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Understanding Corporate Stewardship, Governance and Sustainability

A LANDSCAPE STUDY

This report is the outcome of a research collaboration between the Centre for Business Sustainability, Nanyang Technological University and Stewardship Asia Centre. It is principally authored by:

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About Stewardship Asia Centre

Fostering Effective Stewardship and Governance Across Asia

Stewardship Asia Centre is a thought leadership centre promoting effective stewardship and governance across Asia and beyond. Positioned to inspire and lead change, SAC builds awareness and capabilities through research, education and engagement platforms that enable organisations to foster enduring success and responsible value creation, and in doing so, benefit the wider community and safeguard the needs of future generations.

Established under Temasek Trust, we collaborate with credible partners globally and work with corporations, state-owned enterprises, family-owned businesses, institutional investors as well as non-profit organisations to enable meaningful change towards our vision of business as a force for good.

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Executive Summary

This report is the outcome of a research collaboration between the Centre for Business Sustainability, Nanyang Technological University and Stewardship Asia Centre. The objective of this study is to establish and contribute to a body of knowledge surrounding the concept and practice of stewardship, and to develop a clearer understanding of its nexus to the concepts and practice of corporate sustainability and governance.

The primary methodology used for this study is a review of both the academic research and practice literature on topics such as corporate stewardship, corporate governance, sustainability, stakeholder theory, agency theory, and related topics such as servant leadership, trusteeship and family business. We searched for all types of articles including review papers, conceptual papers, papers focusing on theory building, papers that developed findings using empirical research, books and book chapters, editorials, commentaries, and practitioner articles.

Over 1,600 articles and papers were identified, of which over 200 were closely studied. This study involved developing a framework to clarify and better understand the evolving concept of stewardship and its relation to governance and sustainability. The findings of the study are summarised in the following paragraphs.

The early articles in the academic literature highlighted corporate stewardship as a leadership orientation that focused on the long-term health and profitability of the company as opposed to just short-term profit maximisation. The initial focus was purely on the investor's long-term interests whether it was a family business or a business with a wide shareholder base.

Over the last two decades, the definition of stewardship has broadened to include various stakeholders' interests, including interests of the community, society and the natural environment. The term ethical stewardship has been introduced to highlight this broadened definition of stewardship. The Gandhian model of trusteeship as defined by Mahatma Gandhi also captures most elements of corporate stewardship. Stewardship incorporates, but is not just a leadership concept. A stewardship mindset can be enacted across all levels of the organisation through effective leadership and management.

Past research has mostly focused on stewardship as a concept. There have been only a few attempts to identify the dimensions of stewardship and to empirically measure it. The key dimensions of stewardship include "sense of purpose", "ownership", "long-term focus", and strong, inclusive, and reciprocal "relationships" (with employees, all stakeholders and the community). While strong and ethical leadership is critical for effective stewardship; processes, procedures, metrics and appropriate governance mechanisms are necessary to ensure that stewardship is at the core of the organisation and in all decisions and actions taken. That is where there is a gap in our knowledge. While some firms have tried to implement stewardship beyond the leadership level, there is presently no guidance on procedures and governance mechanisms necessary to implement stewardship across the entire organisation. For example, there is no prescription on how much the organisation should focus on stakeholders' interests, when there is trade-off between investors' interests and stakeholders' interests. Further research is needed to make corporate stewardship a more widely adopted practice globally.

We have developed a framework to understand the nexus between stewardship, sustainability and governance. Our key findings on the links between corporate stewardship, corporate sustainability and governance are as follows:

- While corporate stewardship is a process of leadership and a management mindset, corporate sustainability, which also includes corporate social responsibility (CSR), is more outcome-based. In the absence of carbon taxes and environmental and social regulations, stewardship is perhaps the only way to create impact as well as to achieve and practice sustainability and CSR. While there are a few exemplary companies that implement good sustainability and social responsibility practices without formally adopting stewardship concepts, these are few in number. In effect, they are implementing stewardship without actually using that concept formally.

- Corporate governance mechanisms have evolved out of agency theory, and are intended to provide checks and balances over the behaviour of agent (or manager), so that the long-term interests of the investor are taken into account in decision-making. This might have become a checkbox exercise in many organisations. However, if governance mechanisms can be reimagined and designed appropriately, it can be used as a tool for wider implementation of stewardship. Such governance mechanisms would include internal governance of value systems not mandated by external entities. The value systems and organisational culture propagated both across time and across different levels of the organisation by such enlightened governance mechanisms facilitate effective implementation of stewardship behaviours across the entire organisation.

- Without such enlightened governance mechanisms, it is hard for companies to achieve the sweet spot of intersection between corporate stewardship, sustainability and governance. Companies that are implementing some form of sustainability and stewardship are both at the nexus of corporate stewardship and sustainability, as well as corporate sustainability and governance. This will be elaborated in Figure 5.1. Companies that have implemented some sustainability efforts, but without any stewardship-based leadership are at the nexus of corporate sustainability and governance. Almost all companies implement some form of agency theory and checklist-based governance mechanisms, at least in letter if not spirit. Companies that do not have sustainability efforts or leadership processes focused on stakeholders other than investors are therefore just practicing governance. The objective of all companies should be to try to reach the ideal sweet spot of the nexus of all three — corporate stewardship, sustainability and enlightened governance mechanisms that support the stewardship mindset across the entire organisation.

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Introduction

The evidence that our organisations are not working well is fully upon us. Even after the global financial crisis of 2008, business financial scandals continue to be reported. The CEO compensation as a ratio to the median salary has skyrocketed, primarily due to the deep shortage in the talent pool for leadership. The limits of capitalism are being questioned, and the calls for corporate leaders' moral responsibilities to society are intensifying. At the same time, economic development is breaching natural resource limits. Thus, managing climate change, and creating a net positive social and environmental impact are two of the grand challenges facing organisations today. Society has questioned the egocentric perspective of business interests that preoccupies much of management practice. At the heart is the question: to whom, or to what, are organisations responsible? (Bansal and Song 2017).

The organisation is a social entity among various stakeholders — for example: employees, government, suppliers, consumers, trade associations, and community. As the organisation aims to survive and succeed, these relationships with other stakeholders must be kept in mind by the top managers (T. Donaldson and Preston 1995). On the other hand, climate change and sustainability are perhaps the biggest challenges facing humankind. Natural resources such as water are being depleted quickly with water crises looming across the globe. The planetary boundaries for many aspects of the environment such as biodiversity and greenhouse gas concentrations have already been or are close to being breached (Rockström et al. 2009).

Corporate leaders and CEOs are expected to make decisions in the best interests of the shareholders, along with other key stakeholders. In doing so, they can promote the growth of the organisations, thereby facilitating the welfare and development of the society. However, real-life examples of leadership in large organisations tell an entirely different story. It appears that many leaders have forgotten the lessons learnt from the worldwide economic crisis (2008–09) or the corporate scandals of Enron, WorldCom, and others. In the recent decade, we saw the unfortunate incidents such as the Facebook data privacy scandal, the Rana Plaza disaster, and the Volkswagen emissions scandal. Society lives in constant pessimism resulting from the unending examples of mismanagement, ethical misconduct, and dishonesty within organisations. Many stakeholders and think tanks have realised that the pre-requisites for long-term survival of corporations as well as of society are responsible leadership and operations that create minimal negative impact, if not net positive impact, for our natural resources and community. It is slowly, but increasingly recognised that corporate leaders owe both society, and those with whom they work, a range of normative and instrumental duties that extend the boundaries of governance beyond the scope commonly taught in today's business schools or valued by the stock markets fixated on quarterly earnings reports. Fostering stewardship among organisations and their leaders is an important step in the right direction (Davis, Schoorman and Donaldson 1997).

Stewardship Asia Centre (SAC) has been providing thought-leadership in fostering effective stewardship and building capacity amongst organisations and business leaders in Asia. The three main attributes of "Steward Leaders" identified from prior research by SAC are:

1. Leading with impact:

Steward leaders focus on promoting high levels of employee involvement, that is, having employees who are engaged and motivated at work. These employees feel empowered and have a sense of pride in their work as well as the organisation. At the same time, such leaders are able to earn the respect and trust of their employees by demonstrating high moral and ethical standards.

2. Safeguarding the future of the organisation

In order to safeguard the organisation's future, steward leaders excel at managing risk as they aim to balance the interests of shareholders as well as other stakeholders for the long term.

3. Driving towards the greater social good

The ultimate objective of steward leaders is to work towards the advancement of the society and environment. With a strong ethical focus and commitment to demonstrate responsible leadership, such leaders are conscientious and empathetic, and they work diligently towards the welfare of the community.

Stewardship, as a concept, has appeared in many different literatures including leadership, management, strategy, family business, finance, and humanities. The idea of stewardship gained prominence in the 1990s, as it attempted to provide a positive alternative to agency theory-based governance. While agency theory assumed that human beings are rational and self-interested profit maximisers, stewardship theory argued that individuals could also be motivated by the goals of the shareholders (L. Donaldson and Davis 1991). Later, the concept of stewardship was expanded as scholars argued that steward leaders have the interests of all stakeholders in mind as they take important managerial decisions. Steward leaders acknowledge and appreciate the trade-offs between personal needs, organisational objectives, shareholders' expectations, and stakeholders' interests. Such leaders make an honest attempt in working towards organisational, collective goals, in such a way that their personal needs are also met. Stewardship is associated with a focus on long-term wealth generation that is achieved with the help of empowered and engaged employees.

Besides SAC's efforts in defining the main attributes of stewardship and a few other papers in the academic and practitioner literature, there is currently limited knowledge about the conceptual dimensions of stewardship. More importantly, what is the linkage between stewardship and other related concepts, especially sustainability and governance?

There is a growing academic literature in finance and strategy that investigates how corporate sustainability and social responsibility strategies impact the market value of the firm (Dyllick and Hockerts 2002). There are also studies that look at how specific supply chain related events such as the Rana Plaza garment factory building collapse in Bangladesh impact the market value of large firms connected to suppliers in the event. The findings of many of these studies are mixed (Golicic and Smith 2013; Schaltegger, Lüdeke-Freund and Hansen 2012). Possibly, that is why there is still lack of clarity as to how stewardship, governance and sustainability are connected. In the practice-oriented management literature, thought leaders such as Gary Hamel (Hamel 2012) have started connecting stewardship with social responsibility, albeit in an indirect fashion. The 1970 quote of Milton Friedman on social responsibility has been interpreted controversially by many scholars to mean that corporations should only pursue profits. However, recently, it has been reinterpreted to imply that the long-term profits are maximised by taking all stakeholders' interests into account as the negative externalities created by a firm will eventually impact its reputation, the rules of the game and the law (Harrison and Wicks 2013). One could therefore argue that stewardship, governance and sustainability are very much interconnected.

KEY POINTS

- Impending environmental crisis and social issues have forced the issue of to whom organisations are responsible to the forefront.
- There is a need for steward leaders to take the helm with stakeholders' needs in mind and implement strategies for long-term success as the negative externalities caused by a firm will eventually impact its reputation.
- Steward leaders need to lead with impact and safeguard the future of the organisation by focusing on high levels of employee involvement and balancing the interests of shareholders and stakeholders respectively.

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Objective of the Project

This study is a collaborative effort between the Centre for Business Sustainability, Nanyang Technological University and the Stewardship Asia Centre, who commissioned, funded and co-developed the content of this research. The objective of the study is to conduct a thorough review of both practitioner and academic literature, and to establish a body of knowledge and clear understanding of the concept and practice of stewardship. A second objective of the study is to develop a deeper and clearer understanding of corporate stewardship and its nexus to the concepts and practice of corporate sustainability and corporate governance.

The literature review attempts to inform and clarify how the understandings and interpretations of these concepts have evolved over the past thirty years, and how they have manifested themselves in terms of leadership practices and strategies adopted by corporations. Another objective of the project is to attempt to develop an understanding of the relationship between stewardship and other topics such as impact investment, responsible investing, moral capitalism, ethical financing, and sustainability reporting.

In this paper, we are exploring the concepts of stewardship, governance and sustainability in the corporate context. The terms 'corporate stewardship' and 'stewardship' are used interchangeably throughout the paper, so are the terms 'corporate governance' and 'governance', as well as 'corporate sustainability' and 'sustainability'.

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Key Findings

4.1 Stewardship — The Concept

The key findings were distilled from literature review. Papers of highest relevance across management, leadership, strategy, entrepreneurship, and family business literatures were selected for detailed analysis. See the Appendix for more details regarding our research methodology.

Stewardship theory was introduced by Donaldson and Davis in the 1990s (Davis, Schoorman and Donaldson 1997; L. Donaldson and Davis 1991). Agency theory states that in corporations, managerial actions are likely to be significantly distinct from those required to maximise shareholder returns.

Owners are termed as principals and the managers are agents — agency loss is the extent to which returns to the owners would fall below what they would have been if the owners had acted as the managers of the corporation. The 'model of man' underlying agency theory arguments is that of a rational, self-interested actor who is only interested in maximising personal economic gains.

Stewardship theory was thus positioned as a positive alternative to the agency theory and its amoral model of man. Donaldson and colleagues argued that there is another model of man — an individual who is motivated by a need to achieve, to gain intrinsic satisfaction by performing challenging work and exercising powers in a responsible manner, thereby gaining the respect and recognition from peers and seniors.

The fundamental assumption of agency theory — that the interests of the principal and the agent tend to diverge — was also challenged, as possibly, to the degree that an executive feels their future fortunes are bound to their current corporate employers through an expectation of future employment or pension rights, then the individual executive may perceive their interest as aligned with that of the corporation and its owners, even in the absence of any shareholding by that executive. Stewardship theory stated that the manager may not be seen as an opportunistic shirker, and instead, should be seen as someone who wants to do a good job by acting as a good steward of the corporate assets. Hence, stewardship theory started with this somewhat narrow conceptualisation, in which, a steward leader is one who can act in investors' or stakeholders' best interests.

This concept of stewardship was first broadened by Caldwell and colleagues (Caldwell and Hayes 2010; Caldwell et al. 2008; Caldwell et al. 2007) in the form of 'Ethical stewardship'. Caldwell and colleagues listed fifteen characteristics of stewardship, expanding the domain of stewardship to argue that an ethical steward is one who understands and acts in the best interests of not just the shareholders, but all other stakeholders as well. Leadership is seen as rising to a virtue-based ethical model, and such characteristics are seen to be visible in an ethical steward. Broadly, the characteristics of ethical stewardship can be summarised as follows:

- **Ethical focus**
- **Authenticity (values-based leadership)**
- **Integrating interests of all stakeholders, including shareholders**
- **Long-term wealth generation**
- **Serving the interests of society**
- **Empowering employees in order to maximise their potential**

'Trust' is emphasised to play a critical role in the phenomenon of ethical stewardship. Ethical stewards build trust by truly investing in and affirming the identities of those whom they serve. Ethical stewards seek to help all stakeholders, including employees and shareholders, to achieve their greatest potential. Such leaders are dedicated to the growth and welfare of others with whom they serve or interact. Trust implies that the leader acknowledges the desire to enter into a social contract with others, and willingly accepts the risks involved with that relationship. Hence, ethical stewardship is described as an ethically superior governance model that creates long-term organisational wealth by generating higher employee commitment (Caldwell et al. 2008).

This expanded conceptualisation of stewardship was carried forward by other scholars into the early 2010s. Hernandez (2008 and 2012) stated that according to stewardship theory, organisational managers see greater long-term utility in other-focused prosocial behaviour than in self-interested short-term behaviour. Stewardship is defined as "the extent to which the leader willingly subjugates her/his personal interests to act in the protection of others' long-term welfare". Stewardship is about an ongoing sense of obligation to others based on the willingness to uphold the relationship with employees, shareholders and other stakeholders. Importantly, it was also argued that individuals may not need to hold a position of power or authority for enacting stewardship behaviours, and hence, individuals at all levels of the organisation can act as stewards of the organisation.

4.2 Evolution of Stewardship

Table 4.1: Timeline of Evolution of Concepts and Theories on Corporate Stewardship

1990s	▪ Alternative to agency theory ▪ Stewards' motives are aligned with the shareholders' interests
2000s	▪ Prominent in the field of family business where a good steward acts as the caretaker of family assets
2010s	▪ Steward willingly subjugates personal interests to act in the protection of others' long-term welfare (prosocial action) ▪ Ethical stewardship
Recent Times	▪ Long-term wealth creation ▪ Commitment to interests of owners and other stakeholders

Stewardship in the 1990s

Agency theory is based on an amoral assumption of human beings, who are viewed as rational actors seeking to maximise their individual utility. Given a choice, the rational individual chooses the option that maximises individual gains. Owners become principals and they hire executives or managers known as agents, who are perceived to maximise their own utility. The principal incurs agency costs when their interests diverge from the interests of the agents. In addition, it is highly likely that their interests would diverge. Hence, owners implement governance-based mechanisms to minimise such agency losses. Two well-known mechanisms are alternative executive compensation schemes and governance structures. Financial incentive schemes such as stock options are used to align the principal-agent interests. Board of directors also keep potentially self-serving managers in check by performing audits and performance evaluations. Agency theory is useful when parties' interests diverge as it shows useful ways to bring in greater alignment through proper monitoring and compensation systems (Jensen and Meckling 1976).

Stewardship theory is rooted in positive psychology and examines circumstances in which managers act as stewards and are motivated to act in the best interests of the shareholders. Thus, stewardship theory was introduced with a somewhat narrow conceptualisation, as an alternative to agency theory. Stewards in large organisations with competing shareholders' objectives are motivated to take decisions that are in the best interests of the whole group. Thus, a steward's autonomy should be deliberately extended to maximise the benefits because the individual can be trusted.

Stewardship in the 2000s

Stewardship theory looks at situations in which managers and employees behave as stewards whose motives are aligned with those of the organisation. Hence, stewardship arguments are applicable to the family business context where the owners tend to play a greater role in managing the operations of the business. It is therefore not surprising that stewardship theory has been extensively covered in the family business literature. Productive family relationships can be a source of competitive advantage for family firms as in such cases, family members work together and act as stewards of the organisation (Eddleston and Kellermanns 2007). Even in this literature, the focus was on the managers acting in the best interests of the owners. Other stakeholders such as suppliers, customers and community are rarely mentioned in these articles.

2010s — Ethical stewardship

Ethical stewardship expanded the concept of stewardship to include shareholders as well as all other stakeholders. A steward is thus seen as the 'integrator of shared interests' with a responsibility to achieve self-actualisation for the organisation and its employees (Caldwell and Hayes 2010).

Emphasising service over self-interests, steward leaders treat their followers as owners and partners. However, to achieve the moral objectives implicit in stewardship, businesses need to integrate both economic and social performance in their goals. Long-term wealth creation becomes a key objective for steward leaders, as they attempt to benefit all stakeholders of the organisation. This long-term focus ensures that leaders avoid self-defeating short-term decisions that improve their firm's market value in the short-run, but damage the firm's key mission, which is to take actions aligned to the best long-term interests of all stakeholders. At the normative level, steward leaders are committed to the welfare and growth of shareholders, employees and other stakeholders: thereby honouring transformational obligations towards society. Thus, ethical stewardship actually expanded the domain of stewardship by arguing that steward leaders act in the best interests of all stakeholders. At the same time, steward leaders recognise that stakeholders' interests are rarely perfectly aligned. The steward then must find creative solutions by relying on a clear vision and mission that demonstrates a commitment to excellence while taking care of the community and other stakeholders.

Recently, Balakrishnan, Malhotra and Falkenberg (2017) discussed the connection between stewardship and the Gandhian model of trusteeship (Gandhi 1942). Mahatma Gandhi stated that individuals need to have the wisdom to balance self-interest with prosocial objectives as such an approach can sharply reduce poverty around the world. When businesses take care of all their stakeholders, including their shareholders, then 'shared value' is created in the capitalist system. Gandhi further emphasised that leaders must run businesses as trustees and use the wealth created to improve society, after keeping a reasonable profit for themselves.

Trusteeship is about the owners sharing not just their material wealth but also their knowledge and talents for the welfare of the society. Elaborating on trusteeship, Gandhi stated that businesses should support workers' rights, including the right to decent salaries, a clean working environment; and facilities for inexpensive, nutritious food and medical treatment.

Table 4.2: Connection between Stewardship and Gandhian Model of Trusteeship

Trusteeship	Stewardship
Expanded the concept of 'shared value' through reciprocal responsibility principles.	Provides a normative basis for considering all stakeholders including employees and shareholders.
Balancing self-interest with prosocial goals leads to long-term as well as short-term wealth creation.	Prioritising prosocial over self-serving behaviours leads to long-term social welfare as well as business performance.
Owners and managers balance interests of different stakeholders in pursuit of shared value.	Owners, managers and employees engage in social contracts to make decisions in the best interests of all stakeholders.
All individuals are trustees in the society, and they respect moral principles; duties are more important than rights.	Stewards exist at all levels of the organisation, as they function following the rules of fairness and reciprocity.

4.3 Dimensions of Stewardship

A majority of the research on stewardship remains at the conceptual level. Very few scholars have attempted to identify and empirically examine the dimensions of stewardship. Stewardship should ideally be associated with a range of organisational behaviours, such as far-sighted financial investment, prosocial employment practices, decentralised decision-making, along with proactively understanding and considering the interests of all stakeholders other than the shareholders and employees. Most empirical studies do not capture the entire set of these dimensions (Neckebrouck, Schulze and Zellweger 2018). For instance, Le Breton-Miller, Miller and Lester (2011) only considered far-sighted financial behaviour while assessing stewardship. Neckebrouck and colleagues (2018) measured stewardship in terms of two dimensions — financial stewardship and organisational stewardship.

However, they did not take into consideration the fact that stewardship includes acting in the best interests of all stakeholders. Therefore, there is certainly a need for greater research on identifying and empirically examining the dimensions of stewardship.

SAC conducted an in-depth study on family business — especially since family businesses are highly pertinent to the phenomenon of stewardship. In that study, SAC identified the following five dimensions or concepts of stewardship:

1. Purpose:

Stewardship is demonstrated when the organisation and its leaders communicate greater clarity of purpose. These organisations perfectly enact their mission, vision and values. At the same time, employees get an opportunity to refine and review the goals and values of the organisation.

2. Ownership:

Steward leaders build a culture that is based on high levels of employee ownership in the organisation's activities; that is, employees have a collective sense of pride in the organisation, and they are proactive in suggesting solutions to complex problems and dynamic situations. Employees have a clear sense of responsibility, both individual and shared; and they work towards creating long-term social and economic benefits for the stakeholders who play an important role in the success of the business.

3. Long-term view:

Organisations with a stewardship mindset do not ignore long-term considerations under the pressure of short-term issues. These organisations spend and invest wisely and take calculated risks to reap rewards in the future.

4. Relationships:

In order to achieve long-term success, businesses must maintain strong and reciprocal relationships with all the stakeholders. Steward leaders develop relationships with internal and external stakeholders by fostering win-win collaborations. Such organisations conduct stakeholder analysis to engage stakeholders on a continuous basis so as to ensure timely problem identification and resolution.

5. Community:

In organisations that implement stewardship well, success is defined in terms of doing well, doing good and doing right. Long-term wealth creation becomes a means to give back to the society, thereby making a positive social and environmental impact.

At the same time, stewardship behaviours can be enacted across all levels of the organisation. In line with such arguments, a few scholars have attempted to assess the stewardship climate within an organisation. Neubaum, Thomas, Dibrell and Craig (2017) created and tested for a stewardship climate across six dimensions:

1. **Organisational identification**
2. **Collectivist orientation**
3. **Power distance**
4. **Involvement orientation**
5. **Use of personal power**
6. **Intrinsic motivation**

These six dimensions reflect the extent to which employees share the perception that their organisational routines foster stewardship behaviours and values across the company.

4.4 Creating Stewardship Behaviours

In an organisation, stewardship behaviours can be created or facilitated by three mechanisms (Caldwell and Hayes 2010; Caldwell et al. 2008; Hernandez 2008 and 2012):

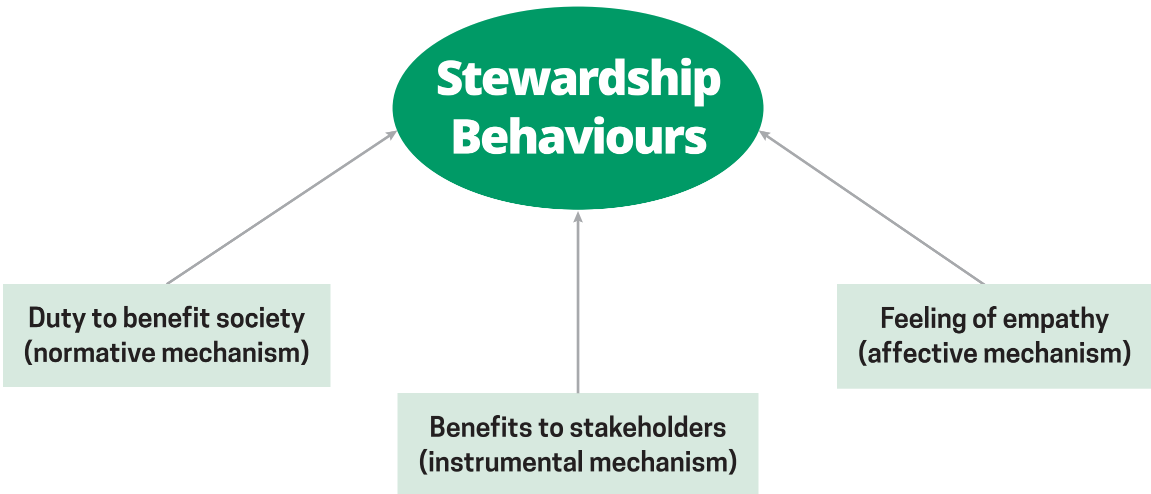
1. Normative mechanism (duty to benefit society): Stewardship theory is clearly providing a normative argument to include the interests of all stakeholders, including shareholders. Leaders can be encouraged to act as stewards when they see it as their duty to consider everyone else who are affected by their decisions. This is also in line with the trusteeship model proposed by Mahatma Gandhi — duties carry more weight than rights.

2. Instrumental mechanism (benefits to stakeholders): Stewardship behaviours can be promoted when the leaders acknowledge that it is in the organisation's best interests to act after examining the impact on all stakeholders.

Steward leaders consider the trade-offs between the interests of stakeholders, and they also understand the trade-offs between short-term and long-term benefits for their beneficiaries. Thus, while normative mechanisms focus on stewardship as a norm or duty, instrumental mechanisms focus on the fact that stewardship can bring long-term benefits to all stakeholders including shareholders.

3. Affective mechanism (empathy towards stakeholders): Here, stewardship behaviours can be promoted by developing an emotional connection between the organisation and all other stakeholders. When the leaders have a high sense of empathy towards the employees, shareholders and other stakeholders, they tend to act as stewards. Empathy includes both the emotion — feeling the effects of one's decisions on others, as well as the awareness — knowing the consequences of one's decisions on others.

Figure 4.1: Mechanisms for Facilitating Stewardship Behaviour



Role of the Leader in Promoting Stewardship

Mohrman, O'Toole, and Lawler III (2017) identified four key roles of a leader in promoting stewardship behaviour. They are:

1. Mission, vision or value statements:
Such statements are the key in making the employees understand the goals and objectives of the organisation — highlighting the fact that the organisation will proactively take care of the interests of all stakeholders.

2. Role model of behaviour within the organisation:
Leaders themselves must act as role models of behaviour within an organisation. Implementation being the key factor — when the employees view the leader as acting like a steward, they also tend to behave in a similar manner.

3. Hiring and promotion decision:
It is well known that whatever is rewarded gets done. Leaders promote stewardship culture by hiring the right kind of people in the first place, and then ensuring that promotion decisions are taken after giving weightage to the stewardship behaviours enacted by the employees at all levels.

4. Rewarding ethical behaviours:
Leaders can inculcate an ethical culture by rewarding ethical behaviours, e.g. by appreciating the efforts of whistle-blowers in an organisation.

Role of the Board of Directors in Promoting Stewardship

1. **Evaluate ethical culture**
2. **Evaluate ethical aspects of firm's strategy**
3. **Evaluate ethical behaviour of the leadership team**
4. **Develop a compliance management system**

In their chapter on "leading socially responsible, value-creating corporations" in the book *Corporate Stewardship: Achieving Sustainable Effectiveness*, Brown and Khurana (2015) suggested that the board of directors can and should play a significant role in promoting stewardship behaviours across all levels of the organisation.

As stewardship implies motivating employees to behave ethically, the board of directors must continually evaluate the ethical culture of the firm. It is also well known that employees' behaviours are a direct result of the firm's strategy. Thus, it becomes important to verify the ethical aspects of the firm's strategy. If the organisational goals and the processes implemented to achieve those goals are ethical, the employees are more likely to demonstrate ethical behaviours. Morally correct ethical goals are also likely to lead to ethical behaviours within the leadership team; however, the board of directors must also continually evaluate the actions and decisions of the leadership team.

Implementing a stewardship culture in the organisation requires propagating stewardship values and culture to people at all levels of the organisation, through multiple generations of leadership. As organisations move towards a stewardship culture, the board of directors need to keep a watchful eye on the employees and leaders to ensure minimum possible deviations from stewardship behaviours. To check for any possible deviations from stewardship behaviours, the board of directors may also develop a compliance management system. The aim of this system is to ensure that any decisions or actions taken against the spirit of stewardship are noticed and rectified in a timely manner. Such governance structures allow organisations to develop more targeted remedies to realign and re-educate managers and other employees towards stewardship behaviours. This requires developing appropriate procedures and reporting mechanisms as well as mechanisms to transmit the value systems across people through appropriate training, development and recruitment processes. Such enlightened corporate governance mechanisms facilitate effective implementation of stewardship behaviours and strategies that address all stakeholder concerns for the long term.

4.5 Differences between Stewardship, Sustainability and Governance Mechanisms in the Corporate Context

Stewardship is viewed as a leadership process and management mindset that is brought to bear in every strategic and operational decision across the entire organisation. Based on positive, prosocial, and intrinsically motivated model of human beings, stewardship refers to the leadership approaches taken to proactively make decisions after taking into consideration the interests of all stakeholders, including employees and shareholders.

Sustainability, which includes social responsibility, is an outcome-based phenomenon. Organisations attempt to minimise the negative effects of their operations on the environment and society. Sustainability efforts normally tend to be reactive in nature. However, in organisations that are stewardship oriented, sustainability efforts can be proactive.

The literature on governance has largely been dominated by agency theory. Governance refers to the mechanisms used to utilise the resources within an organisation and regulate the behaviour of the agent through rules and guiding principles. The table given below shows the key differences between stewardship, sustainability and governance.

Table 4.3: Key Differences between Stewardship, Governance and Sustainability in the Corporate Context

	Stewardship	Governance	Sustainability
Direction	Stewardship is the responsible and wholehearted management of entrusted assets so as to pass them on in a better condition. It also implies that commons assets and natural resources are also cared for and passed on in a better condition across generations. Stewardship endeavours to promote the success of companies by incorporating the short-term as well as long-term interests of shareholders as well as all other stakeholders. Stewardship focuses on the process of leadership and management. A steward leader willingly subjugates personal interests to act in the protection of others' long-term welfare.	Procedures and mechanisms that help in determining the broad uses to which organisational resources will be deployed and the resolution of conflicts among the participants of the organisation.	Corporate sustainability refers to the ability of a firm to nurture and sustain itself as well as all its natural resources and communities over the long run by effectively meeting the expectations of diverse stakeholders.

Table 4.3 (continued): Key Differences between Stewardship, Governance and Sustainability in the Corporate Context

	Stewardship	Governance	Sustainability
Vision/Goal	▪ Maximising organisational wealth to serve interests of all stakeholders.	▪ Maximising organisational performance by minimising agency costs.	▪ Maximising organisational performance along with reducing negative impact on the society and environment.
Behavioural assumptions	▪ Self-actualising man ▪ Prosocial, cooperative behaviour ▪ Long-term oriented	▪ Economic (self-serving man) ▪ Individualistic, short-term oriented	▪ Act with the understanding that: ▪ Systems are interconnected ▪ Tight interconnection between business and environment
Conceptual roots	▪ Stewardship theory ▪ Stakeholder theory ▪ Corporate responsibility	▪ Agency theory	▪ Ecology, systems theory ▪ Developmental economics ▪ Natural resource-based view
Key questions	▪ What are the normative duties of leaders and firms towards the society and environment? What instrumental benefits do they bring?	▪ How to optimise performance and accountability within an organisation? ▪ How to align the divergent interests and risk preferences of owners and managers?	▪ What are the interconnections of economics, environment and society? ▪ How to reduce negative impact of organisational design and practices on the environment?
Enabling mechanisms (psychological)	▪ Normative – sense of duty ▪ Instrumental – benefits to all stakeholders ▪ Affective – empathy towards all stakeholders	▪ Satisfy the extrinsic, lower-order needs (physiological, security, economic)	▪ Leadership's values and sense of ethical responsibility ▪ Leader's ecological sense making
Enabling mechanisms (contextual)	▪ Collectivistic, people-centred culture ▪ Management philosophy (long-term, based on trust)	▪ Control-oriented, individualistic culture ▪ Management philosophy (short-term, cost control) ▪ Rules-based adherence to regulatory requirements ▪ Board of directors	▪ Environmental regulation ▪ Industry regulation ▪ Stakeholder integration ▪ Sustainability and ESG reporting standards
Limitations	▪ Ambiguity about the dimensions of stewardship ▪ Lack of empirical research, mostly normative	▪ Lack of empirical support for its key arguments ▪ Too much emphasis on rules for achieving minimum standards	▪ Not confirmed whether sustainability contributions lead to improved firm or environmental performance

Differences between Corporate Stewardship and Corporate Sustainability

Stewardship is viewed as a leadership process and management mindset. Based on positive psychology and moral assumptions about the model of human beings, stewardship focuses on an ideal or exemplary view of leadership in organisations. Organisations that implement stewardship well focus on maximising long-term wealth creation with the aim of benefitting society and the environment. However, stewardship does not prescribe any minimum standards or trade-off points.

Sustainability, on the other hand, is outcome-based. Sustainable development in organisations is being advocated after it has been acknowledged that economic development is breaching natural resource limits. Excess industrial production and human consumption is leading to environmental imbalances, which would eventually harm the business and economic systems even though such effects might not be immediate, visible or predictable (Bansal and Song 2017).

Corporate sustainability or sustainable operations is seen as a way of ensuring that a corporation's activities and operations create a positive impact (or at least do not create a negative impact) on the environment or natural resources. Arguably, stewardship is one of the best possible ways to implement and achieve corporate sustainability.

Stewardship is perhaps the only way to achieve sustainability in the absence of taxes, rules and restrictions. Stewardship implies a positive, proactive approach towards tackling the damage caused by businesses to the environment and the society. In reality, many organisations focus on minimum outcomes, that is, they aim to reduce the negative impact of their operations on the environment and society by just the minimum amount necessary. Thus, a majority of the sustainability-related actions tend to be reactive in nature. Stewardship, on the other hand, if followed in letter and spirit, advocates creating a positive impact on the society and environment. Stewardship offers a proactive, intrinsic motivation-based approach using which sustainability initiatives can be implemented within organisations. While there are a few exemplary companies that implement good sustainability and social responsibility practices, without formally adopting stewardship concepts, such companies are few in number and in effect, they are implementing stewardship without actually using that concept formally.

Differences between Corporate Stewardship and Corporate Governance

Governance is a very broad and general term. Governance refers to determining the broad uses to which organisational resources are deployed. It also includes mechanisms to resolve conflicts among the various participants in organisations.

Majority of the governance literature is dominated by agency theory, which focuses essentially on regulating the behaviour of the agent. Governance mechanisms, thus, take the form of rules and guiding principles, especially on information disclosures and management practices, and act as preventive measures with the aim of achieving the minimum necessary performance along all dimensions of stakeholders' interests rather than exemplary performance. With its focus on information disclosures, there is a danger of current governance mechanisms becoming a checkbox exercise in many organisations.

However, agency and stewardship approaches must not be seen as opposites. Agency mechanisms can ensure minimum standards, and stewardship maximises the benefits to the firm and society. As stated earlier, even in an organisation with a stewardship culture, appropriately redesigned enlightened governance mechanisms can be used as a tool to effectively implement stewardship across all levels of the organisation. Such enlightened governance mechanisms would comprise procedures, reporting mechanisms as well as employee training, development and recruitment processes that are intended to effectively implement stewardship behaviours and strategies that address all stakeholder concerns for the long term.

KEY POINTS

Concept and evolution of stewardship

- In the 1990s, stewardship theory was first introduced as a positive alternative to agency theory and its 'amoral' model of man which posited that man acted only in pursuit of his own personal gain.
- In the 2000s, good stewards were those whose motives were aligned to those of their organisation. As such, stewardship was frequently mentioned in conjunction with family businesses.
- In the 2010s, stewardship theory had developed into ethical stewardship where good stewards act in the best interests of both shareholders and stakeholders.
- Trusteeship is conceptually similar to stewardship in that individuals act to balance self-interests with prosocial objectives — they share their knowledge and use their talents for the welfare of society. Business owners as trustees keep a portion of their profits and use the rest for the good of society.

Dimensions of stewardship

- Stewardship consists of five concepts: Purpose, Ownership, Long-term View, Relationships, and Community
- Other factors that assess stewardship within an organisation: organisation identification, collectivist orientation, power distance, involvement orientation, use of personal power and intrinsic motivation.

Creating stewardship behaviours

- Stewardship behaviours can be created by three mechanisms:
    - Normative mechanism (duty to society): Use the rationale provided by stewardship theory to take into account the interests of all stakeholders, including shareholders.
    - Instrumental mechanism (benefits to stakeholders): Consider the benefits as well as the trade-offs to various stakeholders to determine a course of action that creates the most long-term benefit for the stakeholders of the organisation.
    - Affective mechanism (feeling of empathy): Develop empathy and awareness between organisational leadership and stakeholders.

Role of the leader and Board of Directors in promoting stewardship

- Steward leaders promote stewardship by having a mission statement to proactively take into account the interest of stakeholders; acting as a role model; hiring people with the right mindset; and rewarding people for the right behaviours.
- An organisation's Board of Directors play a significant role in promoting stewardship by continually evaluating the ethical culture of the organisation, the ethics of its strategy as well as the actions and decisions of the leadership team.

Differences between stewardship, sustainability and governance mechanisms

- Stewardship is viewed as a leadership process and management mindset that informs every strategic and operational decision made throughout the company.
- Sustainability is defined as an outcome-based phenomenon aimed at minimising the negative effects of operations on environment and society. Sustainability measures by organisations tend to be reactive but can be proactive when implemented with a stewardship lens.
- Governance seeks to counteract the agentic behaviours of individuals and organisations by regulating the utilisation of company resources through rules and guiding principles. Enlightened corporate governance mechanisms that operate in letter as well as in spirit can complement the stewardship approach by transmitting the value systems that address stakeholders' concerns for the long term.

5

Stewardship — Sustainability — Governance Nexus

Building on our findings, we now develop a framework, as encapsulated in Figure 5.1, to explain the nexus between corporate stewardship, corporate sustainability and corporate governance.

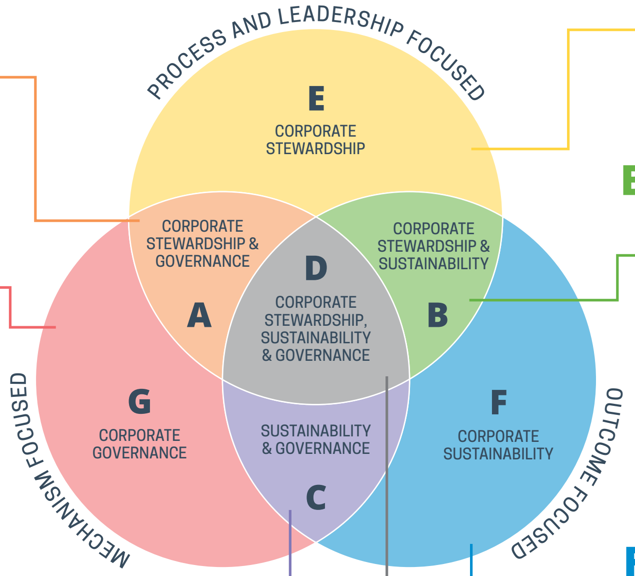
We first discuss segment **G**, in which organisations adopt conventional governance mechanisms at least by letter if not spirit. This is the current state in many corporations in the world. There is no attempt to incorporate the stakeholders' interest or to address the negative impact of the firms' operations on the stakeholders and community. While the firm's leadership might be great from the perspective of the short-term investor, there is no attempt to steward the company. The two other pure states are segment **E** and segment **F** corresponding to corporate stewardship and corporate sustainability. As mentioned earlier, stewardship as a concept has evolved from a focus on the long-term interests of the investors to that of all stakeholders. Therefore, a company that has implemented stewardship would have achieved some good outcomes for their stakeholders, that is, to demonstrate a certain level of sustainability and social responsibility. In addition, there would definitely be implementation of conventional governance mechanisms by letter and in spirit. In the absence of taxes and regulations, it is unlikely that a company is purely achieving sustainability (segment **F**) without any governance mechanisms or good leadership. At the minimum, they would be complying with governance standards that require them to report their sustainability actions through integrated reporting. Therefore, we would argue that segment **E** and **F** are empty with virtually no organisations belonging to these categories.

Many companies would fall in segment **C**, which is an intersection of governance mechanisms and sustainability. Companies with weak leadership in this segment **C** implement traditional governance mechanisms (based on agency theory) and implement it as a checkbox exercise along with sustainability reporting and other sustainability efforts due to implicit pressure from media and non-governmental organisations (NGOs). Companies in this segment could also be those that have proactively implemented some aspects of sustainability or social responsibility as well as conventional governance mechanisms, partly based on their own initiatives and partly due to increasing focus from stakeholders and investors. However, they might not have implemented this systematically, and might not have put in place a stewardship culture or leadership style to ensure its continuity.

Companies belonging to segment **B** have some sort of stewardship culture embedded in them, and achieved some sustainability-related outcomes. While such companies would not have implemented the ideal form of new governance mechanisms to achieve the true nexus of all three concepts, they would have implemented conventional governance mechanisms and therefore would belong to both segment **B** and segment **C**, but not segment **D**.

Companies, especially family businesses that had steward leaders early on and implemented stewardship based on the earlier definitions of stewardship and followed governance codes with stewardship intent, would belong to segment **A**. Such organisations attempt to follow the positive stewardship-based and trust-based governance codes. Such firms implement formal governance mechanisms in letter as well as in spirit. It is important to note that stewardship and agency theory-based governance should not be seen as opposites, as both these phenomena can coexist within the same organisation. Even in an organisation with strong stewardship, governance mechanisms are required to observe and rectify any deviations from the expected

Figure 5.1: Stewardship-Sustainability-Governance Nexus in the Corporate Context



A CORPORATE STEWARDSHIP & GOVERNANCE
- Governance codes that integrate stewardship intent
- Implementation in spirit and letter
- Level of analysis: Stakeholders, including shareholders

G CORPORATE GOVERNANCE
- Focus on letter of code instead of spirit
- Implementation tends to focus on meeting baseline requirements of regulations
- Level of analysis: Principal-Agent relationship

C CORPORATE SUSTAINABILITY & GOVERNANCE
- Focus on accountability and transparency regarding ESG requirements
- Disclosure in the form of integrated reporting
- Levels of analysis: Institutional, social, environmental and legal systems

D CORPORATE STEWARDSHIP, SUSTAINABILITY & GOVERNANCE
- Ideal nexus of stewardship, sustainability & governance (Stewards of the future)

E CORPORATE STEWARDSHIP
- Leadership based on enlightened self-interest
- Prevalence of stewardship culture that focuses on ownership mentality, purpose and values, long-term perspective, relationships and community

B CORPORATE STEWARDSHIP & SUSTAINABILITY
- Leadership based on long-term orientation and broader social responsibility
- Voluntary implementation of science-based targets to grow natural capital and build business resilience
- Levels of analysis: systems (institutional, social, economic, ecological and planetary)

F CORPORATE SUSTAINABILITY
- Oriented towards reducing the harm of economic development on natural systems
- Identifying planetary boundaries
- Levels of analysis: systems

norms of behaviours. Agency mechanisms do ensure minimum standards, and simultaneously, stewardship culture should be encouraged to maximise benefits to the society (Madison et al. 2016). In family businesses with stewardship, the stewardship-based governance codes they use might be informal and unwritten. Understanding and documenting these governance codes will be useful to develop enlightened governance mechanisms for effectively implementing stewardship in large organisations.

However, these organisations lack a focus on sustainability, as they might not proactively aim to minimise their negative impact on the environment and society, as their focus is the long-term interests of investors as well as employees, communities and stakeholders close to them, but not necessarily all stakeholders. It should be noted that the attention to climate change and sustainability among corporates is a recent phenomenon and the broadening of stewardship to include the long-term interest of all stakeholders instead of just investors is recent. Therefore, even some well-minded organisations with strong leadership and stewardship might belong in segment **A**. With relentless attention to sustainability and all stakeholders' interests, these organisations would find it easy to make the transition to the ideal sweet spot, which is segment **D**.

We finally discuss the ideal sweet spot, where all three — stewardship, sustainability and governance — are present in an organisation. This corresponds to the segment **D** in the figure. In this state, stewardship culture pervades across the entire organisation from the top leadership to the rank and file employee. All the stakeholders' interests are incorporated into the decision-making and practices of the organisation. The firm takes a long-term view, and rather than just traditional governance mechanisms based on agency theory, the organisation would have implemented new and enlightened governance mechanisms that integrate stewardship intent across all levels. These governance mechanisms are followed in both spirit and letter, and help implement stewardship. Such governance mechanisms would include internal governance of value systems not mandated by external entities. The value systems and organisational culture propagated both across time and different levels of the organisation by such enlightened governance mechanisms facilitate the effective implementation of stewardship behaviours across the entire organisation. Naturally, with all the stakeholders' interests given importance and with the appropriate governance mechanisms in place, the organisation would be focused on sustainability and social responsibility as that is in the long-term interests of the stakeholders. While this may sound very rosy, it does not mean that the organisation does not face issues or trade-offs. Even individuals as well as independent entities face trade-offs in their everyday decisions, and this is true so long as we live in a resource-constrained world. So long as the positive impacts from these decisions outweigh the negative impacts, one could say that the individual or the independent entity has done well and done good. In a similar vein, in the ideal sweet spot in segment **D**, the organisation will face trade-offs. There will be the occasional negative impact to some of the stakeholders due to the organisational decision-making and deployment of resources. So long as the net impact to all stakeholders is positive, one could argue that the organisation has achieved the ideal nexus in segment **D**.

When a majority of organisations achieve the sweet spot of stewardship, sustainability and enlightened governance, it will lead to an ideal business world, where we would have truly achieved the espoused state of capitalism (which could also be termed as "responsible", "moral", or "inclusive" capitalism). This is a situation where citizens enjoy the fruits of capitalism, and not suffer negative consequences from it. This can lead to greater intergenerational wealth, equity and sustainable value creation.

To be in this ideal nexus, the organisation would have developed highly evolved governance mechanisms. Without such enlightened governance mechanisms, it is hard for companies to achieve the sweet spot of intersection between corporate stewardship, sustainability and governance. In larger organisations, achieving this requires a tremendous amount of consensus building, incentive mechanisms that are not necessarily focused on profit improvement or cost reduction, and an ability to keep all employees intrinsically satisfied by focusing on all stakeholders' interests. For these reasons, it is perhaps much easier to achieve this in smaller, privately held companies, family owned companies or single-owner companies. Organisations such as Patagonia and Interface are probably very close. See Figure 5.2 for an illustration of Patagonia's sustainability and stewardship efforts.

These firms generate sustained returns for the investor and yet invest substantially to advance society, environment and other stakeholders. These firms are still driven by founder-leaders or have the strong imprint of the founder's mindset in their decision-making processes. While they might not necessarily be practicing stewardship in all its dimensions, they are effectively steward leaders. Given that they are relatively smaller organisations, they might not have formally developed any advanced or enlightened governance mechanisms that encode their sustainability and stewardship focus. Any enlightened governance that exists are most likely informal and unwritten. In fact, they are renowned for their sustainability and social responsibility focus, not for stewardship or governance mechanisms. While we have to classify them under segment **F** or segment **C**, in terms of results, their achievements similarly placed them under segment **D**, as their leaders' passion and focus achieve the equivalent of stewardship and advanced governance mechanisms.

Figure 5.2: Patagonia's Sustainability and Stewardship Efforts

An example of a company that is close to the sweet spot of the intersection between corporate stewardship, sustainability and governance is Patagonia, a privately owned outdoor clothing goods company that was founded in 1973. Its estimated revenue in 2017 was about US$210 million with 1000 employees. Even though it has seen several CEOs after its founding CEO and owner, Yvon Chouinard, stepped down in 1999, the vision and the mindset of Mr. Chouinard is still very much within the company in all its activities and decision-making processes. Mr. Chouinard was an avid mountain climber, and his first business venture in the 1960s was a company to make pitons, which are metal spikes that provide safety to rock climbers in the event of a fall. However, Chouinard soon realised that the metal pitons created permanent damage to the mountain rock face, and he abandoned his profitable piton business and steered his focus towards more environmentally friendly alternatives. This started his journey of businesses grounded by consciousness to the environment and the stakeholders. The first environmental initiative that Patagonia launched was *1% for the Planet*, wherein it committed either 1 per cent of its revenue or 10 per cent of its profits (whichever was higher) every year to environmental initiatives (Dossa and Szekely 2015). Part of the fund was used for charitable initiatives and part was paid to its employees to work on local environmental projects. Note that this commitment was made in 1986, when 'climate change' or 'environmental externalities' were not part of the popular lexicon. Even today, very few companies have committed to such an initiative. In 1996, the company committed to only sourcing for organic cotton, even though this increased their material cost by 300 per cent and reduced the number of cotton-based products from 91 to 66. Cotton accounted for 20 per cent of their source material, and they took this initiative when they realised that non-organic cotton caused significant damage to the environment because of the extent of chemical use in its cultivation. Even though the cost to Patagonia increased substantially due to the switch to organic cotton, the impact on the customer's price was only a 2 per cent increase, as Patagonia agreed to a reduction in their profit margins. Patagonia has been very transparent about their social and environmental footprint and has provided transparency to their sourcing channels through an interactive map on their website: *https://www.patagonia.com/footprint.html*.

Unlike plastics or metals, it is difficult to recycle apparel and break them down back into original raw materials. Therefore, in 2005 they launched a campaign to repair and reuse their products and extend its life by the "common threads recycling program" and "worn wear", where they created a second-hand market for their products. Note that this is unlike the strategy of many market leaders for other consumer products, where the revenue growth model is dependent on customers upgrading and replacing their products every few years. While this initiative was good for the society and environment, it would have clearly meant lesser revenue and profits for Patagonia. Finally, in 2011, they launched the *Don't Buy our Jacket* advertising campaign, where they highlighted their environmental footprint of manufacturing the jacket in an attempt to reduce consumerism and environmental waste. While this move should have surely decreased their revenue potential, counter-intuitively, more consumers bought their jacket, as the perception was that Patagonia's jackets were more environmentally friendly than other jackets in the market.

While Patagonia's founder and its leadership might not be consciously be thinking of the term stewardship, in effect that they have a stewardship mindset that helps them in their sustainability efforts. All the CEOs after the founder, Mr. Chouinard, also possessed the same stewardship mindset. Therefore, enlightened governance mechanisms, if any, were probably unwritten and informal.

With the framework we developed, we have attempted to provide a better understanding of the nexus between stewardship, sustainability and governance. However, in this framework, except in segment **D**, we have implicitly defined governance mechanisms as it is understood currently, which is 'reporting mechanisms developed to address agency issues'. While these reporting and governance mechanisms have been extended to address sustainability issues through ESG and integrated reporting, most of them are implemented in letter rather than in spirit. If firms need to truly achieve the nexus of stewardship, sustainability and social responsibility across all levels of the organisation, then new processes, metrics, procedures and enlightened governance mechanisms need to be developed. Only then will organisations achieve the true sweet spot of stewardship, sustainability and governance. Many of the relatively smaller firms highlighted earlier might be achieving this nexus already due to the leaders' active involvement which reduces the need for new governance mechanisms or are implicitly practicing these mechanisms without having anything in writing. However, if firms are to achieve true legacy and the nexus of the three concepts over the long term, then the aforementioned gaps in the research and literature would need to be addressed.

We now quickly discuss some limitations and utility of the nexus framework.

One criticism of the nexus framework could be the fact that we interpret governance as new and enlightened governance mechanisms (that do not for the most part exist currently) only for the sweet spot segment **D** (and to a lesser extent segment **A**). Whereas for other segments, we interpret governance mechanisms as agency theory-based governance mechanisms that exist currently. While the nexus framework developed in Figure 5.1 itself might be not clear in this respect, we think it still provides a valuable tool for companies to assess where they are in their sustainability and stewardship journey.

Another criticism could be the lack of a self-diagnostic tool for companies to assess where they stand currently in this nexus framework. While this is a topic for further research, we provide a rough preliminary tool (set of questions) that can be used by companies to assess themselves. Clearly, this needs further refinement. Please see the following section to view our preliminary diagnostic tool.

5.1 Preliminary Self-Diagnostic Tool for Companies: To Identify their Position in the Stewardship-Sustainability-Governance Nexus Framework

Self-Diagnostic Questions

Set I

1. When making strategic and operational decisions, is your organisation's leadership and management focused on the long-term positive impact to shareholders?
2. Provided the long-term returns to the shareholders are above a certain threshold, is your organisation's leadership and management willing to accept a reduction in shareholder returns in order to achieve a long-term net positive impact to all stakeholders?
3. When there is trade-off between short-term profits, long-term profits and net long-term positive impact to all stakeholders, do you choose the long-term positive impact for shareholders and all stakeholders over short-term profits?
4. If your answer to Q1, Q2, and Q3 is yes, is your leadership able to incentivise and convince all employees in the organisation to take decisions along these lines?

Set II

5. Is your organisation focused on reducing the negative environmental and societal impact from its operations?
6. Is your organisation focused on reducing the negative environmental and societal impact from the operations of its partners in the supply chain?
7. Is your organisation focused on creating positive environmental and societal impact by developing and working relentlessly on ambitious environmental targets such as zero carbon emissions and net positive social impact?
8. Does your organisation have a focused strategic plan to eliminate or reduce its negative environmental and societal impact?

Set III

9. Does your organisation consciously follow current corporate governance guidelines, such as reporting on Environment, Social and Governance (ESG reporting) through formats such as Global Reporting Initiative (GRI) reporting guidelines or integrated reporting guidelines?
10. Does your Board of Directors meet on a regular basis and provide oversight to the company as per current corporate governance and reporting guidelines?
11. Does your Board have subcommittees as suggested by current corporate governance guidelines to provide oversight on matters such as sustainability, management compensation, prevention of conflict of interests, prevention of corrupt practices and handling of whistle blowing cases?

Set IV

12. Has your company developed new procedures, processes and/or enlightened governance and management mechanisms to ensure that all day-to-day decisions taken by employees take into account the long-term interest of all stakeholders and shareholders, as well as the environment and society?

Evaluation of Answers to the Self-Diagnostic Questions

- If you have answered "yes" only to a majority of questions in Set I, and not to others, then your company is in the segment **E** (Corporate Stewardship) in the nexus framework.
- If you have answered "yes" only to a majority of questions in Set II, and not to others, then your company is in the segment **F** (Sustainability) in the nexus framework.
- If you have answered "yes" only to a majority of questions in Set III, and not to others, then your company is in the segment **G** (Governance) in the nexus framework.
- If you have answered "yes" only to a majority of questions in Set I and Set II, and not to others, then your company is in the segment **B** (Corporate Stewardship and Sustainability) in the nexus framework.
- If you have answered "yes" only to a majority of questions in Set I and Set III (or Set I, II and III), and not to others, then your company is in the segment **A** (Corporate Stewardship and Governance) in the nexus framework.
- If you have answered "yes" only to a majority of questions in Set II and Set III, and not to others, then your company is in the segment **C** (Sustainability and Governance) in the nexus framework.
- If you have answered "yes" only to a majority of questions in Set I, II and III, and not to Set IV, then your company is in both segment **B** and segment **C** (Corporate Stewardship and Sustainability) and (Sustainability and Governance) in the nexus framework, but not still in the ideal sweet spot of segment **D**.
- If you have answered "yes" to a majority of questions in all the four Sets I, II, III and IV, then you are in the ideal sweet spot (segment **D**) of the Corporate Stewardship, Sustainability and Governance nexus framework.

KEY POINTS

Segment A: Governance and Stewardship

- Companies that have steward leaders and have implemented governance codes with stewardship intent would fall into this category.
- However, they lack focus on sustainability and might not seek to negate harm on the environment. But, it is likely easy for them to transit to Segment D by addressing the sustainability component.

Segment B: Sustainability and Stewardship

- Companies that have a stewardship mindset with the implementation of sustainability related outcomes would fall into this segment. This would mean that some governance mechanisms would have been implemented as well — though not enough to fall into segment D.

Segment C: Sustainability and Governance

- Many companies would land on this segment as sustainability and governance mechanisms go hand in hand. However, companies need to evolve beyond using traditional governance mechanisms to enlightened ones fueled by a stewardship mindset to get to segment D.

Segment D: Stewardship, Sustainability and Governance

- Companies here have achieved the sweet spot by implementing corporate stewardship, sustainability and governance in their business.
- Organisations in this category are prepared to face trade-offs — occasional negative impacts to stakeholders in favour of long-term returns to achieve a net positive effect.
- When the majority of organisations achieve this state, it would be possible to have a more inclusive form of capitalism.

Segment E: Corporate Stewardship

- This segment is usually empty because companies that have achieved corporate stewardship would have implemented sustainability and governance measures as well.

Segment F: Corporate Sustainability

- This is also a mostly empty segment as firms who practice corporate sustainability would have implemented some measure of governance in terms of regulation or reporting.

Segment G: Governance Mechanisms

- Most companies are in this segment. However, though governance measures are in place, no attempt has been made to incorporate stakeholders' interests and address the negative impact of firms' operations on the environment.

6

Concluding Remarks and Future Research

We conclude this report with a short discussion on the directions for future research. Stewardship as a concept has been well defined over the years, and its dimensions have been characterised by a few scholars in the recent past and by SAC. However, detailed guidelines, procedures, and metrics to implement stewardship, and ideal governance mechanisms have not been articulated in the literature, even though some firms might be practicing it well.

Therefore many companies that are renowned for their sustainability efforts as well as their responsible leadership and stewardship probably still implement conventional governance practices to a great extent, and have not developed next generation governance mechanisms that can effectively implement stewardship across the entire organisation. Such companies would belong to both segment B and segment C, but not segment D. Further research is therefore required to develop guidance to help companies progress from their current state to the espoused state as exemplified by the nexus. As detailed guidelines, procedures and metrics, as well as enlightened governance mechanisms are developed for implementing stewardship, we would predict that many of these procedures and guidelines would be common for implementing corporate sustainability as well, since both are essentially focused on the stakeholders, society and the environment. In the ideal scenario, stewardship provides the leadership and management mindset to effectively implement guidelines, procedures and processes that focus on all stakeholders for the long term, and with enlightened governance mechanisms, achieve corporate sustainability and responsible operations. If organisations in the world are able to achieve the ideal nexus of corporate stewardship, sustainability and governance, we would have addressed many of the grand challenges we face today.

We hope that we have generated interest and stimulated thoughts in this understudied topic and we welcome scholars and practitioners to advance the discourse on stewardship collectively.

KEY POINTS

- There is a need to develop enlightened governance mechanisms that are oriented towards stewardship and will enable the implementation of a stewardship mindset.
- The nexus of corporate stewardship, sustainability and enlightened governance mechanisms is where all companies should strive to reach to achieve a better form of capitalism.

7

Glossary

In view of stewardship being a relatively nascent concept, there is a need to establish more clarity on the notion. In our main report, we have juxtaposed the concept of stewardship against the two mainstream concepts of corporate governance and sustainability. Here, we discuss stewardship along with a broader range of related secondary concepts to mitigate confusion and ambiguity. The synergistic and distinguishable attributes of these related notions with stewardship are mapped out in this section. However, as with all knowledge, these concepts are co-evolving simultaneously and the interpretations should be reviewed periodically for relevancy and currency.

Stewardship Theory

Assumptions:

a) Manager is not an opportunistic shirker, but someone who wants to do a good job and be a good steward of corporate assets.
b) Executives' interests could be isomorphic with those of the shareholders' and other stakeholders' so that by serving shareholder and stakeholder interests, it also serves their own values and needs.

- *Stewardship*: the extent to which an individual willingly subjugates personal interests to act in protection of others' long-term welfare; stewardship behaviours are a type of prosocial action.
- *Steward leadership* is seen as a special case of leadership encompassing (a) one-on-one relationships with followers consistent with the dyadic theory; (b) transformational and transactional leadership; (c) implicit and explicit social contracts; (d) empathy for the follower; (e) long-term vision; and (f) constant management of meaning.
- *Ethical stewardship*: integrates long-term wealth creation, a commitment to the transformational interests of stakeholders, and creating organisation systems that reinforce both instrumental and normative organisational goals over the long term.

Agency Theory

Definition	Relationship with Stewardship
▪ Theory states that managers will not act to maximise the returns to shareholders unless appropriate governance structures are implemented that incentivise them to align their interests with the shareholders. ▪ 'Model of man' — theory X; self-interested actor, individualistic, rationally maximising his/her own personal economic gain.	▪ Stewardship theory introduced as a direct contrast to Agency theory. ▪ Other 'Model of man' — individual motivated by a need to achieve, to gain intrinsic satisfaction, perform challenging work, gain recognition (hence, non-financial motivators).

Agency Theory (continued)

Definition	Relationship with Stewardship
▪ Agency loss: the extent to which the returns to owners fall below what they would be, if the owners (principals) exercised direct control of the corporation. ▪ Board of directors: a group of people that are entrusted with the task of governing the corporation and its agent managers. It is a key structural mechanism to curtail managerial 'opportunism'.	▪ Stewardship theory defines situations in which managers are not motivated by individual goals but rather are stewards whose motives are aligned with the objectives of their principals and other stakeholders.

Conscious Capitalism

Definition	Relationship with Stewardship
Five key characteristics: ▪ Higher purpose — long-term profitability is the objective. Profits are viewed as a means to some greater end. ▪ Stakeholder orientation — committed to meet the legitimate needs of the organisation's multiple constituencies (stakeholders), with a focus on triple bottom line. ▪ Integrated strategies — ethics, sustainability and social responsibility are integrated into their core business strategies. ▪ Healthy culture — strong sense of community internally, with high employee participation in decision making as well as sharing of profits. ▪ Values-based leaders — 'servant leadership' is the idea, as CEOs are modestly paid relative to their peers.	▪ Conceptually, comes close to (ethical) stewardship. ▪ Claims that meeting the interests of other stakeholders is ideally the best strategy for creating profits for owners. ▪ However, principles of Conscious Capitalism provide no guide to help managers recognise, let alone manage, the kinds of painful trade-offs all firms must periodically be prepared to make in order to survive — similar to current state of knowledge in stewardship.

Corporate Social Responsibility (CSR)

Definition	Relationship with Stewardship
▪ Context-specific organisational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social and environmental performance. ▪ Includes actions that appear to further some social good, beyond the interests of the firm and that which are required by law. This definition underscores that, to us, CSR means going beyond obeying the law. Thus, a company that avoids discriminating against women and minorities is not engaging in a socially responsible act, it is merely abiding by the law. ▪ CSR questions the limits of capitalism, greater inequality, and exploitation of labour — drawing on normative reasoning and welfare economics to judge suitability of corporate actions. ▪ CSR has the potential to improve a firm's reputation and goodwill with external stakeholders, which can possibly result in increased financial performance eventually.	▪ Another popular concept that comes close to stewardship. However, the focus of CSR is on corporate actions that focus on triple bottom line. Stewardship, on the other hand, emphasises a form of responsible (ethical) leadership that can lead to CSR activities. ▪ CSR does not investigate what kind of leadership can facilitate social and environmental contributions by organisations. ▪ CSR, thus, is outcome or activity focused, where stewardship is a process of leadership and management.

Environmental, Social and Governance (ESG)

Definition	Relationship with Stewardship
▪ It covers a variety of issues related to the environment (e.g., climate change, energy and water use, carbon emissions), social responsibility (e.g., fair trade principles, human rights, product safety, gender equality, health and safety), and corporate governance (e.g., board independence, corruption and bribery, reporting and disclosure, shareholder protection).	▪ Similar to stewardship in terms of pushing organisations to consider their effects on all stakeholders. However, it does not focus on the kind of leadership that can enhance ESG activities. ▪ Seen as a key indicator of management competence, risk management and non-financial performance. ▪ Can also be viewed as an important consequence of stewardship-based organisations.

Environmental, Social and Governance (ESG) (continued)

Definition	Relationship with Stewardship
▪ ESG criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments.	▪ Like sustainability and CSR, ESG thus is outcome or activity-focused — the processes used to achieve it can be varied. Whereas stewardship is focused on the process of leadership and management. ▪ Unlike sustainability, ESG is more focused on reporting and reporting standards. Stakeholders and investors focusing on impact investing are key users of ESG reports.

Governance

Definition	Relationship with Stewardship
▪ Determination of the broad uses to which organisational resources will be deployed and the resolution of conflicts among the myriad participants in organisations. ▪ Traditionally, researchers have focused on the control of executive self-interest and the protection of shareholder interests in settings where ownership and control are separated (hence, emphasis on mechanisms available to protect shareholders from the whims of executives). ▪ Dominant theoretical perspective: agency theory.	▪ Current forms of governance mechanisms are primarily devised based on agency theory perspectives to control rogue behaviour of managers or agents. This lends itself to achieving minimum standards rather than exemplar performance. ▪ Stewardship theory provides an alternative to the agency theory (which argues that the role of CEO and Chairman should be split to avoid agency losses). However, empirical studies have not supported this argument. In contrast, Stewardship theory suggests that the fusion of the roles of CEO and Chairman will produce superior long-term performance, when the management philosophy is built upon high levels of trust.

Impact Investing

Definition	Relationship with Stewardship
▪ It involves actively placing capital in enterprises that generate social or environmental goods, services, or ancillary benefits such as creating good jobs, with expected financial returns ranging from the highly concessionary to above market.	▪ Primarily emphasises the investment part of stewardship i.e. financial stewardship.

Integrated Reporting (IR)

Definition	Relationship with Stewardship
▪ It refers to representation of the financial and non-financial performance of a company in a single report. This helps in providing a greater context to the non-financial data such as how the company performs on environmental, social and governance (ESG) parameters, how sustainability is embedded in the core business strategy etc. ▪ Primary objective of integrated reporting is to help stakeholders analyse and assess the company's ability to create and sustain value in the medium- and long-term. ▪ IR can be viewed as one of the standards for ESG reporting.	▪ Concentrates only on reporting mechanisms for analysing environmental and social impacts of the organisations. Stewardship goes deeper and examines the kind of leadership that could lead to positive consequences for the society. ▪ Like ESG, IR is focused on reporting and reporting standards for environmental and social impacts. ▪ IR as well as ESG reporting provides greater information about the organisations' environmental and social impacts. ▪ For investors who are interested in impact investing, responsible investing and moral capitalism (or investor stewardship in general), IR helps them make better investing decisions that balances their returns with impact on the society and environment

Moral Capitalism

Definition	Relationship with Stewardship
▪ Capitalism with a sense of 'greater social responsibility' on the part of businesses. ▪ It includes considering the interests of all the stakeholders. ▪ Four principles: a) Material wealth, not greed b) Industriousness c) Social responsibility d) Human dignity	▪ A relatively new concept. Examines capitalism through the moral and religious perspective. Does not look at the kind of leadership required to sustain such form of capitalism. ▪ Conceptually similar to conscious capitalism. Both are concepts propounded by practitioners and there is not much of literature yet on these ideas.

Psychological Ownership

Definition	Relationship with Stewardship
▪ The state of mind in which a stakeholder in the organisation feels as though they own the organisation and is responsible for its long-term value created to shareholders, investors and other stakeholders.	▪ Related to stewardship. It is argued that psychological ownership is a key predictor of responsible leadership i.e. stewardship behaviours.

Responsible Investing

Definition	Relationship with Stewardship
▪ An investment process that integrates ESG considerations into investment decision making to generate long-term competitive financial returns and positive societal impact. ▪ Responsible investors include, among others, individuals seeking to invest in companies with good ESG practices; credit unions and community development banks serving low-income and middle-income communities; foundations supporting community development loan funds and other high social impact investments in line with their missions; and venture capitalists identifying and developing companies that provide social benefits.	▪ Similar to impact investing — emphasises the investment part of stewardship i.e. financial stewardship. ▪ Responsible investors follow a utilitarian logic for investing ethically. They attempt to obtain both the utility from the financial return on investment and also the satisfaction from the sense of having 'done well and done right'.

Servant Leadership

Definition	Relationship with Stewardship
▪ The Servant-Leader is servant first. It begins with the natural feeling that one wants to serve others including all followers. Then conscious choice brings one to aspire to lead. ▪ The best test of servant leadership is this: Do those served grow as persons? Do they, while being served, become healthier, wiser, freer, more autonomous, and more likely to become Servant-Leaders themselves?	▪ A Servant-Leader has the role of a steward who holds the organisation in trust. ▪ Employees are seen as the most important stakeholder, but it does not necessarily lay emphasis on taking care of other stakeholder interests.

Social Entrepreneurship

Definition	Relationship with Stewardship
▪ Social entrepreneurship involves "the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs" (Mair and Marti 2006). ▪ Social entrepreneurs are often depicted as being driven by an ethical obligation and commitment to help others, which leads them to start social enterprises that are guided by the entrepreneur's ethical and moral values.	▪ Social entrepreneurship concentrates on the end objectives of entrepreneurs i.e. addressing social needs. ▪ In contrast, stewardship states that all organisations can potentially take care of social and environmental needs. ▪ Stewardship is a process-based concept, arguing that responsible leadership is a key means that should be adopted by all organisations and not just social entrepreneurs.

Stakeholder Theory

Definition	Relationship with Stewardship
▪ Stakeholder theory arises from the belief that corporations (informally) need a social license to operate, and hence the stakeholders' interests need to be taken into consideration in their strategies and operations. ▪ Involves values, choice, and assessment of harms and benefits to the various stakeholders of the organisation, including government, customers, investors, employees, communities, suppliers, trade associations and environment. ▪ Stakeholders are entities that affect the wealth creating capacity of the firm — attending to their interests is a strategic imperative.	▪ Under stakeholder theory, CEOs may serve the stakeholders in a strategic way, such that the firm's wealth is maximised. ▪ The theory takes a limited perspective of managing organisations. Essentially, the risk of brand damage due to stakeholder perceptions are minimised, while the firms' profits are maximised. ▪ Stewardship includes treating employees as owners, and striving towards ethical leadership and long-term wealth maximisation (towards the benefit of society).

Sustainability

Definition	Relationship with Stewardship
▪ Sustainable Development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland Report). ▪ Corporate Sustainability refers to strategies (and related plans, activities, processes and structures) that can help corporations sustain themselves as well as their people, natural resources and communities for the long run. ▪ The focus on sustainability among corporations has emerged in the last twenty years due to global challenges such as climate change. The threat to humans due to climate change itself has occurred due to excess industrial production and human consumption that has contributed to environmental imbalances, whose effects are becoming more visible only in the recent past.	▪ Similar to stewardship in terms of long-term orientation and final organisational goals, i.e. maximising firm performance along with reducing the negative impact on environment, society and other stakeholders. ▪ However, sustainability is outcome or activity-focused; the processes used to achieve it can be varied. Whereas, stewardship is focused on the process of leadership and management. In the literature on sustainability, there is limited discussion on the kind of (responsible) leadership that is needed to reduce negative effects on environment and society. ▪ Stewardship can be seen as one way to achieve corporate sustainability, especially in the absence of polices and climate change or environment related taxes. ▪ Sustainability, CSR and ESG are closely related. CSR focuses on social aspects of the external stakeholders and can be viewed as a subset of sustainability. ESG is focused on reporting and reporting standards for sustainability and social responsibility.

Trusteeship

Definition	Relationship with Stewardship
▪ Mahatma Gandhi advocated that private entrepreneurs run businesses as trustees and use the wealth they create to improve society, after keeping a reasonable profit for themselves. ▪ Expands the concept of 'shared value' through reciprocal responsibility principles. Ethical capitalism can develop when trustees balance self-interest with prosocial goals.	▪ Overall, trusteeship as a concept (as defined by Mahatma Gandhi) is close to stewardship. Both stewardship and trusteeship theories propose that managers must balance their fiduciary (trustee) duties with non-fiduciary moral duties to other stakeholders.

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Appendix

Research Methodology

The literature review consisted of a search and selection process with the aim of filtering and identifying the most relevant publications for this project. Papers of highest relevance across management, leadership, strategy, entrepreneurship, and family business literatures were selected for the detailed analysis. As the selection criteria, we selected papers in the following categories:

1. Reviews, theory building and conceptual papers
2. Editorials and commentaries
3. Practitioner articles
4. Empirical papers on stewardship, sustainability and governance
5. Book chapters on stewardship
6. Meta-analytical reports

During the extensive search for studies, we selected papers from top journals such as *Academy of Management Review, Academy of Management Journal, Academy of Management Annals, Harvard Business Review, California Management Review, Journal of Management, Journal of Business Ethics, Journal of Business Venturing, Organisation Science,* and the *Strategic Management Journal*. In addition, highly cited relevant papers from other journals were also selected. Importantly, references of key papers on stewardship, governance and sustainability were searched to identify more papers on the same topics.

For the search, we used the Scopus and Google scholar databases using the following keywords: stewardship theory, corporate governance, agency theory, ethical stewardship, corporate sustainability, sustainable governance, stakeholder theory, corporate responsibility, corporate social responsibility, servant leadership, family business, and social entrepreneurship.

1. In the first step, review, conceptual and empirical papers on 'stewardship theory' were explored. Based on the electronic search carried out in the Scopus database, 290 abstracts were studied to select 35 relevant papers around stewardship.

Exclusion criteria:

a) Papers which did not contribute significantly to the understanding of stewardship
b) Empirical studies that did not have stewardship as the key topic in the model
c) Papers not from top journals, or papers that did not cite any of the more influential 'Stewardship theory' articles

Table 3.1: Papers identified for 'Stewardship Theory'

Search Topic	Total number of papers identified (Abstracts studied)	Number of papers excluded from further review	Number of relevant papers
Stewardship Theory	290	255	35

Inclusion criteria:

We selected conceptual and review papers on corporate stewardship. Papers that discuss or compare stewardship with other relevant concepts were also included. Since this project is focused on stewardship theory and the conceptual underpinnings of stewardship, we included only recent empirical studies over the last five years from top business, management, strategy, and leadership journals. Such journals tend to provide stronger arguments and thus, are more likely to help improve our understanding of stewardship along with its relationship with other key conceptual domains. Preference was also given to papers that had stewardship as the key or central theme in their model or framework.

On stewardship theory, we found about 290 papers. Broadly, the papers were in the following domains:

1. Conceptual/review papers: 10
2. Empirical studies on corporate stewardship: 25
3. Family business/entrepreneurship: 40
4. Education/healthcare/public sector: 50
5. Other empirical studies (just brief discussion on stewardship): 165

Even though stewardship theory was introduced in the 1990s, research interest in this topic has significantly increased in the last decade (since 2006–07). More than half of the research papers belonged to the business and management domain. And within business and management literature, most research has been conducted in the family business area. There are papers conducting empirical research in the family business domain, but very few empirical studies are found in the general business and management domain. Finance and economics is another area in which research articles have used stewardship theory substantially.

2. As the second step, papers on 'corporate sustainability' were searched. Based on the search carried out in the Scopus database, 1,150 abstracts were studied to select 75 relevant papers around sustainability. The criteria for selection included conceptual/theoretical papers, review articles, as well as recent empirical papers.

Table 3.2: Papers identified for 'Corporate Sustainability'

Search Topic	Total number of papers identified (Abstracts studied)	Number of papers excluded from further review	Number of relevant papers
Corporate Sustainability	1,570	1,495	75

We found a large number of research papers on corporate sustainability. Firstly, more than two-third of the projects were from the developed countries such as United States, United Kingdom, Germany and Australia. Secondly, only about one-fourth of the papers belonged to the business and management area. On the other hand, a greater share of papers (about 40 per cent) used the term 'corporate sustainability' while working in the environment sciences, energy and engineering domains. Importantly, about 20 per cent of the articles on corporate sustainability were from the social sciences, arts and humanities domains.

3. Next, we searched papers covering both the concepts i.e. 'stewardship theory' and 'corporate sustainability'. Based on the search carried out in the Scopus database, 18 abstracts were studied but no relevant paper was found. The 18 papers were in the following domains:
   a) Environment/public affairs: 6
   b) Empirical studies on sustainability: 7
   c) Book chapters: 5

Table 3.3: Papers identified for 'Stewardship' AND 'Corporate Sustainability'

Search Topic	Total number of papers identified (Abstracts studied)	Number of papers excluded from further review	Number of relevant papers
Stewardship AND Corporate Sustainability	18	18	0

4. We then searched for relevant articles on corporate governance and agency theory. This being a heavily researched topic, more than 18,000 papers were found. We limited the research to top business, management, strategy and finance journals. This reduced the number of papers to 1,050. After reading the abstracts, we finally included 80 papers in the literature review.

   Inclusion criteria:
   Papers from top journals, preferably conceptual, theoretical, review or meta-analysis around the corporate governance or agency theory themes were selected. Articles which compared agency theory with other relevant topics such as social responsibility or stewardship were included. Finally, papers which critiqued governance mechanisms using agency theory were also included for the project.

Table 3.4: Papers identified for 'Corporate Governance'

Search Topic	Total number of papers identified (Abstracts studied)	Number of papers excluded from further review	Number of relevant papers
Corporate governance	1,050	970	80

Among the papers found on 'corporate governance', the largest share (more than 40 per cent) of the studies were from the business and management domain. Next, about one-fourth of the articles belonged to economics and econometrics literature.

5. As the next step, we searched for papers covering 'corporate governance' and stewardship. This would allow us to study the nexus between the two themes. Even though corporate governance is a heavily researched area, we found only about 190 papers on governance that also included or discussed stewardship.

   More than half of the studies belonged to the business and management domain. About 20 per cent of the studies were from the economics area. Several of the papers were discussing the UK stewardship code or forest stewardship instead of the general concept of stewardship.

Table 3.5: Papers identified for 'Stewardship' AND 'Corporate Governance'

Search Topic	Total number of papers identified (Abstracts studied)	Number of papers excluded from further review	Number of relevant papers
Stewardship AND Corporate governance	190	160	30

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