

From Shareholder Value to Stewardship

The Maqasid al-Shariah Governance Matrix and the next evolution of corporate governance

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Executive summary

Corporate governance has moved through two models — shareholder capitalism, which made shareholder value the objective of management, and stakeholder capitalism, which broadened the beneficiaries but supplied no principle for adjudicating between them. The evidence that shareholder value works better as an outcome than as an objective is now well established, and even its architects have said so. What is missing is a coherent basis for evaluating leadership. We propose a third model, stewardship, and a tool for applying it: the Maqasid al-Shariah Governance Matrix, which evaluates whether leadership is faithfully discharging the trust placed in it across the five higher objectives of Shariah — faith, life, intellect, future generations, and wealth. The Matrix asks a prior question to both existing models: not who benefits from corporate success, but whether those in charge can be trusted with the resources that produce it. It detects governance deterioration while it is still behavioral rather than financial, and its principles are universal enough to speak to any investor seeking resilient institutions.

The argument over what a corporation is for

Fifty-six years ago, Milton Friedman reshaped corporate governance with one sentence:

“The social responsibility of business is to increase its profits.”

Published in The New York Times Magazine in 1970, that essay became the intellectual foundation of maximizing shareholder value. The corporation existed to create wealth for its owners; management’s duty was to maximize returns within the law. For decades the idea governed boardrooms, business schools, executive compensation, and capital markets.

The idea has been under challenge for years, and the challenge has recently sharpened. In a Forbes essay published in August 2026, Steve Denning traces what he has long called “the world’s dumbest

management idea” from the economic crises of the 1970s, through Friedman and agency theory, to its displacement of Peter Drucker’s customer-centered view of the firm — and then documents its unlikely return in current consulting and boardroom practice. His evidence is comparative: the firms that most fully embraced shareholder-value management, General Electric above all, underperformed over the long run, while firms organized around creating customer value achieved sustained growth and the valuations to match. Denning’s claim is not that shareholder value does not matter. It is that making shareholder value the objective of management, rather than the result of good management, produces worse outcomes for shareholders themselves.

Jack Welch, once the model shareholder-value CEO, reached the same conclusion in a 2009 interview:

“Shareholder value is the dumbest idea in the world.”

He then clarified: shareholder value is an outcome, not a strategy. Companies create durable shareholder wealth by serving customers well, developing people, allocating capital prudently, and building resilient organizations. Organizations become valuable because they are well managed, not the other way around.

That leaves the debate incomplete. If maximizing shareholder value is insufficient as an objective, and stakeholder capitalism supplies no principle for resolving the competing claims it recognizes, what should guide corporate leadership?

Three models of governance

Corporate governance has passed through two broad phases and is entering a third.

Shareholder capitalism, shaped by Friedman, held that management’s primary duty was maximizing shareholder wealth. **Stakeholder capitalism**, formalized by Freeman in 1984 and adopted by the Business Roundtable in 2019, recognized that sustainable businesses must also create value for employees, customers, suppliers, and communities. The third, still emerging, is what we describe as **stewardship capitalism**: the view that leadership is accountable not primarily to shareholders or for stakeholders, but for the trust placed in it — and that this accountability is best expressed through the higher objectives of Shariah.

Model	Primary objective	Central question	Beneficiaries	Principal weakness
Shareholder capitalism	Maximize shareholder wealth	How do we increase shareholder returns?	Shareholders	Short-termism, financial engineering, incentives tied to share price

Model	Primary objective	Central question	Beneficiaries	Principal weakness
Stakeholder capitalism	Balance stakeholder interests	How do we create value for all stakeholders?	Employees, customers, suppliers, communities, shareholders	No coherent principle for resolving competing interests
Stewardship capitalism (MAS Governance)	Discharge the trust (amanah) placed in leadership	Can leadership be trusted to manage all resources responsibly for long-term prosperity?	Shareholders, stakeholders, future generations, society	Requires qualitative judgment of leadership and culture, not only quantitative metrics

The third model rejects neither shareholders nor stakeholders. It reframes both. From an Islamic perspective, management does not own the corporation, and neither, in the absolute sense, do shareholders. Capital, human talent, intellectual property, natural resources, customer relationships, and institutional reputation are all held in trust, and management is accountable for how each is protected, developed, and passed on. Where shareholder capitalism asks who benefits from corporate success, stewardship asks whether leadership is exercising justice, accountability, and stewardship in creating it. The beneficiaries follow.

Not “Who do we serve?” but “Are we worthy of the trust placed in us?”

The Maqasid al-Shariah Governance Matrix

The Matrix translates the five higher objectives of Shariah into governance questions that boards, investors, and regulators can apply to any institution. The principles that run through all five — amanah (trust), adl (justice), ihsan (excellence), and khilafah (stewardship) — are the standard against which each is judged.

Maqasid objective	Governance dimension	Governance question
Faith (hifz al-din)	Integrity of purpose and accountability	Does leadership act with integrity toward the institution’s stated purpose and principles, submit to independent oversight, and hold itself accountable for its decisions?
Life (hifz al-nafs)	Human well-being	Does leadership build an organization in which employees, customers, and communities flourish, treating people as assets to be developed rather than costs to be minimized?
Intellect (hifz al-‘aql)	Quality of judgment and knowledge	Does the board tolerate constructive disagreement? Does management communicate honestly, admit and

Maqasid objective	Governance dimension	Governance question
		correct mistakes, and invest in future capability even when quarterly earnings suffer?
Future generations (hifz al-nasl)	Stewardship across time	Does management think in decades rather than quarters — in succession, culture, reputation, environmental resources, and the institution it will hand on?
Wealth (hifz al-mal)	Prudent capital allocation	Is capital allocated to productive investment? Are acquisitions strategic or ambitious? Does leverage strengthen resilience or merely amplify returns? Is compensation tied to sustainable value creation?

The five dimensions are not independent; they reinforce one another. Poor governance damages people. Poor treatment of people weakens judgment and innovation. Weak innovation erodes competitiveness. Declining competitiveness destroys wealth. Loss of wealth undermines trust, and loss of trust threatens the legitimacy of the institution. Organizations built on accountability, justice, and stewardship tend, conversely, to produce resilient cultures, loyal customers, disciplined capital allocation, and durable financial performance. Good governance is not a cost. It is a competitive advantage.

Beyond compliance

Most governance frameworks decay into compliance exercises. Companies complete checklists, boards establish committees, reports get thicker, and failures continue — because governance is about behavior, not documentation. Enron had governance policies. Lehman Brothers had governance policies. Wirecard had governance policies. FTX had governance language. What each lacked was leadership grounded in accountability and stewardship.

The Matrix therefore asks questions traditional frameworks overlook, and Denning’s evidence supplies the reason to ask them. The shareholder-value firms he describes did not fail because accounting standards were inadequate or because their businesses became unlawful. They failed because leadership became disconnected from the sources of value — customers, employees, long-term capability — in pursuit of a metric. Those are qualitative failures, difficult to reduce to a ratio, and they determine whether a company endures for decades or disappears within a few years.

What the Matrix detects earlier

Traditional Shariah screening asks whether a business is permissible: is its primary activity halal, are its debt and impermissible-income ratios within thresholds. These questions are essential and are not diluted here. But a company can satisfy every screening ratio while suffering from weak leadership,

poor capital allocation, a ceremonial board, or a deteriorating culture. Permissibility does not guarantee sustainability.

ESG broadened the inquiry to environmental, social, and governance metrics, and that was an important evolution. But ESG ratings depend heavily on disclosed policies rather than demonstrated behavior; rating agencies frequently disagree sharply about the same company; and ESG measures what companies report rather than how leaders think. Leadership quality remains hard to quantify.

The Matrix begins where both approaches end. Rather than asking only whether a business is permissible or whether governance structures exist, it asks whether leadership demonstrates the qualities needed to preserve trust over time. Its distinctive contribution is timing: it seeks to identify governance deterioration while it is still behavioral, before it becomes financial.

Traditional warning signal	Matrix warning signal
Earnings decline	Increasing executive overconfidence
Credit downgrade	Weakening board independence
Falling margins	Loss of capital-allocation discipline
Higher employee turnover	Erosion of organizational culture
Regulatory investigation	Declining ethical standards
Share-price collapse	Loss of trust long before markets react

Consider two companies. Both pass conventional Shariah screening. Both carry strong ESG ratings. Both report similar earnings growth. One demonstrates disciplined capital allocation, transparent communication, thoughtful succession planning, an independent board, and a culture of accountability. The other is dominated by a charismatic chief executive, aggressive acquisitions, and incentives that reward short-term share-price movement. Financial statements may not yet distinguish them. The Matrix does. Governance stops being a risk-management function and becomes an investment discipline.

Governance as alpha

For generations, investment managers searched for alpha in earnings, balance sheets, cash flows, and valuation multiples. Another source is emerging: the quality of leadership, which determines whether a company survives disruption, retains talent, allocates capital wisely, and earns public confidence — and which rarely appears in financial statements. Institutional investors increasingly recognize this. BlackRock’s annual letters to chief executives have stressed long-term value and corporate purpose; the G20/OECD Principles of Corporate Governance were revised in 2023 toward resilience and

sustainability; sovereign wealth funds ask deeper questions about board effectiveness, succession, and culture. Investors now speak of trust, culture, and reputation as intangible assets that drive enterprise value.

The Matrix does not reject these developments. It gives them a coherent ethical foundation. For decades, Islamic finance has adopted governance frameworks developed elsewhere and adapted them to Shariah requirements. The Matrix reverses that flow: rather than asking how Islamic finance can borrow from conventional governance, it asks how the higher objectives of Shariah can enrich global governance thinking. The principles — accountability, justice, stewardship, transparency, prudent capital allocation, protection of human dignity, long-term value — are universal. Every investor seeks trustworthy management. Every regulator seeks resilient institutions. Every board seeks sustainable performance. The language differs; the objectives do not.

That is why the Matrix should not be read as a niche screening methodology. It complements ESG rather than competing with it, and it addresses what ESG measures least well: not what a company does, but how and why its leadership decides.

The next chapter

Friedman asked companies to focus on shareholders. Welch reminded us that shareholder value is an outcome, not a strategy. Stakeholder capitalism recognized broader responsibilities. The Maqasid al-Shariah Governance Matrix takes the next step: it asks not who benefits from corporate success, but whether leadership is worthy of the trust placed in it. That shifts governance from compliance to character, from disclosure to discipline, from transactions to stewardship.

Companies rarely fail overnight. They fail gradually — one poor decision, one compromised principle, one neglected responsibility at a time. Great companies are built the same way, in reverse: through disciplined leadership, prudent stewardship, ethical conduct, and an unwavering commitment to trust. Those qualities cannot always be captured by accounting ratios. They determine whether institutions endure.

The future belongs not merely to companies that generate profits. It belongs to companies that deserve confidence.

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Rushdi Siddiqui and Amjad Hammad are Co-Founders of the Capital Formation Institute in Islamic Markets (CFIIM), a 501(c)(3) think tank focused on governance and capital formation in Islamic markets.