well-being of our communities and indeed the planet. So, it should be considered a much more encompassing term. And that’s how we frame it within our work. Good dividends matter to all of us.

Good dividends are drawn from the use of capital. Capital (or stock – from the old English term for a tree stump) is something that can be increased by human endeavour. It is of course financial, and good dividends usually translate to an increase in financial capital. But the conflation is unhelpful. Financial is but one of six capitals: in addition to financial there is human capital, social capital (networks, relationships, communities), reputational capital (brand value), operational (transforming capability) capital, and natural capital (planetary). All of the six capitals relate to all institutions – including but not limited to businesses, charities, NGO’s, local and central governments.

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And here’s the thing…

If you maximise the capitals you maximise the good dividends – including financial. All can be systemically interconnected and we provide an example further on in this article to amplify this point. But it is rare for institutions – notably for-profit businesses – to overtly pursue the maximisation of all capitals. The preoccupation is with financial capital and financial dividends, and ironically this preoccupation limits the potential financial dividend over the medium- and long-term. Thus, the premise of our work is simple – it is about the role of leadership (arguably the most dominant social influence mechanism on the planet!) with a focus on purpose to maximise the six capitals and maximise the six Good Dividends.

This line of work is ambitious. We have sought to bring together academics and senior managers to address what we think is a key fundamental question that the leadership field (and perhaps leadership practitioners) have not addressed: leadership for what? The answer we offer is leadership of purpose through the notion of achieving good dividends. We will explore this answer in depth in this article. The ambitious nature of the work is related to the interdisciplinary approach. Too often, arguably invariably, discussions on leadership are delineated to an examination of the leader, the person, the role and to a lesser extent the leadership relationship. Here we examine the purposes, responsibilities and orientations of the activities of leadership with regard to the fiduciary duty and the generation of value. Our ambitions seek to reframe discourses on the role of business. We outline in our work a set of four interdisciplinary cornerstones that have not been drawn together to date, yet we contend that it is prescient that we do. These are: moral capitalism, virtue ethics, responsible leadership and the grand societal challenges to humanity (alternatively described as the sustainable development goals [SDG’s]). The 4 cornerstones form the theoretical foundation that underpin the arguments within our approach, notably the necessity for leadership to influence organisational activity to generate good dividends, for shareholders, for communities and indeed for humanity.

It was estimated in 2007 that there were well in excess of 20,000 books on leadership (Grint, 2007). This number will have grown considerably since then. Although we have not read more than perhaps 2% of these between all of us in this volume, we draw on this sample to assert that very few explore the theme of leadership of purpose (save for Hickman and Sorenson, 2014). Purpose plays an important, if implicit, role in the growing body of research on the notion of responsible leadership (Maak and Pless, 2006; Pless and Maak, 2011; Fernando, 2016; Kempster and Carroll, 2016). But because it is mostly implicit we believe that it is time to bring it to the fore.

Overwhelmingly most leadership books can be classified under Grint’s (2005) heuristic: Leadership as person; leadership as position; and leadership as process. Grint offers a fourth, that of leadership as results. The notion of results provides a sense of trajectory towards purpose – as an outcome orientation. But purpose is so much more than simply results. Purpose can be seen to
be a journey of investment towards the achievement of outcomes to which they gain fulfilment. Societal purposes enrich such fulfilment through being achieved for others. Societal purpose becomes ‘an aim that guides action in a broader societal realm’ (Kempster, Jackson and Conroy, 2011). Howie, drawing on the writings of Aristotle suggested a ‘being [realizes] a purpose outside that ‘being’, for the utility and welfare of other beings (1968: 41). Aristotle was framing purpose as ‘telos’ – a quest in which people gain contentment from the commitment and investment of their talents to this journey. In this way purpose has a strong moral base. Moral orientation to purposes of everyday activity is the central theme that runs throughout this approach.

Let us offer a challenge at the outset. The Young Presidents Organization (YPO) is made up of 22,000 members. It is a global network of CEOs, Presidents and Chairs of organisation of a minimum size. The total revenues of the members’ organisations is circa 100 billion – reflecting an estimated 7% of the worlds output. If the supply chain and customer engagement are included into this reckoning the capability for change is most real. Imagine all of this interconnected dynamic focused on societal purpose. What might be the result? Would there be progress towards the elimination of modern slavery, or disease eradication, enhanced food and water security, reductions in poverty, or perhaps a sizeable step towards addressing climate change? Or would the YPO member organisation shareholders be less well off? Would the executive leadership of these organisations have failed to serve their fiduciary duty to the shareholders and be out of jobs? Would share capital have fled these organisations to find traditional ‘safe’ harbours? It seems highly likely that the latter set of questions would form an understandable refrain of neo-liberal capitalism. There is the need to work with such a refrain and engage within the norms of the existing system. In a sense use capitalism to change itself. Drawing on a metaphor from judo, use your opponent’s strength against his/her self. This then is the necessity of the notion of the Good Dividends. We use the notion of dividends – a very real symbol and discourse of capitalism – as the focus of organisational leadership of purpose.

We offer a brief vignette as means of introducing the Good Dividends. Steve had collected his youngest son from University and journeying home in the car Rob explained what his masters in research was on. Over the next 90 minutes or so the intricacies of bio-informatics were explained. It seemed that society, over the next few decades, was on the cusp for considerable change in terms of breakthrough health research. The ability to run thousands of experiments in a week through software that would have taken years in traditional laboratory experiments would revolutionise biological research. Rob’s research was working on protein refinements (Kempster et al, 2017). All seemed most exciting, certainly his dad thought so with regards to gaining fulfilling employment. But no, seemingly bioinformatics is too distant from market value at present and there is a dearth of jobs.

As they pulled off the motorway for a coffee at a service station, Rob asked ‘what’s happening with your research.’ ‘Well let me tell you about the good dividends’. Between parking up and getting into the queue for coffee all was explained. There are six good dividends. The word good
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In three ways with regard to the financial dividend: Good in the sense of quantity; good in a sustainable sense of how it has been derived – a medium- to long-term orientation; and good in terms of how it has come about – the virtuous conduct of the organisation and related partners. The good financial dividend is the result of an organisation’s attention to maximising all its capitals. In this way the output of the capitals as a financial dividend is interrelated within a systemic web of 5 other good dividends: good brands, good human resources, good innovation, good operations, and a good One-planet community (the idea of one-planet as a symbol of humanity and nature being as one unity comes from the WWF and we acknowledge their contribution here). Each draw on the other as a consequence of leadership attention to each and to the whole. For example, appropriate leadership will yield greater returns from employees (the human resource dividend), including increased commitment, curiosity, engagement and responsibility – realising human resourcefulness. Further, positive outcomes of this flourishing human resourcefulness include reduced sickness, lower attrition, and greater well-being. This dividend enables enhanced innovation and utilisation of resources. With 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 and to our communities reinforces the meaning and purposes of work. With the organisation aligned, the authentic marketing narrative strengthens the customer relationship, particularly through purpose driven brands. 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. The strength of this reputation feeds back to greater identification with the organisation and its purposes, that inter alia reinforces attention to innovation, and good use of resources. Ultimately, of course, all these dividends feedback to greater returns for owners / shareholders. The shareholders are investing in a ‘good’ organisation with good dividends. The good financial dividend invests back to encourage and reinforce human resourcefulness creating a virtuous cycle replenishing the six capitals that become further utilised for on-going good dividends. The essence of the Good Dividends is that it is a business model based on capitalism rather than a bolt-on initiative to pursue sustainability. This was not quite how a father and son chat actually occurred, but it captures a flavour of the conversation. Rob’s direct comment [that perhaps only a son can give] was: ‘Surely this is common sense … why would a business not do this? It does seem strikingly obvious.’

Why indeed would organisations not seek to maximise their dividends by drawing these six good dividends together? Why do organisations underutilise the available six capitals? Why is there the need to write a book and focus on such obvious common sense? The answer to this question lies within the four cornerstone themes that support our journey. In short, the complexity lies with
our neo-liberal capitalistic assumptions that have captured leadership orientation. By giving prominence to purpose and responsibilities of leadership, by embracing the grand challenges that face communities and the planet, and by reframing the business model around moral capitalism, the power of leadership has the chance to realise good dividends for society at a time never more required; and at the same time realise good dividends for the organisation, employees, customers and suppliers and of course the share-owners. This work then is a journey that seeks to reclaim this virtuous common sense.

Conclusion

The central thesis of the approach then is to explore how responsible leadership can be developed within an organisational context. Such leadership seeks to pursue purpose through a systemic set of six Good Dividends. The work is not about the people who lead – their qualities, personalities, traits and styles – as with most leadership books, except perhaps our pledge for the importance of stewardship in the context of climate change and intergenerational justice. Rather, it is focused on the responsibilities of leadership, the purposes of leadership and what these people seek to achieve. The work is undertaken in a unique interdisciplinary way. The systemic and interdisciplinary orientations are challenges in terms of reaching beyond typical disciplinary boundaries. For leadership studies this has not be conducted before with regard to a focus on purposes and responsibilities; but the necessity to reach beyond the norms is necessitated by the prescient circumstances the world is facing.

Despite the complexity of the challenge we are seeking to address we still hold to the common-sense nature of what we are exploring. Common in the sense that we hope the central idea seems most obvious and simple; and common in terms of resonance that the ideas connect to peoples lived experience of the world that echoes the prophetic question of a 23-year-old biologist – ‘why would a business not do this?’

References


About the Authors

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Steve Kempster is Professor of Leadership Learning and Development at Lancaster University Management School, UK. He has authored the books *LEADing Small Business* (Edward Elgar) and *How Managers Have Learnt to Lead* (Palgrave Macmillan), and has co-edited (with Brigid Carrol) *Responsible Leadership: Realism and Romanticism* (Routledge), *Field Guide to Leadership Development* (Edward Elgar) and he has published widely in *The Leadership Quarterly, Management Learning, Leadership*, and other top-ranking journals. Steve’s first career was as a chartered surveyor, during which time he ran his own practice. In his second career, his research and engagement interests span leadership learning, responsible leadership, and through addressing the question ‘leadership for what?’ examines the contexts, purposes, actions and outcomes of those who lead.

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Thomas Maak is Professor of Leadership and Director of the Centre for Workplace Leadership at the University of Melbourne. A graduate from the University of St Gallen, he held appointments at St Gallen, INSEAD, ESADE Business School and was formerly Head, School of Management and founding Director of the Centre for Business Ethics and Responsible Leadership at the University of South Australia. Thomas is a leading scholar in the field of responsible leadership and uses a multi-level lens to research leadership at the individual, group and organisational level, linking ethical theory, political philosophy, relational thinking and stakeholder theory. Thomas has extensive experience in leadership development and has worked for several years with PricewaterhouseCoopers on their award-winning senior executive programme ‘Ulysses’. Beyond leadership research his interests...
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Ken Parry was Professor of Leadership Studies at Deakin Business School, in Melbourne, Australia. His research interests focused on all methodologies that are associated with the study of leadership. He brought auto-ethnography to management/business studies early in the century. He is co-author, with Brad Jackson, of the Sage Short, Interesting and Cheap Book about studying leadership—the No.1 selling leadership text. Most of his publications focused on grounded theory and other qualitative methods. He was widely asked to be a keynote speaker in industry and academic conferences.