Charismatic and responsible leadership is needed on corporate boards to make full use of tangible and intangible capitals to help stop the contagion and achieve the Sustainable Development Goals.
The global community today confronts two daunting challenges. First, ending a global contagion and restoring prosperity. Second, implementing the UN Sustainable Development Goals (SDGs) in every country.

Business is the ultimate driver of results in both endeavours, for only business creates wealth and brings new technologies to scale in human affairs. Neither governments nor civil society can successfully compete with business in wealth creation and the application of innovative technology to human needs.

The major business entities are governed by their boards of directors. How directors lead their corporations is therefore a vital factor in the success or failure of these two global endeavours.

The role of leaders
Leadership keeps organisations and their people focused on mission. Mission sets the priorities, providing focus for the organisation’s calculations and its work towards long-term outcomes.

Therefore, leadership must rise above what is immediate, what is distracting, and what is not mission-supportive. Leadership thus provides an intellectual and emotional centering, demanding a steady, reliable and reassuring guiding presence. Leaders act intently but calmly with thoughtful purpose, not from fear or other more self-centred worries.

A leadership mindset carries into action, overcoming doubts and irresolution so that there is “skin in the game”. When others perceive commitment, they in turn trust the leaders more and step up their own commitment to the needed effort.

Moral purpose
In 1938, American author Chester Bernard, in his seminal work, The Functions of the Executive, concluded that moral purpose is at the core of executive leadership: “Out of the void comes the spirit that shapes the ends of men.” So, to achieve outcomes such as the SDGs and to contain the Covid-19 outbreak, effective leadership is called for.

Management cannot rise to the task. Its centre of gravity is not spiritual but practical. Management focuses on who should do what and how it should be done. Management allocates resources – money, time and supplies – and sets forth the specification of tasks.

Leadership, on the other hand, decides what is to be accomplished and why. In short, leadership tends towards the strategic and management to the tactical.

However, as Chester Bernard pointedly warned, a leader who overlooks tactics is very quickly overtaken by events and sets himself up for failure. The leader must ensure that management is aligned with the mission and that mission does not demand too much from management.

But what vision of leadership is most appropriate for a company director?

Here, charisma and responsibility come to mind. These are different but mutually supportive leadership traits. Charisma provides the director with personal stature and inner power, while responsibility points the way to duty. Let us look at them in greater detail.

Charismatic leadership
Charisma is the innermost moral energy of the leader. It comes from personal faith, originating in our values. Values inspire with purpose, meaning, vocation, resolve and a dedication to persevere and accomplish what is noble and worthy. Values glue the individual to something more transcendent than positional authority
or personal advancement. Motivation through charisma is guided by ethics.

Jim Collins, author of *Good to Great*, noted that the most skilled leaders channel their ego needs away from themselves and into the larger goal of building a great company. It is not that these leaders have no ego or self-interest. “Indeed, they are incredibly ambitious – but their ambition is first and foremost for the institution, not themselves.”

This inner determination and self-control are found within great leaders, and not bestowed by acquisition of a position title or receipt of a handsome salary.

Most importantly, charisma is not megalomania, narcissism or any other ego delusions of superiority. Charisma may be a personal quality, but it only happens through the action of others, by those who feel its presence and in response willingly follow where directed. Charismatic leadership cannot be created by command.

**Responsible leadership**

Then, there is role responsibility that directors must attend to. While charisma creates leadership potential, meeting leadership responsibilities well ensures leadership success. Leaders are elected to an office, and as stewards, they have the fiduciary duty of putting service above self.

Stewardship is the power to act in the stead and place of the real owner. The first responsibility of a steward is to preserve the corpus entrusted to his or her management. The steward is to prevent loss and so sustain value. In addition, it is expected of stewards that they increase the value of the assets entrusted to them.

The role responsibilities are inherent in whatever office is entrusted to an individual. Whether public office or corporate appointee, those entrusted with power over the property of another are held to high standards of fiduciary responsibility as agents and trustees. This ideal of stewardship along with rules of equity was imposed on those who became directors of joint stock companies and crown corporations, in the English courts.

The trust corpus placed under the supervision of company directors contains more than financial capital. The value of an enterprise is not created by financial results only, although that is one way of measuring business achievements. The financial approach cannot define the goals and objectives necessary to implement the SDGs. Nor do financial metrics show how to protect the world from Covid-19 infection.

**Beyond tangible capital**

If financial accounts report outcomes, what can measure the inputs needed for company success in meeting the expectations of multiple stakeholders? What makes future profit probable and future losses avoidable?

Profit and loss (P&L) statements and balance sheets report the outcome of prior activities. They report retrospective data, not the new inputs which will determine future results. How many companies use P&L statements and balance sheets for strategic planning or risk-management of future operations?

The old metric – the strengths, weaknesses, opportunities and threats (SWOT) analysis – for future oriented decision-making was inductive and conceptual. SWOT analysis is a work of prediction, an estimation of probabilities and possibilities.

Both the US Business Roundtable and the World Economic Forum (Davos Manifesto 2020) define...
success in business as serving in proportional balance the interests of stakeholders, not just the financial interests of owners. To better manage the risks of engagement with stakeholders, a more comprehensive analytical framework for measuring outcomes than is currently taught in business schools is needed to guide directors in their stewardship.

The chart, “Tangible and intangible capital flows”, illustrates how the different capitals engage with one another as the firm produces marketable and profitable goods and services.

In their stewardship, company directors should use a new format for a balance sheet in order to measure comprehensively their use of all capitals – tangible and intangible.

The Caux Round Table believes that intangible capitals are the pre-cursors of profit. As capital inputs, they make financial results possible. The intangible capitals of human skills and social realities – company governance, company culture, brand reputation – in the first place attract initial investment capital. They create confidence in the enterprise among its shareholders and creditors.

It is then these social and human capitals which allow a firm to engage with its stakeholders. Profitable risk management of interactions with customers, employees, suppliers, investors, communities and the environment is best measured by measuring the probable impact of each intangible capital asset.

Thus, the corpus of assets under the stewardship of company directors includes social and human capitals, along with other intangibles. Directors have a fiduciary duty to account for the wise and productive use of such capitals as well as for the financial health of the company. Directors must bring their charisma to the execution of responsibility for how the company’s officers and employees direct the application of all forms of capital.