

Business

Law

International

Vol 22 No 3 pp 231–319 ISSN 1467 632X

September 2021

Character-Infused, Social Value Purpose for Aspirational Leaders

William Furlong and Professor Mary Crossan

Tax Reporting Regimes: DAC6 and Beyond

Jenny Wheeler and Charles Cartiglia

Spotlight on SPACs: Key Trends and Issues

Jerry K C Koh and Victoria Leong

Corporate, Bank and Sovereign Insolvencies: Why the Difference?

Philip Wood



Business Law International

Business Law International is a journal of the International Bar Association Legal Practice Division. It is published three times a year.

Founding Editor

J William Rowley QC, 20 Essex Street, London, UK

Editor

Jennifer Wheeler, Debevoise & Plimpton, London, UK

Deputy Editor

Peter Alexiadis, Visiting Professor, King's College London, UK

Editorial Board

Jaime Carey, Carey, Santiago, Chile

Gwendoline Godfrey, DMH Stallard, Crawley, UK

Hans Witteveen, Stibbe, London, UK

Jerry K C Koh, Allen & Gledhill, Singapore

Tom Fagernäs, Krogerus, Helsinki, Finland

Philip Wood QC, London, UK

Osvaldo Marzorati, Allende & Brea, Buenos Aires, Argentina

William Johnston, Byrne Wallace, Dublin, Ireland

Wayne McArdle, Gibson Dunn & Crutcher, London, UK

Meg Strickler, Conaway & Strickler, Atlanta, US

Melissa Stock, Normanton Chambers, London, UK

Editorial

Director of Content: James Lewis

Managing Editor: Simon Fuller

Junior Content Editor: Nicole Gilchrist-Reeves

Typesetter/Artworker: Will Fox

Contributions to *Business Law International* are welcome, and should be sent to the International Bar Association at editor@int-bar.org.

Guidelines for authors interested in submitting articles are available from editor@int-bar.org.

Review Books

Books for review should be sent to Nicole Gilchrist-Reeves at the IBA address.

Advertising

Head of Advertising and Sponsorship:

Andrew Webster-Dunn

For details of advertisement and insertion rates please contact the International Bar Association at andrew.webster-dunn@int-bar.org.

Subscriptions

Free to members of the Legal Practice Division.

Annual subscription for non-members, including index:

2021 prices:

£250 for full year, online only; £94 single issue, online only.

Please order from the International Bar Association at subscriptions@int-bar.org.

Change of Address

Please inform the International Bar Association at:

member@int-bar.org.

International Bar Association

5 Chancery Lane,

London WC2A 1LG, United Kingdom

Tel: +44 (0)20 7842 0090

Fax: +44 (0)20 7842 0091

editor@int-bar.org

www.ibanet.org

Postal Information

This journal is published three times a year.

Postmaster: send corrections to:

member@int-bar.org

© IBA Legal Practice Division 2021

All rights reserved. No part of this publication may be reproduced or transmitted in any form or any means, or stored in any retrieval system of any nature without the prior written permission of the copyright holder. Application for permission should be made to the Director of Content at the IBA address.

The views expressed in this journal are those of the contributors, and not necessarily those of the International Bar Association.

Printed by Pensord.



Articles appearing in this journal are indexed in:

- Cabell's Directory of Publishing Opportunities in Management
- HeinOnline
- H W Wilson's Index to Legal Periodicals
- International Bibliography of the Social Sciences (IBSS)
- Summon Serials Solutions
- Ulrich's Periodicals Directory
- Westlaw – Legal Journals Index



Business Law International

Vol 22 No 3 pp 231–319 September 2021 ISSN 1467 632X

CONTENTS

BLI Speedread	231
Character-Infused, Social Value Purpose for Aspirational Leaders	235
William Furlong and Professor Mary Crossan	
Tax Reporting Regimes: DAC6 and Beyond	253
Jenny Wheater and Charles Cartiglia	
Spotlight on SPACs: Key Trends and Issues	279
Jerry K C Koh and Victoria Leong	
Corporate, Bank and Sovereign Insolvencies: Why the Difference?	307
Philip Wood	
Index	319

BLI Speedread

A brief overview of the articles in the September 2021 issue of
Business Law International

Character-Infused, Social Value Purpose for Aspirational Leaders

William Furlong and Professor Mary Crossan

This article has been written for those who aspire to make a difference through their work in a way that imagines succeeding without exploiting others or our planet – the ‘aspirational leader’. Such leaders embrace the idea of an organisation animated and self-assessed by the value it provides to society (‘social value purpose’). They reject the profit-centric, near-term, fixed mindset that privileges profits over people and our planet. They believe in and aspire to realise the innovative energy of capitalism that can be harnessed to achieve positive, sustainable economic and non-economic returns for all of society’s stakeholders.

However, aspirational leaders are soberly and realistically aware of the challenges, obstacles and resistance that need to be overcome to realise this reality. They appreciate the practical limitations that restrict even enlightened boards, chief executive officers and investors from wholly embracing social value purpose, not to mention the dynamic and complex environments in which these organisation’s leaders operate.

The beginning of the end of the Covid-19 pandemic is in sight, and with it is coming an exceptional opportunity for aspirational leaders. We are now evolving into a ‘new normal’ where the old ways of doing things are being questioned and examined. Not only can we make the obvious, incremental, visible improvements to our daily work routines, but we can also change some of the outdated, largely invisible, fundamental assumptions that, pre-pandemic, guided our daily lives.

What is this opportunity for deeper, more meaningful change? It is to embrace a social value purpose for your life and organisation and infuse it with leader character. With purpose and character acting as powerful, mutually reinforcing drivers, a virtuous cycle can take hold in your organisation.

Character-Infused, Social Value Purpose for Aspirational Leaders

William Furlong and Professor Mary Crossan*

Foreword for lawyers

Pre-Covid-19, many of us had the sense that the social fabric of market-based economies was fraying. As Mark Carney, the former Governor of the Bank of England and the Bank of Canada, wrote in his recent book *Value(s)*, ‘In short, we have moved from a market economy to a market society, and this is now undermining our basic social contract of relative equality of outcomes, equality of opportunity and fairness across generations.’¹

Yet, how these same countries with market-based economies reacted to the Covid-19 pandemic has provided evidence of hope that a new, more equitable social contract may be emerging. Quoting Carney, ‘Most fundamentally, when faced with catastrophe, governments and citizens drew on their core values and made decisions based on human compassion and not financial optimisation.’² Further, Carney predicts a reckoning post-Covid, ‘Once this crisis passes, people will judge which companies supported their employees, engaged with their suppliers and customers and pivoted to help society weather this unprecedented shock.’³

* William (Bill) Furlong is a Corporate Director and Executive-in-Residence at the Ivey Business School, in London, Ontario, Canada. Mary Crossan is a Distinguished University Professor at the Ivey Business School. Bill and Mary co-host the podcast *Question of Character*. The authors would like to thank Jordan Furlong, lawyer, author and founder of Law21 and Larry Crossan, Founder and partner, Lexcor Business Lawyers, for their contributions to this essay.

1 Mark Carney, *Value(s), Building a Better World for All*, Penguin Random House Canada Limited 2021, p 5.

2 *Ibid* 235.

3 *Ibid* 358.

The move from a market society towards a market economy that operates within a more equitable, values-based society will require substantial changes in perspective, and perhaps none more so than in our understanding of corporate purpose. Once more referring to Carney, ‘Covid is demanding a strategic reset for business, with new strategies grounded in purpose to address the most pressing issues for people and planet.’⁴

However, it is unclear whether the momentum towards a more equitable social contract will continue, or whether we will backslide to our pre-pandemic habits, and risk further fraying to the social fabric of market-based economies. The social contract that ultimately emerges will result of course from the sum total of the everyday decisions we each make in our personal and professional lives.

Lawyers, as members of an articulate, highly skilled and influential profession, have the potential to have a profound impact on the outcome. As leading legal advisers to the world’s top corporations and institutions, you should be aware of the importance of social corporate purpose to an enduring, equitable social contract, and the critical role that character-infused leadership plays in this transformation.

Overview

If you aspire to make a difference through your work in a way that imagines succeeding without exploiting others or our planet, then this essay has been written for you – you are an ‘aspirational leader’. You embrace the idea of an organisation animated and self-assessed by the value it provides to society⁵ (for clarity, hereafter referred to as ‘social value purpose’). You reject the profit-centric, near-term, fixed mindset that privileges profits over people and our planet. You believe in and aspire to realise the innovative energy of capitalism that can be harnessed to achieve positive, sustainable economic and non-economic returns for all of society’s stakeholders.

However, you are soberly and realistically aware of the challenges, obstacles and resistance that need to be overcome to realise this reality. You appreciate the practical limitations that restrict even enlightened boards, chief executive officers (CEOs) and investors from wholly embracing social value purpose, not to mention the dynamic and complex environments (discussed herein) in which these organisation’s leaders operate.

4 *Ibid* 387.

5 Social value purpose can be defined as corporate purpose that considers society’s needs uppermost and is stated as ‘... a concrete goal or objective for the firm that reaches beyond profit maximization’. Gartenberg et al, ‘Corporate Purpose and Financial Performance’, *Organization Science*, Jan–Feb 2019, p 1.

The beginning of the end of the Covid-19 pandemic is in sight, and with it is coming an exceptional opportunity for aspirational leaders. We are now evolving into a 'new normal' where the old ways of doing things are being questioned and examined. Not only can we make the obvious, incremental, visible improvements to our daily work routines, but we can also change some of the outdated, largely invisible, fundamental assumptions that, pre-pandemic, guided our daily lives.

What is this opportunity for deeper, more meaningful change? *It is to embrace a social value purpose for your life and organisation and infuse it with leader character.* With purpose and character acting as powerful, mutually reinforcing drivers, a virtuous cycle can take hold in your organisation. Over the long-term, corporate purpose will lead to mutually trusting relationships that create reciprocal benefits, including:

- lowering costs;
- reducing risk;
- inspiring employees; and
- spurring innovation.⁶

Why now? What is it about the end of the pandemic that is creating this opportunity in 2021 and beyond? We believe it is because of the following:

- The trend away from the 'shareholder value maximisation' paradigm seems likely to be accelerated by the Covid-19 pandemic. The pandemic has forced us to realise that we are all inextricably linked, that deep societal inequities exist and that the best outcomes for society result from truly collaborative enterprise (eg, the international scientific collaboration that has led to the unprecedented speed in developing effective Covid-19 vaccines). Even before the pandemic began evidence was mounting of the positive benefits that accrue to organisations that seek to generate profits through creating value for society. *Social value is the purpose, profits are the by-product.*
- The practice of leader character has matured and is ready to be paired with social value purpose. Leader character is defining that elusive X factor that everyone knows is critical but struggles to define, assess and develop. From academic journal articles to an institution dedicated to leader character, from podcasts to a mobile app (in beta), leader character information and instruction have been created and largely reside in the public domain. This provides the resources that individuals and organisations have been utilising to make leader character an essential component of their personal, professional and organisational lives. The results have been uniformly positive, which is leading to further adoption, learning and excitement.

6 See n 1 above, p 415.

This article seeks to provide aspirational leaders with the means to make their own assessment of the enormous potential of pursuing a character-infused, social value purpose trajectory for themselves and their organisations, and the critical first steps to take in that direction.⁷

The article is organised as follows:

1. reviews the flaws inherent in the profit-centric model of purpose, the movement towards a social value purpose-centric model and the challenges and resistance such a transition presents;
2. identifies the leader character's role in addressing these challenges, which includes a brief overview of the Ivey Business School Leader Character Framework; and
3. concludes by providing simple guidance and recommendations for you as an aspirational leader that will enrich *how you think* and guide your character-infused, social value purpose-driven journey.

The essence of purpose

Purpose is the organisation's 'Why?' It is at the intersection of two fundamental questions: 'Who are we?' and 'What need do we fulfil in society?'

It captures what is true about the organisation at its best – its authentic and distinctive strengths. Purpose is aspirational. Purpose reframes an organisation's compact with the world... social responsibility is seen as an opportunity, not an obligation. It answers, 'What would the world lose if we were gone tomorrow?'

Rather than employees, a purpose-based company has missionaries. Instead of customers, it has advocates. Instead of loyalty, it aims for love.

Source: Adapted from Cathy Carlisi et al, *Purpose with the Power to Transform your Organization* (Brighthouse, The Boston Consulting Group, May 2017).

The unintended consequences of shareholder value maximisation

On 13 September 1970, the *New York Times Magazine* published an article by then soon-to-be Nobel Laureate Milton Friedman titled 'The Social Responsibility of Business is to Increase Its Profits'. The title really says it all. Friedman argued that the social responsibility of executives to shareholders '... is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom'.⁸ The article was at its core 'an ethical argument, resonating themes of fairness and freedom, as well as efficiency'.⁹

7 This article does not discuss how to embed an organisation with corporate purpose that focuses on social value. For more information on this topic see: (1) Cathy Carlisi et al, *Purpose with the Power to Transform your Organization* (Brighthouse, The Boston Consulting Group, May 2017); (2) Alex Edmans' book *Grow the Pie* (see n 16 below); and (3) Rupert Younger et al, 'Enacting Purpose Within the Modern Corporation' (Saïd Business School, University of Oxford), 2020.

8 'Greed is Good, Except When It's Bad', *The New York Times Magazine*, 13 September 2020.

9 Malcolm S Salter, 'Rehabilitating Corporate Purpose' (Harvard Business School), 2019, p 22.

A definitive indication of the impact and acceptance of Friedman's thesis (hereafter referred to as 'shareholder value maximisation') on corporate purpose was reflected in the 1997 version of the Business Roundtable's (BRT) *Statement of Corporate Responsibility*, which read in part: '... the paramount duty of management and boards of directors is to the corporation's shareholders... The notion that the board must somehow balance the interests of stockholders against the interests of stakeholders fundamentally misconstrues the role of directors.'¹⁰

With time, the unintended adverse consequences of shareholder value maximisation have become obvious to many. In his comprehensive essay 'Rehabilitating Corporate Purpose', Professor Malcolm S Salter details the effect that this doctrine has had on the practice of business, culture and society itself. He writes: 'It (shareholder value maximization) has diverted attention away from the broader purpose of the corporation—namely, making things that benefit customers and the larger community—and contributed to a self-centered winner-take-all culture that invites a variety of corrupt behaviours, social injustices, and system inefficiencies.'¹¹

The common adherence to the shareholder value maximisation paradigm has, over several decades, led to serious and intensifying social and moral disengagement. Professor Salter elaborates, 'Social and moral disengagement is a process whereby people switch their ethicality on and off. It is typically triggered by the framing effects of incentives, such as those tied to shareholder value maximization.'¹²

Other prominent and globally influential stakeholders have agreed with the view that shareholder value maximisation is problematic and needs to be addressed, including:

- CEOs: The Business Roundtable's (BRT) *Statement on the Purpose of a Corporation* 2019 reads, 'While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our Stakeholders... Each of our stakeholders is essential.'¹³ This represents a significant departure from the 1997 version.
- Investors: BlackRock's 2019 letter to CEOs states 'Purpose is not a mere tagline or marketing campaign; it is a company's fundamental reason for being – what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits but the animating force for achieving them.'¹⁴

10 *Ibid* 20.

11 *Ibid* 6.

12 *Ibid* 12.

13 *Statement on the Purpose of a Corporation* (Business Roundtable, 19 August 2019).

14 'Profit and Purpose', Larry Fink's 2019 letter to CEOs, www.blackrock.com/americas-offshore/2019-larry-fink-ceo-letter accessed 30 August 2021.

Pivoting towards social value purpose

There is a rising groundswell of support to pivot towards a social value-centric version of purpose. In Carney's book *Value(s)*, he writes, 'In living purpose, companies work to find solutions to society's challenges, while being responsible and responsive employers, with honest, fair and lasting relationships with suppliers and customers, and engaging in their communities as good corporate citizens.'¹⁵

Likewise, in his book *Grow the Pie*, author Alex Edmans coins the term Pieconomics '... as an approach to business that seeks to create profits only through creating value for society. Pieconomics most definitely sees investors as important. But an enterprise serves them not by giving them a larger slice of what already exists, but through growing the pie.'¹⁶ The primary focus of business is to create value for all of society's stakeholders, and if done well profits will eventually flow to shareholders.

Note that the social value purpose approach is different than other 'stakeholder-friendly' alternatives proposed, such as the enlightened shareholder value and the triple bottom line (people, planet and profit) approaches. In social value purpose, '... the enterprise's ultimate goal is to create value for society – and in doing so, it will increase profits as a by-product'.¹⁷ By contrast, both enlightened shareholder value and triple bottom line paradigms, although more stakeholder inclusive than shareholder value maximisation, still see the satisfaction of these stakeholders in the service of increasing profit – that is, profit is not a by-product – *it is still the primary goal*.

Professor Salter's essay prescribes a path forward that is an approach that blends Aristotle's theory of reciprocal justice with Chester Barnard's theory of business organisations as cooperative systems, which he names ethical reciprocity. Social value purpose with a foundation of ethical reciprocity recognises the reality that '... companies and their representatives that make credible promises, and then keep them, are in a position to reap the benefits that come with mutual trust...'¹⁸

In the words of Professor Colin Mayer, one of Professor Salter's contemporaries in the work on corporate purpose: 'The importance of corporate purpose derives from the fact that it is the basis on which relations of trust are created in business... This (trust) creates reciprocal benefits for the firm, its stakeholders and society at large... In other words it raises revenue and lowers costs, thereby benefiting firms as well as their associated parties.'¹⁹

15 See n 1 above, p 526.

16 Alex Edmans, *Grow the Pie* (Cambridge University Press 2020), 27.

17 *Ibid* 42.

18 See n 9 above, pp 27–31.

19 Colin Mayer, *Reforming Business for the 21st Century* (The British Academy 2018), 17.

In their article ‘Corporate Purpose and Financial Performance’, the authors calculated measures of corporate purpose (using the definition we noted earlier – see footnote 5) from 456,666 employees across 429 companies and six years across a broad range of industries. They found that ‘... high *purpose-clarity* organizations exhibit superior accounting and stock market performance’.²⁰

In Edmans’ *Grow the Pie* book, by using several novel and insightful studies, he found that there is a great deal of evidence that ‘... show how social value creation improves investor returns’. ‘Overall, the studies reach the following conclusion: To reach the land of profit, follow the road of purpose.’²¹ The single caveat is: ‘Growing the pie benefits investors, but only in the long-term.’²²

Challenges to transitioning to a social value purpose organisation

Predictably, there are significant obstacles and resistance to be overcome to establish social value purpose as the norm for conducting business.

The BRT 2019 Statement of Purpose immediately met with opposition from the Council of Institutional Investors (CII). On the same day of the BRT statement, CII issued its own saying: ‘The (BRT) statement undercuts notions of managerial accountability to shareholders... The BRT statement suggests corporate obligations to a variety of stakeholders, placing shareholders last... It is government, not companies, that should shoulder the responsibility of defining and addressing societal objectives...’²³

There have been criticisms that the BRT statement has resulted in little if any actual change by either CEOs or their boards. In their study, *The Illusory Promise of Stakeholder Governance*, the authors, Lucian Bebchuk and Roberto Tallarita, found that the CEOs who signed the BRT statement did so ‘... largely without seeking either advance board approval or subsequent board ratification...’²⁴

If this resistance and lack of action is not enough, thought-leading global consulting companies and academics have highlighted hurdles to transitioning to a social value purpose organisation. For example, McKinsey published an article extolling the extraordinary ‘power of purpose’.²⁵ However, it observed ‘that there is a frustratingly simple reason why business leaders have struggled to square all these circles with coherent statements and credible actions: it’s

20 Gartenberg et al, *Corporate Purpose and Financial Performance*, p 2.

21 See n 16 above, p 87.

22 *Ibid.*

23 ‘Council of Institutional Investors Responds to Business Roundtable Statement on Corporate Purpose’, Council of Institutional Investors, 19 August 2019.

24 Lucian Bebchuk and Roberto Tallarita, *The Illusory Promise of Shareholder Governance* (Harvard Law School, December 2020).

25 Arne Gast et al, ‘Purpose: Shifting from why to how’, *McKinsey Quarterly*, 22 April 2020.

difficult to solve, simultaneously, for the interests of employees, communities, suppliers, the environment, customers, and shareholders'. In other words, the challenge requires refined judgement from the organisation's leaders.

This concern about leader judgement echoes the objections raised by the authors of *The Illusory Promise of Stakeholder Governance* essay. Although the authors are very supportive of advancing stakeholder interests, they argue '... stakeholderists commonly deal with this issue by leaving the resolution of trade-offs to the judgment and discretion of corporate leaders'.²⁶ The authors warn – based on evidence – that these leaders will not be able to overcome the incentives that cause them to favour shareholders over stakeholders. In other words, leader judgement, distorted by incentives, has been found wanting.

In his essay Professor Salter acknowledges the difficulties in making the paradigm shift to a social value purpose approach and raises a number of issues, beyond judgement, that must be addressed by business leaders. 'Shifting management mindset(s)... toward the mutual interests of all constituencies comprising the firm (including those of shareholders, of course) is a huge challenge. The required change is greater than a simple change of mind. It requires a conversion to a very different management ideology...'²⁷

It is here where leader character plays its critical role in providing aspirational leaders with the means by which they can profoundly change their own worldview, gradually, one step at a time. Aspirational leaders can access and act upon the refined judgement necessary to plot a course towards social value purpose and the wisdom and stamina to successfully navigate it.

Leader character's role in transitioning and sustaining social value purpose

To convert to a mindset of social value purpose, themes emerge as to what it requires from an organisation's leadership including:

- ability to build and sustain trust with multiple stakeholders;
- capacity to align competing interests across multiple relationships over long periods of time;
- ability to operate and feel comfortable in complex, dynamic and ambiguous environments;
- strong personal character, including authenticity, drive, humility, transparency, courage, accountability and perseverance.

Importantly, it is critical that this leadership is exhibited within the middle ranks of the organisation. In their study *Corporate Purpose and Financial Performance*, the authors find '... it is solely the middle managers and

²⁶ See n 24 above, p 25.

²⁷ See n 9 above, p 41.

salaried professionals that drive the relation between high purpose-clarity organizations and financial performance'.²⁸

It will take much more from boards of directors, investors and executives than simply telling their leadership ranks that they must now operate in a manner consistent with social value purpose. The refined and nuanced judgements necessary require the capacity to stay present, listen, be patient, courageous, accountable, humble and humane. In short, they speak to the essence of who these leaders are as people – their *essential character*. It seems disingenuous and unfair to demand the evolution to the higher and consistent demonstration of these *characteristics* without providing guidance, training and support.

We are wholly persuaded that leader character is a critical, natural partner to provide organisations' leadership with the judgement necessary to operate in the substantially more demanding, yet more rewarding environment of social value purpose.

Overview of the Ivey Leader Character Framework

Numerous academic studies confirm what all of us instinctively know: 'character is an indispensable component of sustainable leadership performance'.²⁹ The anatomy of many breakdowns in organisations and derailments in leaders can be traced back to weaknesses of individual character, typically reflected in acts involving poor judgement, not technical incompetence. Examples over the last several decades include Enron, the 2008 financial crisis and car manufacturers' emission scandals, each of which resulted in catastrophic losses in reputation, profits and market capitalisation. Note that technical competency was necessary to enable these derailments. It was weaknesses in character that turned these technical strengths into disastrous outcomes for these leaders, their organisations, and the communities and societies they operated in.

However, character is not only about preventing catastrophes. Research is beginning to quantify the positive value of leader character in organisations. In a 2020 study, researchers employed utility analysis to estimate the value of using leader character in the selection process for senior managers in a large Canadian manufacturing organisation. They found a positive correlation between leader character assessment and performance. They estimated the value of using leader character assessment tools to be approximately C\$375K for each manager over a period of 15 years.³⁰

28 *Corporate Purpose and Financial Performance*, p 2.

29 Gerard Seijts, Jose Espinoza and Julie Carswell, 'Utility analysis of character assessment in employee placement' (2020) 41 (5) *Leadership & Organizational Development Journal* 703–720.

30 *Ibid.*

Yet character has been extremely difficult to objectively define, in particular in the context of leadership. This is where the Ivey Leader Character Framework has been so valuable. This framework builds on centuries of research in the field of character, from Aristotle to the present day. Ongoing research has established its validity.³¹ Because character can be measured, assessed and developed, it provides a practical approach to addressing the issues raised herein. The term leadership is not used in the sense of hierarchy or position, but to identify those people who exercise leadership, regardless of where they sit in the organisation.

Research has revealed 11 dimensions of character that work in an integrated network (see Figure 1). In the framework, dimensions are the 11 high-level constructs, and elements are the habitual or usual behaviours that represent the dimensions. The qualifier 'habitual' is used to describe behaviours, recognising that not everyone demonstrates each and every dimension and its associated behaviours all of the time, under all circumstances.

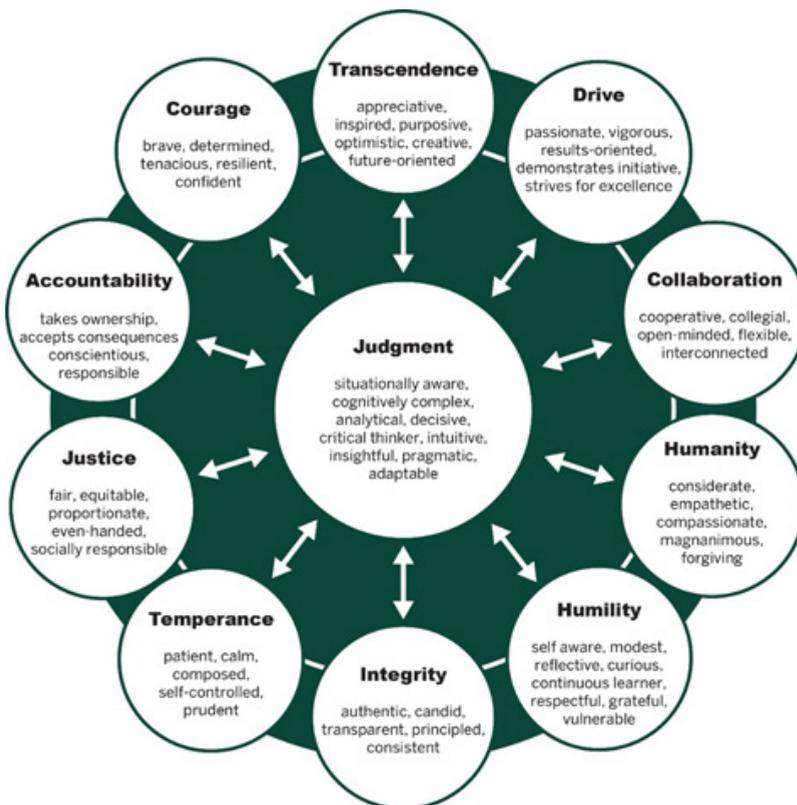


Figure 1: The Ivey Leadership Character Framework

31 For an extensive list of research publications related to leader character please visit the Ian O Ihnatowycz Institute for Leadership www.ivey.uwo.ca/leadership/research-resources/research-publications accessed 30 August 2021.

All of these 11 dimensions matter. Indeed, a virtuous character dimension such as integrity can become or morph into irritating, annoying and ineffective self-righteousness when it is not balanced by one or more of the character dimensions, such as collaboration, humility and humanity.

Organisations often overweight some dimensions of character in their formal values statements and underweight others. For example, many values statements focus on the dimensions of integrity, accountability and courage but much less so about the importance of humility, humanity and justice.

Over-weighting on a few dimensions of character can unintentionally encourage the shareholder valuation maximisation mindset, which over-focuses on a single outcome for a single party – that is, shareholder returns. Disregarding humility as a key behaviour reduces leadership's willingness to listen, learn from and value the opinions of stakeholders other than shareholders. Failure to emphasise that justice and humanity are valued characteristics diminishes the awareness and need to consider other stakeholders' issues and non-economic perspectives. Yet leaders must demonstrate some degree of impatience (ie, not overweight temperance) to ensure that the 'business as usual' shareholder value maximisation model will no longer be tolerated and the situation changed with a sense of urgency. Importantly, leaders need the capacity to activate or suppress a dimension of character whenever the need may arise.

The importance of trusting, long-term relationships as central to the success of social value purpose has been highlighted by many of the previously noted thought leaders and academic studies. In a recent article by McKinsey the authors note, 'In all cases, however, listening is critical to building trust – and without trust stakeholder capitalism is impossible to achieve'.³² It is therefore worthwhile to briefly reflect upon the nature of trust, and how character is central to one's ability to trust another.

Observed through the lens of leader character, trust is about being able to trust another person's judgement, or more specifically, character-based judgement. It's about trusting that a person has the transcendence, humility and humanity to see what needs to be done, the accountability, drive and courage to do it and the temperance to know when to press and when to pause, for example. It is much more than their competencies, although that

32 Vivian Hunt et al, *From principle to practice: Making stakeholder capitalism work* (McKinsey & Company, April 2021).

is certainly relevant. It is one's view of another's judgement to make promises they have the ability and resources to keep, and then to actually keep them.³³

The Ivey Leader Character Framework, as a normative theory,³⁴ provides the observer with a lens through which to observe, assess and evaluate his or her own and other's character. It creates a rich new set of data points that, before the adoption of the character lens, was simply not observable as anything other than a disordered, chaotic, somewhat random set of behaviours. With the understanding provided by the framework, the observer is able to better assess another's character, and thus assess the extent to which that person can be trusted.

The 'If Present' column in Table 1 below describes the behaviours, using leader character terms and dimensions, that you would expect to observe in organisations that have effectively embedded social value purpose. The 'If Absent' column outlines the behaviours you would expect to observe in organisations where the purpose is inauthentic, shareholder-centric and short-term in nature.

These behaviours would accurately reflect the organisation's culture. The behaviours of the 'If Present' column will manifest any legitimate, coherent strategy and purpose, including social value purpose. However, should the behaviours of the 'If Absent' column prevail within an organisation then there is virtually no hope of making the culture and mindset change necessary to support social value purpose.

For example, a culture of humility and humanity allows an organisation to listen to stakeholders, to accept how the organisation's past decisions may have hurt them, to admit these mistakes and to learn from them. But this humility must be braced with a culture of courage because listening and admitting to past wrongs is exceedingly difficult. Justice will provide the path forward to rectification; collaboration, the mindset to work together to achieve shared outcomes; temperance, the patience to allow time for these new initiatives to bear fruit; and accountability, to ensure it does.

33 On this point, in particular, readers who are lawyers might find themselves nodding in familiar agreement. After all, the regulatory authorities in most jurisdictions worldwide, when deciding whether to admit a lawyer to the practice of law, make it a formal requirement that the candidate for licensure must display 'good character'. It is frequently said of lawyers that however much knowledge they possess, or however skilled they might be in the courtroom or boardroom, no attribute is so essential to their sustained professional success as good character.

34 Normative theories not only describe how something works, but how it *should* work. The Ivey Leader Character Framework theorises about which character dimensions are present/relevant, and how they work together in the contexts of leadership and organisations. However, it also tells us that the presence and habitual activation of these dimensions will produce optimal, long-term outcomes that are positive for the well-being of all stakeholders.

Table 1: When leader character dimensions are present and absent

Dimension	If Present	If Absent
Judgement	Clarity in day-to-day decisions and sound reasoning of how decisions serve both short-term and long-term interests	Rigid reliance on rules, processes and policies that frustrate and disappoint stakeholders
Courage	Determination and resilience to stay the course when facing obstacles	Fear and reluctant approaches to deal with issues and tensions that arise
Drive	Relentless commitment to achieve the desired outcomes	Satisficing rather than maximizing is the norm
Collaboration	Perceived as a well-intentioned and trustworthy partner by all stakeholders	Limited opportunities for key stakeholders to meaningfully influence decisions and actions
Integrity	Authentic and candid expression of why things are done	Disingenuous decisions and actions that are seen as untrustworthy
Temperance	Patience and calm to navigate difficult conversations and to stay the course	Reactive and impulsive responses to criticism and adversity
Accountability	Clarity about the stakeholders served and how they are served	Self-serving and/or narrow support of a limited group of stakeholders
Justice	Attention to injustice and inequity; actively participate in responsible reconciliation, reparation and restoration	Stakeholder injustice irrelevant; seek to protect assets and limit liability; resist efforts for reconciliation, reparation and restoration
Humility	Capacity for continuous learning within the broader context of purpose in order to address emerging issues	Arrogance and rigidity dominate discussions
Humanity	Empathy and compassion to listen and understand all stakeholder perspectives in spite of confrontations	Failure to listen and understand stakeholder perspectives
Transcendence	Inspired and imaginative insight into the potential to serve diverse stakeholders.	Limited and constrained capacity to imagine possibilities

Given that we instinctively know character to be important to the transition to a social value purpose mindset, why would we not intelligently and intentionally cultivate these dimensions in our organisation's leaders and culture?³⁵

³⁵ This question is particularly piercing for lawyers. The legal profession requires all its members to demonstrate good character upon admission to practise and maintenance of that character throughout their careers. Doubtless for all lawyers, one admires and relies upon the good character of one's partners and associates on a daily basis within the firm.

Next steps for aspirational leaders

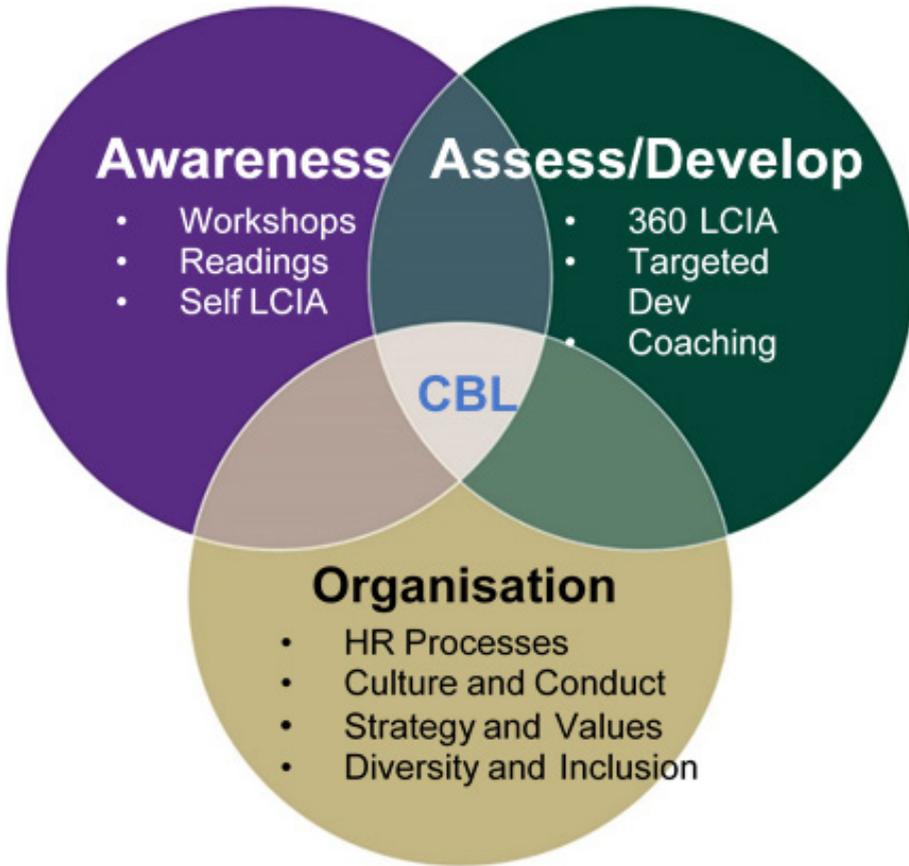
The transition to social value purpose is fundamentally altering the nature of organisations and is one that aspirational leaders will naturally embrace.

However, transitioning to the social value purpose will require a new management mindset and ideology. There are a number of powerful interests that will resist this transition, and it is acknowledged that this approach requires wiser judgement among all the leaders in the organisation, in particular those in the middle ranks. And as we have seen even the most enlightened CEOs and boards have struggled with the trade-offs necessary to make this transition. Sustaining social value purpose will demand an even higher quality of judgement, decision-making and trust in the organisation's leadership.

Leader character, the natural ally of ethical reciprocity and therefore social value purpose, is required to provide the foundations for these nuanced, complex and sometimes ambiguous environments.

Our message to aspirational leaders is straightforward:

1. Embark upon a personal journey of strengthening your personal leader character. Simply start by choosing the character dimension you would like to work on first and go from there. Recognise that in contrast to most leadership theories, it is your weaknesses that may impede your strengths from operating in their virtuous state.
2. Commit your organisation to a journey towards character-based leadership (CBL) through awareness, assessment, development and organisational practices (see Figure 2). Start by selecting an important initiative (eg, character-based selection) or vexing issue (eg, culture change). After examining it again through the lens of leader character we are confident that you will see the initiative or issue in a materially different light, which will reveal new approaches and opportunities to overcome obstacles and achieve better outcomes.
3. Using this leader character lens, pursue your organisation's authentic purpose that is guided by the mindset of social value purpose.

Figure 2: Institutionalising character-based leadership³⁶

It is critical to understand that by launching you and your organisation on a leader character journey, you will not be told what to think, but far more valuably, *enrich how you think*. Your improved thinking will lead to downstream improvements in your judgements, outcomes and well-being.³⁷

As mentioned in the introduction individuals and organisations can, through their own self-direction, make a great deal of progress using

³⁶ William Furlong and Mary Crossan, 2019.

³⁷ Clayton M Christensen, 'How will you Measure Your Life', Harvard Business Review, July–August 2010. An example cited in this article parallels the application of Professor Christensen's theory of disruptive innovation with the leader character framework. Recalling his interaction with Andy Grove, CEO of Intel, Grove said, 'Look, I've got your model. Just tell us what it means for Intel'. Christensen resisted, and soon Grove was able to think it through for himself. Christensen writes, '...instead of telling him what to think, I taught him (Grove) how to think - and then he reached what I felt was the correct decision on his own'.

materials available in the public domain. If more guidance is sought, we would encourage the reader to contact the authors or visit the Ian O Ihnatowycz Institute for Leadership (www.ivey.uwo.ca/leadership).

We believe that aspirational leaders are on the cusp of an extraordinary opportunity – *to embrace social value purpose for your life and organisation and infuse it with leader character*. The message to aspirational leaders is simple – get on with strengthening your personal leader character, and that of your organisation. And while you are strengthening your own leader character, relentlessly pursue social value purpose. The evidence is mounting that this will improve your organisation’s future financial performance and you will *need* the stronger and wiser judgement that arises from leader character to see it through.

In our view, leader character has a central and essential role to play as we evolve to a social value purpose business paradigm, and to address and overcome the critical challenges of the 21st century, so that we might leave a legacy worthy of the generations that will follow us.

The role of lawyers

The leader character framework ought to resonate with members of the legal profession because each of the ten exterior elements of character all point towards and support the ultimate characteristic of a successful lawyer: judgement. At the end of the day, a lawyer’s judgement is truly what the client is paying for – that which is most valuable to the client and most important to the resolution of the client’s problem or realisation of its goal.

Many corporate leaders will need help finding the courage and vision to ingrain a character-infused social value purpose to their corporate culture. On those occasions when you or your colleagues have advised a corporation’s board of directors or management team, you are likely to have encountered deep reluctance to challenge the prevailing cultural norms of corporate behaviour. Not only do most short-term financial incentives encourage the continuation of prevailing practice, but the prospect of facing angry shareholders bent on maintaining their position at the top of the company’s list of priorities would scare off most would-be reformers.

But lawyers also recognise that ‘the best interests of the company’ is the phrase that actually identifies, often with statutory force, the correct prioritisation for corporate executives and boards of directors. Some of a lawyer’s most impactful work resides in reminding directors, officers and managers where their primary duty actually lies.

As these companies’ strategic counsellors and risk advisers, deeply invested in a profession that has always taken character and values seriously, lawyers

are uniquely placed to provide this assistance and support. Consider bringing this article or these concepts to the attention of the corporate leaders among your own clients, and suggest a longer, reflective discussion of the immense potential of leader character.

Equally, however, consider the impact that aspirational leadership, social value purpose and leader character might have within your own law firm – on the relationships and behaviours among the equity partnership, in the recruitment of lateral partners and new associates, on the culture and values that you want to see represented in your law practice and in the example you will set for future generations of partners and leaders in the years and even decades to come.

Finally, lawyers should recognise and embrace their unique opportunity to contribute to this post-pandemic societal, organisational and personal transformation. The outcome towards a more equitable social contract for market-based economies is anything but assured, and our individual character, judgements and actions will ultimately be decisive. It's time to stand up and make your case.