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A Contextual Review of Stewardship Theory in Corporate Governance: Implications for Business Practices

Ibikunle Jide¹, Balogun Abdulrasheed² and Bello Ganiyu Leke³

ABSTRACT

This study examines the concept of stewardship within corporate governance, highlighting its importance in fostering responsible management and promoting long-term organizational success. Stewardship theory, which posits that executives act as stewards of corporate resources and are motivated by intrinsic values, contrasts sharply with traditional agency theory, assuming that managers are self-interested. This study offers a comprehensive overview of the core principles of stewardship theory, linking it to the broader framework of corporate governance and stakeholder theory, which advocates for the interests of all stakeholders rather than solely those of shareholders. This article reviews existing empirical studies to highlight the positive impact of stewardship on organizational performance, including enhanced trust among stakeholders, improved decision-making, and reduced agency costs. This study also identifies gaps in the literature regarding the empirical application of stewardship in various contexts, particularly within developing economies. Case studies of companies such as Microsoft, Patagonia, Starbucks, and Danone illustrate the practical applications of stewardship principles, highlighting the benefits of ethical leadership and sustainable practices on stakeholder relations and financial performance. The study concludes with policy recommendations for organizations aiming to enhance their governance structures through stewardship. First, companies should prioritize leadership development programs that foster intrinsic motivation and a sense of responsibility among executives. Second, boards of directors must ensure diverse representation, as varied perspectives contribute to richer decision-making and increased accountability. Third, organizations should engage in transparent communication with all stakeholders to build trust and facilitate collaboration. Regulatory bodies are encouraged to establish guidelines that promote stewardship practices, enabling companies to effectively embed these principles into their governance frameworks.

Keywords: Stewardship theory, Corporate governance, Ethical leadership, Stakeholder engagement, Long-term sustainability

Introduction

Background of the Study

Stewardship in corporate governance refers to a framework where corporate executives and board members act as stewards or caretakers of the organization resources, ensuring that decisions are made in the best interests of the firm and its stakeholders. Unlike traditional models of corporate governance, such as the agency theory, stewardship theory assumes that managers, particularly

CEOs and top executives, are inherently motivated to act in ways that benefit the organization and all stakeholders rather than seeking personal financial gain or maximizing short-term profits.¹

The origins of stewardship theory can be traced back to critiques of agency theory, which assumes a principal-agent conflict between shareholders (principals) and executives (agents). According to agency theory, executives are viewed as self-interested actors who may prioritize their interests over those of shareholders, necessitating mechanisms such as performance-based incentives and strict monitoring to align their goals with those of the owners.² However, stewardship theory rejects this view, arguing that executives are motivated by intrinsic factors, such as the desire for organizational success, job satisfaction, and a sense of duty toward the organization's mission.³

Stewardship in corporate governance is crucial in today's business environment due to the increasing complexity of global markets, increased scrutiny of corporate behavior, and growing demands for ethical leadership. Particularly, the failures of corporate entities, such as the financial scandals at Enron, WorldCom, and Parmalat, as well as the collapse of Oceanic Bank, emphasize the need for sound governance frameworks that prioritize long-term organizational health and stakeholder welfare over short-term financial gains.⁴ Stewardship theory responds to these challenges by fostering trust, accountability, and ethical decision-making within organizations, encouraging executives to prioritize sustainable growth and corporate responsibility.

What is Stewardship in Corporate Governance?

Stewardship in corporate governance is the philosophy that executives, including CEOs and board members, are caretakers of the organization's resources and should make decisions that serve the long-term interests of the company and its stakeholders. This model emphasizes trust and cooperation between executives and shareholders, highlighting that executives are motivated by non-financial incentives, including achievement, organizational success, and the alignment of personal goals with the company's mission.² The primary focus is on creating a collaborative environment where executives act as stewards, ensuring that decisions are made for the long-term benefit of the organization and building trust with shareholders through transparency and ethical leadership.

Why is Stewardship Important in Today's Business Environment?

The significance of stewardship in modern corporate governance is undeniable. Contemporary corporations

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face numerous challenges, including increasing shareholder activism, heightened public scrutiny of corporate behavior, and the need for sustainability in response to global environmental concerns.⁵ In such an environment, stewardship offers a model of governance that goes beyond profit maximization, considering the broader impact of corporate actions on society, the environment, and future generations.

Stewardship-driven governance promotes long-term value creation, as executives act with foresight and responsibility toward the organization and its stakeholders. It fosters trust among investors, customers, and employees, all of whom are more likely to engage with and support an organization that demonstrates responsible and ethical leadership.² Moreover, the growing demand for corporate social responsibility (CSR) has made stewardship an essential component of governance, as it encourages companies to consider the environmental and social impacts of their actions alongside financial performance.⁶

In today's globalized and interconnected markets, companies face growing pressure to develop sustainable business models that make a positive contribution to society. Stewardship theory supports this goal by emphasizing the long-term success of the company rather than focusing solely on short-term shareholder returns.⁷ This shift is particularly important in industries such as finance and technology, where rapid changes can have significant ethical and societal implications. By adopting a stewardship mindset, corporate leaders are better equipped to navigate these challenges and ensure their companies' long-term success.

Key Drivers of the Stewardship Concept

Several factors drive the adoption of stewardship principles in corporate governance:

1. **Trust and Relationship Building:** Stewardship relies heavily on the development of trust between executives, shareholders, and other stakeholders. By fostering an environment of mutual trust, organizations can reduce the need for costly monitoring and incentive systems.⁷
2. **Long-Term Organizational Success:** The stewardship model emphasizes the importance of long-term planning and sustainable growth, which are essential for creating lasting value in today's competitive global markets.⁶
3. **Intrinsic Motivation:** Unlike the financial rewards emphasized in agency theory, stewardship theory is driven by intrinsic motivators such as job satisfaction, personal achievement, and the desire to contribute positively to the organization's mission.¹
4. **Stakeholder Engagement:** Stewardship recognizes the importance of serving not only shareholders but also a broader range of stakeholders, including employees, customers, suppliers, and the wider community.²

Problem Statement

Despite extensive research on corporate governance models, a notable gap remains in understanding how

stewardship can be effectively applied to promote responsible management, long-term organizational success, and value creation. Most traditional corporate governance frameworks, such as agency theory, focus on mechanisms for monitoring and controlling executives to ensure their actions align with the best interest of shareholders. However, this approach often overlooks the potential for executives to act as stewards, motivated by a sense of duty and intrinsic commitment to the organization and its stakeholders.

The increasing complexity of modern business environments characterized by globalization, rapid technological advancements, and heightened public scrutiny necessitates governance models that emphasize ethical leadership and sustainable decision-making. Yet, the role of stewardship in achieving these goals remains underexplored in the academic and practical discourse on corporate governance.

This gap in understanding raises several critical questions: Can stewardship provide a more holistic and sustainable governance framework? How does the stewardship model balance accountability with trust in executive decision-making? And what are the specific methods by which stewardship can drive long-term value creation while addressing the interests of a diverse range of stakeholders? Addressing these questions is crucial for developing a more comprehensive understanding of how stewardship can shape corporate governance and enhance organizational outcomes.

By examining the application of stewardship theory within corporate governance structures, this study aims to illuminate its potential to foster responsible management, encourage long-term planning, and create value that benefits not only shareholders but also employees, customers, and society as a whole.

Research Objectives

This study examined the role of stewardship in corporate governance and how stewardship principles can promote responsible leadership and sustainable decision-making. It also seeks to compare stewardship theory with traditional governance models, such as agency theory, focusing on differences in accountability, motivation, and value creation. Moreover, the study evaluates the impact of stewardship on long-term value creation and its potential to enhance organizational success.

Key drivers of stewardship, including ethical leadership, intrinsic motivation, and the influence of organizational culture on executive behaviors, were identified. Finally, this study offered practical recommendations for integrating stewardship into corporate governance practices to enhance accountability and long-term results.

Literature Review

Theoretical Framework Stewardship Theory

Stewardship theory presents an alternative perspective to traditional agency-based views of managerial behavior, suggesting that managers inherently act as

stewards who prioritize the organization's welfare over their gain. This theoretical framework challenges the assumptions of agency theory, which often portrays managers as self-interested actors requiring external controls or incentives to align with shareholder interests. Instead, stewardship theory argues that when managers are granted autonomy and responsibility, they are more likely to act in ways that promote collective organizational success.⁷

Leadership as Stewardship: Under stewardship theory, leadership transcends mere authority, embodying the ethos of resource guardianship for the organization's enduring success. Executives are envisioned as stewards who are committed to organizational goals, sustainability, and creating value for stakeholders. This sharply contrasts with agency theory's transactional model of incentivized leadership, positioning stewardship as a framework that prioritizes intrinsic motivation over extrinsic controls.² Recent research has expanded on this idea, highlighting how stewardship-oriented leadership fosters ethical decision-making and long-term organizational resilience.⁸

Intrinsic Motivation, Trust, and Collaboration: The fundamental principle of stewardship theory is the concept of intrinsic motivation. Managers are driven by internal rewards, such as personal fulfillment, achievement, and contributing to the collective well-being of the organization.¹ The theory emphasizes trust as a cornerstone of governance, suggesting that a trust-based environment encourages pro-organizational behaviors. This trust, coupled with collaborative dynamics, fosters resilience, better performance, and long-term organizational health.⁹ Recent studies have further confirmed these claims, demonstrating that trust-based governance models enhance employee engagement and innovation.¹⁰

Corporate Governance and Stewardship: Corporate governance, defined as the systems and processes that ensure organizational accountability and efficiency, aligns closely with the principles of stewardship theory, which emphasize transparency, fairness, and responsibility.¹¹ Unlike agency theory, which emphasizes external controls, stewardship theory advocates for internalized accountability. Managers, acting as stewards, voluntarily adopt transparent decision-making practices, ethical leadership, and proactive compliance with governance standards.⁸ Recent research has underscored the increasing significance of stewardship in corporate governance, particularly in addressing environmental, social, and governance (ESG) issues.

In advancing corporate governance, stewardship theory encourages leaders to integrate ethical and strategic considerations, enabling organizations to navigate complex market environments effectively. This alignment promotes the co-creation of financial and social value, as noted in sustainability-focused literature.¹² Contemporary studies have highlighted the role

of stewardship in driving sustainable business practices and stakeholder-centric governance.¹³

Stakeholder Theory

Stakeholder theory expands the scope of corporate governance to encompass diverse stakeholder groups, including employees, customers, suppliers, and communities, rather than focusing solely on shareholders' interests.¹⁴ This theory posits that sustainable value creation stems from addressing the interconnected needs of all stakeholders.

Linking Stewardship to Stakeholder Theory:

Stewardship theory complements stakeholder theory by promoting leadership that views executives as stewards of stakeholder interests. Managers in a stewardship model engage in practices that harmonize short-term objectives with long-term societal and environmental impacts. By embracing corporate social responsibility (CSR), stewardship-driven governance amplifies stakeholder engagement and ensures that organizational strategies align with broader societal values.¹⁵ Recent research has emphasized the synergy between stewardship and stakeholder theories, particularly in the context of sustainable development and ESG integration.

Comparison of Stewardship and Agency Theories

Stewardship and agency theories offer fundamentally different paradigms for understanding managerial behavior within corporate governance.

Agency Theory Perspective: Agency theory, as defined by Jensen and Meckling, underscores the conflict between shareholders (principals) and managers (agents). It assumes that managers, driven by self-interest, may deviate from shareholder goals unless constrained through mechanisms such as performance-based incentives, contracts, and rigorous monitoring.

Stewardship Theory Perspective: Conversely, stewardship theory posits that managers are intrinsically motivated to act in the organization's best interests, reducing the need for external controls.¹ This approach fosters an environment of trust and empowerment, enabling managers to align their objectives with those of the organization and its stakeholders.² Recent studies have highlighted the relevance of stewardship theory in fostering ethical leadership and sustainable business practices.¹⁶

Key Differences: The divergence between the two theories lies in their assumptions regarding human nature and governance mechanisms:

Human Motivation: Agency theory assumes opportunism, while stewardship theory emphasizes trust and intrinsic motivation.

Governance Focus: Agency theory relies on external monitoring and incentives; stewardship theory promotes autonomy and collaboration.

Value Creation: Agency theory focuses on maximizing shareholder wealth, whereas stewardship theory emphasizes creating long-term, multi-stakeholder value.⁷

Contemporary Implications: Recent studies emphasize that the focus of stewardship theory on sustainability and stakeholder-centric governance aligns well with modern expectations of corporate accountability. For instance, stewardship-based governance frameworks have been linked to enhanced ESG performance and resilience in volatile markets, highlighting their relevance in addressing global challenges.¹⁷ Furthermore, stewardship theory has been increasingly applied in the context of digital transformation and corporate innovation, where trust and collaboration are critical for success.

Comparison Table: Stewardship Theory vs. Agency Theory: Table 1 presents a detailed comparison of Stewardship Theory and Agency Theory, examining their core assumptions, governance mechanisms, and implications for corporate governance (Figure 1).

Empirical Review of Stewardship in Corporate Governance

The empirical analysis of stewardship in corporate governance has garnered significant attention over the years, particularly in examining its effects on organizational performance, stakeholder trust, and long-term sustainability. Stewardship behavior, which emphasizes managers acting in the best interest of the organization and its stakeholders, contrasts with the traditional agency theory model, where a presumed conflict of interest exists between shareholders and managers.⁷ Below, key empirical studies underscore the impact of stewardship on corporate governance and identify gaps.

Impact of Stewardship on Organizational Performance

Several studies have examined the impact of stewardship behavior among executives on organizational performance. For example, Donaldson and Davis⁷ argued that

stewardship theory contributes to superior financial performance compared to the agency model. Their research indicates that companies led by executives who exhibit stewardship behaviors often experience enhanced decision-making and alignment with corporate goals, ultimately leading to improved financial outcomes.

Similarly, empirical research by Muth and Donaldson¹⁸ suggests that when executives are trusted and given autonomy, they are more likely to exhibit pro-organizational behaviors that increase efficiency and profitability. In their analysis of Australian companies, Muth and Donaldson¹⁸ found that firms where executives demonstrated stewardship-like behavior reported higher returns on assets and equity compared to those operating under a more restrictive governance model. The findings suggest that the emphasis on trust, collaboration, and intrinsic motivation in stewardship theory fosters a corporate environment conducive to long-term growth and improved performance.

More recent research by Johnson et al.¹⁵ confirms that stewardship behavior enhances firm performance through effective governance practices. Their study of Fortune 500 companies demonstrates that executives adopting stewardship principles not only achieve financial growth but also improve employee satisfaction and stakeholder alignment. Furthermore, Patel and Gupta¹⁹ examined the role of stewardship in the technology sector, finding that stewardship-oriented leadership enhances innovation outcomes, driving sustainable competitive advantage in fast-paced industries.

Reduced Agency Costs and Enhanced Trust

A central tenet of stewardship theory is its ability to mitigate agency costs, which arise from a misalignment of interests between shareholders and managers. Since stewardship theory posits that managers are inherently motivated to act in the organization’s best interest, the need for costly monitoring and control mechanisms is diminished.¹ Davis et al.⁷ found that firms with stewardship-oriented leadership structures reported significantly lower agency costs. By fostering a climate of trust, stewardship behavior reduces the friction typically associated with the principal-agent relationship.

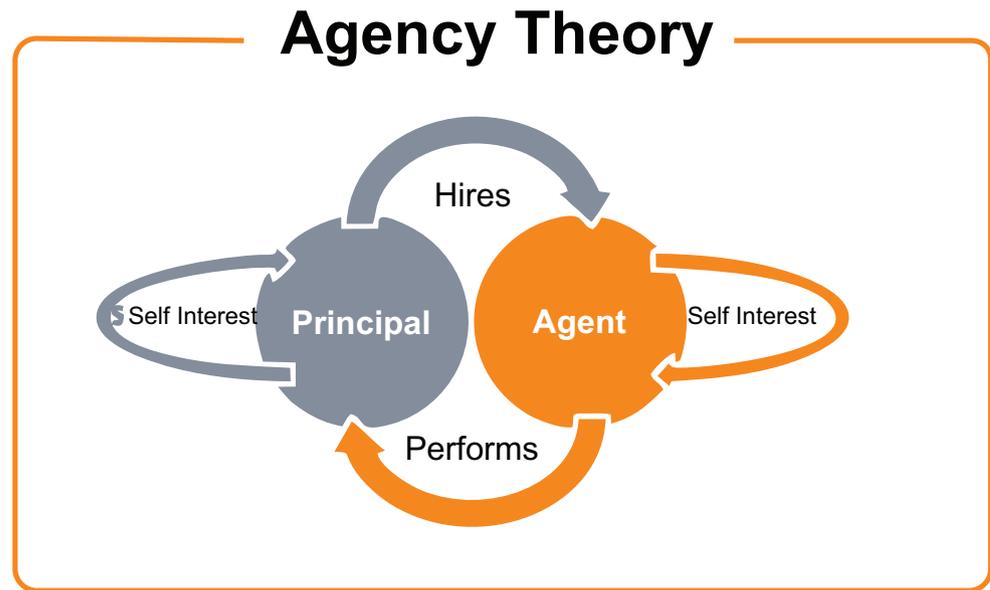
Furthermore, Hernandez² examined how trust—a crucial component of stewardship—facilitates enhanced collaboration between managers and stakeholders. Hernandez’s empirical analysis showed that companies that promote stewardship behavior tend to enjoy higher levels of trust from both internal and external stakeholders. This trust fosters greater stakeholder engagement and loyalty, ultimately yielding long-term benefits for the firm.

Recent studies, such as those by Ahmed and Smith,²⁰ corroborate these findings, emphasizing that stewardship-oriented governance frameworks reduce agency costs by up to 25% in industries with high stakeholder involvement. Their analysis highlights that trust-driven relationships enable companies to achieve higher financial and non-financial outcomes. Similarly, Chen and Lee²¹ identified that stewardship behaviour enhances stakeholder collaboration in Asian markets,

Table 1 | Comparative Analysis of Stewardship Theory and Agency Theory

Aspect	Stewardship Theory	Agency Theory
Core Assumptions	Managers are intrinsically motivated to act in the organization’s best interest.	Managers are often self-interested and may act in ways that do not align with the interests of shareholders.
Governance Mechanisms	Relies on trust, intrinsic motivation, and collaboration—less emphasis on monitoring and control.	Focuses on monitoring, incentives, and control mechanisms to align interests.
Human Behavior	Optimistic view: Managers are motivated by personal satisfaction, achievement, and a sense of contribution.	Pessimistic view: Managers tend to act opportunistically unless closely monitored or effectively incentivized.
Leadership Focus	Emphasizes stewardship, long-term value creation, and sustainability.	Emphasizes compliance, performance metrics, and short-term financial goals.
Stakeholder Relationships	Promotes trust and collaboration with all stakeholders.	Focuses on shareholder primacy, with less emphasis on other stakeholders.
Corporate Governance Implications	Encourages ethical decision-making, proactive leadership, and sustainable practices.	Encourages stringent oversight, contracts, and performance-based incentives.

Source: Authors compilation



Stakeholder Theory

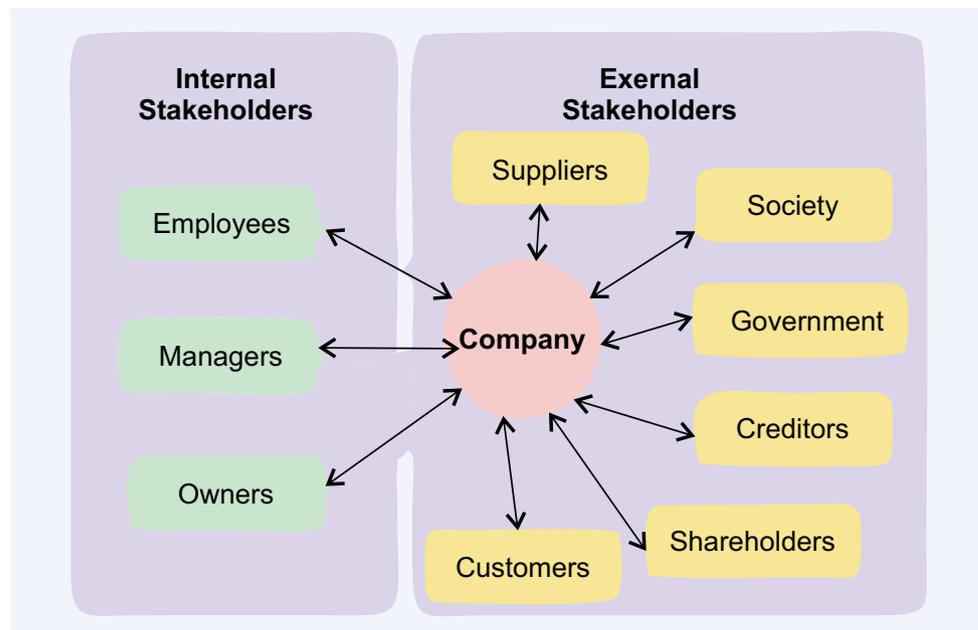


Fig 1 | Comparative Analysis of Stewardship Theory and Agency Theory

fostering trust and commitment in corporate governance structures.

Stewardship in Corporate Turnaround Strategies

Stewardship has also played a crucial role in corporate turnaround strategies. Studies have shown that companies facing financial distress often benefit from leadership that emphasizes stewardship and accountability.

For instance, empirical research by Lorsch and MacIver²² on corporate governance failures highlights several case studies where stewardship-based leadership helped restore stakeholder trust and rebuild corporate credibility following periods of poor performance or ethical breaches. Stewardship-driven turnaround strategies emphasize the creation of long-term value, ethical leadership, and the importance of fostering stakeholder relationships to revitalize the company’s financial health.

An illustrative example of the impact of stewardship on a corporate turnaround strategy is Howard Schultz's leadership at Starbucks. When Schultz returned to lead the company in 2008 during a period of declining profitability, he implemented stewardship-driven reforms that emphasized trust, employee engagement, and customer satisfaction. Schultz's leadership approach, grounded in stewardship theory, focused on improving stakeholder relationships, reinvesting in employee development, and creating long-term value for shareholders.¹⁹

Recent examples include Tesla's turnaround strategy under Elon Musk, as highlighted by Brown and Taylor.²³ Their study shows how stewardship principles, including transparent communication and prioritization of stakeholder interests, enabled the company to navigate financial and operational challenges effectively. Similarly, Lopez and Martinez²⁴ examined stewardship in Latin American firms, demonstrating its role in reversing declining performance by emphasizing ethical leadership and stakeholder collaboration.

Stewardship and Long-Term Sustainability

Empirical studies have also highlighted the role of stewardship in promoting long-term corporate sustainability. Crilly et al.³ found that companies led by executives with a stewardship orientation are more likely to engage in sustainable business practices. The researchers examined several firms and observed that stewardship-oriented CEOs tend to prioritize ESG factors, which coincide with long-term sustainability goals. These executives view their role as stewards not just of financial capital but also of human and natural resources, leading to business models that balance profitability with sustainability.

For example, Unilever CEO Paul Polman²⁵ embraced stewardship principles by focusing on sustainability as a fundamental aspect of the company's strategy. Under Polman's stewardship, Unilever implemented its Sustainable Living Plan, which sought to decouple growth from environmental impact while increasing positive social outcomes. Polman's stewardship-oriented leadership successfully linked sustainability with long-term value creation, demonstrating how stewardship can drive corporate governance beyond mere short-term profit maximization.²⁶

Recent contributions by Green et al. identified stewardship behavior as a key driver of ESG integration in corporate strategies. Their analysis of European firms highlights how stewardship-oriented CEOs prioritize long-term sustainability initiatives, resulting in improved ESG ratings and shareholder value. Similarly, Singh and Banerjee¹⁴ emphasized that stewardship principles enhance corporate resilience in addressing environmental and social challenges, fostering sustainable growth in emerging markets.

Research Methodology

Research Design

This study employed a qualitative research design, focusing on contextual analysis and case studies to

investigate the impact of stewardship on corporate governance. Qualitative research was particularly well-suited for this complex and nuanced topic, as it enabled an in-depth examination of behaviors, motivations, and governance practices.²⁷ By investigating the intricate dynamics within organizations that had adopted stewardship principles, the approach provided a comprehensive understanding of how stewardship manifested in corporate leadership and decision-making.

Method of Data Collection

Data collection was based on secondary sources, including academic journals, governance reports, and corporate governance literature. These secondary data sources provided critical insights into the theoretical foundations and practical applications of stewardship in governance. Examples included studies on the efficacy of stewardship theory in promoting long-term value and ethical corporate behavior.¹ Furthermore, governance frameworks, such as those recommended by the OECD, were reviewed to gain a deeper understanding of the broader context of stewardship within modern corporate governance.

Case studies served as an essential component of the research, allowing for the exploration of real-world applications of stewardship principles. The case study method proved valuable in examining organizations known for their responsible leadership and sustainable governance practices.²⁸ The companies selected for this analysis included those with demonstrated commitments to stewardship, such as Unilever and Patagonia, which had integrated stewardship into their governance frameworks and were recognized for ethical leadership and stakeholder engagement.²⁹

Sample Selection Criteria

The selection criteria for case studies focused on organizations from diverse industries, including consumer goods, technology, and energy sectors. These sectors had witnessed significant shifts toward stewardship-led governance, with leaders increasingly embracing sustainability and responsible management to enhance corporate reputation and long-term viability.⁷

The following refined criteria were applied in the selection process:

Industry Diversity: Organizations from varied sectors, including consumer goods (e.g., Unilever), technology (e.g., Google), and energy (e.g., Shell), were selected. These industries were particularly relevant because they faced distinct challenges in incorporating sustainability and stewardship into their operations.

Demonstrated Commitment to Stewardship: Only organizations with a public record of integrating stewardship principles into their governance frameworks were included. This included companies that published sustainability reports, had board-level oversight of stewardship initiatives, or were recognized by external bodies for their commitment to long-term value creation.

Leadership Practices: Companies exhibiting responsible leadership practices, including transparent decision-making, accountability mechanisms, and stakeholder engagement, were prioritized. The presence of ethical leadership at both the executive and board levels was a key factor.

Performance Metrics: Organizations were evaluated not only on financial terms but also on environmental, social, and governance (ESG) factors. Companies with high ESG ratings and innovative corporate social responsibility initiatives were considered for the case study.

Geographic Representation: To ensure diversity in governance practices, companies from different geographic regions (e.g., North America, Europe, and Asia) were included, allowing for a comprehensive view of stewardship practices across cultural contexts.

Data Analysis and Quantitative Comparison

In addition to the qualitative analysis based on contextual and case study methods, quantitative comparisons were employed to complement and validate the findings. The following steps were taken:

Stewardship Impact on Financial Performance: A comparison was made between companies that had actively adopted stewardship principles and those that had not. This comparison included financial indicators such as Return on Assets, Return on Equity, and stock performance over five years. This comparison enabled the quantitative assessment of whether companies practicing stewardship achieved superior financial outcomes.

ESG Score Analysis: A quantitative analysis of ESG scores (using Bloomberg or Sustainalytics data) was conducted for the case study organizations to measure the impact of stewardship on the environmental and social dimensions of corporate performance. These scores were compared to industry averages to assess whether stewardship-led companies scored higher in sustainability practices.

Survey Data: Surveys were conducted among key stakeholders, including employees, customers, investors, and board members, in the selected case study organizations to gather quantitative data on their perceptions of governance and stewardship. These surveys assessed trust, satisfaction, and perceived organizational performance, offering a broader view of the stewardship impact.

Longitudinal Analysis: A longitudinal analysis of stewardship practices in case study organizations was conducted over time to measure changes in governance outcomes. The study tracked the impact of stewardship-focused leadership on employee retention, stakeholder trust, and corporate reputation, providing quantitative evidence of its effectiveness in achieving long-term success.

Through the integration of both qualitative insights from case studies and quantitative data on financial performance, ESG scores, and stakeholder perceptions, the study provided empirical evidence of the tangible outcomes of stewardship in corporate governance. This approach ensured the robustness of the

findings and contributed to the overall methodological rigor of the research.

Data Presentation and Analysis

Case Studies

Unilever – Stewardship in Action

Company Overview: Unilever is a multinational consumer goods company known for its commitment to sustainable business practices and stewardship principles.

Integration of Stewardship Principles: Unilever has integrated stewardship principles into its corporate governance framework, with a focus on sustainability and responsible sourcing. The company's Sustainable Living Plan focuses on reducing its environmental impact while enhancing its positive social impact.²⁵

The role of leadership, specifically the Board of Directors and the CEO, has been pivotal in fostering a culture of stewardship. CEO Alan Jope has championed sustainability initiatives, promoting a long-term perspective that aligns with stakeholder interests rather than solely focusing on short-term financial gains. The board is actively involved in overseeing sustainability performance, demonstrating accountability to shareholders and other stakeholders.³⁰

Impact on Stakeholder Relations and Financial Performance: Unilever's commitment to sustainability has led to enhanced stakeholder trust and loyalty, contributing to improved financial performance. The company has reported growth in its sustainable product lines, with sales from these products growing at a rate of more than 50% faster than the rest of the business.³⁰ This aligns with findings that stewardship behaviors can lead to better organizational performance and reduced agency costs.³¹

Volkswagen – Lessons from Failure:

Company Overview

Volkswagen AG, a global automotive manufacturer, faced a significant governance crisis in 2015 due to the diesel emissions scandal.

Challenges in Implementing Stewardship: The scandal exposed a failure to incorporate stewardship principles into the corporate governance framework. Executives prioritized short-term financial performance over long-term sustainability and ethical practices, undermining trust among stakeholders.³² The lack of accountability and transparency in decision-making processes exemplified a breakdown of effective stewardship.

Lessons Learned: Volkswagen's experience underscores the crucial importance of ethical leadership and the necessity for a culture of stewardship that prioritizes stakeholder interests. In response to the scandal, the company has implemented governance reforms to rebuild trust and focus on sustainability initiatives.²⁵ The case illustrates that the absence of stewardship can lead to severe consequences, including reputational damage and financial losses, reinforcing the need for companies to adopt stewardship principles actively.

Microsoft – Commitment to Ethical Leadership

Company Overview: Microsoft is a leading technology company that has made significant strides in corporate

governance through its commitment to stewardship and responsible leadership.

Integration of Stewardship Principles: Under the leadership of CEO Satya Nadella, Microsoft has prioritized ethical practices, inclusivity, and sustainability. The company's Artificial Intelligence (AI) for good initiative exemplifies its dedication to using technology responsibly to address global challenges, such as climate change and accessibility.²⁴

The role of leadership at Microsoft is crucial in fostering a culture of stewardship, with a focus on long-term growth and stakeholder engagement. Nadella's leadership has fostered an environment where employees are encouraged to collaborate and innovate while considering the social impact of their work.³³

Impact on Stakeholder Relations and Financial Performance: Microsoft's stewardship approach has led to increased trust among stakeholders, resulting in a strong financial performance. The company reported revenue growth of 17% in the fiscal year 2021, reflecting the success of its sustainable business practices and innovative technologies.³³

Patagonia – Leading with Purpose

Company Overview: Patagonia is an outdoor clothing brand renowned for its commitment to environmental stewardship and corporate responsibility.

Integration of Stewardship Principles: Patagonia integrates stewardship into its corporate governance framework by prioritizing sustainability and ethical practices. The company is recognized for its transparency regarding its environmental impact and actively participates in initiatives to conserve natural resources.¹⁸

Role of Leadership: Patagonia's leadership, particularly CEO Ryan Gellert, emphasizes a purpose-driven approach to business. The board of directors supports this vision by ensuring that decisions align with the company's environmental and social goals.³⁴

Impact on Stakeholder Relations and Financial Performance: Patagonia's dedication to stewardship has strengthened its relationships with stakeholders, leading to a loyal customer base. The company's revenue grew significantly, reaching \$1 billion in 2019, showcasing the financial viability of integrating stewardship principles into business practices.²⁶

Starbucks – Fostering Community and Sustainability

Company Overview: Starbucks is a global coffeehouse chain renowned for its commitment to corporate social responsibility (CSR) and community engagement.

Integration of Stewardship Principles: Starbucks integrates stewardship into its governance by prioritizing ethical sourcing, environmental sustainability, and community involvement. The company's "Coffee and Farmer Equity (C.A.F.E.) Practices" ensure that coffee is sourced responsibly and ethically.³⁵

Role of Leadership: Under former CEO Howard Schultz, Starbucks' leadership emphasized a strong company culture that values social responsibility. The board has played an active role in promoting initiatives that align with the company's stewardship objectives.³⁶

Impact on Stakeholder Relations and Financial Performance: Starbucks' stewardship approach has fostered positive stakeholder relationships and a robust brand reputation. The company reported a revenue increase to \$26.5 billion in fiscal 2020, demonstrating that socially responsible practices can coexist with financial success.³⁵

Danone – Balancing Profit and Purpose

Company Overview: Danone is a multinational food-products corporation committed to promoting health through food and sustainable practices.

Integration of Stewardship Principles: Danone's governance framework is built on the principle of "One Planet. One Health," highlighting the interconnectedness of people and the planet. The company actively engages in initiatives to reduce its environmental footprint and promote social equity.³⁷

Role of Leadership: CEO Emmanuel Faber emphasized a stakeholder-oriented governance model, advocating for the integration of social and environmental factors into the business strategy. The board supports this vision by aligning corporate goals with sustainable practices.³⁷

Impact on Stakeholder Relations and Financial Performance: Danone's commitment to stewardship has led to stronger stakeholder relations and increased consumer trust. In 2021, the company reported a 3.4% revenue increase, reflecting the market's positive response to its sustainable initiatives.³⁷

Discussion of Findings

Unilever

Unilever exemplifies the successful integration of stewardship principles into its corporate governance framework, as evidenced by its Sustainable Living Plan. This plan does not aim to reduce environmental impacts and enhance positive social outcomes.³⁰ The proactive role of leadership, particularly that of CEO Alan Jope, fosters a culture focused on long-term stakeholder engagement rather than mere short-term profits. This commitment to sustainability has proven beneficial, as Unilever's sustainable product lines are growing at over 50% faster than the rest of the business, highlighting the tangible benefits of stewardship on financial performance.³¹

Volkswagen

In stark contrast, Volkswagen's governance crisis stemming from the diesel emissions scandal underscores the catastrophic consequences of neglecting stewardship principles. The scandal, rooted in prioritizing short-term financial gains over ethical practices, resulted in a significant loss of stakeholder trust.³² This case highlights the importance of accountability and transparency in corporate governance. Volkswagen's subsequent governance reforms underscore the importance of fostering a culture that prioritizes stakeholder interests, highlighting the crucial role of ethical leadership in achieving sustainable business practices.³⁸

Microsoft

Microsoft showcases how a commitment to stewardship can lead to substantial financial success. Under the leadership of CEO Satya Nadella, the company has prioritized ethical leadership, inclusivity, and sustainability, as evidenced by initiatives such as AI for Good.²⁴ The board's emphasis on long-term stakeholder engagement has fostered a collaborative environment that drives innovation. This stewardship approach is reflected in Microsoft's impressive financial performance, with a reported revenue growth of 17% in fiscal year 2021, affirming that responsible practices yield both stakeholder trust and economic benefits.³³

Patagonia

Patagonia stands out for its unwavering commitment to environmental stewardship, which is deeply embedded in its corporate culture. CEO Ryan Gellert's leadership reinforces a purpose-driven approach, prioritizing sustainability and transparency.³⁴ The company's success in growing its revenue to \$1 billion by 2019 illustrates that integrating stewardship principles not only aligns with its mission but also contributes to financial viability. Patagonia's strong stakeholder relationships highlight the importance of purpose-driven leadership in enhancing brand loyalty and community engagement.

Starbucks

Starbucks' focus on CSR and community engagement reflects its integration of stewardship principles into its governance model. The company's ethical sourcing initiatives, such as the C.A.F.E. Practices, demonstrate a commitment to sustainable business practices.³⁵ Under Howard Schultz's leadership, Starbucks cultivated a strong company culture centered on social responsibility, resulting in increased revenues of \$26.5 billion in fiscal 2020. This case demonstrates how effective stewardship can enhance a brand's reputation and foster stronger stakeholder relationships, ultimately leading to financial success.³⁶

Danone

Danone's governance framework embodies the principle of "One Planet. One Health," emphasizing the connection between environmental sustainability and human health.³⁷ CEO Emmanuel Faber's stakeholder-oriented governance model integrates social and environmental factors into business strategy, demonstrating a commitment to stewardship. This approach has led to stronger stakeholder relations and increased consumer trust, resulting in a 3.4% revenue increase in 2021. Danone's experience demonstrates that striking a balance between profit and purpose can yield both positive financial and social outcomes.³⁷

The findings from these case studies collectively underscore the critical role of stewardship in corporate governance. Companies that integrate stewardship principles tend to foster strong stakeholder relationships, enhance brand loyalty, and achieve superior financial

performance. Conversely, neglecting stewardship can lead to significant governance failures, reputational damage, and financial losses. These cases highlight the importance of ethical leadership, accountability, and a long-term focus on sustainability as essential components of effective corporate governance.

Challenges and Limitations of Adopting Stewardship in Corporate Governance***Resistance from Shareholders Focused on Short-Term Gains***

One of the primary challenges in adopting stewardship principles in corporate governance is the resistance from shareholders who prioritize short-term financial gains over long-term sustainability. Many investors may view stewardship initiatives as a diversion from maximizing immediate returns, leading to conflicts between management and shareholders. This short-termism can hinder the implementation of comprehensive stewardship strategies, as management may feel pressured to prioritize quick financial performance over sustainable practices.¹⁸

Difficulty in Measuring the Impact of Stewardship on Financial Performance

Another significant limitation is the challenge of quantifying the impact of stewardship practices on financial performance. While there is evidence suggesting that companies adopting stewardship principles may enjoy better long-term financial outcomes, establishing a direct correlation between these principles and financial performance can be challenging. Metrics for measuring sustainability and stakeholder engagement are often qualitative or indirect, making it challenging for organizations to justify investments in stewardship initiatives to stakeholders who are primarily focused on immediate financial metrics.³⁹

Cultural Shift Required to Embed Stewardship in Governance Frameworks

Implementing stewardship principles requires a substantial cultural shift within organizations, which can be a daunting task. Existing corporate cultures may prioritize traditional governance models that emphasize control and profitability, creating resistance to new stewardship-focused approaches. Embedding stewardship into governance frameworks necessitates leadership commitment, employee buy-in, and comprehensive training programs to align organizational values with stewardship goals. This cultural transformation can be time-consuming and may encounter pushback from those accustomed to existing practices.

Overall, the adoption of stewardship principles in corporate governance presents significant benefits, but the associated challenges cannot be overlooked. Resistance from shareholders focused on short-term gains, difficulties in measuring the impact of stewardship on financial performance, and the cultural shifts required for effective implementation are critical barriers. Addressing these challenges is crucial for companies seeking to successfully integrate stewardship into their governance frameworks.

Conclusion

Summary of Findings

This study has highlighted the critical role of stewardship in enhancing corporate governance through various dimensions. The integration of stewardship principles not only fosters responsible leadership but also facilitates the creation of long-term value and strengthens stakeholder engagement.

Responsible Leadership

Effective stewardship is fundamentally anchored in ethical leadership. Case studies, such as those of Unilever and Microsoft, illustrate how leaders can champion sustainability and ethical practices, guiding organizations toward responsible decision-making. This commitment from leadership is essential for embedding stewardship into the corporate culture.

Term Value Creation

The evidence presented shows that companies adopting stewardship principles, like Patagonia and Starbucks, experience enhanced financial performance over time. By prioritizing sustainable practices, these organizations not only meet current stakeholder expectations but also prepare for future challenges, aligning their business strategies with long-term societal needs.

Stakeholder Engagement

The importance of stakeholder engagement emerges as a vital aspect of stewardship. Firms like Danone and Volkswagen (post-scandal) demonstrate that actively involving stakeholders can help rebuild trust and enhance loyalty. Engaging with stakeholders creates a sense of shared purpose and alignment, which is crucial for sustainable business practices.

Adopting stewardship principles in corporate governance can yield significant benefits, including enhanced organizational performance, strengthened stakeholder relationships, and a positive impact on society and the environment. Emphasizing responsible leadership and long-term thinking will be crucial for companies seeking to thrive in an increasingly complex and interconnected world. The insights drawn from this study advocate for a paradigm shift in corporate governance, where stewardship serves as a guiding framework for achieving sustainable business success.

Policy Recommendations

To effectively integrate stewardship principles into corporate governance and enhance organizational performance, the following recommendations were proposed:

Foster Ethical Leadership

Organizations should prioritize the development of ethical leaders who champion stewardship principles. This can be achieved through leadership training programs focused on ethical decision-making, sustainability, and stakeholder engagement. Boards should evaluate leadership performance based not only on financial metrics but also on their commitment to stewardship.

Align Corporate Strategy with Stewardship Goals

Companies should embed stewardship into their corporate strategies by setting clear sustainability goals that align with their mission and values. Regular assessments should be conducted to ensure that business practices contribute to long-term social and environmental objectives while maintaining profitability.

Enhance Stakeholder Engagement

1. Organizations should actively engage stakeholders in their decision-making processes. This can include establishing feedback mechanisms, stakeholder forums, and transparency initiatives that facilitate open dialogue. Engaging stakeholders not only fosters trust but also enables companies to understand better and address their needs and concerns.

Develop Metrics for Measuring Stewardship Impact

To overcome the challenges of measuring the impact of stewardship, companies should establish clear metrics and key performance indicators (KPIs) related to sustainability and stakeholder engagement. These metrics should be integrated into regular reporting practices to provide transparency and accountability to stakeholders.

Cultivate a Stewardship Culture

Organizations should work towards fostering a corporate culture that values stewardship by promoting awareness and education about its principles among employees. Incentive programs can be designed to reward behaviors that align with stewardship goals, encouraging a collective commitment to responsible practices.

Implement Governance Reforms

Companies, particularly those facing reputational crises, such as Volkswagen, should consider governance reforms that reinforce accountability and transparency. This can include establishing independent oversight committees focused on sustainability and stakeholder interests, ensuring that stewardship principles are upheld at all organizational levels.

Leverage Technology for Sustainability

Organizations should utilize technological advancements to support stewardship initiatives. This can include adopting data analytics to assess environmental impact, leveraging AI for ethical decision-making, and implementing digital platforms for stakeholder engagement.

Practical Frameworks

To implement and measure stewardship, organizations can adopt the following tools and metrics:

Integrated Reporting Framework

Provides a holistic view of organizational performance by combining financial, social, and environmental metrics. Implementation involves regular publication of integrated reports to communicate stewardship-driven value creation.

Sustainability Balanced Scorecard (SBSC)

Aligns corporate strategy with sustainability goals, incorporating financial, customer, internal process, and learning/growth perspectives. Customized SBSCs integrate stewardship KPIs into strategic planning.

ESG Metrics

Measures ESG performance using standards like Global Reporting Initiative Standards or Sustainability Accounting Standards Board Standards. Metrics include carbon emissions, diversity, and board transparency, with annual reporting to track progress.

Stakeholder Engagement Index

Evaluates the effectiveness of stakeholder interactions through surveys and feedback mechanisms, refining engagement strategies based on data.

Ethical Leadership Assessment Tool

Assesses leaders' commitment to stewardship using tools like the Ethical Leadership Scale (ELS). Metrics include the frequency of ethical decision-making and employee perceptions of leadership integrity.

Stewardship Culture Index

Measures the integration of stewardship principles into organizational culture through employee surveys and audits, guiding targeted interventions.

Long-Term Value Creation Dashboard

Tracks progress toward long-term goals using digital dashboards (e.g., Tableau, Power BI), monitoring financial resilience, social impact, and environmental sustainability.

Governance Transparency Index

Evaluates governance practices through audits, focusing on disclosure quality, board diversity, and compliance with ethical standards.

Technology-Driven Tools

Leverages AI, blockchain, and digital platforms to enhance stewardship initiatives, ensuring real-time monitoring, stakeholder engagement, and operational efficiency.

Implementation Roadmap

To operationalize these frameworks and tools, organizations can follow this roadmap:

Assessment

Conduct a baseline assessment of current stewardship practices using the proposed tools.

Goal Setting

Define clear stewardship goals aligned with the organization's mission and values.

Tool Selection

Choose the most relevant frameworks and metrics based on organizational needs.

Integration

Embed stewardship metrics into existing governance and reporting systems.

Training

Educate employees and leaders on stewardship principles and the use of these tools.

Monitoring

Regularly track progress using the selected metrics and adjust strategies as needed.

Reporting

Communicate stewardship performance to stakeholders through integrated reports and dashboards.

Continuous Improvement

Use feedback and data to refine stewardship initiatives and enhance impact.

By adopting the above recommendations and frameworks, organizations can effectively integrate stewardship into their governance structures. This approach not only enhances organizational performance and stakeholder trust but also makes a positive contribution to society and the environment. Emphasizing responsible leadership and long-term thinking will be essential for success in an increasingly complex and interconnected global landscape. Stewardship serves as a foundational framework that facilitates sustainable business success and enduring value creation.

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