The Financial Services Sector: Purpose-led from the beginning
The first banks and insurance companies were purpose-led coalitions made up of investors, trades people, local politicians, inventors and engineers, as well as workers and their trade union representatives. They were created to drive innovation while improving the lives and prospects for ordinary people. They emerged out of the Industrial Revolution, a time of extraordinary change in terms of both technology and commercial behaviors. Rampant speculation created great wealth but also led to repeated crashes and economic depressions.

That stressed all layers of the society, especially those in the middle and at the bottom. Some of today’s best known banking brands – like Barclays and those banks that would become NatWest for instance – arose to offer Financial Services which helped to address social problems like poverty and homelessness. It was their purpose.

Those new institutions sought to build a freer, more prosperous society. History has shown that there had to be a financial revolution before there was an industrial and social one. People at the time understood that imperative, which is why they came together to set up the first banks and insurance companies. Many of which still exist in some form or another in today’s modern brands.

We’re experiencing a resurgence in the importance of ‘purpose’ within the Financial Sector. That’s being driven by both customers and employees. They are responding to a heightened consciousness around issues like equality, inclusion, justice, and climate change, and they expect big corporates to contribute to solving them. They can’t do it in isolation, just as happened over two centuries ago, the role of ecosystems is vital. Only now we can create them faster, make them broader and more inclusive, and accelerate their effectiveness using digital technologies.

Fujitsu is working to create just those kinds of purpose-led coalitions as well joining ecosystems created by other institutions or companies.
Putting numbers before people doesn't work anymore

There’s no doubt that, over the last half century, the focus of the Financial Services Sector shifted from purpose to shareholder value: from people to numbers. The mantra of Milton Friedman that a business’s sole purpose was to make a profit and yield a return for investors led to many of the problems which culminated in the crash of 2008.

Over the following decade, it became clear that public sentiment had turned against a purely business-focused approach, to not just finance but almost everything else. In 2019 the US-based Business Roundtable issued a statement signed by 181 CEOs of the country’s largest corporations. It overturned a 22 year-old policy statement which defined the principal purpose of a business in purely Friedmanite terms. The 2019 version declared that “companies should serve not only their shareholders, but also deliver value to their customers, invest in employees, deal fairly with suppliers and support the communities in which they operate.”

Then in early 2021 JP Morgan’s CEO, Jamie Dimon penned a long letter to shareholders in which he set out an extensive list of reasons why having a purpose was so important to modern financial institutions. “To be healthy and vibrant – and to create long-term shareholder value,” he wrote, “A company must be financially successful over the long run.” Dimon then listed the threats which could undermine that ‘long run’: climate change, inequality, the degrading of democracy, as well as a general decline in the confidence young people showed in, specifically, financial institutions.

Without urgent action, the ‘long run’ looks grim. Concerted action is needed now. Obviously, financial institutions depend on a steady supply of future customers and employees, so it’s important for the sector’s leadership to listen.

2. https://purpose.businessroundtable.org/
3. 2020 annual letter to shareholders
Kathy Matsui, former Vice Chair of Goldman Sachs Japan and Chief Japan Equity Strategy stated the dilemma clearly during Fujitsu’s 2021 ActivateNow global event: “Customers and employees alike are thinking about issues such as political polarization, social issues, and they’re looking at non-financial information about the companies. They’re not looking at the numbers but information on ESG – Environment, Society, and Governance.”

The COVID-19 pandemic accelerated the urgency of ESG issues and awareness of the United Nation’s 17 Sustainable Development Goals (SDGs). As both customers and employees, people are increasingly making choices based on the ESG agenda, even if they might not describe it that way. They want to be inspired by the purpose of a financial institution and need proof that it is acting on the fine words in their annual report. Matsui agrees with Dimon: “Taking a positive approach to purpose is vital. Incorporating the E, the S, and the G into core parts of a company’s management strategy can lead to the development of innovative products and ideas and develop new markets.” Which is, of course, exactly what happened right at the start of the Financial Sector’s development.
There should be no boundaries within an organization when it comes to pursuing a specific purpose. Takahito Tokita, Fujitsu’s CEO and Chief Digital Transformation Officer, believes that coalitions of expert partners need to come together to ‘stimulate innovation to solve the world’s challenges and create a better, more sustainable society.’ The company is playing a key role in a coalition with a purpose that will benefit us all, protecting communications and navigation satellites from the dangers of space debris. The more technology we send into space, the more debris there is.

Sir Richard Branson (founder of Virgin Orbit as well as Virgin Galactica and a host of other Virgin brands, including Virgin Money), agreed with Matsui at Fujitsu ActivateNow, that the only way to solve the problem was by bringing the best minds together within an ecosystem which covers both ideas and technological innovation. “You can create anything and solve problems if you get the right group of people together and inspire them correctly,” he said. 

Purpose brings people together and inspires action.
Why not change the world?

It’s clear that purpose brings people together and it enables them to cross boundaries with confidence and creativity. A well-constructed ecosystem of partners – inspired by their purpose – can change the world. Financial institutions can’t drive change on their own, but they can contribute substantially to the change we all need and want.

And this is much more than reducing the carbon footprint of a specific organization (important as that is). Financial institutions might not have a large, individual carbon footprint, but the things they invest in do. The gradual retreat from fossil fuel-based investments is a start, but the real opportunity is in all the innovative technologies and services which will have a tangible positive effect on how we live, work, and play.

As Jamie Dimon pointed out: “There’s huge opportunity in sustainable and low-carbon technologies and businesses. While many of these technologies and companies are mature, many more are just getting started—and more will need to be created in the coming decades. In addition, all companies will need capital and advice to help them innovate, evolve and become more efficient, while staying competitive in a changing world.”
Purpose-led coalitions, digitally curated

Fujitsu is committed to leveraging the power of technology to do both of those things and to do it through collaboration across industry, commerce, and government. Because we work closely with customers in all of those sectors, we are very well placed to contribute to driving positive change. After all, the common denominator within every sector is digital technology, a key enabler of collaboration, communication, and the transformation of how the world works.

In the UK, one example of how this approach can work is the Sustainable Homes & Buildings Coalition. It was created in July 2021 by the NatWest Group, British Gas (Centrica, one of the UK’s leading energy suppliers), Worcester Bosch (makers of heating boilers), and Shelter (a charity campaigning for and serving the homeless). With advice from both KPMG and the UK Citizens’ Advice Bureau, the coalition has ambitious aims: to deal with the UK’s badly insulated housing and commercial building stock and make a significant contribution to achieving Net Zero.

Each member of the coalition has a stake in driving change within the property sector. NatWest provides mortgages and finance for both domestic and commercial customers (including landlords and developers), British Gas, of course, provides energy (including electricity), Worcester Bosch is famous for its boilers and heating systems, and Shelter campaigns to boost the availability of affordable housing and deal with the issue of homelessness. All are also committed to mitigating the burden of rising bills which lead to fuel poverty, while improving the health and wellbeing of both homeowners and tenants.

Depending on how you measure emissions, British homes and offices emit between 15% and 21% of the UK’s total CO₂ emissions. If the UK is going to meet its Net Zero target for 2050, then tackling energy use in domestic and commercial properties is a key priority. The Guardian recently pointed out that climate scientists have been calling for action for years, many of whom regard focusing on domestic heating as ‘low-hanging fruit’ in the UK’s effort to reducing carbon emissions.7

The Financial Sector is working hard to support efforts like these across all sectors. As a recent PricewaterhouseCoopers (PwC) report put it, “the question is how to deliver both the business transformation necessitated by the changing climate and the returns investors pursue as they discharge their fiduciary duties.”8 A focus on environmental, social and governance issues – commonly known as ESG – is becoming central to the purpose of most organizations, but especially those in the Financial Sector. It is, after all, the one sector which gets the most scrutiny. At COP26 in Glasgow (November 2021), calls for a change in the way banks invest were frequent and vigorous. PwC’s research showed that investors are listening. 79% say that ESG risks are an important factor in their thinking, while 75% say that ESG issues must be addressed even if they reduce short-term profitability.9 Such high percentages of investors agreeing on anything is a rarity, so we can conclude that purpose – linked to ESG issues – is important to the Financial Sector right now.

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8. The Economic Realities of ESG by James Chalmers, Emma Cox, and Nadja Picard. PwC October 2021
9. And 68% said progress on ESG issues should be reflected in executive pay! PWC ibid
Delivering on ‘purpose’ demands an ecosystem. In the digital age both private and public sector organizations and enterprises can’t function in isolation. The economy and society are too interconnected for any enterprise – no matter how diversified or transnational – to go it alone. The battle to mitigate the effects of climate change is a global endeavor. That’s why the creation of ecosystems is so important and why Fujitsu is active in taking part in them.

We are committed to our purpose and to enabling our customers to be true to theirs. Not just through words, but through action. Action that drives business improvement and success, while at the same time making a significant contribution to the wellbeing of people and the planet. The United Nations ‘17 SDGs are our guide to all the different areas where we can contribute to improving lives, widening opportunity, and fighting climate change.
The Financial Sector is leading the way when it comes to purpose-led thinking and action. It makes sense for financial institutions to lead because it's finance and insurance which underpins all forms of action within business, government, science, media, and society. The ESG agenda is now a vital part of many organization's strategies. “It already has an indispensable place in capital markets,” stresses Kathy Matsui, “there is a great emphasis on the idea that companies exist not only for the benefit of shareholders, but for all stakeholders.”

It’s in the best tradition of the Financial Sector. If we focus on the priorities of the people, and financial planning and activity is purposefully aligned to delivering concrete action, then we can work together – within the sector and with a range of other partners – to make the world a better, safer, fairer, and more sustainable place.

And that takes inspiration as well as the right skillsets and leadership. As Sir Richard Branson said, again at Fujitsu ActivateNow: “The number one thing I’ve learned is a company is only a group of people. They need to 100% believe in their company and believe in what they are doing in their lives, and that they can make a positive difference to their lives – and the lives of others.”

It has to be our purpose – as individuals, institutions, enterprises, and societies. Fujitsu is proud to be working with some of the world’s leading financial businesses to create purpose-led ecosystems, powered by the best technologies – established and emerging – so that we can add value to society at all levels. It’s how the sector began, and how it can continue its tradition of social purpose, now and into the future.

10 Activate Now ibid
Contact us now to discover how we can help you to create a purpose-driven future in Financial Services:

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