

Baringa's Climate and Sustainability Trailblazers Podcast

Episode 3, Part 2

Emily Farrimond, Baringa: Welcome back to Baringa's Climate and Sustainability Trailblazers podcast with me, Emily Farrimond. In part two of our discussion, we continue to talk about the importance of purpose with Dee Corrigan from A Blueprint for Better Business and Sally Gray from Baringa.

What's your take on financial service's role? Do they need to have purpose in order to deliver a more sustainable world? Are those two things intrinsically linked or can we think about them separately?

Dee Corrigan, A Blueprint for Better Business: Well, first of all, I would say we're using the language of 'purpose' and 'sustainable' and 'sustainable' carries as much confusion as purpose does. So, it all depends on the interpretation of these things. How are you connecting them? They have to work together, right? So, in our view, one outcome of a purpose-led organisation is that it is sustainable and that it supports more broadly a sustainable society and sustainable ecosystem. So that's one thing. If you think about a lot of financial services, or even more specifically, banks, I think they've become very disconnected about what their role is in society. And it's hugely important when you think about it in the context of cost of living now that they start to ask these deeper questions, because businesses can't survive on a burning planet. Businesses can't survive in an unhealthy society. Unless we start to ask these questions, our businesses, our world, our societies are unsustainable. We're on an unsustainable path. So, we have to ask what our role is and how are the products that we're producing, the services that we're providing, actually supporting people and planet, and not disconnected from them. So yeah, they're inextricably linked, but I would say both of them carry different views and different interpretations. An important part of this work is to start to get clear on what those definitions are and how they connect. How each organisation does that may be slightly different and I think there's a huge debate happening online around what the definition of sustainable is. Is it a verb? Is it a noun? I don't think we'll ever land on perfect definitions for any of these things, but it's to create space for that dialogue so that we deepen our understanding. As you come up against key decisions, are you creating the space for that conversation, how you frame it in a purposeful lens. But then it may be you also want to question it from a sustainable perspective. So, for example, you might come up with an answer that framing a decision in your purpose might lead you to. What you might want to say is, well, if we think about these within the planetary boundaries, do we come up with the same answer? So, it might be using that language and looking at it from different perspectives.

Emily Farrimond, Baringa: Thank you. Curious to know from you, Sally, in your work with clients on this topic, are they struggling with the linkages between purpose and sustainability and how are you seeing them break through this thinking to get to something that feels coherent for them? And something they feel able to be communicated both internally and externally?

Sally Gray, Baringa: Totally, and I know Dee's also been working with some interesting banks on this and I'm sure she'll bring some examples as well. I think the core question for banks and financial institutions to ask is 'what are we in service of?' Even if we just take a products and services lens, what is that in service of? How are we best serving our clients? And how are we providing the appropriate services for our customers in the broadest sense? How are we ensuring the communities we serve are well supported by

financial institutions, be that through banking services or insurance and so on. I think once you connect with that, it becomes much easier to define the material issues. So, is that about how you service the under-banked or the unbanked, for example, or is that about how you enhance financial literacy? Or is that how you empower female entrepreneurs who historically are very poorly served by financial institutions? So, I think once you connect with what's important to you as a financial institution, it becomes easier to cut through to those material issues and actually say, this is what gets us out of bed in the morning. This is how we serve our customers and our communities, and this is how we connect beyond our four walls. I think it's that real test of 'why are we here' that begins to unlock some of that complexity.

Dee, I know you've been working with organisations on this, so you probably have some really rich examples as well.

Dee Corrigan, A Blueprint for Better Business: Yeah, I think the financial health is a really interesting one. I think one of the ways that we help companies to break this down is first of all, look at what it is that you're doing within your organisation that might be causing harm and first of all address and stop that. Then look at your products and services and understand what more we can be doing or look at the needs of society and allow that to influence your strategy and the products and services that then come from it. I do think sometimes organisations just start to tweak around the edges of what they already do, and I think you're really limiting the potential and the innovative creativity within the organisation by staying there. So how is getting a closer and a deeper understanding of the needs of society going to influence what you actually do? And in some cases that might mean pivoting or changing what you do completely. A third level, though, if I take the example of financial health, there may be some things that you as one organisation alone can't address, and that's where you need to work in cooperation sometimes with your own competitors, with the government regulation, with charities, NGOs, to try to address those issues and needs. There is no point continuing to educate people around financial health if what they don't have is money in their back pocket. I think the cost of living certainly is raising this crisis more to the fore. So, there you might need to work out a system. And that is a role a bank can play, they understand how capital flows in society, or they have the potential if they really want to, to understand how capital flows. So, I think those three levels do no harm, address some of the issues. Then look at your products and services, not just improving what you're currently doing, but actually how can you start to do your strategy different by looking at the needs of society? And third, how do you look at this more systemically. For some of those issues that you as one organisation can't address, how can you work and collaborate with others to address those things?

Emily Farrimond, Baringa: Thanks, Dee. Just curious to know, is there anyone you'd say, particularly in financial services, who is doing a good job of this? Or at least I suspect doing a reasonable job might be the answer that you give us.

Dee Corrigan, A Blueprint for Better Business: I mean, this is always super tricky, not just within financial services, but across the board. We're always asked that question, give us the best example. And the thing is, is that organisations are groups of people, right? So, there might be some aspects in which the organisation might be doing some good, but there'll always be the potential for issues there as well. I'm going to mention NatWest because they're the company that we've done the most amount of work with in the financial services sector. I think they're at the very early stages of this under Alison Rose's leadership. But I think, for me, they're an organisation that are looking at both the impact that they can have, how they can limit the negative impact, but also what's the positive

impact that they can start to have. And really redefining what that purpose is and not just what their strategy is, but how they're going about doing their strategy more effectively. Again, trying to better understand the needs of society. But I also think they recognise the big, deep cultural shift. Unpicking some of these assumptions about what the role of business and people requires. And that you're looking at everything from the operations to, people capability, decision capability, how people are showing up, leadership. So, I really feel like they're just having a good go at this at the moment and it's messy work. I think they recognise the messiness of it, but I think the intent is there and I certainly think the openness at which they engage with us enables the learnings that we have captured from that work. Because, just to take a step back, my work is to engage with organisations like NatWest to help them on this journey, but other aspects of our work, as well as this, is to help build this movement more broadly by capturing the learnings from other organisations and sharing that. So, I think they understand that they are part of this movement and to really create this movement you have to be good at being open and honest and vulnerable about what's hard and I get that from them.

Emily Farrimond, Baringa: So, the right behaviours is what they've started with – the right intent. We had Rishi Madlani from NatWest on our first podcast, which was fantastic to hear from him on all things sustainability.

Sally Gray, Baringa: Adding to the NatWest fan club, Coutts have just become a B Corp, as have we – we're waving the B Corp flag. So, it's quite interesting to see part of the NatWest family stepping into B Corp and identifying themselves as being purpose driven and going through that certification, which we know is very rigorous. So again, I think that's testament to this intent that you were talking about, Dee. They've given permission within the NatWest family for them to really explore what purpose means for them, even in the financial services context.

Emily Farrimond, Baringa: Thanks, Sally. Another interesting one.

Dee, you talked earlier about, how we went through a process earlier in the century, or rather in the 19th century, I should say - I'm showing my age now. We went through a process where, as you said, one set of economists won out on another set of economists, which largely said everything's about capitalism and economic value, and other things aren't considered. There are lots of people that remain in the world who still aspire to that set of thinking, and they believe that that's absolutely right. How do you persuade those naysayers that taking a more balanced, triple bottom line based view is appropriate and can drive additional value?

Dee Corrigan, A Blueprint for Better Business: Alex Edmans work has been helpful in me understanding this a little bit more. First of all, I think it is important to understand the context of what was happening around the time that Milton Friedman came up with his perspective on the role of business in society, partly because there was no accountability. So organisations were maybe misusing capital. If I was to try and believe in positive intent behind most people's views, I do think that there's a nervousness that, through becoming purpose led, people lack focus and that it can come down to whims as to whether you do one thing or not or stand out on one issue or not. I think there is a concern there around purpose that if you understand that or at least get curious about it, can help you then respond more effectively. So, I think one thing I do whenever I feel a pushback against our work is to get curious as to why that is and trying as much as possible to assume a positive intent behind that. Then from there, you can explore those issues or those challenges that they have. We also try not to use the word capitalism. Trying to avoid that

kind of language because it can polarise people quite quickly. I think my sense, especially with leaders coming through now is that they see the complexity much more. The complexity was always there. It's just getting harder to control and you can't control it. And you need something else. I think there's limitations in the way the current model is working. We're well up against, if not beyond, those limitations. So, I think they recognise the need for a different way of being, a different way of showing up. If you can tap into what some of those concerns are, help them to build the understanding and the logic, that maybe a different way of thinking about business can help to address this. Then you can move from there. So, I'm lucky that through my work, that because we're only working with a select few organisations to capture the learnings, we can go to where there is genuine intent and will to change. We have walked away from some organisations where we don't feel like they might be instrumentalizing purposes and they only see it as this win-win. They see it as another way of just getting people to work harder and maximising profits. So, we can walk away. To a certain extent, I am lucky in my role to be able to do that, but that doesn't necessarily address the broader question about how do we bring all organisations on this journey.

Sally Gray, Baringa: I would add on that, I tutor on the Cambridge Institute for Sustainability Leadership and Sustainable Finance course, which is taking a lot of professionals from wealth and asset management, banking, insurance and real economy through sustainable leadership and sustainable finance over eight weeks. I'm intrigued over the last year that the maturity of perspective of professionals coming through now is in the very early days. It's much more of a case to make in terms of that something in the system wasn't quite working to now where it's 'yes, we know the system isn't working. How do we fix it?' And it's been really interesting over the last 12 months, and I don't know if that's a legacy of COVID, COP26, so on and so forth. But particularly in financial institutions I've just seen this groundswell of perspective that we know the system isn't quite working. How do we go beyond pivoting to put methods and means in place, so that it is working for more people, more of the time.

Dee Corrigan, A Blueprint for Better Business: I would agree with that. There's definitely less of us having to do the typical pitch around this and more about helping them to problem solve, answer questions, get to root issues. So, I'd agree with that.

Emily Farrimond, Baringa: We've obviously seen a lot of regulation in financial services, specifically around climate and around D&I. I think some of that's definitely raised a lot of awareness. We see a lot of activity in financial services. I think a lot of that is partly due to the outcomes of the large amounts of regulation, with much more to follow.

Dee Corrigan, A Blueprint for Better Business: I think that's very true in Europe and the UK, definitely. I think the US and Asia-Pac friends and colleagues are looking at us saying, how do we have some of that? How can we get that spurred to our activity as well? So, whilst it's additional admin, I think it has changed people's perspective on a lot of these matters as well.

Emily Farrimond, Baringa: You talked a lot about your work with clients, Dee. It's an interesting perspective that you walk away from some clients, potentially, if you really don't feel that they've got the right mindset or they're ready to start on their journey. We need everyone to move on that journey and be ready, so I'm just really interested to hear from you about what you think the biggest challenges are in financial services to support them in building a credible, purpose-driven business.

Dee Corrigan, A Blueprint for Better Business: My points here will be broader than financial services because we work with a range of organisations. One goes back to a point I've probably made a number of times in different ways in this organisation. I think a lot of companies have gone down the purpose route because it's been trendy, there's a lot being written about it, but they haven't asked the deeper questions as to what it means to be purpose-led. And then it's two, or three, years down after launching the purpose statement with the usual comms and marketing around it and they're not getting the superficial benefits or business benefits from it.

Emily Farrimond, Baringa: Purpose washing?

Dee Corrigan, A Blueprint for Better Business: Yeah, a bit of purpose washing. Some maybe intentionally, some maybe just didn't ask the right questions and weren't clear in the decision they were making in becoming purpose-led. They've been using purpose more as a management tool and skirting around the edges. I think one thing we're seeing as a result of that has been CSR and sustainability strategy on steroids, but not actually changing the core business of what the business is here to do. Then one of the things we'll hear is, we get purpose, but our middle management is frozen. I think if senior leadership haven't openly discussed things like the relationship between purpose and profit. Or explored, what is the decision we're making in becoming purpose-led? Then those tensions start to emerge in middle management. We hosted an event one time and there was a big discussion about, how do we unfreeze the middle? And one lady there said, well, who froze them in the first place? So, I think that they haven't asked some of the deeper questions and that tension sits with middle management. So, I think we often hear this, 'oh, we get it, but middle management don't and it's getting stuck there.' I think the other issue is that organisations take a top down approach to it. Because we're a small charity, there's six of us, we mainly work with the top leadership. So, we're very aware that we can reinforce this mentality of top down. We try to work with that, or rather challenge that mentality, because it goes again to the utility maximising rational person, that's top down. We set metrics. We'll be able to control and solve for purpose by setting a bunch of metrics and then everyone else will follow. It reinforces that a parent-child mentality in organisations doesn't really create an adult to adult, safe, conscious, innovative, creative organisations. People are performing to a metric rather than thinking more broadly. I think that's one issue. Another thing that's coming up a lot in our engagements is people just feeling the busyness in organisations and the quantity and the volume of work. I think that is being felt a lot because of the cost of living crisis, because I think there's a fear in the system about jobs. I think people are just getting busy to try and prove their worth. Whereas I think purpose requires you to slow down a little bit, be more deliberative in what you're doing. Doing less and really thinking about the intention behind the work. Now, what can happen, though, is sometimes people slow down too much and they aim for perfection because they are worried about being called out about certain things that they're doing. What we're trying to say is slow down, be clear in your intention and then experiment. Set these things up in a way that you're learning from what you're doing and you're not just trying to get all your ducks in a row and everything perfect before you start. Be really mindful of the busyness in the organization and what might be driving that business. I think the other thing is competitive nature within organisations, especially when we get to that third level of looking at things through a systems lens and collaborating. The language in organisations is often to win. We're going to win through this. How can we win a purpose better than our competitors? That's not purpose-led type leadership, that's not a purpose-led organisations. Especially when you start to really ask some of the deeper questions around what might be happening in the system and how do we collaborate. Another issue, and this is a very emerging issue. I think it's always been there, but it's emerging a little bit

more. And this is where businesses start to think about your role as part of society, not apart from it, then you start to think about how you deliver value for society. So, we often have organisations where their purpose statement might end in a better future for all or better future for people on planet. How do you actually come up with what is better for people and planet? How do you negotiate that rather than impose it on people? That then comes out when it comes to issues that organisations feel like they ought to make a stand on and what they're not standing out on. And how do they do that in a way that is really anticipating the emerging issues and how you respond to it? But not in a way that your response further polarises society. When you start to think about your role in society, you start to think about healthy democracy. How are you with, and alongside, all your stakeholders in understanding that better world, that healthier planet for people in a way that you are co-creating the answers to that and not imposing the answers to that. And not standing out on issues that only give you a short-term good feel, maybe a boost in employee engagement, maybe a boost in customer views, but actually in the long run might be causing broader issues and societal issues. So that's definitely an emerging area that is coming up more and more in our engagement with businesses.

Emily Farrimond, Baringa: I think we saw some interesting media coverage over the weekend about Halifax and its response to customers, which you could argue, I suppose, might not be creating a healthy democracy and polarising things potentially.

Sally, from your point of view, given the challenges that Dee has outlined, what advice and guidance do you have around the best ways to overcome those?

Sally Gray, Baringa: I was reflecting on this a lot today for various reasons. I boil it down to three things, which is head, heart and hand. We need to understand the business case and we need to understand what we ultimately want to achieve. But I think we also need to hold, as we were saying earlier in the discussion, we need to hold the money narrative lightly and understand what is the case for our organisation and what are we in service of. That's the head case, if you like. I think there's the heart case around what does it really take to change in this organisation? And we've all seen icebergs which recognise that structures and beliefs sit below the surface and if you're really going to change an organisation to address some of these challenges, your purpose is a way into that. To be able to communicate what your authenticity is really about, and to not just say it, but show it in how you are addressing some of these behaviours and beliefs deep in the organisation. Enabling purpose to be at all levels through the organisation and permeate that middle layer, as Dee was saying. The third strand for me is around the hand, which comes to what our leaders are doing in all aspects of the business. How do they demonstrate purpose-led leadership through the values they hold, the agility and empathy they have around some of these challenges? How do they feel equipped with both the soft and the technical skills to address some of these issues that we're seeing now? Whether we call it ESG, sustainability, so on and so forth. How are leaders equipped and enabled? I think if you can address some of those: what do we need to address in the business case? What are we in service of? How do we change this organisation and how do we equip leaders with the skills? I think if we can get those three things right, you're halfway there in terms of being able to overcome some of these obstacles that we see.

Emily Farrimond, Baringa: Dee, anything you want to add?

Dee Corrigan, A Blueprint for Better Business: I agree with everything that Sally mentioned there. I think one question we often get asked is, how do we embed this in an organisation? And we often try to challenge that idea of 'embed' because I think with it,

again, comes a top-down approach. We're going to put the purpose into the organisation and push it down, whereas actually it's much healthier to think about how to create the conditions for purpose to emerge. Oftentimes you have all the skills and the will in the organisation, but it's actually changing the conditions. And that then leads to, how am I showing up as a leader? So, I think just being really mindful about that, the language that we're using, not forcing this on people, but recognising that in the right conditions, this is actually something that is more intuitive to us. We just have to unhook from the various assumptions and systems and beliefs that have, for a very long time, driven habits in organisations. A little bit easier said than done of course. And this isn't a linear thing, you can have certain inputs into this and then you have to have a real awareness of how the organisation is responding. You need to have some structure, but to recognise within that structure you have to work in very emergent ways.

Emily Farrimond, Baringa: Fascinating. Well, thank you for listening. I really hope that you enjoyed the perspectives of our guests and how putting purpose at the heart of your business can drive lasting transformational change. I really would encourage you to explore this topic in more depth, and a good place to start is with the book Dee mentioned in part one 'Grow the Pie: How Great Companies Deliver Both Purpose and Profit' by Alex Edmans.