



Character, Purpose, and ESG

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ABSTRACT

This paper draws on the insights and learnings from three trans-Atlantic roundtables with 50 top executives steering ESG strategies in different sectors. To appeal to their increasingly polarized stakeholders, strategic leaders have been actively scrutinizing old and synthesizing new meanings of ESG. To deliberately de-ideologize the intensifying debate ‘out there’, they craft three analogies ‘in here’. We identified three dominant analogies: rules and referees (games), deciders and doers (positions), and money matters (capitals). We introduce and illustrate each analogies, showing how each analogies couples seemingly opposite character traits (courage-humility; transcendence-humanity; justice-accountability) to build character in times of polycrisis.

CHARACTER, PURPOSE, AND ESG

As the ESG movement has solidified its presence in corporate and institutional settings over the past decade, debates over its effectiveness and motivations have intensified. Critics, particularly within some U.S. financial firms and asset management circles, argue that ESG serves as a Trojan horse for advancing ideologically-driven agendas, disrupting traditional corporate responsibilities, and altering the relationship between shareholders and stakeholders (Barker et al., 2022). As contentions peak in the for-profit sector, claims against ESG range from the distortion of capital markets to the risk of institutional capture whereby critical issues distract decision makers from their primary goal of economic value creation. Pro-ESG critics counterclaim that, from best to worse, ESG reports serve as elaborate smokescreens, creating the illusion of progress, greenwashing extractive approaches, and undermining support for collective action at multiple levels, such as governmentally-sanctioned programs for systematically addressing climate change (Gibson & Krueger, 2021). ESG defenders continue to argue that ESG initiatives align with long-term value creation goals by addressing increasing societal demands for corporate accountability, enhancing resilience and fostering innovation in addressing environmental issues (Friede, Busch, & Bassen, 2015; Eccles & Klimenko, 2019).

The polarization of ESG runs much deeper than the headlines. It has become a battleground for moral harm and moral opportunity. As inequality and inequity widen, political and technological regimes shift, and extreme events recur with greater frequency and intensity, those at the forefront of critical issues brace for a fight on the very meaning of leadership.

As Henderson (2021) highlights in *Reimagining Capitalism*, the failure to address massive externalities, ensure true freedom of opportunity, or curb corporate overreach undermines public welfare and risks systemic collapse. She calls for “resetting the capitalist

software from the top down,” emphasizing the need for transformative leadership (Henderson, 2021: 22). In an increasingly polarized context, questions about how CEOs navigate the tensions, trade-offs, and dilemmas of ESG are particularly pressing. This paper explores these questions through the lens of paradox theory, which offers a framework for understanding and managing the inherent tensions associated with ESG. The concept of a "paradox mindset" (Liu et al., 2020; Miron-Spektor et al., 2018) is central to this approach. It involves “working through paradox by exploring conflicting feelings, practices, and perspectives in search of more encompassing understanding” (Lewis and Dehler, 2000: 710) and focuses on the strategic choices that individuals make when facing a paradox (Smith, 2014).

Paradox theory has previously employed to several related strategic issues. Key among them has been the crucible of balancing short-term financial performance with long-term sustainability and the challenges of reconciling divergent stakeholder expectations. For instance, Aldowaish et al. (2024) demonstrated how adaptive governance mechanisms and stakeholder engagement helped a Japanese firm align ESG goals with strategic priorities. Annesi et al. (2024) similarly highlighted the role of integrated governance in navigating the competing demands of economic and environmental objectives. Tian et al. (2024) addressed the "green innovation paradox," whereby efforts to reduce carbon emissions inadvertently hinder technological innovation. Collectively, these studies underscore how paradox theory facilitates a nuanced approach to ESG, enabling firms to navigate increasingly ideologized tensions.

Purpose has been recently recognized as central to addressing tensions and challenges (Chua, Miska, Mair & Stahl, 2024). Gulati (2022) emphasizes that leaders and organizations driven by a clear and compelling purpose are better equipped to navigate the tensions inherent in ESG by integrating values into their strategic frameworks, creating shared goals that bridge

stakeholder divides. Branzei, Vera & Young Milani (2024) suggest that purpose requires and relies on leadership character and Seijts and Young Milani (2024) showcase models of leadership that leverage character to repair our broken world.

Crossan et al. (2024: 2) define character as “an interconnected suite of embodied and virtuous habits. These habits are virtuous insofar as they collectively influence judgment and human flourishing. The dimensions of character can be observed, assessed, and developed. Character is universal yet shaped by context. It can manifest toward deficient or excess vices when high levels of one dimension are not supported by high levels of other dimensions.”

We extend the literature on paradox by introducing the concept of character paradox. We show and tell how the increasing polarization of ESG strengthens leadership character, explaining how deliberately engage with the discursive, material and relational aspects of the ESG tensions through a purpose lens that de-ideologizes external debates. Character has already been approached from a paradox mindset: Vera and Crossan (2023) posit, for example, that strength of character often requires the balance of apparent contradictory dimensions, such as humility with drive, courage with temperance, and accountability with humanity. Although many corporate leaders vividly story tell about the role of external pressures, such as financial crises or the polarization of ESG, in sharpening their character, we do not yet have well developed theoretical models, or pedagogies, that link crises ‘out there’ with character ‘in here’. We also lack appreciation for how efforts to strengthen specific dimensions of leadership character may orient leaders towards different problems or solutions to critical issues.

Drawing on insights from three executive roundtables hosted by the Ian O. Ihnatowycz Institute for Leadership at the Ivey Business School and the Long Run Institute, this paper reveals how corporate leaders harness polycrises to fuel and forge purpose paradox. As they

home in on specific dimensions of character, they come to understand critical issues through analogies of their making, which create specific meanings of ESG for their stakeholders, and reproduce increasingly specialized dimensions of character. We explain how corporate leaders de-ideologize critical issues scaffolds character-focused conversations by crafting specific analogies and explore how these analogies shape how critical issues are framed, followed, and funded.

Our core finding is that leaders de-ideologize polarized ESG issues by crafting three dynamic analogies—Games, Positions, or Capitals—each elevating specific character dimensions into productive tension that build strength of character among key stakeholders (Vera et al., 2024).

We start by introducing the notions of character, purpose, and paradox theory. Then, we describe our framework and illustrate character paradoxes at work, whereby leaders straddle seemingly opposite character traits (courage-humility; transcendence-humanity; justice-accountability) as they lead ESG strategies. We conclude with leadership implications.

THEORETICAL BACKGROUND

Character Defined

Although character is largely new to strategic leadership, it has extensive history in philosophy and more recently in psychology (see Peterson and Seligman, 2004) and management (see Hackett and Wang, 2012 for a review). We build on the work of Crossan et al. (2017), who using an engaged scholarship approach, bridged the deep theory surrounding character in philosophy and psychology with the practice of character in organizations, to develop the framework shown in **Figure 1**. To understand character as it relates to leadership, we review three key points.

Insert **Figure 1** about there

First, Crossan et al. (2017) identified 11 interconnected dimensions of character: accountability, courage, transcendence, drive, collaboration, humanity, humility, integrity, temperance, justice, and judgment (Crossan et al., 2017). As Figure 1 depicts, each character dimension contains a set of observable behaviors that they refer to as character elements. All of the behaviors satisfy a set of criteria that establish them as virtuous. Importantly, as noted by Aristotle, any virtuous behavior becomes a vice in excess or deficiency. The classic example is that courage becomes recklessness in excess or cowardice in deficiency, but when combined with strong temperance, balance can be achieved. A virtuous state then is where strength in one dimension is supported by the other dimensions to create balanced character (Crossan & Crossan, 2023). Avoiding excess is not about diminishing a character strength but rather supporting it through developing and strengthening weaker dimensions. Thus, we refer to balanced character as ‘strong’, and to unbalanced character as ‘weak’.

Second, judgment, or what Aristotle referred to as “practical wisdom,” both arises from, and activates, the remaining ten dimensions, taking on the special role of acting like an ‘air-traffic controller’ (Crossan et al. 2017) in determining moment to moment which dimensions of character are activated during the decision-making process in situationally appropriate ways (MacIntyre, 2007; Sison & Fontrodona, 2013). Character-based judgment is strong when all dimensions are highly developed and weak when they are underdeveloped. Of central concern to strategy is that judgment is compromised or unbalanced when some character dimensions are strong and others are weak (Crossan et al., 2022), as noted above.

Third, character is a habit that can be encouraged, exercised, and developed, or discouraged and thwarted by the individual's own neglect or by external forces (Crossan & Crossan, 2023; McKinnon, 1999, Park & Peterson, 2009). This is particularly relevant in the field of strategic leadership with respect to sustainable competitive advantage, because failing to understand what character is, how it affects individual and collective judgment, and how it can be developed is a missed opportunity at best, and at worst, it is a risk factor to the organization.

The Purpose Paradigm

Leadership and purpose are increasingly seen as intertwined, yet the deliberate practice of leaders defining and acting on their purpose remains a relatively recent and challenging endeavor. The heightened visibility of leaders' purpose, driven by societal disruptions such as COVID-19, the #MeToo and #BlackLivesMatter movements, and mounting pressures from inequality and climate change, has intensified stakeholder scrutiny. Seijts and Young Milani (2024) urge leaders to become architects of a more inclusive, sustainable, and resilient world, while scholars question whether organizations should be reimagined as platforms for expressing and pursuing purpose (Clegg, Cunha, Rego, & Santos, 2021; Durand & Gouvard, 2022). Others, such as White (2024), advocate for creating a “return on humanity” (ROH), while Gulati (2020; 2022) emphasizes the need to deepen purpose.

Research on organizational purpose remains in its early stages (George et al., 2023). While academics debate whether purpose can simultaneously benefit organizations and society (Henisz, 2022; Lashitew, Branzei, & van Tulder, 2023), many leaders have already embraced purpose as central to addressing contemporary challenges and driving innovation in the 21st century (Henderson, 2020). Influential outlets such as *Harvard Business Review* (Polman, 2021), *Financial Times* (Damodaran, 2023), and *Forbes* (Pontefract, 2022) underscore these tensions.

On the one hand, they caution against missteps in navigating ESG (Delmas, Clark, Li, & Timmer, 2022); on the other, they call leaders to act with purpose (Durand & Gouvard, 2022) and describe these tensions as a “purpose paradigm” (McGahan, 2022; 2023).

Paradox Theory

Paradox theory (see reviews by Putnam et al. (2016) and Schad et al. (2016) identifies paradoxes as “persistent contradictions between interdependent elements” (Schad et al., 2016: 10) and posits that such contradictions are inherent and unavoidable in organizations (Lewis, 2000; Smith & Lewis, 2011). The literature emphasizes that organizations should not only accept but embrace these contradictions as a natural part of organizational life (Ambituuni et al., 2021). However, paradoxes can elicit stress, denial, discomfort, or rigidity when individuals respond to these tensions (Putnam et al., 2016), underscoring the importance of understanding how individuals experience and interpret their specific contexts.

A central goal of paradox theory is to understand how organizations can attend to competing demands simultaneously (Smith & Lewis, 2011). At the collective level, strategies for managing paradoxes include acceptance and "working through" tensions (Lüscher & Lewis, 2008; Smith et al., 2012), spatial and structural separation (Lavie et al., 2010; Smith & Tushman, 2005), temporal separation (Adler et al., 1999; Lavie et al., 2010), synthesis and integration (Deephouse, 1999; Schmitt & Raisch, 2013), combining approaches (Adler et al., 1999; Gibson & Birkinshaw, 2004), differentiation and integration (Andriopoulos & Lewis, 2009; Smith & Tushman, 2005), and dynamic decision-making or oscillation (Smith, 2014). At the individual level, mechanisms include defensiveness and discomfort (Lewis, 2000; Vince & Broussine, 1996), paradoxical thinking and sensemaking (Lüscher & Lewis, 2008; Miron-Spektor et al., 2011), reflexivity and discursive thinking (Dameron & Torset, 2014; Huxham & Beech, 2003),

behavioral complexity (Denison et al., 1995; Hart & Quinn, 1993), humor (Hatch, 1997; Hatch & Ehrlich, 1993), rhetorical skills (Andriopoulos & Lewis, 2009; Fiol, 2002), and responses influenced by national culture (Adler et al., 1999; Chen & Miller, 2011).

Despite these advances, relatively little is known about how individual differences influence whether paradoxes are viewed as trade-offs or opportunities (Miron-Spektor et al., 2018). This gap highlights the importance of exploring the role of individual character in shaping these perspectives. A promising concept in this context is the paradox mindset, defined as “the extent to which one is accepting of and energized by tensions” (Miron-Spektor et al., 2018: 26). A paradox mindset reflects both cognitive and affective capacities to engage with paradoxes, enabling individuals to confront rather than avoid contradictions (Smith & Tushman, 2005; Vince & Broussine, 1996). Individuals with a paradox mindset adopt “both/and” thinking, perceiving contradictions not as binary choices but as opportunities to generate novel connections and solutions (Miron-Spektor et al., 2018; Smith & Tushman, 2005). This perspective sets the stage for further exploration of how individual character and purpose interact with paradox mindset to influence organizational responses to complex tensions, such as ESG.

THE CHARACTER-ESG FRAMEWORK

A paradox mindset involves embracing tensions—such as balancing profit with purpose or short-term pressures with long-term sustainability—as opportunities for growth and innovation rather than problems to be resolved. This capacity is inherently tied to character, which provides the strong judgment needed to navigate such complexities. Strong character (when the 11 character dimensions are balanced and highly developed) enables leaders to align their inner values with external actions, ensuring that their decisions are guided by an enduring sense of purpose. Purpose, in turn, acts as the compass that directs a leader’s engagement with

paradoxes, helping them to channel competing demands into cohesive strategies that benefit both their organizations and society (Gulati, 2022). This alignment of paradox mindset, character, and purpose allows leaders to approach tensions not as obstacles but as integral elements of leadership. By integrating these elements, leaders are better equipped to inspire trust, foster innovation, and navigate the multifaceted challenges of today's world.

Three Analogies

Three visions of the future emerged among executives during the North Atlantic roundtables, captured in the Character-ESG framework in **Figure 2**.

Insert **Figure 2** about here

1. When leaders brace for grand challenges with courage (brave, determined, tenacious, resilient, and confident) and humility (self-aware, modest, reflective, curious, continuous learner, respectful, grateful, and vulnerable), the future focuses on the rules and the referees of the game of ESG.
2. When leaders balance transcendence (appreciative, inspired, optimistic, creative future-oriented, and purposive) with humanity (considerate, empathetic, compassionate, magnanimous, and forgiving), the future looks bleak or bright depending on who serves whose interests.
3. When money matters above all else, and the tension exists between a sense of justice (fair and equitable, proportionate, even-handed, socially responsible) and a sense of accountability (taking ownership, accepting consequences, being conscientious and responsible), the future revolves around trade-offs among precious capitals, some of which we may regenerate even

as many may be forever lost (Albareda & Branzei, 2024).

Most leaders tend to see the future through one of these three lenses at a given time. As debates polarize the future of ESG, leaders may get quieter on ESG, but grow louder on purpose. Seen through a purpose lens, the polycrisis today's leaders face may not only seem a little more manageable, but a lot more worthwhile. The intensification of ideologically-led debates fuels profound social change by feeding forward a paradox of purpose. De-ideologizing the debates 'out there' builds purpose 'in here'. Efforts to de-ideologize are selective: they lead to specialization in some critical issues. They first create common ground in conversation, and then carve out commonwealth of character by orienting the attention and action of stakeholders towards specific problems and solutions.

Games (Referees-Rules)

Many ESG issues challenge the rules of the game (and often change them). Taking the game seriously requires respecting its rules, especially when the game remains unclear and at least some of the rules are not favorable.

Leaders embracing this future keep their proverbial eye on the competition. They underscore the need for everyone to join the game and play by the same rules, not because the rules are always smart, but because even stupid rules can be improved through repeated plays.

The future of ESG looks bright when the game is taken seriously. Refereeing the game while rules are being figured out becomes important. The leaders we met explained that playing new games requires both courage (to play the game when the rules are not yet fleshed out or understood by all) and humility (to accept the decisions of referees who may be figuring out the rules) or to call your own foul when it becomes clear that a rule has been violated).

As leaders co-activate courage and humility, they begin to see their competitors as

collaborators in creating, evolving, and enacting the rules of the game. When players come to appreciate that the rules are far from perfect, and the decisions of referees may at times be flawed, they take up more, rather than less, responsibility.

They can choose to play more seriously, not because of the rules or the referees, but because they are committed to improving the quality and the integrity of the game. As more competitors join in, and the number of serious players increases, the rules can improve much faster — and so can the decisions of the referees.

Leaders underscored the importance of rules and referees as separate from the players. They emphasized the difference between making the rules and playing by the rules. Players can choose to suffer some short-term imperfections for the sake of bettering the game for everyone in the long term. For example, leaders could co-activate courage and humility by creating circular ecosystems and innovative forms of collective action, and by moving from linear to circular to biocircular to regenerative supply chains (Gualandris et al., 2023).

Without courage, no player would get into a game they know is far from clear to all, including the referees. Without humility, none would engage in continuous learning until better possibilities could be collectively found. Taking the game of the future seriously in a collective way can reveal previously unthinkable (let alone doable) recipes for ESG.

Positions (Deciders-Doers)

Conversations around the tension between purpose and profit highlight a rather uncomfortable social divide: those “in charge” are a few, and thus, the position to make consequential decisions is in few hands. Viewed through a rigid decider-doer relationship, the future of ESG is one in which too many stand to lose in order for a few to win.

How can equality and equity become the new default? A new conceptualization of the

economy as cooperative (Lavie, 2023) draws attention to a so-called return on humanity (ROH) (White, 2024). What if we reversed the decider-doer relationship, which many feel lies at the root of human exploitation in capitalism? Could the future of work recast a subservient relationship into one of co-flourishing? Perhaps this analogy has been holding leaders back from their potential to serve, and shape, a much more inclusive future — one that celebrates our shared humanity.

Many ESG issues remain, of course, rife with inhumanities. Inhumanity sometimes serves as an impetus for change, stirring up a moral duty to do better. But too often, the damage done by business unfolds out of sight, remaining out of mind for most leaders. Nevertheless, many of the dynamics that today's businesses hinge upon and perpetuate are being brought to light, creating a growing awareness and discomfort in many leaders.

For example, no case can be made for unsafe recycling systems in the name of electronic overconsumption or for large swaths of people going hungry while a third of the food produced goes to waste. Yet such inequities persist due to the profound gap between this social reality and a viable business case.

Overcoming our current inertia will require deliberate decisions at scale. Some new cases have been created that take a more inclusive approach to business and generate benefits for a broader range of stakeholders, but they need to be created and employed more expansively. Many leaders are realizing that change begins with and behooves the “deciders.” Those in charge today should change tomorrow's production systems.

Undoing past wrongs may not be in the job description of most leaders. But many can choose to call up futures that are more humane. Indeed, when leaders activate their humanity, they begin to invest in, and will seek returns on, humanity.

For the participants in the North Atlantic Roundtables, AI was perhaps the most important and urgent arena for beginning to reverse this uncomfortable tension. It is not hard to fathom what a future with AI deciders and human doers would look like (it is rarely, if ever, a future anyone hopes to see). Nor it is hard to shore up commitments to actions that would safeguard us against such a future. Leaders have begun to prepare for futures where AI can be balanced by human empathy, listing human capabilities such as being collaborative, creative, resilient, and empathetic as key requirements for the future of work. They anticipate good returns from drawing such skills to their organizations.

The discomfort this lens engenders can be transformative: it is only when we deliberately reverse the lens and ponder both sides at once that we begin to truly value what we have for too long taken for granted or ignored: our shared humanity.

Capitals (Money Matters)

There are many kinds of capital (financial, human, social, intellectual, and so forth), but ESG polarization has made it all about the money. Where the money goes (or no longer goes) has been seen by some as a tool to reallocate risks and even radically redesign the future. In fact, recent swings have made it harder and more costly for industries that have been associated with ESG (or C-for climate) risks, such as mining or oil and gas, to obtain capital.

Leaders and organizations increasingly feel caught between a “BlackRock” and a hard place. In other words, they are becoming increasingly reticent to announce any type of ESG effort or initiative, even if they are under way, to avoid backlash from anti-ESG stakeholders or prevent exclusion from investor portfolios. When even BlackRock can get blacklisted by US states that are moving to enshrine anti-ESG measures, it is a reasonable worry of less powerful firms that their commitments to decarbonize by divesting in fossil fuels could lead to negative

outcomes in some areas.

Reducing all matters to money (particularly shareholders' money) skips over the importance of leaders' accountability for all the capitals their operations rely on. However, when leaders balance a heightened sense of accountability with a sense of justice for the multiple holders of those capitals, the new future of ESG surfaces and is consequential. Asking "justice for whom?" and "accountability to whom?" becomes a central question.

In an era of polycrisis, it is critical for leaders to aim for a deeper understanding of how the underlying structure of capital still needs to change. Otherwise, the economies of the future cannot become less unjust in the near term and more just in the long term.

With a disproportionate amount of today's attention on "who has what," we all still have so much to lose. The times are calling for us to exact better ways of stewarding the resources we have long taken for granted before they completely collapse.

Taking their cue from abandoned fishing villages turned into hubs of sustainable tourism or the birth of the bio-economies in today's wastelands, many leaders are asking themselves what accountability for a radically different future means. What are the many capitals available if the future is reimagined as just and inclusive in the first place? What capitals can be valorized as we construct the futures we want instead of those we don't?

There are, of course, many who continue to enjoy the status quo and would prefer that little changes. There are many more, however, who have been disenfranchised by decisions who enriched the few by impoverishing the set of capitals we have and hold. The future of ESG hinges on leaders who can broaden their accountability in ways that enfranchise new stakeholders and encourage new ways to put their capitals to work for the greater good.

DISCUSSION

Our findings from the executive roundtables we implemented have shown us that strength of character is central to understanding the judgment individuals need to set priorities, adapt, take action, and navigate the paradoxes inherent in ESG strategies. Leaders' ability to activate seemingly contradictory character dimensions is especially critical. Strength of character serves as a personal Both/And thinking tool, fostering a paradoxical mindset. It shapes perceptions, decisions, and behaviors, influencing what we notice, how we interact with our environment, who we engage with, how we interpret feedback, the issues we prioritize, how we address conflict, and the goals and culture we cultivate within our organizations.

The Character-ESG framework provides a foundational anchor for corporations navigating the politically charged terrain of ESG. While some leaders view ESG as risky or divisive, few can deny the necessity of character dimensions like courage, transcendence, and accountability. Moreover, these dimensions are most effective when complemented by humility, humanity, and justice—without which judgment and action can falter. Character, as a proven cornerstone of leadership, is both a driver of performance excellence and a safeguard for sustainable individual and organizational well-being.

We propose that the future of ESG lies in the dual activation of seemingly opposite character dimensions. Viewing the future through frames such as Games, Positions, or Capitals highlights the importance of situationally-appropriate combinations of character dimensions, while maintaining a holistic activation of all dimensions to ensure effective leadership. Recognizing how today's leadership frames influence tomorrow's leaders is perhaps the most critical determinant of the flourishing of organizations, humanity, and the planet.

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FIGURE 1
LEADER CHARACTER FRAMEWORK



Source: Crossan, Byrne, Seijts, Reno, Monzani, and Gandz, 2017

FIGURE 2
CHARACTER-ESG FRAMEWORK

