

Stewardship Helps Investors Understand Firms' Prospects for Development

Lianhe Zaobao

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With the increasing number of corporate bond defaults in recent times, investors can never be too careful with their investments. As an expert in stewardship and governance has pointed out, one way for investors to gauge whether a company has any prospects in the long-term is by finding out the level of corporate stewardship in that company.

In an interview with Lianhe Zaobao, Mr. Ong Boon Hwee, Chief Executive Officer (CEO) of Stewardship Asia Centre, pointed out that whether you are a small shareholder or a business leader, you can exercise stewardship to spur business development.

Mr. Ong commented that stewardship is present when a company's stakeholders, including the management team, board of directors, shareholders and even clients, possess an "owner" mentality and take responsibility for the company's long-term development. "For instance, a company's CEO viewing himself or herself not as an employed agent, but as a trustee who having been entrusted with responsibilities, has an obligation to hand over assets in a better shape to the next successor."

In Mr. Ong's opinion, a company that promotes the principles of stewardship not only pursues the interests of the shareholders, but also considers how to take better care of its employees and how to benefit society. Such a company not only needs to achieve the goal of short-term profits, but should also make comprehensive considerations on future business and development, and where necessary, forsake short-term benefits in exchange for long-term ones.

He explained, "Before deciding to invest in a company, one should not only look at the returns that are promised in the short run, but should also interact with the company's management, or go through the company's annual reports to better understand the company's long term plan, as well as the effect of the company's business on the society. As shareholders of a company, besides understanding their rights, investors should also reflect on their responsibilities."

Research by Stewardship Asia Centre in collaboration with a team from the International Institute for Management Development (IMD), Switzerland, found that companies influenced by collectivist Asian cultures, such as Confucian and Taoist cultures, usually place greater emphasis on long-term value orientation, and are more sensitive to

internal harmony and social relations. (This and other findings were published in Stewardship Asia Centre's first book, *Inspiring Stewardship*.)

Mr Ong said, "Many local small and medium enterprises have an established tradition and culture of stewardship. Many such enterprises are family-owned businesses, where the successors continue to build on the achievements pioneered by their predecessors, with an emphasis on gratitude for what has been passed down to them, and on giving back to society." He cited the example of an experience in the immediate aftermath of the 2004 Indian Ocean tsunami when he was at the Red Cross Society, where he observed many small and medium enterprises actively giving donations to aid the disaster relief without seeking any recognition in return.

He added, "On the other hand, some small and medium companies may have, in their pursuit of the most up-to-date business management systems and concepts, unwittingly overlooked the roots of their culture and perhaps even their traditional strengths. If they are able to combine the two, it will surely ensure better growth and sustained development for the enterprise."

Mr. Ong also stressed that the successful implementation of stewardship in enterprises is greatly dependent on whether companies have outstanding steward-leaders. This is because such leaders are able to set the tone of long-term development for their companies and maintain good, trust-based relationships with stakeholders. These leaders usually possess three common traits: first, they lead with impact and are able to motivate employees to strive for interest; second, they have a long-term view and could safeguard the future of their companies; and third, they are public-spirited and could lead their companies in benefitting society.

As Mr. Ong puts it, "Many companies known for their good stewardship are led by leaders with the traits mentioned above, such as Microsoft's founder Bill Gates, the founder of Haier Group in China, Zhang Ruimin, and especially an example of a steward-leader par excellence, our country's founding Prime Minister Lee Kuan Yew."

Stewardship Asia Centre recently hosted the second Stewardship Asia Roundtable in mid-August this year, where business leaders from more than ten countries came together for a dynamic and engaging exchange of experiences and perspectives in promoting corporate governance and stewardship.