

Transforming culture in financial services

Driving purposeful cultures

Discussion Paper

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Introduction

There is 1 word that has been at the front of my mind for the past couple of years. The word is purpose.

My purpose at the FCA is to bring about a transformation in the business models and culture of financial services. This has driven how I have approached the authorisation and supervision of firms, the approval of senior managers in the industry and our supervisory focus on people management, governance, on diversity, on inclusion and on firms' own purpose. The purpose of a firm sits at the heart of its business model, strategy and culture and should play a fundamental role in reducing potential harm to consumers and markets.

About 2 years ago, we set out to seek the wisdom of leaders in financial services, leaders in other sectors, behavioural scientists, change practitioners, academics and other multi-disciplinary experts.

Ten years on from a generation-defining event, we wanted to surface the outstanding issues that are preventing the adoption of healthy cultures in financial services, and encourage leaders to reflect on their firms' cultures and to continue, or in some cases, start, taking action.

We published a collection of essays and held a conference under the banner 'Transforming Culture in Financial Services'. Over the past 2 years we have seen this initiative grow and touch more leaders by, among other things, convening working groups, facilitating CultureSprints leading to cultural experiments in firms and hosting public interactive webinars.

We have always been clear that we aren't going to prescribe a one-size-fits-all culture for the industry. With more than 59,000 firms at last count, the population of firms we regulate is diverse, and their cultures should also be. However, while healthy cultures can be diverse, the consensus is that they can also share common elements. Two particular elements have come up in our conversations time and again: healthy cultures are purposeful and they are safe.

While purpose is the focus of this paper, it might help to first explain what we mean by safe. We mean that for a culture to be healthy, leaders at all levels need to foster an environment in which employees feel comfortable to express their opinions, and crucially, are listened to when they do.

Harvard academic Amy Edmondson characterises this as psychological safety – 'a shared belief that the team is safe for interpersonal risk taking...a sense of confidence that the team will not embarrass, reject or punish someone for speaking up' (Edmondson, 1999). Without safety, without an inclusive culture, the huge value of diversity will be lost and the diversity becomes unsustainable.

And what about purpose? At the FCA we describe purpose as 'what a firm is trying to achieve – the definition of what constitutes success'. It is the reason why firms exist – their driving force – and the motivation for people to go to work for them day in day out.

A firm's individual purpose is their own responsibility and, as with culture, we are not going to attempt to prescribe what this should be. However, we want firms to realise the benefits of having a purposeful culture.

Purpose is the gravitational force that draws in and aligns teamwork, engagement, inspiration and creativity. To do this, the stars of employee purpose, social purpose, firm purpose and shareholder purpose all need to align. But in many sectors and for many years, the stars haven't aligned. And the fault in the stars has created unhealthy cultures.

There is an oft told story that JFK visited NASA in 1962 and asked a janitor, 'what are you doing?'; the janitor answered, 'Mr President, I'm helping to put a man on the moon'. Imagine feeling that sense of purpose as an individual. And as a leader, imagine how it would feel to know that your employees feel that level of inspiration as a result of being part of your organisation.

An organisation's purpose could relate to any number of things – it might be social, ethical, consumer-driven or people-driven. And it could be articulated in any number of ways – through a mission, a vision or values.

But it is the manifestation of an organisation's purpose that will make the difference. Ultimately, purpose needs to mean something to the people who work for you, and resonate throughout the organisation. People need to believe in it and see an organisational strategy and behaviours from both leaders and peers that are aligned to it. Evidence would suggest that this is becoming increasingly important for future generations – firms need to offer meaning, not just money.

Purpose is 1 of 4 drivers of culture that we focus on in Supervision, alongside leadership, the approach to rewarding and managing people, and governance. To understand the culture of the firms and portfolios we supervise, we assess the effectiveness of these 4 drivers in reducing the potential harm that could arise from a firm's business model and strategy.

From a supervisory perspective, a focus on purpose and how it manifests is, and will remain, front and centre. And if a firm's purpose and associated business model is contributing to, or exacerbating, the risk of potential harm, then firms can expect increased supervisory scrutiny.

The direction for firms to be more purposeful is not just an FCA objective, but is increasingly a broader societal expectation. There are ever more insistent calls for firms and their leaders to step forward on climate change, on diversity and inclusion, on ESG (environmental, social and governance issues), on ethical use of data, on acting in the best interests of customers and not just to act so as to optimise profitability.

Many of these societal demands for change could lead to legislative and policy change ensuring that firms have a purpose beyond just making money. For example, a key argument put forward by proponents of a new Duty of Care for firms is that it would trigger fundamental culture change within firms by creating a unifying, overarching standard of care that moves firms to ask 'is this right?' rather than 'is this within the rules'. At its heart, this seems to me to be a call to revisit the purpose we should see in financial services firms.

That said, while the first question asked when people hear the regulator is taking an interest in purpose is, what are the regulatory consequences for not taking this on board, firms may want to think more broadly than this. Consumers who experience firms acting purely and selfishly for profit lose trust and may vote with their feet – and while trust arrives on foot, it leaves on horseback at a gallop. Employees may decide they want to work for the competitor with a purpose that resonates with their own individual sense of purpose; and shareholders that are more sensitive to reputational and regulatory risk may decide they want to invest in firms that have healthy and sustainable profits.

Discussing purposeful cultures in the same sentence as financial services was not particularly commonplace even 5 years ago. But we have been witnessing an upsurge in interest and discussion on the topic, and it was this which led the FCA to set up a working group to focus on it. We wanted to explore the concept of purpose from the perspective of the industry as a whole, and of its sectors.

The working group was made up of representatives from firms and professional bodies representing each of the sectors we regulate, as well as academics, subject matter experts and thought leaders who could bring diverse points of view to the discussion.

The group considered 3 overarching questions:

- Why purpose?
- What gets in the way?
- How can we make good business good for business?

In between the working group discussions, members of the group convened roundtables within their sectors to bring more voices and insights to the discussion.

So, what did we learn?

Why purpose?

Purpose is a key reason people come to work. While financial reward clearly plays a role, people also work to achieve individual fulfilment and a sense of personal satisfaction. If organisational purpose resonates with individual purpose, then employees will be more engaged, and teamwork and performance will be stronger. Individual purpose and a sense of identity (how I define who I am) are overlapping and it was interesting that this also came through strongly in the work we have been doing on the power of non-financial incentives. Recognition of our identity/purpose is a very powerful motivator. Empowerment of an individual to fulfil their sense of identity/purpose is even stronger. So, purpose is also important for business. It can attract future talent, help businesses identify and manage risks, and help firms focus on their longer-term goals over short-term pressures.

We asked about any shining examples of purpose working, and the responses were that this happened when purpose is clearly defined, provides direction for the whole organisation, and is enduring. But one descriptor that came up more than any other was that purpose has to be authentic.

What gets in the way?

A common theme in these discussions was fear. Fear of the short-term focus on profit and expectations of shareholders, elevated in importance by financial KPIs and short time horizons for reporting. Fear of regulators, and the potential for inadvertently breaching an obscure rule, making regulation a distraction. And fear of being the first mover to do the right thing and getting left behind a pack not yet willing to make a collective bold and purposeful move.

How can we make good business good for business?

There were lots of suggestions as to how organisations can become more purposeful. The view was that a focus on purpose should start from the top, but engaging those in the middle is key as it is our direct line managers who set the tone every day for each of us. Aligning decision-making, recruitment and internal progression with organisational purpose is needed for it to resonate throughout an organisation and really be authentic. And firms should be encouraged to act by showing them the advantages of doing so.

The essays in this collection expand on the answers to these questions in more detail, focusing on a broad range of aspects. I believe that they are a valuable contribution to the discussion on the benefits of a purposeful culture in the context of financial services and how to realise them.

While the essays do not represent the FCA's views, our aim is to share a range of insights, highlight the importance of the topic and encourage broader discussion so firms understand the importance of focusing on their own purpose. These discussions are the start of a much larger conversation, and we will be continuing to explore the theme of purpose, using these perspectives as a starting point for future work.

I would like to thank all the members of our working group, those who attended the spin-off sector roundtables, and the authors of these essays. Thank you for giving the industry your time and contributing to this conversation, with the aim of furthering it and contributing to healthy cultures in the industry.

I hope that everyone who reads these essays will be inspired to take at least 1 idea back to their organisations to try for themselves, and take a step towards creating more purposeful cultures in financial services.



Jonathan Davidson

Executive Director of Supervision – Retail and Authorisations

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	Title	Social purpose of financial services	Why and how a focus on purpose is good for business	Characteristics of purpose that drive firm culture	Embedding purpose in your organisation	A call for collective action	Other perspectives
1.1	Purpose: at the heart of profitability		✓				
1.2	The pyramid of business purpose	✓			✓		
1.3	Authenticity is everything: when purpose and culture are one and the same		✓	✓			
1.4	When 'what + how = why'						✓
2.1	A partnership for purpose: embedding and reinforcing purpose in retail banking	✓				✓	
2.2	Realising the profound purpose of investment management	✓	✓		✓		
2.3	Lending and purpose: focusing purpose on deliverable technical and cultural change	✓	✓	✓			
2.4	Insurance: a purpose for the profession	✓			✓	✓	
2.5	Restoring trust – the case for the retail financial services industry to rethink its purpose		✓			✓	
2.6	Wholesale banking does not have to change: survival is not mandatory				✓	✓	
2.7	A fresh purpose for the pensions sector					✓	
3.1	Beyond regulation – adopting purpose for trust repair in financial institutions				✓		
3.2	The bigger the vision, the smaller it can make people feel			✓	✓		
3.3	The purpose of purpose: a new business frame of mind		✓				
3.4	Be like Dolly: how smaller firms embed purpose to succeed		✓				
3.5	From profit to purpose and back again		✓		✓		
3.6	Purpose, relevance and impact: the key to sustainable business performance improvement		✓				
3.7	Strengthening purpose in financial services: proud to be a professional					✓	✓
3.8	The purpose of work: intrinsic motivations in banking						✓

1 Firm specific essays

1.1 Purpose: at the heart of profitability

BlackRock

Amra Balic, Managing Director, Head of EMEA Investment Stewardship

Anthony Manchester, Managing Director, Global Public Policy Group

What is 'purpose' if not the central notion that each of us, whether consciously or not, orient our lives around? Often when people consider purpose we do so in context of our private lives, particularly in relation to our own ambitions, goals, morals, and personal values. While we might normally assess purpose in this individual context, the truth is that we actually spend the majority of our time outside of private confines – notably in the workplace. With so much of our time spent on work, business leaders have begun to recognise the importance of bringing a sense of purpose into the office, and the effects it can have on morale and production.

In his 2020 letter to company CEOs, BlackRock Chairman and CEO Larry Fink wrote, 'purpose is the engine of long-term profitability', with a strong sense of purpose and a commitment to stakeholders helping a company 'connect more deeply to its customers and adjust to the changing demands of society'. These comments built on his 2018 letter to company CEOs where he stressed that a company's ability to clearly articulate its mission and grasp societal trends provides a competitive advantage. 'Without a sense of purpose,' Fink wrote, 'no company, either public or private, can achieve its full potential.' Purpose, he suggested, is a rallying concept for all those on whom a company depends for its success. It is not only a social good, or a motivating factor for employees: **a clearly articulated purpose guides culture, provides a framework for consistent decision-making, and, ultimately, helps sustain long-term financial returns for the shareholders of a company.**

But do not just take his word for it. Business practitioners and academics increasingly agree that purpose and positive social impact are central to good management and generating shareholder value. Oft-cited research by Harvard Business School Professor George Serafeim has even shown that corporations which fully commit to a purpose usually outperform their peers. Other related research suggests that 90% of people who worked in a purpose-driven organisation reported feeling engaged in their work. In companies that are not as focused on purpose, only 32% of employees reported feelings of engagement and a connection with the work they were doing.

A clearly articulated purpose is crucial for success in all aspects of BlackRock's business. But it is an especially important part of our stewardship of the companies in which we invest on behalf of the end investors and pension savers whom we serve. When we engage with portfolio companies, we think of their 'purpose' as another way of expressing 'long-term strategy'. A company needs to take into account changes in their operating context. Is the regulatory environment changing? Is the hiring environment changing? Are companies prepared for and supporting the move to a low-carbon world? Regardless of market-specific norms and expectations, purpose is the foundation for business in every region and in every industry.

Still, we recognise that purpose will mean different things to different companies and institutions depending on their respective business models and/or investment goals. As noted, a company's ability to clearly articulate and live by its purpose provides a competitive advantage. It indicates a clear sense of direction and awareness of the factors that can hinder or drive long-term growth, which is what long-term investors like pensioners need. A strong sense of purpose builds business confidence, aligns employees with management's strategy, and creates loyal customers. During our 261 United Kingdom (UK) specific engagements in 2018-19, as with all of our engagements globally, BlackRock sought to understand how a company's purpose aligns with its corporate strategy and how it influences its culture.

When we engage with companies around purpose, we do not tell their leaders what their views should be, nor do we make value judgements about their chosen purpose. Instead, we encourage long-term thinking so that the companies do not succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth.

A purpose-driven approach to corporate strategy represents an evolution from traditional practices that relied substantially – if not entirely – on conventional financial metrics. We believe forward-thinking boards will focus on the people who work for the company, and will consider stakeholder perspectives in determining their business strategy. For many executives, running a purpose-driven company is a developing challenge. We have observed that some companies are working towards embedding their purpose in all facets of the firm, whether by establishing new behavioural norms or by transforming established systems.

Some question the impact that 'index-tracking' investors can have given that they cannot sell their holdings. **However, it is precisely because we are essentially permanent shareholders on behalf of our clients that we are so committed to investment stewardship.** BlackRock can demonstrate a long-term commitment to companies, potentially well beyond the tenure of the current board and management teams, and can be persistent in advocating for progress to drive long-term sustainable value creation.

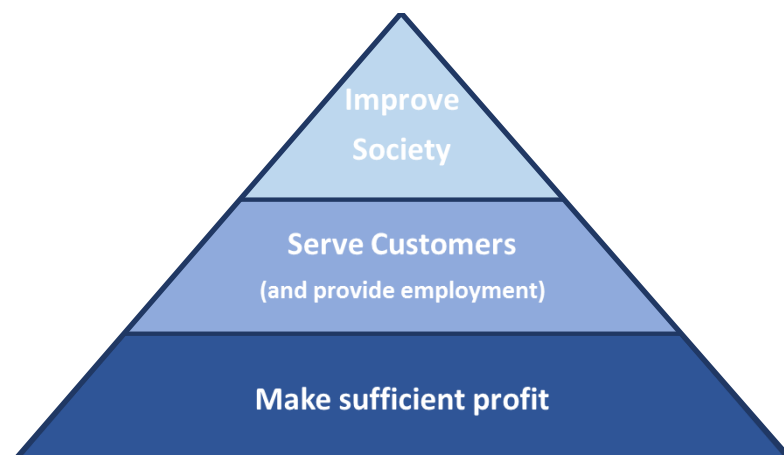
Whether classified as 'purpose' or business strategy, any successful business is founded on a company's reason to exist. A strong sense of purpose builds business confidence, aligns employees with management's strategy, creates loyal customers, and informs stakeholders.

1.2 The pyramid of business purpose

Nationwide Building Society

Joe Garner, CEO

Have you ever been in a restaurant where they keep filling up your glass with mineral water, and before you've drunk it, they ask if you'd like another bottle? Maybe I just look dehydrated, but I suspect that what is actually going on is that they are trying to sell me another bottle of mineral water. Whatever the founding purpose for that restaurant, whatever their management say, the reality is that their purpose in that moment has become sales and profit. There's nothing wrong with making a profit. In the same way that profit without a higher purpose does not work, purpose without profit doesn't work either. But when profit moves from being an outcome to the primary purpose of an enterprise – that's when things go wrong. I would like to argue that profit is the base layer of the pyramid of purpose. But without profit, no business can exist for very long.



Above profit, there is the purpose of serving and indeed delighting customers. This is a much less selfish and very worthy cause to go after. Many businesses have for many years advocated that it is indeed through service that customers reward you with their loyalty and this leads to a sustainable, profitable business. I've been lucky to work at a couple of companies that do this very well, the US consumer goods giant Procter and Gamble (P&G) being a great example. For many years P&G has described its purpose as 'providing products of superior quality and value' and done very well as a result. Successful businesses also provide gainful and fulfilling employment to people. Increasingly, a business is judged not just on how it pays its employees, but the regard that it shows for their wellbeing is rightly being increasingly valued.

However, above even the purpose of serving customers, I believe that there is a higher purpose that business can aim for – which is not just serving, but actually improving the society of which we are a part. Ironically, this is where much of business started. To illustrate, early in the 19th century, reformers had become concerned about the consequences of urbanisation and thought that public walks and gardens were the solution. One conclusion was 'having a place to which they (people) might resort on a Sunday evening would tend to promote that self-respect which is so advantageous to all classes' (Griffin, 2005). Businesses came together and built the first ever free to use park in Salford. We now have 27,000 free parks in this country. A large number of which were created by businesses.

Is it possible that over time, too many businesses have slipped down the pyramid of purpose?

At Nationwide Building Society, we are fortunate that we are not a bank, a corporation or company. We are a society founded for a social purpose to 'improve living conditions for the industrious classes.' If we fast forward to today, it is true that we have 16m members and a balance sheet of a quarter of a trillion pounds. But we are still guided by that social purpose. This makes it easier for us to put £40m of capital to help fund the development of a community in Swindon, or fund initiatives like Open Banking for Good which is looking at how you use banking to solve problems for people who are financially squeezed. It enables us to weather lower – as well as higher – profits without deviating from our core purpose which today we express as 'building society, nationwide'. It may be easier for us as a mutual, but I believe that all businesses can move up the hierarchy of business purpose.

These would be my top 3 focuses on where to start:

1. Rediscover – rather than reinvent – your purpose

If you google 'purpose consultants' there are over 179 million responses. But I don't think businesses need consultants, they just need to ask 'why' they started in the first place. There will have been a good reason right at the start. Nationwide's founders were members of the Co-op, trying to improve housing. In 1869, Marcus Goldman – of Goldman Sachs – was trying to help businesses in his locality grow. I'm sure the restaurant I was in was founded to provide people with a great eating out experience. Don't start with today, start with history and study it...! The first person I hired when joining Nationwide was an archivist.

2. Measure your 'purpose gap' – even if only qualitatively

An organisation's purpose is not what it says on the walls, mugs and mouse mats – or even what a Chief Executive says it is. It is what actually happens in front of customers and in communities. It doesn't matter how bold your stated purpose is if actions aren't aligned to it. Enron had 'integrity' as one of its core values and boldly described its purpose as 'to become the world's leading energy company – creating innovative and efficient energy solutions for growing economies and a better environment worldwide.' So, how to measure it? As well as the usual ways (engagement surveys, blogs, chat, social media, service tracking) there is no substitute for going to the community and asking them. Every month Nationwide invites thousands of our members to attend a local 'Talkback' where I – or other members of the Board and ExCo – talk face to face with members of the community. It's like an AGM every week. How many companies would voluntarily put themselves forward for this every month? Only those that really care about their communities, as well as what their large shareholders, think and feel.

3. Engage business leaders in a wider dialogue with society

Perhaps because too many businesses have very visibly focused on profit at the expense of wider good, understandably customers and wider society have become increasingly dissatisfied. A narrative has emerged that almost any degree of profit is a bad thing and that's unhealthy. We must remember that business can only move up that hierarchy of business purpose if an organisation is making sufficient profit to be able to. So, can we engage in a healthy discussion with regulators, investors and maybe even the media on the most difficult question of 'how much is enough?'

This is not cosmetic 'purpose-washing'. There's plenty of that around and consumers see straight through it. Rather, it's an attempt to refocus on the potential of business to help society. As Winston Churchill said; 'Some regard private enterprises as a predatory tiger to be shot, others as a cow to be milked, only a few see it as what it really is – a strong horse that pulls the whole cart.'

1.3 Authenticity is everything: when purpose and culture are one and the same

Zurich UK

Tracy Waxman, Head of Marketing Communication

Zamir Chaudhry, Head of Compliance (Governance, Assurance & Reporting)

Introduction: some facts

Companies that have a purpose are more successful than those that don't.

Over the past 10 years, organisations with purposeful customer value propositions collectively outperformed the Standard & Poor's 500 index by almost 400% (Stengel, 2012). Sixty-two percent of consumers would like companies to stand up for issues they are passionate about (Accenture, Global Consumer Pulse Research, 2018); and companies who have a high level of positive impact on people's lives have grown their brand value 2.5 times more versus those that don't (Kantar Millward Brown, BrandZ, 2019).

Having a purpose certainly sounds like a good idea, but how do we go about acquiring one? It stands to reason that if we craft an inspiring statement that employees buy into, they will become passionate advocates and make the purpose a reality.

If only it was that easy.

Purpose can't be manufactured

In a world where audiences – both internal and external to organisations – are increasingly cynical, authenticity of purpose is critical when it comes to shaping culture and delivering an authentic brand experience. 56% of consumers believe that companies use purpose and societal issues as a marketing ploy; and only 21% feel that the brands they use keep the best interests of society in mind (Edelman Trust Barometer Special Report, 2019).

Successful purpose-led organisations are, therefore, likely to be those that are able to demonstrate purpose through action; where less time is spent on the creation of a purpose and its expression and more on delivering tangible 'reasons to believe' that good business is just business as usual.

Substance over style: a Zurich UK experience

A good example that illustrates the blurred lines between purpose and culture is our recent experience at Zurich UK. Here, the 'task' was to communicate the purpose that was already inherent in our organisational culture.

For a number of years Zurich had been reporting an impressive claims record of paying, on average, 99% of first party claims across the UK business. Despite this impressive statistic, it had never been used in Zurich's marketing campaigns, apart from annual press releases. In other companies this would have been shouted from the rooftops.

Recently a large part of our role, as marketing, has been to communicate a purpose that already exists at the very core of Zurich's DNA, which is simply to Do the Right Thing. Paying 99% of claims is only 1 piece of evidence that we 'do the right thing', but it is such a powerful one. After all, why does insurance exist if not to be there for our customers and pay their claims?

How has Zurich made good business good for business?

Focusing on paying claims via our 99% claims paid advertising campaign, and bringing our purpose to life in a tangible way with a relatively modest media budget, has delivered some impressive business results.

In the first year, brand consideration grew by 19% and the brand attribute 'Is a company I trust' grew by 22%. Zurich catapulted up the ranks of the cross-sector national UK Customer Satisfaction Survey from position 188 to 12 in January 2019, achieving the biggest annual rise in customer satisfaction of any UK company. We ranked highest in the insurance industry for being the most ethical brand and the one consumers have the strongest emotional connection to.

From an internal perspective, a real sense of excitement and pride has permeated the company during our 99% Claims Paid campaigns. Brand-related posts on our internal social media channel have increased by 400% and 74% of employees felt 'proud, positive, inspired and confident' as a result of the campaign. 'Brand' is now a permanent fixture in Executive Committee presentations and there is clarity among employees about what we stand for.

However, 'doing the right thing' is nothing new for Zurich. It isn't just a set of words – a clever marketing statement – but rather a way of life for everyone in the company. There are so many examples of how we do the right thing across the whole business, beyond our amazing claims record. Our Charitable Trust, Zurich Community Trust, was founded in 1973 – long before Purpose Marketing was a 'thing' – and since then it has completed more than 4,600 projects, donated 300,000 hours involving 45,000 employees and has given more than £90m in grants funded by Company, Employee and Trust donations. Our Diversity and Inclusion policy has been recognised as best in class. We were the first UK insurer to launch SignLive, a service enabling customers with impaired hearing to contact us using a video interpreter. Our commitment to sustainability has placed us in the top 1% of the insurance sector in the 2019 Dow Jones Sustainability Index. The list goes on.

Certainly, while paying claims – and understanding that we exist to make things right for our customers – is a powerful expression of our purpose, it is only one strand of our DNA.

What can the industry learn from Zurich's experience?

- A company's purpose should be inextricably linked to its values.
- If you can't immediately name a few examples that illustrate your purpose, then it probably isn't your purpose after all.
- Identify what you stand for now. An authentic purpose encapsulates what employees already live and breathe every day.

1.4 When 'what + how = why'

Handelsbanken Plc

Richard Winder, Head of External Affairs

Handelsbanken may be one of the more enduring examples of a values-led organisation. Since the bank's transformation in the 1970s, our ideas and practices have been studied by business school professors, policymakers and even the occasional philosopher. Most importantly, they have been lived and developed by many thousands of employees over this time – employees who feel a strong, natural ownership of them.

Yet despite, or perhaps due to being steered so long by humanistic values, we have not felt compelled to define its purpose. Instead I will argue it remains best understood through the bank's guiding principles, and finds clearest expression in colleagues' actions and the stakeholder outcomes these produce. In other words, culture also eats purpose for breakfast.

But first some context.

For almost half a century, Handelsbanken has stuck with the same corporate **goal**: higher profitability than the average of its peers. We've followed the same 2 **means** to reach this goal: more satisfied customers and lower costs. You could call this triangle of goal and means the *what* of our model.

Since independent surveys began, our customers have been more satisfied than those of our peer group. In the UK, considerably more. And viewed over the long term, we have been one of Europe's strongest and most cost-efficient banks. Thus, we have achieved our goal 47 years straight.

Alongside the *what* of our model, 2 timeless **values** determine *how* we pursue our goal, in ways both large and small:

The first, to 'trust in people' and their desire and ability to do worthwhile things well, makes it natural to decentralise and empower employees throughout our business. For example, when it comes to business development and customer banking decisions, our local branch teams are in the driving seat, closely supported by their head office colleagues.

By giving colleagues the mandate, means and accountability to run their own show, within a rock-solid framework of operating principles, we've been able to dispense with centrally-set targets, bonuses and top-down management. The late Douglas McGregor might have labelled us devout 'Theory-Y thinkers'.

Our second guiding value, to 'take the long view', steers us to forge deep and lasting customer relationships, to limit the bank's risks and those of our customers, and to take sensible, sustainable decisions.

Together, the above *what* and *how* form the tangled roots of a vibrant corporate culture. Spending time in any of our teams, one sees this manifest in trust and respect for colleagues and customers; servant leaders instead of command-control; spontaneous cooperation across an open-network organisation; and a keen, customer-led approach to change.

Yet given the understandable post-crisis clamour for firms to unearth their guiding purpose, it seems reasonable enough to ask: 'Should we attempt to define ours?'

After all, if pushed to now, some colleagues might reach for our goal and means. Others would turn instead to our core values, or to a selection of the resultant operating principles, such as 'to be a responsible member of the communities we serve', 'to always be an asset to society', or 'to give advice that's best for the customer and not what is most profitable for the bank at the time'. And none of these ideas - although lauded by Professor Isaac Getz as characteristic of an 'Altruistic Enterprise' - would adequately capture the *why* of Handelsbanken. So, from a box-ticking standpoint, a gap could be argued.

If we did seek to articulate a purpose, I can imagine something along the lines of, 'To provide the freedom for people to flourish.' A memorable catchphrase that neatly unifies our belief in people's motives and potential, our locally empowered way of working, and - of course - our role as reliable financial support to our customers and communities. So maybe I should patent it, just in case.

But not so fast. Because venturing down that path could mean veering away from our culture. Perhaps only a step or two, but these steps matter. Our culture is both the oil that keeps the wheels, springs and levers of our model moving freely, and the casing that holds them all together. As most leaders come to discover sooner or later, culture is at once intensely powerful and painfully delicate; so we tread with care.

Over 5 decades, the bank's strongly decentralised approach has come to be owned by all employees - not simply the latest CEO. Colleagues are deeply protective of our values and practices, and - while wide open to new ways of working - are wary of initiatives that appear to muddy the model more than they add real value.

We often hear from new joiners that what inspires them most is how closely life inside the bank matches the words on the tin. Being consistent in how one translates abstract principles into hard organisational architecture and working practices is, in our experience, the key to turning fine words into fertile culture. It takes time, and ultimately a lot more walk than talk.

With this in mind, already the catchphrase I imagined earlier feels a little trite and inadequate. This begs the question whether any statement of purpose could enrich a culture grown on mature, healthy roots. Driven at too directly, the attempt to define one could be as futile and destructive as trying to recover the eggs from a baked cake.

Professor Vlatka Hlupic, author of *Humane Capital*, observes Handelsbanken's 'Level 4' mindset, where: 'Integrity, passion, purpose, transparency, accountability and a caring culture are embedded.' Our purpose is indeed embedded, deep 'in the walls' of the bank. It's palpable throughout the pages of **'Our Way'**, the book of principles penned half a century ago by Dr Jan Wallander, the founder of our model, and since restated in contemporary contexts by successive CEOs. It's evident in the many thousands of decisions taken - and stakeholder outcomes created - every day, all over the bank. And, crucially, it's understood implicitly by all those who have chosen to eschew the banking orthodoxy and instead join Handelsbanken.

2 Sector specific essays

2.1 A partnership for purpose: embedding and reinforcing purpose in retail banking

Chartered Banker Institute

Simon Thompson FCBI, CEO

The delivery of retail banking services has continually evolved – shaped by forces including changing demographics, regulation and technology – since the Chartered Banker Institute was founded in 1875. Throughout our history, though, we have been consistent in our view that the broad purpose of banking is to support the economic life and prosperity of customers and communities in a responsible and sustainable manner.

I was delighted, therefore, to be asked to lead the retail banking sector roundtables as part of the FCA's Purpose Working Group, and hugely heartened by the extent of engagement in this work. Participants in the retail banking sector roundtables included representatives from banks, building societies, credit unions, customer groups and a wide range of other stakeholders.

Firstly, we identified 3 meaningful goals (summarised below, but with further detail behind them) that, when taken together, could describe the purpose of retail banking:

1. To be a reliable custodian of money and information.
2. To help everyone with their money.
3. To generate sustainable returns to enable the delivery of services.

It is important to note that these are goals for retail banking (ie the service), not necessarily goals for retail banks, building societies and credit unions (ie individual institutions). It is also key that these are deliberately stated as grounded, measurable, easily understandable and achievable goals rather than noble, idealistic and philosophical statements of purpose.

The first goal perhaps requires some further explanation. The sector recognises its obligation as a custodian and steward of depositors' funds, but in an era of Open Banking, this needs to be extended to customers' data more broadly. This is an opportunity for our sector as well as a responsibility, as data becomes increasingly valuable, and valued. Helping everyone with their money, and ensuring no-one is excluded from economic life, seems relatively straightforward. As does the generation of sustainable returns: 'pursuing purpose requires a surplus', which is as true for mutual organisations as for those pursuing shareholder returns.

Strong consensus from bankers, customers and other stakeholders on these goals was accompanied with an acknowledgement that there is a complex range of barriers and obstacles that get in the way of achieving what seem simple and straightforward objectives. A combination of short-term financial and operational imperatives,

regulatory and policy distortions, institutional policies and procedures, a complaints culture, the media spotlight and customer expectations all acted as or led to the creation of barriers that prevented retail banks and bankers supporting customers and communities as they wished. Similarly, it was agreed that there was no 'silver bullet' able to overcome these.

A shared frustration around communication and transparency – or the lack of it – was identified as one of the key barriers. Bank staff and customers both want to hold meaningful conversations about money and financial goals – not necessarily face-to-face, but through multiple channels. Bank staff say they feel fulfilled when helping customers and remember with pride the times when they've really helped. Customers remember times when they were helped by their banks and the individuals who supported them. In theory, automation frees staff time for problem solving, customer relationships and advice. This does not seem to be the reality, however, perhaps because business models have tended to remove skilled staff from the front line. Retail banking leaders, therefore, could recognise the value created for customers in the front line, and invest more in upskilling and reskilling colleagues to be better equipped to help everyone with their money.

Linked to this is the 'small a' versus 'big A' advice issue; meaningful and valued conversations about money are difficult without advice but cost and regulation gets in the way for bankers and customers. Acting as reliable custodians and helping everyone with their money places a professional duty on retail bankers, similar to that of doctors for their patients, and lawyers for their clients, where the asymmetry of information can place the customer, patient or client at a disadvantage. Retail banking leaders and regulators can work together to continue to enhance and sustain the re-professionalisation of banking that has made some progress over the past decade, although there is still much more to do.

We also looked at how the barriers we had identified could best be overcome. This requires, in our view, a genuine 'partnership for purpose' between senior retail banking leaders and their institutions, employees, regulators, consumer representatives and professional bodies. This will develop, embed and reinforce cultures both within firms and a broader, sector-wide culture based on a shared sense of purpose and professionalism. Only through this can purpose help to navigate (at least to some extent) the complexity of the barriers and obstacles that get in the way. But the sector also needs to find ways to overcome first-mover disadvantage and this will require regulatory help.

I would like, therefore, to propose the following 4-point plan for a **'Partnership for Purpose'**:

1. A joint 'Declaration' from the retail banking sector setting out our shared purpose and what this means in practice – this will consist of a set of principles plus several tangible commitments that can be measured and reported on.
2. The sector should embrace and promote its existing 'professional duty' as a reliable custodian, seeking to help everyone with their money, and take positive steps to build this into organisational cultures, and the culture of our sector overall.
3. Seek greater encouragement and endorsement of market and professional standards that support purposeful retail banking, and the individuals who achieve these, from senior retail banking leaders and regulators.
4. Identify examples from other countries and sectors where purpose has driven value creation over the longer-term and implement these in our own sector.

This is only the start of what I hope will be a continuing process to develop and deliver more purposeful retail banking. There is a real desire to do this, and I believe that by working together as a sector, in partnership with regulators, consumers, professional bodies and others we will help our sector demonstrate its positive social purpose, help reconnect banks and society, and contribute to the process of rebuilding trust in our financial sector overall.

2.2 Realising the profound purpose of investment management

CFA Society of the United Kingdom

Will Goodhart, CEO

Purpose can guide us and define us. Authentic purpose reflects who we are and causes us to do the things we do, though sometimes we can lose sight of that purpose or be confronted by a reality that forces us to change direction.

In short, purposefulness is a human condition, but it is not always – perhaps even not often – a corporate condition. That is a shame because, like people, the evidence suggests that purpose helps companies to focus and make better decisions and encourages staff to be more motivated and productive. Purpose matters because it sets a path for us, and gives meaning and context to our work.

Purpose is perhaps particularly important in finance and especially so today.

The financial solutions that we seek – that we will pay for and where sustainable profit can be made – are those that help us to address human problems: our need to reduce and limit our risk, to transact, to save securely, to invest soundly – and, increasingly, that these activities either contribute to sustainability, or, at worst, do not have a negative environment or social impact.

Investment management allows people to participate in economic growth and to do so while diversifying their risk and enjoying safe custody of their capital. In aggregate, this activity also generates societal benefits from the efficient allocation of capital and from the stewardship associated with people's capital.

The investment management sector has a profound purpose, but this is often not how we see ourselves and is even less frequently how we are perceived. There are many examples of apparently purposeful investment management firms, but it seems that there are fewer where purpose really is front of mind across the organisation.

Why?

Defining purpose well is difficult. Building and maintaining a culture that is designed to deliver on purpose takes time and requires organisational commitment across generations of business leaders.

Purpose can also run up against practical impediments such as business models or incentive structures that are designed to deliver performance in a way that might be inconsistent with purpose. For purpose to be effective, people across an organisation need to see managers facing those challenges, choosing to maintain the commitment to purpose and being acknowledged and commended for having done so.

Timeframes might also discourage people from embracing purpose. The payoff to purpose is likely to take years. Identifying purpose, setting incentive structures that are aligned to purpose and then living up to the promise of purpose takes time – time that a CEO may not feel that they have.

While it can be difficult to identify and live to purpose, investment management firms that aren't already doing so should make the effort as the benefits are clear. These include:

- aligning the interests of the firm and its clients
- engaging clients more effectively
- improving the productivity of the workforce
- supporting recruitment and retention
- anchoring the organisation to a broader reference point beyond assets under management or profitability

Purpose has been the subject of considerable academic and broader management research in recent years, though was also arguably the focus of foundational economic works such as Adam Smith's 'The Theory of Moral Sentiments'.

A more recent example is the study by US academics Robert Quinn and Anjan Thakor (2018) on 'Creating a purpose-driven organization'. In that Harvard Business Review article, Quinn and Thakor describe the impact of a focus on purpose at an energy company: 'As people judged the purpose to be authentic, a transformation began to take place. Engagement scores climbed. And financial performance responded in kind: the stock price more than tripled from the end of 2008 to the end of 2017'. Purpose, reflected and supported by culture, yields results.

Academic research by Gartnerberg, Prat and Serafeim (2019) suggests this outcome is not uncommon. They find that firms that have high perception scores for purpose and high clarity about purpose from management have 'systematically higher future accounting and stock market performance'. Their results indicate that 'firms with mid-level employees with strong beliefs in the purpose of their organization and the *clarity in the path towards that purpose* [italics added] experience better performance'.

London Business School academics Dan Cable and Freek Vermeulen (2018) find that there are 4 organisational-design approaches that help to embed purpose.

First, reducing anonymity. People care more about their work when they can see or envision their customer. A number of investment management firms are presenting images and quotes from their clients in public spaces around their firms. These visual reminders help investment team members understand who they are working for and why what they do matters to their clients.

This plays into the second of Cable and Vermeulen's 4 principles – the value of helping people to understand the impact of their work on the end beneficiary. Investment management is a lengthy activity with multiple component parts. It can be difficult for people at individual points in the value chain to understand their contribution. Greater engagement with the end beneficiary – directly or indirectly – would help, as would an appreciation of the total value delivered by the investment chain.

The third factor is easy to understand. As Gartenberg, Prat and Serafeim's research points out, the organisation's commitment to purpose needs to be authentic and needs to be embraced by middle management. As London Business School professor, Alex Edmans (2018) has pointed out: 'Purpose is far more than a mission statement – it must be implemented. Two steps are key for purpose to "live" in an organisation. The first is to communicate it externally – as the adage goes, "what gets measured gets done"... The second is to embed it internally'.

Their final recommendation is that organisations should connect their people's work to a grander goal. Their advice is to keep pushing managers to think about 'why' they are asking people to undertake particular tasks or achieve particular goals until they identify the fundamental purpose of the overall activity.

There are good examples of investment management firms describing their purpose and living to that purpose, but that these examples are memorable rather than commonplace sets us a challenge.

2.3 Lending and purpose: focusing purpose on deliverable technical and cultural change

The London Institute of Banking & Finance

Dr Anthony Gandy, Visiting Professor

Milton Friedman's famous doctrine drove the shareholder value revolution: 'There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits... so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud' (Friedman, 1970). This is an outward looking purpose; it is for the shareholders. However, the current trend in management theory is toward a more holistic purpose, one which goes beyond the sense of stakeholder groups. For example, Quinn and Thakor call for institutions to have 'A higher purpose [which] is not about economic exchanges. It reflects something more aspirational. It explains how the people involved with an organization are making a difference, gives them a sense of meaning, and draws their support' (Thakor and Quinn, 2018).

Setting a higher purpose which ignores economic exchange would, frankly, be disastrous for a retail lender, be it commercial or mutually owned. However, the setting of short-term goals which favour only the owners of the enterprise has proven to be equally disastrous. Lenders must understand the economic exchange and produce balanced outcomes for each party involved, borrower, saver and investor – understanding the technical nature of producing balanced outcomes is both an achievable outcome and a positive outcome for society.

We argue here that, while 'purpose' will often be stated with an outward language, be it 'customer', 'society', 'planet', its role is actually internal as it provides a unified set of behavioural norms for both the organisation and the individuals within. Acknowledging the role of lenders as managing the potentially conflicting interests of different stakeholders and, indeed, wider society, and focusing purpose on building the capabilities necessary to manage these conflicts for the greater benefit of all involved seems a laudable purpose.

Balanced purpose

Simplicity is often seen as a key aspect of setting purpose. Some are grandiose statements which set a wide ambition for supporting society and the planet. While such purpose is laudable, creating meaningful cultural change among lenders needs to focus on deliverable change. The job of lenders is to take decisions which can seemingly limit the outcomes for 1 group to ensure the wider stakeholder community is served – lenders cannot be nice all the time and should not be. Lenders are groupings of varied stakeholders, each of which deserve a balanced outcome, but each could potentially benefit from a skew towards their own interests.

1. Customer groups:

- a. Savers and fund providers – they provide the underlying funds but expect protection from poor decision making which undermines their savings. They would benefit more if the lender provides them with returns which are greater than the risks which they face.
- b. Borrowers – they provide the interest income which pay the other interest groups and they can expect the right to fair terms which allow them to repay their loans at reasonable rates. They would benefit further if the price of a loan was priced too low to cover the risks taken by the lender.

2. Resource groups:

- a. Capital providers – provide the resources to build the enterprise and take the loss if the lender fails. They would benefit if the lender extracts higher interests from the borrower and provides low interest to the savers/funders.
- b. Staff and management – provide the skills and effort to make the enterprise work and require a fair return for these skills and efforts. They would benefit if information asymmetries enabled them to extract a larger part of the returns generated.

Each group has a core role and its own need for a reward for providing it, but each has an incentive for the institution to get the balance wrong. Many years ago, a bank advertised itself as the Bank Which Likes to Say Yes. That is a good marketing strap line but knowing when to say NO is beneficial to more people. Having a robust capability to knowledgeably decline business protects borrowers from borrowing on terms which do not best serve them, guards savers and funders from supporting such lending and provides staff with confidence to justify their actions to the other interest groups.

Delivering purpose

The overriding capability which a lender needs to be able to develop to deliver a fair and balanced outcome for competing stakeholders is the ability to make accurate lending decisions, or as accurate as the risks being taken require. Getting the decision to lend right provides the foundation which will protect borrowers, lenders and other stakeholders.

Setting a purpose such as 'To be Fair to All' necessarily will lead to not just simple statements of intent, but also provides an impetus to build the structures which can deliver on that purpose. Balance in making customer decisions, especially lending decisions, is not just a vague concept of what is right and good, but also requires tangible necessary precursors to be put in place, such as the need to build risk assessment capabilities both at the institutional and individual level.

Whatever the purpose chosen by a lender, there seem to be some key attributes to make adopting them worthwhile. A purpose needs to be simple and understandable by all. However, purpose should not be divorced from the core activity of the organisation as it should generate behavioural and capability requirements which are actionable.

There are clearly arguments for purpose setting which goes beyond the realm of the lending-specific functions of lenders. However, acknowledging the need for balanced fairness as a part of a wider purpose focuses on the core of what a financial institution is and can lead to behaviours, such as developing deep skills in lending decision making, which will enhance the overall well-being of stakeholders.

2.4 Insurance: a purpose for the profession

Chartered Insurance Institute

Sian Fisher, CEO

Introduction

The social purpose of insurance is at the core of what it does: paying claims at times of crisis. Every day insurers pay £37m in motor and home insurance claims to UK households, and in 2018 the Lloyd's market alone paid £19.7bn in claims worldwide (Association of British Insurers, 2017; Lloyd's, 2019). The proportion of claims that are accepted as valid is also higher than most people expect: 98.4% of motor insurance claims in 2017, for example (Association of British Insurers, 2017).

Insurance is key to sustained economic growth (World Bank, 2006). It is so important that access to insurance is often seen as a fundamental right rather than a luxury.

Despite this, customers and prospective employees can feel disengaged from insurance.

In the retail sector, there is intense competition over headline premiums (sometimes at the expense of quality), and this competition has intensified with the development of comparison sites. One strategy that firms can use in this environment to maintain both market share and profitability is 'price walking' (using 'complex pricing practices that allow them [firms] to raise prices for consumers that renew with them year on year' (FCA, 2019). Price walking has, in turn, eroded public trust.

Disengagement with insurance can also cause corporate customers to treat insurance as a procurement exercise, rather than using brokers and insurers to advise them on wider risk management.

Finally, issues like the sector's large gender pay gap (Insurance Insider, 2019) make many prospective employees feel the sector is out-of-date and out-of-touch.

A purpose for the profession

To increase engagement with customers and employees the insurance profession needs a new purpose: to help people and organisations become more resilient as their circumstances change, through a blend of services that goes beyond traditional products.

This trend has already begun. In the retail space, professional brokers give tailored advice that addresses all their clients' circumstances. Amongst providers, Vitality has positioned itself as promoting healthier lifestyles. Other insurers have helped make roads safer through telematics and campaigns for safer driving (ResponseSource, 2018).

In the wholesale market, managing the risks of the whole organisation has seen brokers reframing the conversation they have with clients, beginning with uninsured or uninsurable risks. This is key in areas such as cyber risk, where an insurance product alone is not likely to mitigate the whole risk.

Building an ecosystem

For the insurance profession to complete its journey to this new purpose, consistent action must take place at 4 levels: the regulator, the profession, firms and individuals.

- The **regulator** can enforce minimum standards and police the sector's perimeter.
- **Professional bodies** can build communities of individuals who work together to achieve the profession's purpose, through:
 - Creating a talent management strategy that is aligned with the profession's purpose.
 - Encouraging firms to commit publicly to professional standards by joining an accredited scheme, such as Corporate Chartered Status (CCS). Firms committing to the CCS principles of nurturing knowledge, customer centricity and serving society demonstrate higher values that transcend the minimum standards set by the regulator.
 - Promoting good practice – for example, under its Insuring Women's Futures programme, the CII has developed 2 pledges: the Inclusive Customer Financial Lives pledge and the Financially Inclusive Flexible Working pledge. It encourages insurance firms to commit to both pledges. Despite their initial focus on women as customers and employees, the final pledges and guidance recognise the interconnectedness of all people's financial lives. These pledges are supported by good practice guidance and embedded within the CII's existing ethical framework, providing firms with a visible objective that can align with their existing culture.
- **Firms** can define and realise their purpose in a way that creates a sustainable set of relationships between all their stakeholders, through:
 - A focus on what is commercially sustainable over the long-term (NFU mutual, for example, has an objective of 'sustaining our business for current and future generations of members').
 - Recognising the virtuous circle of better customer service and greater staff engagement, which is evidenced strongly in work by the Customer Service Institute (The Institute of Customer Service, 2018).
 - Using their purpose as a currency for action – for example, by supporting projects that contribute to the organisation's long-term purpose.
 - Ensuring diversity among employees, to reflect the whole range of stakeholders that are served by the organisation.
 - Having an appetite for bad news as well as good to keep the organisation true to its purpose.

- **Individuals** often use their sense of professionalism for good, through engaging in their own development and looking for ways to deliver on their professional duty to customers.

Keeping the focus on outcomes

Once the ecosystem is in place, it needs to be refreshed through robust and meaningful feedback to ensure good outcomes.

This can take place at every level of the ecosystem, for example through:

- The FCA's 'Financial Lives' and 'Live and Local' programmes.
- The Chartered Insurance Institute's Trust Index, which measures consumers' experiences against expectations over 9 key outcomes, defined by customers. They include: confidence in the policy to pay out, recognition of customer loyalty and respect for claimants. The index provides insights into what firms can do to improve outcomes for customers.
- Senior management of firms increasing communication with customer-facing staff and giving them more autonomy. One element of this can be through creating flatter organisational structures.
- Plugging into external programmes like Disability Confident, a government-backed programme that increases employment opportunities for disabled people.

These insights should be shared appropriately through regular exchanges between the regulator, the Financial Ombudsman Service and practitioners.

Conclusion

Insurance delivers profound benefits to society, but its institutions are too often perceived as remote and out of touch by consumers and employees. This can be addressed by finding a new purpose for the profession: using the insights it has amassed over many decades to help individuals, families and organisations to anticipate changes in their circumstances. In this way, by addressing the needs of the whole customer, the insurance profession can build trust by fulfilling its potential to serve the public.

2.5 Restoring trust – the case for the retail financial services industry to rethink its purpose

Multi-author collaboration

Simon Culhane, CEO, Chartered Institute for Securities and Investment

Paul Feeney, CEO, Quilter

Mark Goyder, Founder and Trustee, Tomorrow's Company

In the last few years we have seen a steadily growing social acceptance on the importance of firms pursuing a purpose that goes beyond profit because, as Tomorrow's Company's 2018 report concluded, 'a firm which possesses a clear and enduring purpose is more than ever the precondition for agility in the age of uncertainty.'

Firms that possess a wider purpose tend to see 4 main benefits:

1. better working relationships
2. enhanced stability and resilience
3. customer good will
4. reputational benefits

Some of the oldest UK-established wealth management firms (a couple of which are over 200 years old) have a very clear purpose, which has always been beyond profit. In financial services, it has become increasingly clear that longer-term profit can only be achieved with the pursuit of a purpose that makes equal sense to staff, shareholders and society.

Yet in the retail investment sector, for example, industry veterans can recite a catalogue of companies who were tempted to boost sales and focus on transactions to the short-term benefit of the company and the long-term detriment of customers, communities and the reputation of the industry as a whole.

This can happen even in some of the most well-established companies operating by the most highly recommended governance practices. In his book about Barclays 'The Bank that Lived a Little' (2018), Philip Augar charts the consistent tension in investment banking, corporate banking and retail banking, between the desire to build long-term trusted relationships and the sales and bonus culture that encouraged people to take short cuts that proved costly to customers and ultimately to banks and their shareholders. In the end, there were almost no winners from LIBOR, PPI and many of the other plays. Recent history has provided multiple examples of poorly designed incentive schemes that put the short-term rewards of management and of staff ahead of other stakeholders.

As a consequence, consumer trust evaporated whilst pressure grew for the regulator to be more prescriptive and rules based. Desirable and responsible innovation may have been inhibited by this climate of mistrust.

So, culture is vitally important in the creation and protection of value, with some banks able to demonstrate decades and even centuries long track records based on their commitment to relationship management.

In discussions with the retail investment sector roundtable as part of our work with the FCA's Purpose Working Group, the notion of an agreed set of principles and common purpose beyond shareholder value to which the sector could publicly subscribe was proposed. The idea of every retail investment firm agreeing to a purpose beyond profit is a powerful one, but why stop there? A joint statement of purpose and guiding principles could be shared by all firms across financial services, not just those in retail.

A statement of purpose

The British people have, over centuries, created a nation based on the simple values of fair play, democracy, the rule of law, individual liberty and mutual respect for those with different faiths and beliefs. They have placed themselves in harm's way many times to uphold these values. They deserve institutions, both public and private, whose behaviours respect and mirror these simple yet hard-earned values.

The financial services industry is the largest industry in the UK; indeed, the UK is the world's leading exporter of financial services, contributing around 10% of the country's GDP and 1 in 14 of its jobs, with the vast majority of those outside of London (TheCityUK, 2019).

Given the vital role that the financial services industry plays in the economic life and growth of the country, financial businesses have a duty to engage in responsible stewardship, developing policies and practices that are deeply rooted in these values.

Imagine how powerful it would be if, while acknowledging that every company will define its purpose in its own unique way, every firm publicly accepted that it had a purpose that went beyond an exclusive commitment to shareholder value? And having made that statement, every firm committed to living up to a common approach to the principle of how a firm should operate? Think of it as a recalibration of capitalism.

In the US, often regarded as the bastion of capitalism, the US Business Roundtable – an association representing some of the largest firms in the United States – has recently released such a statement, signed by nearly 200 chief executives of companies including American Express, J.P. Morgan, Apple and BlackRock.

Their statement defines the purpose of a corporation as one delivering value for all stakeholders and not just shareholders, a clear indication of how far views have shifted from the days in which shareholder primacy was the be all and end all. It goes on to describe how it would operate in its relationship with each of its stakeholders.

A British statement could provide a similarly powerful demonstration of financial services' commitment to a broader purpose. Signing up to the statement would be voluntary but signatories could agree to report against it in a way that could be externally verified.

Companies could commit to operating by fundamental values, including:

- Delivering value to customers while always dealing with them fairly and ethically.
- Investing in employees. This includes compensating them fairly and providing important benefits as well as supporting them through training and education.
- Dealing fairly and ethically with suppliers and partners to the other companies, large and small, that help them meet their missions.
- Supporting the communities and the society in which firms work and respecting the needs of current and future generations.
- Protecting the environment by embracing sustainable practices across their businesses.
- Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate and pay the pensions of their beneficiaries.

With the code would come a commitment to transparency. Signatories would commit to reporting on their culture, and encourage customers, employees and shareholders to challenge them when they did not live up to the values.

We encourage the sector to take the lead and create our own British statement of purpose.

This is a moment for leadership.

2.6 Wholesale banking does not have to change: survival is not mandatory

Multi-author collaboration

Michael Cole-Fontayn, Chair, Association for Financial Markets in Europe

Mark Yallop, Chair, FICC Markets Standards Board

The wholesale financial services sector has a number of characteristics which distinguish it from the rest of the financial services industry; features which make it both systematically important but challenging to instil a common sense of deeper purpose across the industry. Nevertheless, we see achieving this more profound sense of fundamental purpose as a crucially important goal for the industry.

Taking responsibility for purpose

Firms increasingly understand that individuals come to work with a purpose, not just to earn money, although most would accept that it is an important driver. Reasons include developing skills, assisting in training others, being part of a team and the satisfaction of providing an excellent service to clients (internal as well as external). Achieving congruence between the individual sense of purpose and the corporate purpose of the organisation is crucial to engaging and getting the best performance from individuals and teams. Surveys of banking employees in particular consistently underline the importance of this alignment.

Many wholesale financial services firms now have a published purpose. These vary, but often state a desire to serve the wider community of clients as well as shareholders, and talk about sustainability and long-term strategy; examples include:

- 'creating opportunities to rise'
- 'help institutions and individuals succeed in markets all over the world'
- 'provide people, companies and institutional investors the financial products and services they need to help achieve their financial goals at every stage of their lives.'

Whilst many firms have a strong declared purpose, for some firms purpose may need to be more explicitly articulated. Purposes that are too vague or distant from the business objectives of the corporation are not credible with employees. An authentic animating purpose makes an emotional connection for employees; and it will have a widespread impact across a firm and its customers if it both demonstrates business rationale and allows people to associate with it personally.

In particular, we believe that purpose for wholesale firms should ideally be linked to the critical role that such firms play in supporting the wider economy and growth. Indeed, business line executives and management need to play a bigger role in the formulation of purpose statements where these are (sometimes, and wrongly in our view) seen as the responsibility of corporate communication and ESG departments.

Short-termism is a challenge that needs further attention in the debate about corporate purpose in wholesale finance. While shareholders and regulators are beginning to inspire change, our experience is that executive teams and Boards, in both the sell-side banks and trading firms and among users of wholesale finance on the buy-side investment managers and among corporations, are still overwhelmingly judged on short-term results. The conflicts between long-term aspirations of corporate purpose statements and the short-term demands of markets that wholesale firms are engaged in are extremely hard for single, or small groups of, particularly publicly quoted firms, to reconcile. If the institution is itself conflicted, then it is to be expected that its employees will be as well.

Long-term, sustainable business is easier to achieve in some types of wholesale financial services business than others. Businesses that of their nature are long term, such as pension fund management and Mergers & Acquisitions advisory, can take a view on short-term loss of revenue in the knowledge that the client is unlikely to go elsewhere if it thinks it is getting good, objective advice. By contrast, heavily transactional revenue and price driven businesses such as fixed income and FX trading, and particularly high frequency trading, are strongly driven by short-term considerations. In formulating their corporate purposes, large financial institutions that are far removed from the end retail customer need to find convincing ways to reconcile the long-term expectations of the end users of financial services with their short-term performance expectations, including to employees. We recognise work to reconcile this is continuing in all banks.

Banks might also consider to what extent their purpose statements could address climate change objectives. Not all firms may be able or wish to do this, but the wholesale finance sector is a critical actor in the climate action arena because of its role in capital raising and allocation for fossil and green industries.

Implementing change on corporate purpose

Firms generally agree purpose statements at Board level but don't always ensure that these are strongly embedded throughout the organisation, within individual business units and teams. Management and employee incentives are not always designed to promote corporate purposes, or to demonstrate how purpose aligns with corporate strategy and underpins commercial success. Sometimes management do not live the avowed corporate purpose in their actions, thereby undermining the work done to define it.

The importance of middle-management exemplars of corporate purpose cannot be overstated, given the relatively remote position of most employees from the Board. It is sometimes easier to motivate the 'top' and 'bottom' of firm hierarchies than it is the middle layers; firms need to consider whether the central core is engaged actively enough.

Not infrequently firms omit to measure purpose in the way that they do financial, client share and operational metrics and do not value the achievement of purpose in remuneration decisions in the way that they do other performance metrics.

Credible corporate purpose needs to be more regularly and consistently communicated through day to day corporate activities; through the entire employee career life cycle, as well as at moments of corporate change such as rapid growth, downsizing and acquisitions.

Remuneration levels and relatively short promotion horizons can crowd out attention on longer-term, wider corporate purposes and societal and economic impact. A balanced scorecard for an employee's performance needs to include detail as to an individual's work in promoting corporate purpose at least as much as their contribution to revenues; and this might be applied throughout the firm, from the most junior employees, up to and including that of the CEO and senior management.

Two other factors are also relevant to progress in this area. First, very significant structural change is sweeping the industry created by technology developments, creating disruption and new business models. This change is bringing new firms into the landscape who may have less well-established corporate purposes than do longer-established public corporations. Second, many wholesale firms face significant performance headwinds caused by low interest rate environments, increasing capital requirements and other factors. There is no inherent conflict between performance and purpose, but we would observe that the need to address immediate performance challenges may distract firms from confronting the broader purpose questions outlined in this essay.

We stand ready to play our part in this important issue.

2.7 A fresh purpose for the pensions sector

Multi-author collaboration

Lesley Carline, President, Pensions Management Institute

Duncan Watson, CEO, EQ Paymaster

The pensions and retirement savings sector used to have a simple purpose - paying the right amount of money to the right people, on time. Interestingly, all participating firms in this sector's roundtables conducted as part of our work with the FCA's Purpose Working Group had undertaken work in this area and were clear on their purpose. Commonality amongst the views on purpose and its impact were strong with recognition it created a framework and a guiding light for organisations. Different stakeholders' views need to be addressed, whether it's increasing focus on environmental and ethical issues for staff, or the desire for profit for stakeholders.

Discussions led to a realisation – times have changed, and so has our purpose. The arrival of auto-enrolment and defined contribution freedoms altered the pensions landscape and we have needed to adapt accordingly. We believe our purpose as a sector is now best defined as: 'delivering good member outcomes.'

From the perspective of all stakeholders, this should be a more satisfying purpose to embrace, it will help our sector make a more positive impact on people's lives. With the support of regulators, we can build on this to offer greater flexibility, promote better understanding of the value of pensions and enhance standards of delivery across the board.

Although we have a new common purpose across organisations, we all face the same challenges. To move forward successfully with this renewed sense of purpose, we believe there are at least 5 key challenges we collectively need to tackle.

1. Clarity

'Delivering good member outcomes' is a strong statement of purpose but, for it to be truly effective, we need to support it with a more defined explanation everyone can relate to – particularly members. We are too focused on what bad looks like as opposed to good. If the definition is too open to interpretation, some providers will fail to raise their game and others will be unsure what is expected of them. The consequence will be confusion and frustration among members. Clarity needs to apply to all aspects of managing pensions – too often, the quality and clarity of communications remains poor.

The solution: The industry and regulators must work together to provide a durable definition of 'good member outcomes' customers, staff and investors can relate to – a definition taking proper account of differing levels of needs.

As part of this we need to change our language and bring some consistency across the services delivered. Many examples of inconsistent language can be given, particularly between trust-based and contract-based arrangements, investment and administration. There are initiatives in the industry to help simplify the message to members including the Simplified Pensions Statement, produced collaboratively by the industry, spearheaded by Ruston Smith, Eversheds Sutherland and the PLSA. This demonstrates we can work together to find solutions.

2. Regulatory inhibition

We are all concerned about overstepping the advice/guidance line which has led to several organisations reluctant to help scheme members avoid bad outcomes. At an individual level, firms report dedicated teams wishing to deliver a quality service becoming frustrated at not being able to help. Even with the ability to invest in developing and delivering regulated advice to members, firms have held off due to uncertainty and fear of potential consequences. Research by several organisations has shown a high proportion of members making poor decisions based on poor advice. This could have been avoided if organisations felt comfortable providing guidance services.

As valuable as the sector's legislative and regulatory framework is, it can also inhibit us from doing what is best.

The solution: As our collective purpose changes, legislation and regulation should change too. Frameworks should be adapted, supporting the sector's efforts to help members achieve the best possible outcomes. The industry and regulators need to work together, creating a consistent definition of what 'guidance' is, freeing up the ability to provide help where there may previously have been hesitation. The industry needs a clear set of principles to work to, and this group is willing to assist the FCA develop them.

In the meantime, innovation is out there, such as the qualification created by the PMI to assist administrators taking members through the retirement process and getting them to a stage where they understand the options and if they need advice.

3. Scams & fraud

Change always creates opportunities – and not necessarily positive ones. Market disruption of a very unwelcome kind is being created by scammers and fraudsters, demonstrating a level of innovation and versatility requiring co-ordinated action.

The solution: Again, the key lies in strong industry co-operation – setting up working parties to develop strategies, sharing intelligence and using technology to frustrate, deter and identify criminals. The Pensions Industry Scams Group and its published guidance is a good example. At an individual level some organisations have created additional services – for example calling members to check they understand exactly what they are doing, and using technology – biometrics is now used for identity fraud. Informal exchange of information on scamming organisations is shared between firms, but we recognise this needs to become a more formal process.

4. Apathy & misunderstanding

The twin challenges of apathy and misunderstanding have always been an issue for the sector. But that apathy and misunderstanding is now doubly dangerous. Members now enjoy greater freedom, but there is greater freedom to make choices they may regret.

The solution: Education is key. There is a wealth of knowledge and experience across the sector which could be used to increase the awareness of members (and non-members) of what they need to know about pensions. There is an increasing number of practical tools being developed such as the use of Amazon's Alexa providing pension values and employers looking at retirement guidance as part of financial wellbeing – but we would like regulators' support by providing clarity and encouragement to employers and schemes to take advantage of what is available.

5. Leadership

There was strong agreement across our roundtable group regarding the key challenges we face in embracing a renewed purpose for pensions management – and agreement too on the solutions. To meet the individual organisations' purpose, we need to meet the industry's.

Solution: We see this as an opportunity to achieve a step-change in the industry, but we require strong leadership from industry leaders supported by regulators, working together to build a momentum benefiting all pension members and stakeholders. We urge the FCA to consider creating a 'single voice' to drive this forward. We need to take account of high-visibility government information campaigns such as the DWP's current 'Get the retirement you want' initiative and ensure FCA guidance to pension scheme providers, employers and advisers is consistent with the Government's messages. It is good to see the closer working relationship between the FCA and TPR, and their joint pensions strategy on addressing risks and harms to members signals the way forward. However, there needs to be closer alignment, a single purpose and a set of requirements for all pension scheme operators when it comes to guidance and advice.

Individual firms' purpose may differ in how its delivered, but this exercise has provided our sector with a realisation that as our environment changes, we need to reflect it in how we deliver on our purpose, and we are willing to work together to overcome new challenges.

3 Thematic essays

3.1 Beyond regulation – adopting purpose for trust repair in financial institutions

University of Bath

*Professor Veronica Hope Hailey, Vice President of Strategic External Engagement
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Despite significant effort on the part of particular leaders, 10 years after the global financial crisis, trust in the financial sector remains at lower levels than its leaders and/or society find desirable. People can both trust in particular people (personal trust) and/or in organised systems or institutions (Lewicki and Bunker, 1995). The focus for this essay will be on institutional trust, which 'develops when individuals must generalize their personal trust to large organizations made up of individuals with whom they have low familiarity, low interdependence and low continuity of interaction' (Lewicki and Bunker, 1995, p. 137).

Institutional trust is particularly relevant for the financial services industry because the organisations within the industry form part of the fabric of society. For the average citizen of a developed economy it is impossible to live life without interacting with mortgage and pension providers, retail banks, and credit and insurance companies. These financial organisations carry a greater responsibility than others as embedded institutions of society and should expect and welcome scrutiny of their governance, their activities and their expressions of overall purpose.

The 2019 Edelman Trust Barometer found the financial services sector continued to be the least-trusted sector it measures (Edelman, 2019). Ipsos Mori found over a third of their respondents disagreed the banking sector shares the same values as the public or behaves responsibly; a third disagreed the banking sector even keeps its promises; and 52% agreed the sector would try to take advantage of them if it could (Ipsos, 2019). Not being trusted is neither desirable nor sustainable in the longer term for such institutions. Consumers are not passive in their choices and if they do not see the changes they desire they might switch their custom.

Research on trust repair has shown 6 main mechanisms to be effective in repairing trust in institutions: 1) investigations or public enquiries which help the public make sense of what has happened; 2) apologies, penance or compensation which are publicly seen to redress a perceived wrong; 3) changes in corporate reporting or audits which help to make institutions more transparent; 4) new professional accreditations of better performing institutions which help reward appropriate behaviour; 5) regulation and formal control mechanisms through codes, sanctions and law; and 6) attempts to inculcate a more ethical culture through cultural reforms, professional training and leadership (Bachmann, Gillespie and Priem, 2015). A combination of these mechanisms is needed if trust repair is to be effective and long lasting.

At a more fundamental level, however, it has been proposed that to address the chronic low levels of trust in businesses we all need to move away from the orthodoxy that the role of directors is to optimise the return to shareholders, often at the expense of other stakeholders, and towards seeing businesses as 'purposeful', as part of society rather than 'apart' from society (Hollensbe, Wookey, Hickey, George and Nichols, 2014). More recently it has been argued that to create the environmental features to support such a conceptual shift would require changes to, inter alia, law, regulation, the obligations of owners, corporate governance, financing and metrics (The British Academy, 2019). That raises global questions but corporations might start adopting a purposeful approach for addressing the chronic low trust levels.

In practice Hollensbe et al see the defining of the purpose of a given business as engaging 'a soul-searching focus' on questions such as how the business began, what the founders wanted to achieve, how it now relates to all its stakeholders, how it relates to the context in which it operates, etc. They note the purpose would then also highlight why society allows the business to operate and what behaviours might threaten the continuance of that freedom. Although some critics interpret purpose to require a corporation to undertake to solve poverty or climate change (The Economist, 2019), the British Academy Report argues that corporate purpose needs to address how the business will avoid or minimise problems it might cause, so that it does not profit from harm (Mayer, 2019). In this practical sense we see purpose as a potential 7th institutional trust repair mechanism.

To reap the improved trust rewards, each organisation will need to embed its purpose, which takes years. Hollensbe et al propose an organisation will embed its purpose more easily if it values the following: treating people with dignity, solidarity, plurality, promoting accountability at all levels by proper delegation of decision-making, and reciprocity such that the conduct of business provides mutual benefit. The delegation of decision-making is interesting because it allows individual employees to bring their social conscience into the workplace.

Embedding purpose will be similar to putting an organisation through transformational change, where it involves organisational DNA change. From our previous case studies of change programmes (Balogun, Hope Hailey and Cleaver, 2015; Gustafsson, Gillespie, Searle and Hope Hailey, forthcoming), we suggest:

- Before launching, take time to thoroughly plan within the executive team, getting the whole executive on board. HR, L&D and OD specialists have knowledge of change techniques. The CEO/equivalent must be passionate about the project, with the stamina to visibly promote the plan and persevere through challenges.
- The organisation-wide launch can benefit from mass-engagement events, consistent, open and honest communication from the executive team, and publicising some early changes to entrenched systems. The overall purpose should be translated into the detailed changes required in each person's role. Cascading behaviour change from the top through each level gives each tier time to change their own behaviour so they can be stewards for the organisation/team and not undermine the message.
- The top team will need to be measuring the behaviour changes they expect to see and reacting to the results by removing any obstacles and providing resources, eg changing reward systems. All processes should be open, inclusive and fair to maintain intra-organisation levels of trust.

Case studies illustrating instances of successful trust repair need to be loudly publicised by both the FCA and the media alongside studies of financial institutions like Nationwide and Handelsbanken who never lost society's trust in the first place.

3.2 The bigger the vision, the smaller it can make people feel

Why corporate purpose is empty without meaningful work

MoreThanNow

James Elfer, Founder

A few years ago, I was invited to a conference for the customer operations division of one of the largest financial institutions in the UK. I've been to more of these events than I care to remember but this felt a little different. The audience was not the stereotypical demographic of the industry and there was a buzz in the air. Some big news had just been announced and they were eager to hear what it meant.

After everyone settled into their seats, the CEO took to the stage. His bespoke suit jarred with the pop music introduction, but that could be forgiven. He was here to talk about the new vision, nay, the new purpose of the organisation...

A new ambition was set forth: a more astronomical sum of money under management than had ever been under management before, all made possible by the macro-trend of financial disintermediation in a technology-driven world. And no, wait, it wasn't boring or irrelevant to the thousands of customer-facing colleagues in the audience. They were compelled to think of the millions of UK families behind those figures; and a tad more excitedly, of the expanding economic responsibility under the organisation's control.

A gulf opened between the CEO and his audience, and his words seemed to echo around an empty room. The experience highlighted a paradoxical risk at the heart of corporate purpose. *The grander the vision, the smaller it can make people feel.*

This article intends to resolve that paradox:

1. Distinguishing between the social impact of an organisation and the psychological construct of meaningful work.
2. Uniting those aims through a person-centred framework.
3. Outlining a way to make it happen.

Corporate purpose and meaningful work

If the difference between corporate purpose and meaningful work sounds self-evident, you probably aren't an avid reader of the business press. Here, the 'power of purpose' is pitched as omnipotent: inspiring your employees to higher performance and your customers to new depths in their pockets, all while solving the world's greatest challenges.

I'm not knocking the aspiration. I'm saying that *the social value of an organisation is an insufficient driver for meaningful work*, and if leaders believe otherwise, millions of employees will be left behind on our search for 'a new kind of capitalism'. My reasons for

this position are simple: corporate purpose feels empty if you have no understanding or control over your contribution. It will not stem the misery of developmental stasis; nor of objectives that overwhelm you or that you could achieve in your sleep. It will not replace your need for close human connection: knowing that you matter to the people around you and that they matter to you.

Moving from an organisation to a person-centric framework

If you're rolling your eyes and dreaming of financial disintermediation, bear with me. The above paragraph is informed by a macro-theory of motivation, showing that our ability to fulfil our basic psychological needs of **autonomy**, **competence** and **belonging** is a powerful predictor of our performance and job satisfaction.

I won't expand on that claim, other than to direct you to this summary of 20 years of research: Self-Determination Theory in Work Organisations: The State of a Science (Deci, Olafsen and Ryan, 2018). For a glimpse into its commercial significance, consider this finding from Harvard Business School alongside the chance to optimise the c. £45bn spent on performance-related pay every year:

'As long as workplace rewards bring employees satisfaction and fulfil their psychological needs for competence, autonomy and relatedness, rewards of any type – cash or non-cash, tangible or intangible – can fuel employees' functioning, and foster contribution and loyalty' (Landry and Whillans, 2018).

So - design a culture that helps people meet their psychological needs and they will aim higher and feel better about their work. Seen through this person-centric lens, corporate purpose is a final piece in a very human puzzle: a way to promote belonging among colleagues across functions and geographies. It's not how you would pitch your social impact to shareholders or customers, but it should change the way you bring it to your employees.

Making it happen – an introduction to thinking small

While our psychological needs are shared, they are met in radically different ways. What autonomy means to a CFO will be different to a Branch Manager, and what competence means to Shreena in Croydon is not the same for Bryan in Stoke. This insight leads to a guiding principle: our task isn't to convince people of the meaning in their work, but to create the conditions for them to discover it for themselves.

We're experimenting with this idea at Nationwide Building Society, where we've partnered with academics to offer 60 teams and 500 people some insight on their sense of autonomy, competence and belonging. Our reports were not intended as a measure but a spotlight. We followed up with a self-guided team experience that encouraged people to explore their strengths, and to identify 1 or 2 precise opportunities to change for the better.

The diversity of the ideas was extreme. For 1 team, 'competence' became the creation of an impact assessment for internal change requests, so they could prioritise their workload with greater intent. For another, it became an informal database where people are teaming up to learn new skills and pursue shared career aspirations. Perhaps, in the future, teams that focus on 'belonging' may settle on a quarterly trip to a branch to re-connect with the purpose of the organisation. But if so, it will be an action designed on their terms and to meet their needs.

This is how culture changes: not in an ivory tower but rooted in the everyday; and not with a big bang but from small fires that grow over time. This idea – of **thinking small** – is an approach underpinned by behavioural insight, and it lives and breathes in Google's 'Roofshot Manifesto', Netflix's 'Research Culture' and Jeff Bezos' declaration that Amazon's success is a function of 'how many experiments we run per year, per month, per week, per day'.

A systematic approach to cultural development can't be cut short with a glamorous narrative about social impact. In fact, it opposes that top-down approach in almost all its forms. It is grounded in pragmatism, owned at team level, and powered by an iterative, experimental, evidence-hungry change engine we call **Test, Learn and Adapt**.

But let's leave that for another day.

Thanks to Faye Whitmarsh, Head of Culture, Inclusion and Experience and Lee Raybould, Chief Data Officer at Nationwide Building Society, for their sponsorship and partnership in our 'TeamTalk' initiative.

3.3 The purpose of purpose: a new business frame of mind

Blueprint for a better business

Loughlin Hickey, Trustee and Senior Advisor

There is a great deal talked about purpose, but what is it meant to achieve? Not changing outcomes means it is simply a new word to describe the current state. A transformational change, rather than incremental improvements, needs a shift in thinking about assumptions in 2 important areas: the role of business in society and how people in business are motivated to act together in business. This shift comes not from a purpose statement but from purposeful thinking in these 2 key areas. The Five Principles of a Purpose Driven Business from Blueprint for Better Business (2019) show how purposeful thinking can connect purpose to meaningful commitments and action.

The financial services industry recognised the importance of these issues some time ago. In September 2010, leaders of financial sector firms had a letter published in the Financial Times reflecting on the financial crisis and its causes. It observed that '[I]aw and regulation are there to protect people. But of themselves they cannot create or sustain the imperatives that motivate financial institutions and those that work in them. That can only come from the culture of organisations, and what they see themselves as existing to do, and how they ensure this culture is promoted and strengthened. In all this, it is essential to restate and affirm the social purpose of financial institutions as well as affirming the personal vocation of those who work in the industry.'

The transformation did not happen: to turn insight into action, purpose needs to help both sceptics and adopters. The sceptics need purpose to be both necessary and enhancing to business performance. The adopters need, in addition, a way to enable these positive outcomes.

There are 2 ways to help sceptics, based on 'rational' evidence. Evidence that expectations about business have changed, and so they will have to respond, and the link to business performance. The adopters need this evidence too, but also need to understand how people can be inspired to change. This may be called additional 'emotional' evidence. Sustainable change needs both rational and emotional thinking.

Evidence of a change in expectations is abundant. The British Academy report on Principles for Purposeful Business (2019) and the reports from the Purposeful Company are rich in both evidence and recommendations. The US Business Roundtable statement about the purpose of business has come from business leaders, from regulators we have the Financial Reporting Council's new Corporate Governance Code, the Wates Principles for Large Private Companies and the new Stewardship Code. From investors, we have letters from the CEO of BlackRock, Larry Fink, and questions from the Chief Executives for Corporate Purpose's strategic investor initiative (embraced by the major global asset managers). The media are also pressing for change. The September 2019 FT wraparound edition about resetting capitalism and the relationship between purpose and profit, is 1 example.

The message is clear; the conversation about, and expectations of, business have changed. Companies will be required not only to explain their purpose but also to show clearly how their culture, investments, decisions and financial and social outcomes are aligned to purpose.

On performance, research indicates that purposeful thinking leads to improved outcomes and financial outperformance. The data suggests that companies that have a 'lived purpose' have higher growth rates, greater customer loyalty, more successful innovation and more engaged employees. This could translate to outperforming peers by 42% (EY Beacon Institute, 2015).

Other academic evidence suggests consistent financial outperformance, over a period, ranging from 20% to 184% (Edmans, 2018). This is for business in general, not just financial services. From inspiring recruitment, to meaningful workplaces, to customer service ethos, to responding to material environmental risks, to the need to engage middle management with purpose, the link between purposeful thinking and outperformance is becoming clearer. For sceptics, the rational case for purpose, or purposeful thinking, based on changed expectations and the link to performance is being made.

Many adopters are disappointed in the outcomes of their efforts. If this doesn't change, the ability of purpose to make a difference will be undermined. Unfortunately, their thinking is constrained by the assumptions about business that the 2010 letter acknowledged but didn't solve. These limiting assumptions are that the dominant purpose of business is to make profits and the vocation of people is to satisfy their self-interest through accumulating money, status and power, with contracts and processes constructed on that basis. That is the original diagnosis, so holding onto these assumptions constrains the ability to produce a different outcome and risks purpose being simply the latest profit maximising strategy ('purpose washing').

To move on we should look again at 3 questions:

- The role of business in society.
- The relationship between purpose and profit.
- The assumptions about what motivates people to work towards a common business goal.

The purpose of purpose is to stimulate a frame of mind to address these questions. Purpose signals why a business exists (and deserves its licence from society to prosper), creates the conditions for purposeful thinking so profit is a natural outcome from creating real value for society, and inspires people to work towards a common goal because they are inspired beyond self-interest. This is business as part of society, that has people and society as its purpose, with profit as a necessary outcome, rather than apart from society, using people simply to make profits and satisfy self-interest.

This alternative frame, and associated liberating assumptions, is that business exists to produce goods and services that satisfy real needs, it nurtures and develops people and produces profits to reward those who contribute to its success. This is business as a series of relationships, with contracts and processes designed to contribute to a better society, development of people and better business. That is at the heart of the Blueprint Five Principles.

The financial services industry has shown the capability to analyse and diagnose. There is an opportunity, through purposeful thinking, to transform itself to become a force for good in, and for, society.

3.4 Be like Dolly: how smaller firms embed purpose to succeed

Smaller Business Practitioner Panel

"Find out who you are and do it on purpose" ...Dolly Parton

As a business role model, the financial services world could do worse than follow the advice of the singer-songwriter, actress and philanthropist Ms Parton. And many firms already do. The articulation of purpose is key to the strategy of successful businesses, but looking from the viewpoint of smaller firms gives a particular perspective on the issue.

For this article, we define purpose as the reason for which anything is done or exists, a fixed design, outcome, or idea that is the object of an action or other effort. Purpose plays a key role in defining the culture of any organisation.

Purpose and profit

There has been a debate for many years about whether the purpose of an organisation is solely to maximise profits for its shareholders; but it is now recognised that there are many other relevant stakeholders in an organisation, and in a small firm above all others, it is the employees and the consumers it serves who are key. Sustainability of an organisation depends upon ensuring that the employees focus on placing its consumers at the heart of the organisation and that is the role of the firm's leader. In other words, by placing a value-based culture at the centre of the organisation, the leader ensures the survival and profitability of the organisation. Thus, profit and a clear culture, with consumers at its heart, are not mutually exclusive objectives.

Purpose and leadership

As purpose and culture are set by the CEO, senior partner or business owner they have to constantly re-evaluate both their vision and leadership of people. The leader's role is to focus on developments, take on board knowledge, disseminate this information to their employees and continually ensure the employees understand the purpose of the organisation. To this end, the leader needs to really understand what drives their employees and ensure it accords with the firm's culture. Regular meetings by the leader or leadership team with the employees help to drive and embed the culture of the organisation. In many sectors the biggest differentiator is whether the business is owner-managed or not. Owner-managed businesses, which naturally tend to be smaller, tend to have a culture derived from the owner.

The small firm world

There are several factors directly impacting on a firm's purpose and culture. Traditional industries tend to have a more prescriptive approach to employment and customer relations. Purpose is easier to transmit to employees in smaller organisations, because management lines are shorter and dissemination of purpose is therefore quicker and less likely to be misunderstood.

Conclusion

To return to the original theme, smaller firms in particular will do better if they think not just about working 9 to 5, but concentrate on who they really are.

Case study – independent financial advice

Take the example of a small independent adviser firm which has deliberately remained small because it values the closeness with its clients. It may not be equipped to scale the business and the owner has no reason to do so. A clear sense of purpose can lead to good outcomes in such a firm for several reasons:

- A positive sense of purpose can naturally flow from the type of people they are. Business is gained largely by recommendation.
- Owners remain engaged in the whole business; they know what is going on at every level, their influence is felt in every aspect of the advice and service process.
- They may no longer advise every client personally but they influence every interaction with the client. Their fundamental driver is client satisfaction because they themselves will need to deal with any disgruntled clients.
- They will know many of their clients personally. They are accessible and many clients have become friends. This ensures they can remain empathetic around the service and standards clients require.
- It is their business and every fine or claim against the firm can be felt personally. The livelihood of the owner is likely to be directly dependent upon the success and profitability of the company.
- As well as financial planners, they can be bereavement and relationship counsellors, business consultants, agony aunts and a probate support service. All these support functions can be provided as people who care, with none listed explicitly in service agreements.

Case study - living your values

Consider also the example of a small advice firm which asks clients if they would like to take into account any concerns they might have on social, ethical or environmental (SEE) issues. This has an impact on clients and staff in relation to quality of service and, more generally, social responsibility. Clients who have not previously considered SEE issues value being asked about them, and appreciate the very client-focused approach (even if they subsequently choose not to integrate SEE issues with their investments).

Clients who were aware of SEE issues are pleased to find an adviser firm able to listen to them and take their concerns seriously. Employees recognise their service is more client-focused compared to other competitor firms which gives them a sense of pride in the way the firm works. The staff also value the stance as a business to act in a positive way against issues such as global warming.

Case study – philosophy is good business (PiGB)

Working to a set of core principles putting your member (customer) at the heart of your strategy, your policy and your decisions improves the bottom line. This is a bold statement from the credit union sector, but true.

Culture not only comes from the top but can also come from within the business model. A business model that has core principles, which are designed to do what's best for members at every level, whether through policy, product or service can improve the bottom line through repeat business.

Members who are treated well, listened to, and feel part of the organisation are more likely to come back. Loyalty is a key component in repeat business, but loyalty must be earned. Being there when needed in the good and bad times, creates a sense of ownership. Ensuring members know they are important to the business through helping them understand their financial needs, through helping them build financial resilience, through the provision of great customer service and competitive products, goes to improving profitability.

When listening and finding solutions to challenges, financial or otherwise, becomes the norm, when being able to go above and beyond becomes the norm, it creates a positive business environment which members benefit from. They then tell others! (PiGB).

3.5 From profit to purpose and back again

London Business School

Tom Gosling, Executive Fellow

A context of declining trust

Corporate purpose is nothing more or less than the reason an organisation exists, expressed in terms of the benefits it creates for customers and other stakeholders. It is becoming increasingly accepted that profit is not the purpose of the corporation, but that instead profit is the result of a firm pursuing its authentic purpose.

The financial services industry has been plagued by behaviour that has put profit ahead of the industry's purpose to help its customers secure their financial future. The litany of failures includes pension mis-selling, PPI, opaque pricing and hidden charges across swathes of its products, commission-based financial advice, LIBOR, loyalty penalties, even before the broader charge of the financial crisis and its terrible legacy is brought to bear.

The industry is living with a legacy of plummeting levels of trust and burdensome regulation just at the time when the economic context is structurally reducing the profitability of many firms. Given this economic pressure, a focus on such an idealistic notion of purpose may seem self-indulgent. But the error would be to double down on the focus of making profit. Yes, financial services firms need to be profitable and deliver value for their shareholders, but now more than ever this value must flow from delivering a purpose that benefits particularly customers but also with regard to the interests of wider stakeholders.

Why so?

The benefits of a purposeful approach to financial services

First, a focus on purpose will help reform an industry that too often shoots itself in the foot in its treatment of customers. Purpose supports a culture of focusing on what the firm is there to do, in terms of benefits to its customers and wider stakeholders, rather than on the benefits that can be extracted from those stakeholders for the firm. This will limit future own goals, which in the past have led to epic destruction of shareholder value, both through direct economic consequences and the vengeance of heavy regulation.

Second, a growing body of evidence shows that strong stakeholder relationships support long-term value creation, well summarised in the Gresham College Lecture *Purposeful Business: The Evidence and the Implementation* by Professor Alex Edmans of London Business School (2018). Treating employees and customers well leads to outperformance. Increasingly ESG considerations are associated with higher long-term returns to shareholder and reduced risk. By encouraging an 'other-regarding' rather than 'self-regarding' view, purpose can help create a culture of mutuality between a firm and its stakeholders, supporting long-term sustainable value. Importantly, though, the benefits of stakeholder orientation are only realised when the focus is on stakeholders that are material to the business and its success, not when stakeholder activities are pursued in an indiscriminating way.

Third, there is emerging evidence that a sense of the intrinsic purpose fulfilled by a firm's activity can unleash human creativity and innovation, leading to higher performance and to the creation of products and services that would otherwise not have existed. We have to accept that this evidence for the value of 'intrinsic purpose' is embryonic, partly because of the difficulty of defining and isolating purpose as a context. But the academic and practitioner support for the benefits of purpose as something more profound than just enlightened shareholder value continues to grow.

Becoming a purpose-led firm

But how does a firm become purpose-led? I was struck by 3 main lessons from participants at the FCA's Purpose Working Group.

Purpose must be discovered not imposed. A firm's purpose cannot be imposed from the top down. Employees will readily spot any disconnect between what a firm says and does. Authenticity is a pre-condition for effective implementation of purpose. It is important to take time to listen to employees and other stakeholders to draw out the purpose of the firm, perhaps reorienting it here and there, but fundamentally channelling the existing life-force of the firm in a productive direction. PwC spent over a year engaging with its 150,000 employees worldwide to develop its purpose 'to build trust in society and solve important problems'. Rather than being told what this purpose means, through a series of workshops and other forums employees are encouraged to define and share what it means for them in a process of continual reflection and engagement.

Purpose must be integral to how the firm creates value. Purpose should not be viewed in the manner of medieval indulgences for the absolution of sins. Too much CSR activity has been seen as ancillary to the firm's core activity – a cost centre. If purpose is seen as something in tension with value creation then when the going gets tough, purpose will be the first thing to go. Leading firms ensure detailed understanding of how purpose is integral to value creation. In times of stress the purpose becomes more not less important.

Purpose must be continually reinforced with a devotion that can appear extreme.

A successful purpose should be intimately related to a firm's long-term business success and capable of being understood by employees as a guide to action. But this of itself will not be enough. The realities of the world will create short-term trade-offs between purpose and profit that need to be recognised. Investors may not price in the value of intangible purpose-driven investments for 5 years or more. Employees may face incentives to take short term actions to hit annual bonus targets. Rather than being considered a set of brakes to a profit maximising culture, purpose needs to be central to the firm's activity with profit flowing as a consequence. This requires a mindset shift so profound that the necessary interventions can seem hard to sustain. We heard 1 firm describe how employees reflect weekly in groups on how well they are applying their purpose principles. Management structures, performance management, rewards, and risk management are all carefully aligned with this culture, often in unconventional ways.

Creating and sustaining a truly purpose-driven culture is not easy. It requires authenticity, commitment, and bravery. But it is also needed, if the financial services industry is to be recognised, as it should be, as a vital and productive enabler of our economic well-being.

Tom Gosling is an Executive Fellow at London Business School and a Partner at PwC. He is on the Steering Committee of The Purposeful Company.

3.6 Purpose, relevance and impact: the key to sustainable business performance improvement

Institute of Customer Service

Jo Causon, CEO

Profit, growth and customer loyalty are the by-product of having a clear purpose, understanding why you are relevant and measuring impact, not activity.

It is all too easy for us to become overwhelmed at the current pace of change. The shifting sands of politics and business combined with accelerating social change and growing environmental concerns make for an uneasy atmosphere in which to make decisions. The corollary for the UK has been mounting personal debt and declining business investment.

We believe organisations can mitigate the current instability and position themselves for sustainable growth – whatever the external world throws at them – by focusing on their purpose, relevance and impact.

As organisations, we should consider:

- What is our **purpose**, and how aligned is our workforce to that purpose? How do we relate to our stakeholders and customers? What does this mean we will do and will not do? How does this ensure we derive competitive advantage?
- Why are we **relevant**? Who would miss us if we weren't here? What would be the consequences for the market/our customers if we didn't exist?
- How are we measuring **impact** – and not just activity? How do we identify the important lead measures that enable us to take the right actions in a timely manner?

By focusing on this and the constants – getting things right first time, keeping promises and designing our offer through the lens of the customer – businesses can outperform the market, particularly over the longer term. All the evidence we have collected over years of research at the Institute supports this and where organisations have customer satisfaction scores consistently above the sector average over a 5-8 year period, they have a 10% higher Ebitda (earnings before interest, taxes, depreciation and amortisation) (see fig.5 below).

Our UK Customer Satisfaction Index (UKCSI) is the nation's customer service barometer tracking satisfaction levels of c.250 organisations across all sectors of the economy. The results show that customer satisfaction has been in decline for the past 3 years. In reference to the above, there has been a decline in organisations getting things right first time and a trebling of reports of failing to keep customer promises (see figs.1&2 below).

Fig.1: UK Customer Satisfaction Index score – Jan 2010 – July 2019

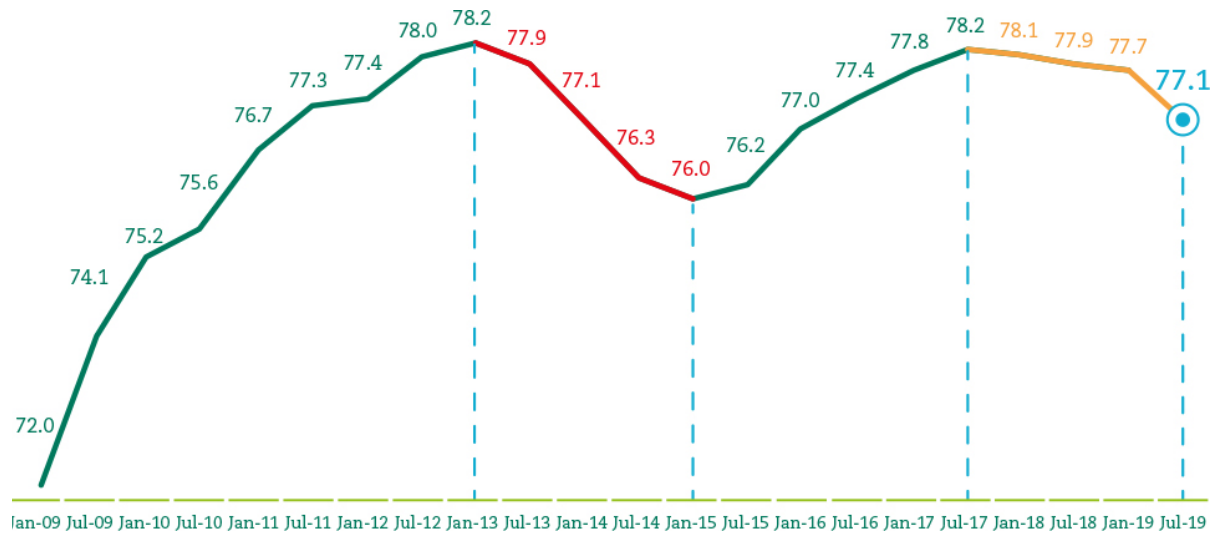
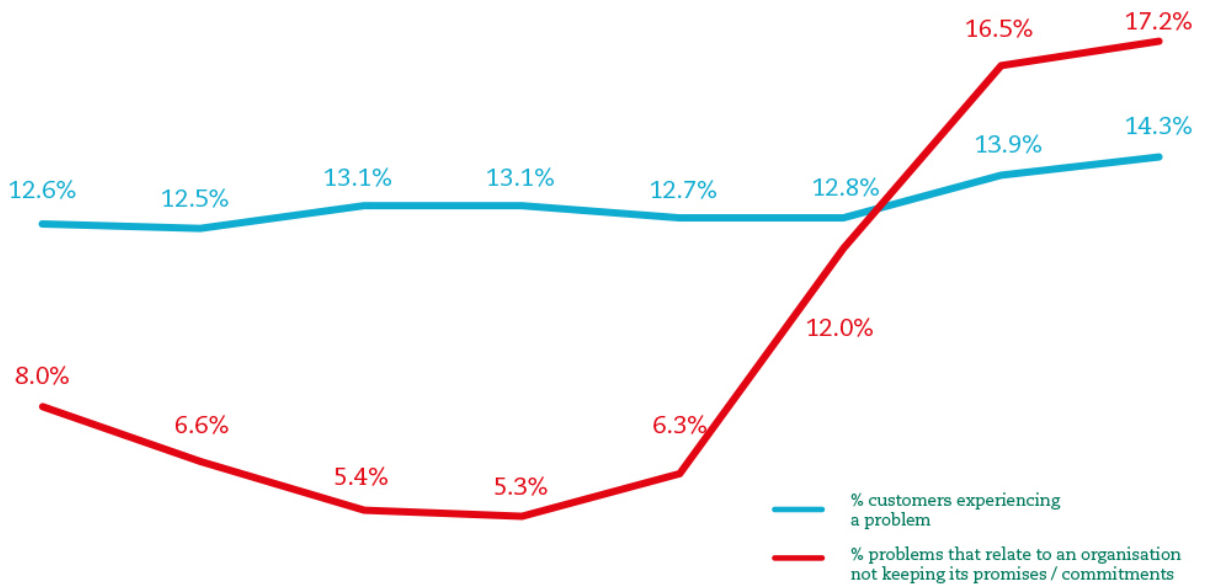
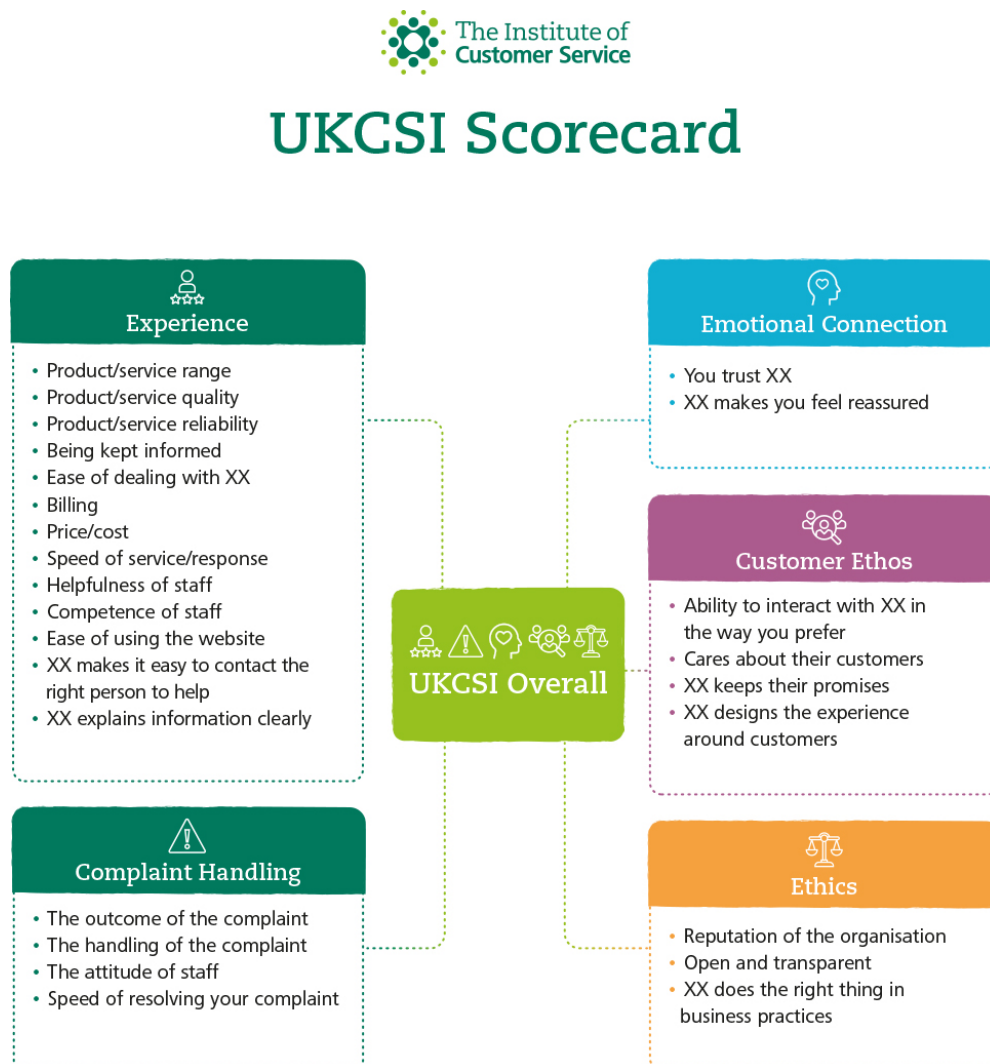


Fig.2: Trends in problems and complaints



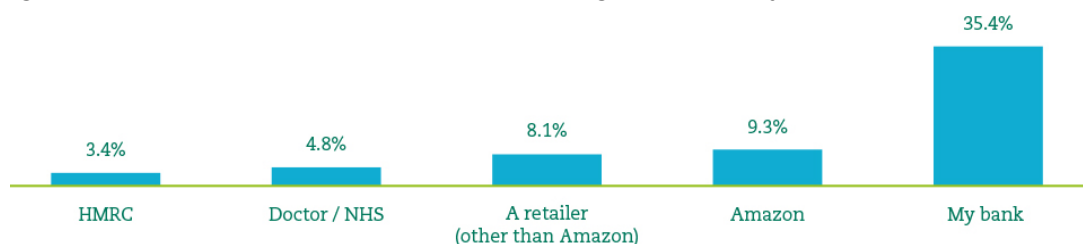
Based on our research into customer priorities we have added 3 additional dimensions to the UKCSI and the additional business benchmarking work we do. Our members can now understand how they compare not just on experience and complaints, but also on customer ethos, emotional connection and ethics (see fig.3 below). This feeds into one crucial factor: trust.

Fig.3: The 5 customer experience dimensions



Trust is a fascinating intangible; hard won and easily lost. As part of our breakthrough research on omnichannel and data we explored the topic and the impact it has on consumer behaviour. Trust is critical in forming long-term (profitable) customer relationships. However, our research found 64% of consumers are unable to name an organisation they trust with their data and 25% won't share any of their personal information with organisations for fear of how they may use it. We found that 'my bank' was the most common response from consumers asked to name an organisation they trust with their data (see fig.4 below).

Fig.4: Consumer trust (when asked to name an organisation they trust with their data)



Whilst this suggests an opportunity for the banking sector, in our view the penny hasn't yet dropped for some business leaders as to quite how important the trust piece is – particularly within financial services where it is often a primary decision factor. If I don't trust you with my data (let alone my money or security) you won't be able to personalise your service to me in a way that customers are beginning to expect. And if you can't do that, you won't build the customer loyalty that drives sustainable business growth. In addition, our research shows a clear link between a long-term focus on customer experience and positive financial outcome and productivity.

A shift in focus to purpose, relevance and impact, is not just the right thing to do from a wider social perspective, it is the only approach that will ensure success for businesses in the long term. Our research shows the difference getting a consistently excellent customer experience makes and the only way of achieving this is to align our workforce to a common 'North Star' – this necessitates a defined and clearly articulated purpose, which is non-negotiable and regularly reinforced.

We also need to prove what we are doing is making a difference – that we are committed to taking on the big challenges that move the UK forward. We must demonstrate the impact our business activities have for customers, stakeholders and wider society – that means measuring and publicly reporting a range of metrics which stretch beyond traditional statutory requirements, including environmental impact, employee engagement, diversity and customer satisfaction.

Fig.5: The return on investment of higher customer satisfaction



Our Customer Service Dividend research shows that getting all this right results in sustainable and long-term ROI (see fig.5 above). We, as an Institute, are clear about why we exist – and we are dedicated to proving the link between higher customer satisfaction and better business performance. Together with our members, we are Inspiring a Service Nation – by focusing on purpose, relevance and impact.

3.7 Strengthening purpose in financial services: proud to be a professional

Chartered Body Alliance

Simon Culhane, CEO, Chartered Institute for Securities & Investment

Sian Fisher, CEO, Chartered Insurance Institute

Simon Thompson, CEO, Chartered Banker Institute

In its response to the 2008 financial crisis, the Parliamentary Commission on Banking Standards (PCBS) final report in 2013 stated that 'commitment to high standards is expected throughout banking and that individuals are expected to abide by higher standards than those enforced through regulation alone.'

Much of the narrative since the PCBS report about culture and purpose in financial services has been about tone from the top, about the role of the firm and the role of regulation. For professional bodies, such as those forming the Chartered Body Alliance, a more compelling narrative is one of individuals developing as purposeful individuals and demonstrating the best in customer-focused ethical professionalism.

We know from independent research undertaken on behalf of our organisations, that consumers place more trust in the person they are dealing with in an institution, than the institution itself (CISI, 2017). This is where professional bodies can help promote change to assist in the transformation of culture in financial services.

The role of professional bodies

Professional Bodies represent a third force – not regulatory, not organisational but one focused on ensuring the delivery of organisational and sector-wide purpose through the professionalism of our individual members, and we monitor and implement our Codes of Conduct with rigour.

Where appropriate, we take disciplinary action for activities that may be permissible from a legal and regulatory standpoint, but we hold members to a higher standard. In short, professionalism is more than adherence to the rules, it is the combination of knowledge (both initial and continuous), the application of skills and behaving with integrity, at all times.

In other professions, the role of professional bodies is well understood – qualifications are obtained, continuous learning is mandatory, a Code of Conduct is adhered to and there is a licence to practice. Professional bodies can be extremely effective at improving behavioural standards; instilling their members with an ethical culture change and sense of greater purpose, keeping them informed of what is and what is not acceptable.

This is, regrettably, not the case across the board for financial services.

It so easily could be. And we believe it should be.

Developing professionalism in financial services

In our view, it does not matter how skilled and experienced a person is or becomes: if they behave dishonestly and without regard for the rights of others, they are not a professional. Professional bodies have the key role to play in defining, developing, promoting, supporting, enhancing and sustaining professionalism in financial services; working in partnership with regulators and financial services organisations to do so, and always putting the public interest first.

Professional bodies touch many tens, if not hundreds, of thousands of individuals working in financial services daily; the 200,000 individuals represented by the Chartered Body Alliance and many more who are members of other relevant bodies – and through them, many millions of customers and clients. Being part of the professional body community gives individuals a basis on which to access and continue to develop the technical competence, supported by the professional behaviours and norms that support a strong, positive, purposeful culture within financial services. Professionalism helps individuals understand what is right, and a professional culture means doing what is right is celebrated and championed.

Crucially, professional bodies provide aspirational standards and qualifications that give those members who achieve them a sense of meaningful professional pride and purpose beyond that bestowed by their firm alone.

Proud to be a professional

Recent independent research shows customers are consistently more concerned about ethical issues, such as rewarding loyalty, than they are about transactional issues like speed of service or price (CII, 2019). Other research also reveals that a public demonstration of professionalism resonates strongly with bankers who feel proud to be a professional.

When looking at the professional pride differential – only 22% of bankers (who may or may not be members of a professional body) feel the highest levels of professional pride (Chartered Banker, 2017). Compare that to a pride rating of 75 out of a possible 100 for members of the Chartered Banker Institute (Chartered Banker, 2018). The difference is striking, and the difference is membership of a professional body.

Moreover, through the Chartered Body Alliance, we have developed strong and vibrant professional communities, in which professionals can develop and reflect on approaches to their professional practice, and to supporting customers, communities and society. This can help to instil purpose throughout all staff, including frontline staff delivering to vulnerable customers, where traditional frameworks of rules and qualifications need to be augmented by skills that are less technically focused.

It can also help promote best practice for those individuals subject to the Senior Managers and Certification Regime (SMCR). Enabling purpose to inculcate throughout an organisation the culture to deliver the right outcomes for customers is vital. This helps mitigate the problem of well-intentioned policies existing in head offices but not always feeding down through the organisation in a way that allows frontline staff to implement them.

A common purpose

Through membership of the bodies comprising the Chartered Body Alliance, 200,000 professionals demonstrate their purpose, individually and collectively, through:

- adherence to a common Code of Professional Conduct
- holding and maintaining professional qualifications that are relevant to their role
- demonstrating an on-going commitment to professionalism via membership and Continuing Professional Development

But many more individuals could be encouraged to attain and maintain these standards through increased public encouragement and recognition from policymakers, regulators and employers:

1. **Firms** – Should embrace and nurture professionalism in their firms, encouraging and expecting their staff to be members of a professional body.
2. **Regulators** – Should encourage and mandate individuals to become members of a professional body.
3. **Government** – Should provide clarity about what society really wants from the financial services profession. This needs to be led by the UK Government (principally through the Treasury) but should bring together a wider grouping of people and organisations to take this forward.
4. **Relevant Trade Associations** – Should more clearly recognise the interests of finance professionals when they are developing industry and market standards.

If these key stakeholders engage more closely with professional bodies and do more to celebrate and champion the individual professionals who hold themselves to higher standards, we will develop greater numbers of purposeful and professional individuals, and a more purposeful financial services sector.

3.8 The purpose of work: intrinsic motivations in banking

Banking Standards Board

Carol Franceschini, Senior Behavioural Scientist

A consistent body of research from behavioural economics and psychology suggests that employees from various industries, including banking, care about more than just their pay; they also see their work as a source of meaning.

Employees may obtain intrinsic incentives to work when they perceive that helping their organisation achieve its corporate purpose is consistent with their own personal purpose, that by doing their jobs they are also contributing to better society. Intrinsic factors complement extrinsic incentives (eg remuneration), making employees more engaged and willing to go the 'extra mile' for customers and other stakeholders. Conversely, when personal and organisational purpose do not overlap, a job may be just a job, and performance becomes primarily a function of extrinsic factors (Akerlof & Kranton, 2005)

The 'right' balance between intrinsic and extrinsic motivation will differ between firms, sectors and individuals. Identifying it, however, is important for any organisation, and especially one intent on creating or maintaining a trustworthy culture. Over the period between 2016-2019, the proportion of banking employees who responded to the Banking Standards Board (BSB) annual survey and said that the values and purposes of their organization are meaningful to them ranged between 81% and 85%.

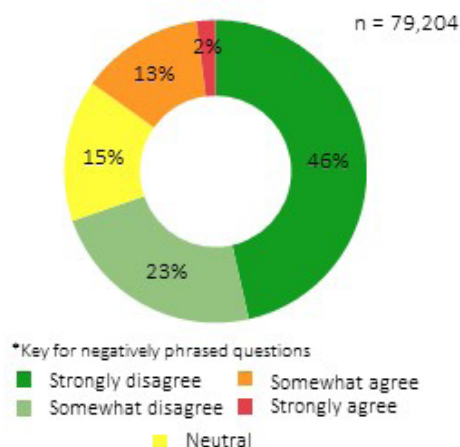
In 2019, we set out to understand more about what exactly these values and purposes are. The extent to which employees see their jobs as meaningful has been shown to be in part linked to whether they can see that what they do has a positive impact on others (Ashraf & Bandiera, 2017). This will itself be influenced by whether these stakeholders communicate their appreciation by giving positive feedback that reaches employees. Based on this, we examined the perceptions that employees hold about both the positive and negative impact that their daily work has on others, the extent to which they feel valued by various stakeholders.

Among all firms that took part in the survey, 69% of respondents felt that their work made a positive difference to others, with the most cited beneficiaries among all respondents being customers (66%) and work colleagues (61%). Smaller proportions also saw benefits for line managers, senior leaders, shareholders, the local community, families, and society at large.

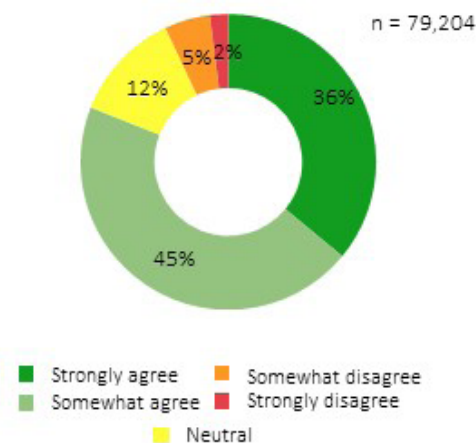
15% saw a negative impact from their work – most frequently, on their families. We also asked employees whether they felt valued for the work they did. 77% said that they did, with internal stakeholders by far the most common source of appreciation. 68% of all respondents referred to being valued by colleagues, and 66% by line managers. Customers were the 3rd most frequently mentioned group, though by a much smaller proportion (39%). The proportion of employees who felt that they created positive benefits for external stakeholders such as customers, shareholders, the local community and society was, in each case, greater than the proportion of employees who felt valued by them.

BSB Survey 2019 decision-making results

To what extent do you agree or disagree with the statement: 'I feel that my work has a negative impact on others'?*



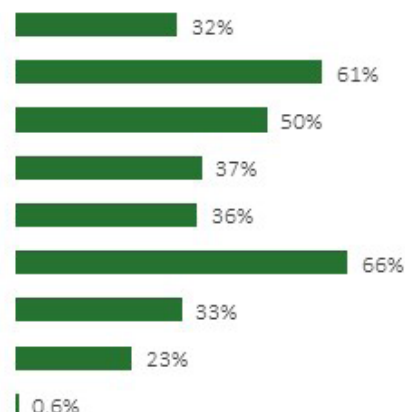
To what extent do you agree or disagree with the statement: 'I feel that my work makes a positive difference to others'?



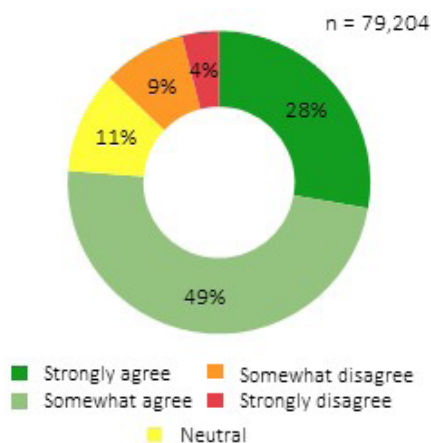
I feel that my work has a negative impact on:



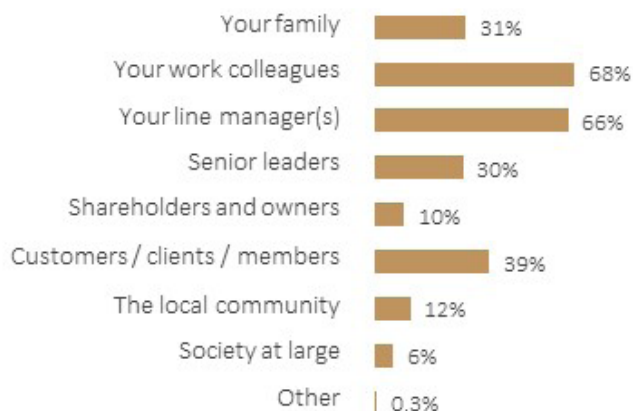
I feel that my work makes a positive difference to:



To what extent do you agree or disagree with the statement: 'I feel that other people value me for my work'?



I feel that I am valued for my work by:



We examined the correlations between the responses to these 3 questions (positive and negative impact, plus feedback from others) and the 36 core questions on the BSB survey. These core questions help boards assess how far their firm demonstrates 9 characteristics that we would argue are likely to be associated with the behaviour and motivation that leads to good outcomes for customers and clients - see 'A good culture is about more than ensuring good people don't do bad things – it's about enabling good people to do better things' (FCA, 2019, pp.21-23). Employees who said that their work had a positive impact on others and who also felt valued by them were more likely to say that their firm responded effectively to staff feedback and that they were treated with respect. Those who felt that their work had a negative impact were more likely to disagree with these 2 statements.

Whether and how employees see their work as having an impact on customers and other stakeholders, and employees' own experience within the firm (in particular, the responsiveness of the firm to employees' views, and whether they are treated with respect), may therefore be linked or influenced by common factors. If so, firms may wish to consider the following:

- make the impact of employees' work – and of the firm's work as a whole - on external stakeholders (eg customers, the local community and broader society) more salient to employees
- encourage employees to suggest new ways in which they can improve the impacts on external stakeholders
- respond and, as appropriate, act on such suggestions
- create a range of channels for feedback (positive as well as negative) from external stakeholders directly to employees

Concluding remarks

The perception that their work in banking is purposeful in the sense of contributing to a better society requires, at a minimum, that employees actively see that they benefit others, and/or that their work does not have a negative impact on them. It also requires that stakeholders notice and appreciate such contributions. This new body of evidence suggests that many banking employees find that the purposes of their organisation overlaps with their own purposes of helping customers and other stakeholders. Many employees 'see' stakeholders being impacted by their daily decisions and feel 'seen' and valued by some of those impacted parties, but not by others.

Therefore, organisations may benefit from making such impacts more salient or encouraging employees to suggest new ways to improve what they do.

Ultimately, the success of an organisation in implementing its strategy, managing its risk and engaging with its customers, will rest in large part on the many decisions that each of its employees take every day. These decisions will both reflect and shape the organisational culture. Understanding how the personal purposes of banking employees interact with those of their organisation is important to any firm seeking to manage – and, if necessary, change – its culture, and ensure good outcomes for customers and clients.

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