

LEADERSHIP AND FINANCIAL STEWARDSHIP

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SEMINAR**

BY

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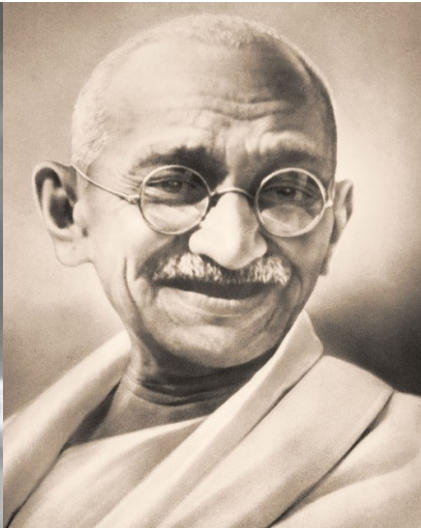
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THE LEADERSHIP DEBATE AND RESEARCH

- **Leadership:** 200 yrs.; **Leader:** Almost 2,418 yrs.
Trend: Great man; traits; contingency – situational, style, behaviour, process; transactional; transformational; “charismatic”.
- **Definitions:** As many definitions as there are scholars: “Type of power relationship”; “Behaviour patterns”; “Interaction between persons”; “I”s.
- **Qualities:** Integrity; honesty; accountability; intelligence; trust; humility; character; commitment; competence; courage; focus; initiative; attention, passion; discernment.
- **Views:** Genetic; learned; heroic; top-only; social script; position; calling.
- **Full Range:** Transformational; Transactional; Laissez faire.

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LEADERS AND LEADERSHIP



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EFFECTIVE LEADERSHIP

- **Leadership, Ethics, Morals, Values and Virtues**
 - Leadership is **NOT** a genetic gift or a family legacy.
 - Leadership - character, values, style, in the Entity, family and society. It is a way of life!
 - Leadership is an *intentional* process of growth - lived out *experientially*. Will to “say yes or no”!
 - Ethics - system of moral values: standards of conduct.
 - Ethics is the *heart* of leadership.
 - Values and Virtues?
 - “Ethical Leadership” - Influencing people through principles, values & beliefs embracing right behaviour.
 - *Leadership; rulership, power, manager(-ship).*

EFFECTIVE LEADERSHIP:

- *Most important quality - "Idealised Influence"!*
- **Trust**
 - *Inspire **Trust***: Confidence, assurance.
 - **Character**: mental/moral qualities, integrity, honesty, reliability, courage.
 - **Competence** - capabilities, talent, knowledge, qualification, capacity, results.
 - *Character without results is a contradiction! and competence without character is a serious contradiction!*
 - **Price of entry (?) - Character.**

LEADERSHIP: THE GOLDEN HANDSHAKE!



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STEWARDSHIP

- ***Steward*** - a “care” “taker”, manager, “servant’.
- ***Stewardship***:
 - *Careful and responsible* management of something *entrusted* to one's care.
 - A protective restraint, taking care of resources through nurturing and thrifty management.
 - Active and responsible management of “*entrusted*” resources in the longer term, so as to hand them later in a better condition.
 - Choosing *service* over *self-interest*.
 - Ref: *Agency and Stewardship models; separation of ownership and control.*

STEWARDSHIP

- **The Agency Model/Principal-Agent Model:**
 - *Range of contractual relationships: **Board, Managers and Employees** – information asymmetry, pre-contractual and post-contractual opportunism, moral hazard.*
 - *Incentives, accountability, sanctions, information, systems, M&E to mitigate opportunistic behaviour.*
- **The Stewardship Model:**
 - *Managers not motivated by self-interest but stewards whose motives are aligned to the objectives of principals.*
- **The Agent-Steward Scale:**
 - *Managers at low levels of moral development are more agent-like; at higher levels are more steward-like; at highest levels may serve interest of people other than owners!*
- **The Stewardship and Trusteeship:**
 - *Is a Steward a Trustee?*

WHY STEWARDSHIP?

- **Ethical Principle:**

- Humans have a duty to the world and their fellow human beings.
- A moral obligation to take care of the environment, wise use of natural resources, and adhering to a code that *balances one's responsibilities* with the *rights* of others.
- Kantian principle: one has a moral duty to *treat people as an end in itself*.
- Many philosophies and religious traditions stress the importance of human responsibility to the environment and the community.

WHY STEWARDSHIP?

- **Bible:** "For it will be like a man going on a journey, who called his servants and *entrusted* to them his property"... one 5 talents, another 2, the other one talent: each according to *his ability*! Matthew 25:14-30.
- **Buddhism:** "*When someone is selflessly charitable, they should also practice being ethical by remembering there is no distinction between one's self and the selfhood of others*".
- **Islam:** "*Each one of you is a guardian and each guardian is accountable to everything under his care.*"
- **Hinduism:** "*Mother Bhumi, may whatever I dig from you grow back again quickly, and may we not injure you by our labour.*"

STEWARDSHIP: *Rationale for The Accounting Profession*

- **Professionalism and Accounting Profession:**
 - Expertise, objectivity, transparency, accountability, professional competence, quality, regulatory, oversight, trusted order, promoting public interest.
 - **Transparent, reliable** information that **accurately** reflects the **TRUE** financial situation of an Entity.
 - **Comparability** - Globalisation, multi-nationals.
 - **Trend analysis:** Over a period for prudent decisions.
 - ***"Imagine "diligent decisions" made upon information that was fraudulent!"***

FINANCIAL STEWARDSHIP

- Accurate, reliable preparation of financial records for effective decision making and in the fulfillment of financial, legal and reporting obligations.
- Diligence in accurately preparing and maintaining financial records for accurate & timely disclosure.
- Promote ethical conduct, a culture of honesty, integrity, stewardship and financial accountability.
- A higher standard in ensuring financial integrity.
- Principles: *Standard of accountability, ethical business standards and generally accepted accounting principles; taking responsibility; training and development.*

"THE CHIEF FINANCIAL STEWARD"

- *"It is the Board's responsibility to cause to be kept proper books of accounts and to produce financial statements reflecting **a True & Fair View** of the affairs & the results of operations of the Entity".*
- *The Board **Confirms that Suitable Policies** have been used and applied consistently and reasonably, and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31/12/2017.*
- *"It is the duty of a **Professional Accountant** to assist the Governing Board to discharge the responsibility of preparing financial statements of an Entity showing **True and Fair** view of the Entity's position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements."*
- *In this "duty" the **Chief Financial Steward** – the **Board** - is assisted by: the CEO, Head of Finance, Head of Internal Audit, External Auditors and other employees of the Entity.*

STEWARDSHIP, DIMENSIONS, CODE, REGULATION AND LEADERSHIP

- ***Dimensions of Stewardship:*** Compassion, equity, prudence, accountability and care.
- **A Stewardship Code:** Public disclosure, conflicts of interest, monitoring investee companies, acting collectively with investors, periodical reports on stewardship & voting activities.
- **Regulating Stewardship/Role of Government:** Favourable investment climate, macro-economic stability, information sharing and disclosure, financial education.
- **Leadership and Stewardship:** *Leadership should be viewed more as stewardship* - “the willingness to be held accountable for the well-being of the larger Entity by operating in service, rather than control, of those around us.”

STEWARDSHIP RETURNS - well-stewarded firms

- Correlate with competitive advantage.
- Development of core competencies, firm specific advantages.
- Better human resource practices.
- Greater investment in R&D leading to more patents.
- Less risky strategic investments.
- More loyal customers.
- Trusted suppliers over time.
- Generating greater ties with external stakeholders.
- Peer admiration.
- “Family firms” - more innovative, perform better.
- **Stewardship risks – succession, feuds, reputation, geopolitical developments.*

RATIONALE FOR HIGHER STEWARDSHIP

- ***Sample Collapses:*** Daewoo; BFA; BCCI; R. Maxwell; Barings Bank; HIH; Enron; WorldCom; Tyco; AA; Parmalat; OR, Varsity; Crystal Cathedral Church; Volkswagen; Trade, Trust, Euro, Imperial, Dubai, Chase; KNA, Access, Stallion.
- ***Lack of Stewardship:*** Fraud; theft; loans to auditors; violations of laws; covering losses; money laundering; poor internal controls, lack of accountability, limited information; accounting manipulations; hiding debts in SPVs; inadequate disclosure; non-audit fees; audit tenure; overstated profits; poor risk pricing.
- **Remedial Measures for Greater Stewardship:** Stronger stewardship codes; regulation, punitive measures.

THE PAIN OF POOR STEWARDSHIP: Collapse of Crystal Cathedral Church!



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THE PAIN OF POOR STEWARDSHIP: Investor's pain!



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THE PAIN OF POOR STEWARDSHIP: Steward's Pain! - *Former Chairman Of Daewoo, Kim Woo-jung in Prison for 10 Years! (30/05/2006)*



CORPORATE STEWARDSHIP COMPASS

Values/ practices	Long- term Str.Vision	Prudent risk	Culture	Ethics & integrity	Human rights	External Coop	Social impact	Employee wellbeing	Enviro ment	Diversity inclusion
CG										
Stakhldr engagmt										
CSR										
Labr pract										
Sustaina bility										
Legal/ reg										
HR/ capital										
Risk, reptn										
Tax										
Info, cybr secrty										
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