Chapter 9

Responsible leadership and societal purpose: Reframing the purpose of business as pursuing good dividends

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Abstract

In this chapter the author argues that a moral form of capitalism can realize good purposes and enable humanity to flourish. However, a shift in thinking about capitalist leadership is proposed through an argument for good dividends—a case for coupling together the notions of moral capitalism and responsible leadership through purpose. The author starts by outlining the relationship between purpose and responsible leadership. Then he discusses features of capitalism that were prominent in the late nineteenth and early twentieth centuries and draws conclusions which form the basis of an argument for the importance of pursuing six capitals: financial, human, social, reputational, operational, and planet-community. Maximizing the systemic use of all capitals generates good dividends. He continues by outlining the interdisciplinary perspective of moral capitalism with an understanding of business value that embraces intangible assets (such as human capital, social capital, and brand reputation). He argues that stakeholders' interests and value can be aligned and realized through purpose, which enhances the value to the owners/shareholders over time. He concludes the chapter with a series of leadership case studies highlighting the relationship between purpose, business value, and social impact, and makes a call for collaborative action by stakeholders.

Keywords: capitals, good dividends, meaningful work, moral capitalism, purpose, social impact, strategic value, virtue ethics

Introduction

Capitalism is a moral endeavor. The prevalence of amoral business conduct and high-profile cases of unethical business leadership reflect the dominance of the neoliberal agenda. For the last 40 years or so, the neoliberal orientation to business has led to understandable refrains that capitalism is generating significant inequalities and excesses; an unconscious, irresponsible capitalism that has no regard for the quality of work, for communities, for place, for the environment, and even for humanity. But this need not be so. Capitalism can realize purpose. It can help to alleviate many of the grand challenges that face communities, societies, and the environment. However, a significant sea change in thinking is required about capitalism, alongside a similar shift in how we appreciate and enact leadership. Such a sea change is proposed through the argument for good dividends: a case for coupling together the notions of moral capitalism with responsible leadership. This is not new, just forgotten. There was a healthy flourishing of pockets of moral capitalism and responsible leadership in the nineteenth and twentieth centuries. We need to look back at the lessons from the past, and then look forward to what is possible if we reclaim capitalism and embrace Adam Smith's (1759) original thesis centred on the "invisible guiding hand."

The structure of the chapter is as follows. First, I outline the relationship between purpose and responsible leadership. Second, I look back to understand the features of capitalism that were prominent in the late nineteenth and early twentieth centuries. Third, and drawing from the lessons of the past, I outline the central argument for good dividends. Whilst using the language of dividends to capture the essence of capitalism, I seek to (re)frame capitalism as an overt moral agenda and moral mechanism in which business value and social impact are two sides of the same coin. Dividends emerge from the use of capital. The six good dividends of moral capitalism reflect six capitals: financial, human, social, reputational, operational (often seen as institutional or manufacturing) and planet-community (often described as natural—but this does limit overt engagement to society). Maximizing the systemic use of all capitals generates good dividends. Fourth, I outline the interdisciplinary perspective of moral capitalism to offer up a new perspective on business value that embraces intangible assets (such as human capital, social capital, and brand reputation). Drawing on the arguments of this volume on responsible leadership focused on leader-stakeholders and the realization of stakeholders' value (Kempster and Carroll, 2016), the fourth section explores the nature of purpose as a central connecting mechanism that can align stakeholders to achieve global commons. It is through realizing purpose that stakeholders' interests and value can be aligned and realized—including the fiduciary duty to owners/shareholders. Rather than societal purpose diluting owners' value, the systemic nature of good dividends would, over the medium- to long-term, enhance the value to the owners/shareholders. The section is concluded by considering the need for both value enhancement and a moral impulse. Evidence that value enhancement is linked to purpose is not sufficient. Fifth, I provide three short commentaries on the relationship between purpose, business value, and social impact through a series of leadership case studies. The chapter concludes with a call to action. The action I envisage is an ambitious collaboratory—a partnership of business leaders, NGOs, charities, impact investors, and policy makers—for the purpose of generating a societal shift in how capitalism is practiced. The agenda would be to engage and learn together over an extended period to develop a comprehensive evidence base, tools, and measures on responsible business leadership. But first let us explore the relationship between responsibility and purpose within a business context, with an emphasis on meaningful work.

Responsibility and purpose

A definition of responsible leadership is laid out elsewhere in this volume and does not require further elaboration. Rather I would summarize my understanding that has shaped the key tenets of this chapter. Responsible leadership emphasizes a person's character, their sense of virtue practices, which are enacted in decisions and actions (Kempster and Carroll, 2016). As a consequence, attention is drawn to four key questions: What to pursue? Why? For whom? And where? There are two key themes that connect all four questions, namely ethics and purpose. My attention in this chapter is on purpose; but the way I seek to interpret purpose is through an Aristotelian virtue ethics lens.

I draw on here my work (Kempster, Jackson, & Conroy, 2011) that sought to problematize purpose in the everyday practices of leadership. I drew on MacIntyre's (1997) central thesis that managerialism and neoliberal capitalism (in for-profit and indeed not-for-profit sectors) would lead to a decline in virtue practices of employees and managers. I drew on the awful case of the Mid-Staffordshire Hospital (in the UK) where a government inquiry identified that many fatalities occurred as a consequence of dehydration, as clinical staff repeatedly failed to respond to patients' cries for help, giving priority to efficiency KPIs of ward management. The outcome of the Francis Inquiry (Francis, 2013) was to instigate a requirement on all hospitals in the UK to make care a priority! MacIntyre argues that the absence of virtue practices leads to the dominance of external goods (productivity and efficiency) over internal goods (such as health care). MacIntyre sees virtues as acquired human qualities that, if exercised, enable us to realize "internal goods" (MacIntyre, 2004: 251): intrinsic outcomes that are centrally aligned to the pursuance of a meaningful and worthy purpose or "telos". Telos is an Aristotelian notion of a purposeful journey, or quest, that an individual pursues that would generate good for humankind: "A person will only feel fulfilled and gain a sense of well-being and purposefulness if they move towards their telos" (Kempster et al., 2011: 321). The aspect I wish to make salient is the association between purpose and the pursuit of something of value to others—Aristotle's notion of "extrinsic finality" where a purpose is realized for the utility and welfare of other beings (Howie, 1968: 41). Howie argues, following Aristotle, that "the highest good for man consists not merely in the possession [of a purpose] but in the [pursuit] of it" (1968: 41).

There is thus a responsibility on those in positions of leadership not simply (and it is not simple) to articulate a worthy purpose that the organization pursues, but there is an essential need to enable employees to explore, discover, learn and pursue their telos, their sense of purpose aligned with the organization's telos, in order to realize fulfilment and happiness. How can work achieve this? How can the multiplicity of purposes be accommodated within a single organization? Before I address these questions, let me pose a further question: Is there benefit in an organization being a place in which people find meaning and fulfilment in work? This seems an odd and facile question: how could it be otherwise? Yet such a truism needs to be made explicit as it is not so common that work provides such meaning and fulfilment. Arguably if it was so common there would not be the need for a book on responsible leadership and certainly no need for this chapter!

Research has explored the importance of fulfilling work for both employees and organizations. For employees, fulfilling work increases job satisfaction (Fried & Ferris, 1987; Wrzesniewski, McCauley, Rozin, & Schwartz, 1997), engagement, and well-being (May, Gilson, & Harter, 2004; Cartwright & Holmes, 2006), and for organizations fulfilling work leads to improved job performance (Fried & Ferris, 1987; Grant, 2007; Hackman & Oldham, 1975), increased customer satisfaction (Michaelson, Pratt, Grant, & Dunn, 2014), stronger organizational citizenship behaviour (Piccolo & Colquitt, 2006), increased commitment and identification with the organization (Bunderson & Thompson, 2009), and importantly well-being and virtue practices in organizations (Beadle & Knight, 2012). With regard to the last point Michaelson et al. (2014) have explored the notion that meaningful work strengthens employees' (including managers') sense of moral identity.

Drawing on the preceding summary of indicators of value to meaningful and purposeful work, leaders have a responsibility to generate meaningful work for employees; but employees are but one of a range of stakeholders. Although Greenleaf (1977) in his influential ideas of servant leadership suggested that "providing meaningful work for employees is as important as providing a quality product or service for the customer" (Yukl, 2006: 420), it would be irresponsible leadership to pursue the objectives of an organization to satisfy just one stakeholder, the employee. In the same way, serving just shareholders is irresponsible.

Responsible leadership thus seeks to serve stakeholders' value realization systemically (more on this when we explore the good dividends theory), addressing the often competing and complementary needs. It is purpose that provides a mechanism for alignment of stakeholder interests, and meaning making is central to such alignment.

Meaning making has been offered as an influential core characteristic of leadership (Smircich & Morgan, 1982; Pye, 2005). Smircich and Morgan (1982: 262) persuasively suggest that leadership meaning making can be understood as a process of defining reality that resonates with employees. The challenge for someone offering leadership is "to manage meaning in a way that individuals orient themselves to the achievement of desirable ends" (1982: 262). Manipulation, inauthenticity, and abuse of power are relevant issues here. Shaping someone's sense of understanding of reality is deeply ethical. It is an important responsibility of leadership. It implies a responsibility to seek the right balance of articulating a desirable organizational purpose that does not marginalize and suffocate individual telos nor demand exclusive obedience, commitment, and identification. Individuals should be enabled to pursue their own telos aligned to the meaningful nature of work and organizational purpose.

This is all so much easier to write about than to practice. My experience of working with managers is that purpose is a very difficult topic. Identifying a purpose within organizational contexts—particularly for-profit businesses—is complex. Profit, shareholder returns, salaries, and customer value are predominant discourses. When asked what profit is intended to achieve, conversations run dry. Further, those in positions of leadership find it uncomfortable to engage with employees in articulating a purpose. Finally, it is not expected by employees; purposeful conversations are not expected, and not demanded. Leadership is not found wanting for failing to provide meaning to work that inspires and excites. It is thus most understandable that transactions and KPIs—the external goods—dominate organizational life, and the benefits of meaningful work are likely to be for the few not the many.

Responsible leadership then has a major task. It is a most worthy task, and a deeply ethical and challenging task: to create meaning to everyday work that generates internal and external goods. Let me overstate the importance of this challenging task. The grand challenges that threaten humanity, such as climate change, migration, modern slavery, poverty, and obesity, need to be addressed by businesses. Businesses have the power and resources to tackle these challenges. Businesses are indeed culpable in the manifestation of many of these challenges—notably climate change. There is a clear need to take responsibility and make the externalities business "internalities." But this need not be enacted in a manner that reduces business value. As an owner-manager (Luke Freeman) commented to me: "It's not what my business can do for the SDGs [Sustainable Development Goals], but rather how can engaging with the SDGs add value to my business?" This was his meaning making. Subsequently Luke has spent some time exploring this (Freeman, Kempster, & Barnes, 2019). He has been seeking to reframe business value and anchor this to the development of purpose in everyday work—to make manifest meaningful work. This approach is not new …

Taking the long view: Lessons from the past

Looking back at how the world of work has changed over the past century and, perhaps most significantly, where we continue to grapple with the same thorny issues that plagued policy makers, practitioners, and business 100 years ago, one of those thorny issues is how we can reconcile corporate capitalist ambitions with societal needs. How can we link business responsibility and purpose with growth and wealth generation?

In the eighteenth, nineteenth, and twentieth centuries these goals felt less far apart than they do today. In 1918 Cadbury's, Joseph Rowntree, Fry's, Clarks, Friends Provident, Barclays, Lloyds, and others had achieved considerable, sustained financial success, while at the same time investing heavily in their workforce and in local communities. For these businesses, often led by Quakers, philanthropy did not sit separately to commercial ambition, but was embedded in their ethos from the outset. As soon as they were able to do so, they raised the wages of their workforce; they introduced pensions, and unemployment and sickness benefits. They looked beyond the walls of their factories and offices to consider how they could benefit the entire community. Bourneville in the West Midlands is testament to this era: an entire village created by the Cadbury's family to improve the living conditions of their workers and their families.

Somewhere between then and now we lost our way. The unwavering focus on shareholder capitalism that has characterized the twentieth and twenty-first centuries has left all but a glance towards creating value for other stakeholders (employees, suppliers) or for society more generally. Despite strong expansion of the UK economy over the past hundred years, we have seen growing levels of poverty, inequality, and division in our society. Fourteen million people, including 4 million children, live below the poverty line in the UK, with employment no longer providing a route out of poverty for many (Joseph Rowntree Foundation, 2020).. Not just in the UK but globally "trust in business leaders is at an all-time low—on average it sits at 20 plus percent in most of the developed economies" (Maak & Pless, 2019: 32).

It is clear we need a new approach to capitalism and business leadership, one that recognizes the role of business as stewards of both our economy and our society (Maak & Pless, 2019). We need an approach that embeds social value at the very core of organizations, making it central to every decision, from HR and procurement to finance and facilities management. This approach should repair the social contract between businesses and communities and forge a new chapter of shared prosperity for the UK in a post-Brexit world.

But how can we reinvigorate the principles of old and repurpose them for the twenty-first century? What does responsible leadership look like and what can businesses do in practice to fulfil this role? I address these questions throughout the remainder of the chapter. First, I will (re)frame capitalism and build the notion of good dividends.

(Re)framing capitalism: In search of good dividends

As previously explored, moral capitalism is not a new concept. Indeed, Adam Smith anticipated it through the notion of the "invisible guiding hand"—the morality in society framing the acceptance of capitalism. Indeed, Smith would have been outraged by the abuse of his work in the late twentieth century, as throughout his lifetime he was deeply concerned about the moral foundations of society. *The wealth of nations* (Smith, 1776/1937) utilized the term "invisible hand" and connects with *The theory of moral sentiments* (Smith, 1759) to argue that moral boundaries would prevent capitalists from pursuing ruthless self-interest. That is, self-interest through a free market would be shaped by individuals embedded in moral concerns of society "who are able to see and plan long range—and the better the mind, the longer the range" (Rand, 1967 32). Short-termism along with an amoral approach to purpose and place are significant structural weaknesses of neoliberal capitalism. It was neoliberal economists, after selective reading of Smith, who readily embraced the idea of decoupling short-term self-interest from long-term societal concerns. This abuse was captured by Milton Friedman (1970), who perceived corporate social responsibility as "socialism." Such antecedent (mis)framing of business leadership responsibilities has straight-jacketed understanding of capitalism, overlooking that it is capable of embracing the "virtues of integrity, honesty, trustworthiness, enterprise, respect, modesty, and responsibility" (Fourcade-Gourinchas & Healy, 2007: 4). To quote Young in his book *Moral capitalism*:

> 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 or one planet community] capital, and human capital [and I add operational capital]. These forms of capital are the essential factors of production. (2003: 2)

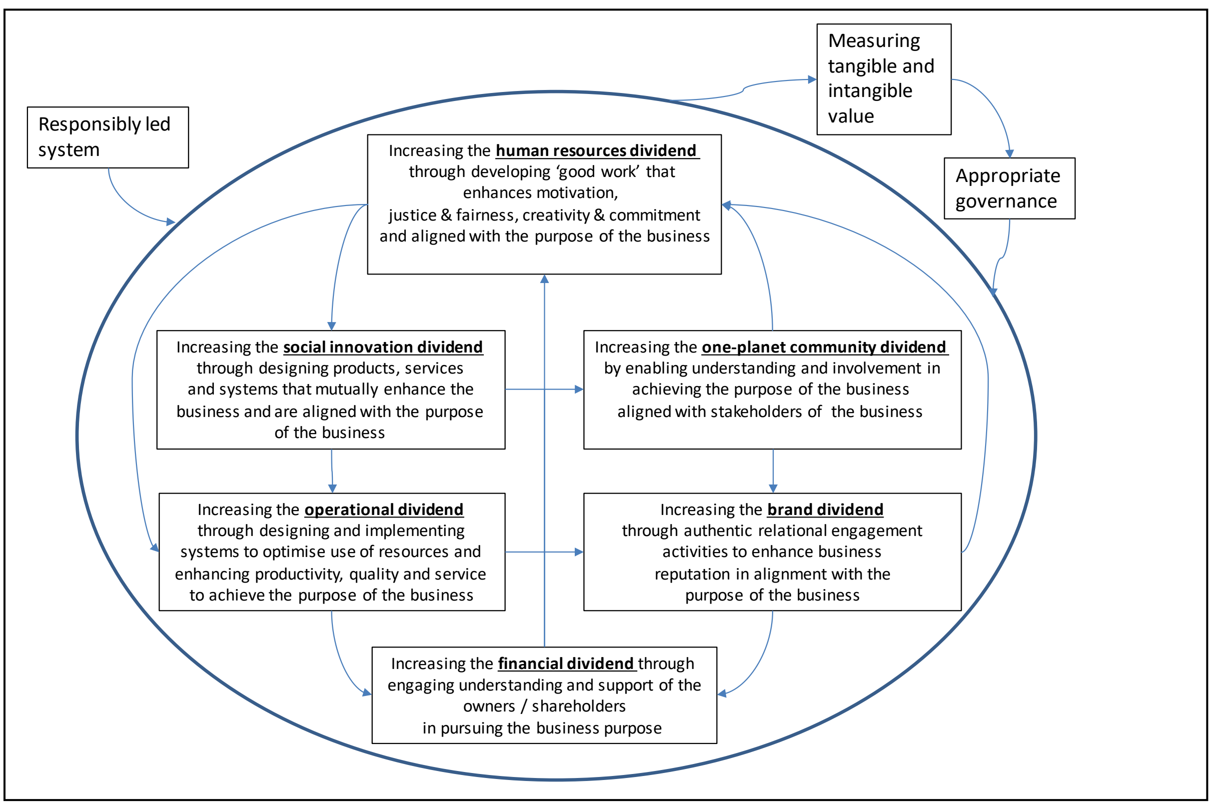
Moral capitalism, then, would seek to increase all these capitals. To enable this realization requires a systemic appreciation of the interrelationship of each capital that helps yield (or bring forth) the others. Using the alternative meaning of "yield" (as a return) allows us to clarify the axiomatic relationship between capital and dividend. As capital is increased, there is the opportunity to utilize such capital to increase dividends. For example, increased human capital can create the human dividend of good work and resourcefulness. Greater operational capital provides the operational dividend of productivity, or quality, or customer service. Enhanced reputational capital can enable the reputational dividend of increased customer loyalty and customer promotion of products and services. Increased planetary-community capital (often referred to as natural capital) can protect or enhance the environment (reduction in waste plastic, infectious and chronic diseases, displaced people, and water and food insecurity) and enrich communities (e.g. reduction in food poverty, obesity, homelessness, and modern slavery, and enhanced human rights, education, and training). And, of course, increased financial capital increases dividends to shareholders, or investment back into the other capitals. The last point of reinvestment highlights the systemic relationship of all the capitals. Understanding each individual capital/dividend is important but is far from sufficient:

> A systemic perspective embraces an engagement with the whole system. It seeks to understand the complex whole by attention to particular elements that help construct the system. But importantly the particular elements are limited in value in terms of explaining the whole. The key is the integrative nature that creates an emergent property of a system—manifestation of moral capitalism. (Kempster, Maak, & Parry, 2019: 41)

So, to the system. What I outline in Figure 9.1 is not reality, but a compass for tackling grand challenges and realizing positive change: "[The system] is less of an explanation of what to do and much more of a process of exploring what might be possible" (Kempster et al., 2019: 41). Here I am informed by the work of Checkland and Scholes (1999) and their ideas of soft systems methodology—the notion of crafting a system as purposeful human activity. Important at the outset in creating a system is the need for a "root definition" of the system's purposeful human activity. My root definition for the good dividends system is

> To generate value for stakeholders that in turn generates value for owners/shareholders, accomplished through leaders' attention to societal purpose and fiduciary duty that achieve the good dividends, but controlled by appropriate governance and measurement, in order to realise moral capitalism and address the grand challenges that face humanity. (Kempster et al., 2019: 41)

Figure 9.1: A system of Good Dividends



The system outlined in Figure 9.1 seeks to address the fiduciary duty of business leaders to the owners/shareholders of the business. Arguably, by underutilizing the capitals along with limited systemic connectivity, the financial dividend, and thus the fiduciary duty, has been underserved—certainly with respect to medium- or long-term business value. In a system that seeks to foster moral capitalism there is no conflict between a fiduciary duty to business value and engagement with positive social impact—the two are interconnected.

Understanding business value

Through the realization of all capitals there is a commensurate realization not just of business value but also of social impact—indeed the two have a very real connection in moral capitalism. However, it would be inappropriate not to pause and consider what we mean by business value. How, for example, do we account for intangible assets, which are frequently cited to make up to 80 percent of business value (Hesketh, 2019)?

So how do we understand value? How might notions of value be changing in the context of the global and local societal challenges that face humanity? Let us start by understanding how business value is presented. Steve Young, with Sam Rawsthorne and Luke Hildyard (2019), have examined the prevailing approach to communicating corporate performance and value creation in annual accounts of the FTSE 100. Their research is striking. It demonstrates that the main focus is on financial performance while little attention is given to intangible assets. On one level

—and drawing on twentieth-century framing of value—value is constituted by the tangible assets that can be readily counted. However, as Einstein is reported to have once said, what really counts may not be capable of being counted. For example, most prominent intangible assets are reputational capital and human capital. The National Association of Pension Funds (2015: 7) commented: “the people who constitute a company’s workforce are in many cases a firm’s most valuable asset.” However, the reality is very different from the rhetoric of “people are our greatest asset.” Companies provide very little detail to external stakeholders about their workforce policies and practices (Young et al., 2019). If human capital is a valuable asset, and one that creates and sustains shareholder value, then “one would expect to see companies treating information about human capital with the same rigor and accountability as they afford to financial reporting” on tangible assets (2019: 55).

Young et al.’s (2019) data show that, when placed against the criteria of workforce composition, stability, skills and capabilities, and engagement, annual company statements have a paucity of detail. Most notable is the low level of attention paid to stability, skills and capabilities, and engagement. Data on workforce composition is reported at relatively higher rates, only because of mandatory requirements to report on such matters. In this way, attention is less about value creation through human capital, and has more to do with compliance and risk management—particularly around employment law and equal opportunity. Young et al.’s conclusion is that

> companies that highlight the strategic value of their workforce also back this up with more information of the type recommended by the PLSA, while companies

> that provide little strategy-related workforce narrative tend to be less forthcoming about themes and metrics. (2019: 60)

Few businesses appear to give attention to the pursuit of long-term value generation through human capital. The norm for business value is thus rooted in maximizing the tangible capitals. Arianne Huffington (2014) points out that such a one-dimensional focus can limit value generation, specifically when the maximization of tangible capitals (e.g. short-term profits, quarterly earnings reports, growth targets) leads to undesirable and costly effects on intangible human capital, which subsequently have negative effects on a company's bottom line. This relationship between intangible capital and human capital can be seen in ever-increasing levels of workplace stress, which are related to reduced levels of employee well-being and satisfaction; increased absenteeism rates, burnout disorder, and health-related costs; and ultimately to decreased productivity in the workforce.

The consequence, if this one-dimensional focus limits value generation, is a breach of the fiduciary duty to shareowners. Rather than viewing fiduciary duty as the problem, through the preoccupation with short-termism and discounting future value, value maximization can be reframed if intangibles have a place in the accounting lexicon of value.

Ant Hesketh suggests that "what society values about modern day organizations is changing and yet how we seek to understand, account for and lead these same organizations is out of step with the views of the wider society" (2019: 154). Bower and Paine (2017) emphasize the need to enhance and protect value *creation* over a longer term. The long view reflects a movement from a focus on the short-term wealth of a business, to the long-term health of a business (Bower & Paine, 2017). What might the criteria be for examining long-term health? Unilever's sustainable living plan provides a useful hint. Alongside generating shareholder value, Unilever offers a sense of purpose to which objectives, activities and measures are aligned. . In terms of good dividends, the business is seeking to generate a "healthy" business internally and externally through close association with its primary stakeholders—customers and suppliers. This takes the form of an extended social fiduciary duty that pursues business value and social impact in an integrated manner.

Ant Hesketh (2019) offers the term "modalities of strategic value" to capture this social fiduciary duty and outlines four strategic values. Starting with the materiality of value (the tangibles we are already familiar with) we can examine the short versus the long-term orientation. For example, long-term strategic value reflects the criteria of investment, earnings quality, margin growth, annual reporting (rather than quarterly), and EPS (earnings per share) growth (Barton, Manyika, & Keohane Williamson, 2017: 67). Barton et al.

Second, we need to examine the strategic value of impact on society—how should business account for the costs of impact? Is it through taxation? Or does this cost to communities emerge through the cost of reputation? If taxes reflect negative impacts, should allowances be given for enhancements? If we "follow the money" then impact investment will help to shape understanding and measurement of this strategic value. For example:

> Swiss Re, one of Europe’s biggest insurers, recently announced it is moving its $130bn investment portfolio to new ethically based benchmark indices in a bid to provide incentives for companies to change and consider the wider factors of economic and social governance (ESG). The Chief Investment Officer, Guido Fürer, described the move as “more than doing good—it makes economic sense,” as the firm was seeking to protect sustainable value by limiting downsides rather than relentlessly pursuing upside potential. (Hesketh, 2019: 170)

The third strategic value is the reciprocity of strategic value. This values relationships with suppliers and with customers, where businesses are judged contemporaneously by their performance to stakeholders, alongside the performance of businesses they are associated with. For example:

> Axa announced in 2016 it was selling its investments in particular sectors [such as tobacco] and was quickly followed by other financial firms including Aviva, AMP Capital, Calpers, Scor and Sweden’s AP4 pension fund. In all, some $4bn has moved with more companies considering the move. For Axa, it is no longer just about how you do business but *with whom* you do business. “We won’t cover [certain sectors’] manufacturing plants” says Alice Steenland, the insurer’s head of corporate responsibility. (Hesketh, 2019: 170)

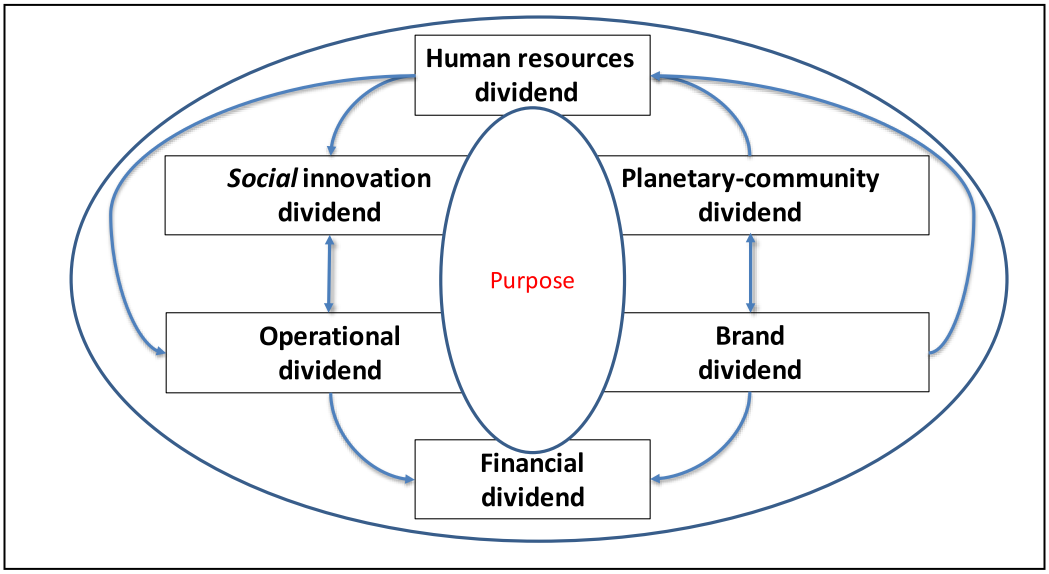
Finally, the fourth strategic value is experience. In terms of intangible assets, this reflects aspects such as brand reputation, employee engagement, or indeed the ethics of the business. Bundled together, the strategic value of experience is considerable. For example:

> Unilever, through the Sustainable Development Living Plan, has captured the discretionary effort of employees motivated by reducing the environmental footprint of a company selling 2bn products a day worldwide. Consequently, the firm has created a new human capital asset through its employee value proposition underpinned by the purpose of "doing well by doing good." Target recruitment groups now rate Unilever as the number one employer of choice in 32 countries. (Hesketh, 2019: 170)

By considering the four modalities of value we can begin to understand how 80 percent of a firm's value can be drawn from intangible assets. A reframed understanding of business value thus embraces the value constituted in intangibles: human resourcefulness, reputation, social networks, and enriched one-planet communities—purpose!

Responsible business leadership is ostensibly about realizing value for stakeholders. But it goes beyond this. There is a need for those who lead to give attention to value as inextricably connected to purpose. Indeed, purpose can be understood as the aligning dynamic that connects possibly disparate stakeholder interests—shown in Figure 9.2.

Figure 9.2: Value and stakeholders interwoven together through purpose



Much of the discussion presented so far in this chapter, however plausible, requires those of power and influence to act. In leadership studies too much attention is given to the individual as leader—their traits, style, skills, charisma, and authenticity. And too little time has been given to the responsibilities and endeavors of those leading. What are leaders seeking to address and why, and for whom and where? The absence of these questions has made leadership studies the poorer. Frankly we do not need more data on how certain leader behaviours may impact on followers (despite research that offers us insight that the "follower" may be no more than the fantasy desires of those who wish to be leaders; Schedlitzki, Edwards, & Kempster, 2018). We need attention to the use of power and resources to realize worthy purposes. The absence of a focus on the what, why, for whom, and where questions perhaps points to the decline of virtue ethics within organizations and the predominance that Buchholtz and Carroll (2012) suggest of amoral management, which has led to purposeless leadership.

The importance of leadership to the survival of humanity appears overstated. However, I would assert that there is no more important mechanism of social change on the planet (for good or for evil). The power, influence, and resources under the control of those who lead us is staggering. This includes not just politicians but business leaders if we consider both countries and corporations. In the top 200 entities over 150 are corporations—Walmart for example is bigger than Belgium and two years ago Amazon became bigger than New Zealand. And of course that is just the tip of an enormous iceberg of business entities. So when we speak of the world seeking to engage with the SDGs, we are really talking about business leadership seeing value in doing so.

We know that, despite the considerable evidence of a multiplicity of correlations—purpose-driven brands and business growth, purposeful organizations and meaningful work (and low employee attrition), purpose and employee engagement, purpose and innovations, purpose and productivity, purpose and customer service—purpose appears to be rare unless those in leadership positions feel a moral impulse to pursue societal purpose as a responsibility of leadership.

Realizing purpose through responsible leadership

I offer three case studies drawn from the Good Dividends Project. The approach in the Good Dividends Project has been interdisciplinary in order to understand each of the good dividends from a respective disciplinary lens. The cases reflect this approach. The first case, Elvis & Kresse, is focused on the brand dividend and a purpose-driven business seeking to end waste and give value to the fire service. With respect to Hesketh's (2019) modalities of value, the case explores all the strategic values of materiality, experience, reciprocity, and impact. The second case of St1 explores the HR dividend, from the perspective of an owner-manager seeking to realize human resourcefulness and good work (strategic value of experiences) through explicit action to realize environmental change (strategic value of impact). The third case of SOK seeks to highlight reciprocity as strategic value through examining the responsible actions of leadership pursuing human rights within the extensive supply chain of the business.

Elvis & Kresse

Elvis & Kresse launched in 2005, directly in response to the founders' own "moral outrage," having discovered the vast scale of waste generated by our society and, more specifically, the quantity that ends its life buried in landfill or incinerated. The founders' mission was to build a business that rescues and transforms waste, that is financially sustainable, and also delivers a social purpose. The business began by recovering decommissioned fire hose from the London Fire Brigade, transforming the hose into affordable luxury fashion accessories, and donating 50 per cent of its profits from the hose lines to the Fire Fighters Charity. The business has grown steadily to become a powerful purpose-driven brand that generates exceptional good dividends.

In the case of brands with an environmental and social mission, a clear dividend arises from being part of the solution. For Kresse, the motivation and goal for her business is this contribution. Yes, the business needs to be financially sustainable, but she argues that the finance is primarily to provide the *facility* to deliver the *higher purpose*. Her enterprise metrics focus on the extent to which she is solving the problem she set out to address—initially, the 10-ton-a-year problem of fire hose waste—alongside the contribution she is able to pass on to the Fire Fighters Charity. Having largely accomplished the hose waste goal by 2010, the focus is now on an 800,000-ton-a-year problem: redirecting leather offcuts from landfill or incineration. Kresse noted that the growth metric, or their concept of ambition, is aligned with waste rather than profit: “I’m also motivated by whether or not we and our employees are happy, challenged, and fulfilled. Whether we can sleep at night”

Kresse explained the particular emotional connection that attracts consumers to the E&K brand:

> Many of our customers save up to buy our bag because it reflects their values and they want to wear their heart on their sleeves. When people talk about statement handbags … well, our bags make a different statement. Some buy for gifts … and that’s because you are giving more than a thing. You’re giving recycling and you’re giving “giving.”

The strong narrative behind the brand—both the environmental and social narrative—encourages repeat purchases, an acceptance of the premium price position and, importantly, active support from customers and an ongoing “conversation,” both literally (via the web live chat and visits to the company’s workshop) and metaphorically. But it is the brand advocacy that brings particularly salient dividends. Elvis & Kresse customers are keen to demonstrate their support through telling the story behind the product and the enterprise. A good brand can be a powerful educator. It can make customers think beyond short-term, personal gratification, and consider the long-term impact of their choices. By spending money on products that do not only serve a utilitarian purpose, one moves beyond the “disposable” mentality of consumption, contributes to the reduction of waste, and makes vital steps towards a more responsible way of living (Kirkup & Isles, 2019).

St1

St1 is an energy company founded in 1995 and headquartered in Finland that creates second-generation biofuels, wind power, and geo-thermal energy. Mika, owner and CEO, acquired a portfolio of petrol stations from Exxon in 2006 and a further portfolio from Shell in 2010. The business model is based on income from petrol stations, corporate accounts, and energy sales. St1 generates biofuel from bio-waste collected from bakeries, food stores, breweries, food processors, and other outlets, such as restaurants. The biofuel is sold in the 1400 petrol stations in the Nordics. St1 also invests in wind-power plants and geo-thermal heat.

Speaking about the business’s and the employees’ understanding of its purpose, Mika commented that “everybody understands the business is in fossil fuels and understands this allows us to invest into new solutions.” There is a palpable entrepreneurial feel to the business approach linked with an excitement and sense of purpose in seeking to tackle the big sustainability questions. As Mika put it, “the business seeks to utilize its profits by investing into R&D to change the world. It’s our responsibility to find solutions. We are a CO_2-aware energy company. We sell fossil fuels and invest the profits in R&D renewables.”

From a strategic value perspective there is an explicit value relationship between impact and experience:

> We have a culture here of asking questions. The biggest is “Why do we come to work?” Everyone is engaged in questions. And everyone knows that the business must balance making profits to invest in social innovation as well as protect the sustainability of the business. This purpose is motivational. Of course, remuneration is important, but for this generation, purpose is significant.

Mika commented that “on our website we have ‘101 assertions’ [ideas and arguments]—from the employees, not me. These ideas drive debate throughout the business and this everyday debate has a clear and straight connection to our business activity.”

SOK

SOK is Finland’s largest retailing company and a cooperative founded in 1994 and owned by 2.3 million customers. The business operates in Finland, the Baltic countries, and Russia, and is mostly focused on supermarket trade, but also hospitality, hardware, and banking. The case seeks to highlight reciprocity as strategic value through examining the responsible actions of leadership pursuing human rights within the extensive supply chain of the business.

The approach to sustainability in SOK is shaped by the pursuance of four key areas: the good of society; climate change and the circular economy; ethical operating culture and human rights; and well-being and health. In a discussion with Lea, VP for Sustainability, I examined an breach of human rights that occurred within the supply chain and became a watershed for the business.

Human rights issues, if mishandled, have significant potential to damage an organization's reputation. If managed well, an organization benefits from an enhanced reputation, closer working relationships, innovations, efficiencies, and quality management. Lea gave examples of the support and guidance that SOK provides to suppliers to reduce waste, lower energy costs, and stimulate employee engagement (through enhanced employment practices), which connects with process changes for enhanced quality and efficiency. Lea argued that much of the foregoing can offset the increased salary costs of advancing employee human rights. All this is intended to stimulate a growing desire for sustainability throughout the supplier chain, and indeed throughout the business.

In the incident in questions, Lea and the VP Procurement visited a supplier in another country to understand the alleged human rights abuses. They spoke with the unions, employees, and Adrian (a pseudonym), who had done a report for Finnwatch (a Finnish civil society organization focusing on CSR) on the working conditions in a pineapple juice factory supplying to SOK. They advised the supplier to address aspects of the employees' human rights such as their working conditions. In return, the procurement team of SOK would provide support and guidance to the supplier to progress with such changes. The supplier refused, and the relationship was terminated. Over the next two years SOK supported and eventually acted as a witness for Adrian in a local court case.

In supporting the legal case, the board signaled and affirmed commitment to the four sustainability themes mentioned earlier. The media highlighted SOK's position, which enhanced SOK's strategic orientation and commitment to the sustainability themes. Lea commented: "when the Adrian House case occurred we were ready to be open … there had been a two-year journey of action inside SOK on this." She explained that the approach in the business, which includes suppliers, was "to take care of people and the environment … we were now promoting human rights and encouraging action in a variety of ways." Summarizing the situation, Lea concluded:

> our position now is we want to do good—and for SOK this makes good business sense. For example, and linked to the 4 key [sustainability] areas, all business units are pursuing circular economy … We are going way beyond communications and for reputational gain; but to understand and develop key leverage areas that all parts of the group can build upon. This is about the big issues. (Kempster & Halme, 2019: 96–99)

These three cases highlight the intangible strategic value of reciprocity. How value can be gained and lost through the relationships and activities with stakeholders? All three cases direct attention to the influence of the invisible guiding hand—societies' expectations of business conduct, which has a strong hold on business value.

A call for action

I conclude the chapter by encouraging the emergence of a social movement to pursue purpose in the everyday activities of businesses through responsible leadership. We need evidence to convince skeptics that good dividends can be generated by realizing value for all stakeholders. We need leadership to role model the way forward. And we need the energy and commitment of a stakeholder coalition to influence and enable conditions for change. Such stakeholders would include business leaders (of all sizes and governance structures), policy makers and politicians, financial institutions—traditional investors along with impact investors—philanthropists, and of course academics.

Particle physicists were able to persuade governments of the need for a multi-billion-dollar collaboration to understand the riddle of gravity and dark matter. We need to do similar. We need the responsible leadership equivalent of CERN. The CERN project was a successful collaboratory—bringing together around 80 percent of the world's physicists on a project that has a life expectancy of more than half a century.

Imagine such a business leadership guiding coalition, structured by an ever-extending collaboratory (Guthey, Kempster, & Remke, 2018) that engages all in learning to generate evidence of impact. We need to develop tools to give business leaders confidence in measures of both tangible and intangible assets. Conceiving measures in a balanced way would engage responsible leadership to connect bedfellows that presently seem strange but are interwoven in value realization: engagement in the SDGs alongside price-to-earnings ratios, free cashflow alongside employee engagement, quality earnings alongside employee well-being and training, and growth in earnings per share alongside reputational value and brand equity. We need evidence of the relationship between business value and social impact—for example that engaging in the SDGs is a transparent pathway to value realization for the business. In essence, the social movement and the evidence base will generate a different perspective on value, a different role of business in society, and very real differences in work and the realization of purpose in everyday activity. This would be a collaboratory agenda for responsible business leadership that is at least as worthy as the CERN collaboratory project in terms of its contribution to humanity.

Questions

- In light of the arguments outlined in this chapter please complete this sentence: If law is to justice, like medicine is to health, business is to ……….?
- Imagine you have been asked by your organization to lead the formation of a guiding coalition to advance your answer, who do you invite to join? And why?
- With the guiding collation gathered for the first meeting you are to provide the opening remarks. What would you say?

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