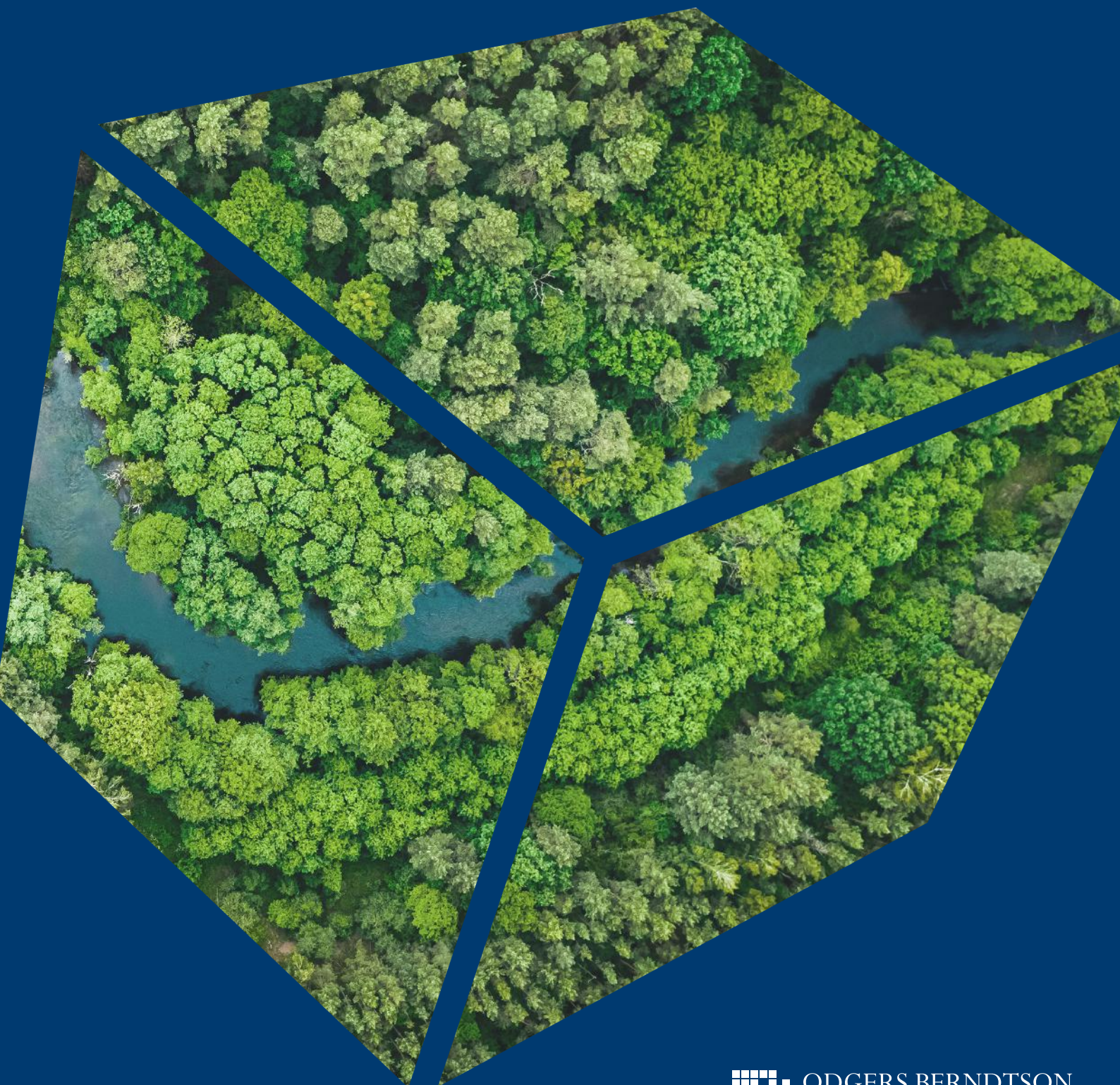


Sustainable Leadership in Financial Services

Does every Financial Services organisation need a Paul Polman?



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Sustainable leadership. What does that actually mean? And what does it entail for the Financial Services sector? Does it mean shifting strategies from making profits to ensuring the planet is ok? To care about the planet, society and people - not only focusing on revenue, profits and investors. What are the current views about sustainable leadership in the Financial Services sector? Bram Tijsseling – senior partner at Odgers Berndtson Netherlands and leading the Financial Services practice - spoke to a number of executives and non-executives in Financial Services about this subject. In this article we will discuss whether Financial Services organisations will benefit from having a CEO who has an intrinsic drive to care about sustainability, hence does every Financial Services organisation need a Paul Polman¹?

Let's start with setting the scene. The world is changing. Climate change is of great concern to many people, especially the younger generation. Inequality in salary, race and gender equally so. COVID-19 has highlighted these concerns, and also accelerated the need for change. A change in society, but also in business. Does this mean we also need to change our focus in Financial Services? Change our business models and our strategies. How will that benefit our sector?

SUSTAINABLE LEADERSHIP

Sustainable leadership is when leaders of businesses manage companies with environmental, societal, and long-term sustainable development goals in mind. It is all about leading in a way that benefits society and the environment, whilst maintaining financial performance.

We are talking about being green, about diversity and inclusion and ensuring it's part of our agenda, and being concerned about

our employees' well-being. About leaders who are set to define an organisational purpose. Who truly believe in this purpose and guide an organisation towards this.

So, how does this sit with Financial Services? How can we still make a profit, keep our investors happy and offer value to our customers, whilst also focusing on our sustainability goals?

DILEMMAS

The Financial Services environment is often seen as an environment where profits and revenues matter most. Pursuing sustainable goals was not at the top of the agenda as it did not show direct financial results. It is a long-term objective, and involves an even longer-term strategy - while performance is measured by the quarter and share price by the minute. All stakeholders, including clients and investors, need to be convinced of the purpose of being sustainable and assess whether it aligns with their goals and objectives.

¹Paul Polman: former CEO of Unilever who put sustainability at the centre of Unilever's business strategy. Increasing their social impact and separating their growth from their environmental footprint. Turning Unilever into a global leader in sustainability. By 'creating value through values not through the pursuit of value at any cost.' (Paul Polman - Mongabay: Putting sustainability at the centre of business strategy: An interview with Paul Polman)



‘I don’t expect a CEO to be vegan and go on bike-holidays only. There is also not 1 leadership trait to assess when appointing a CEO. I look at the intrinsic motivation of a CEO and their attitude towards sustainability which needs to be closely linked to the way they look at the organization. It cannot be superficial, they need to truly believe in it. During their tenure you need to look at the impact they’re creating rather than the money they make. The impact it has on business, society, the economy and life.’ - **A NON-EXECUTIVE DIRECTOR**



Becoming sustainable is a complex process that often means transforming the business model and involves change. A change in strategy, culture and sometimes even a change in your client portfolio.

Looking at the various types of Financial Services (eg banking, insurance, asset management), attitudes towards change and sustainability might vary due to different structures and ways of working. A larger traditional firm will often operate slower and be more process-driven. Therefore, a change in purpose, strategy and culture might be more difficult. Whereas FinTechs and Private Equity-backed firms can move faster, enabling them to respond quicker to change.

Moreover, the sector is heavily regulated with complex rules and legislation. Regulators are, on the one hand, supporting an ESG focus, but, on the other hand, putting restrictions in place, relating to financial stability, capital, risk management and regulatory reporting. Combined with the cultural element it will involve a new level of ambition to make sustainability a priority. An ambition that needs to be instilled from the top. In other words, a leadership imperative.

ADVANTAGES

In today's fast moving, competitive world, it is essential to differentiate yourself. Looking at the core of your business and (re-)defining your purpose. Especially longer term. Having a smaller footprint but also a policy of diversity,

'We are changing our business model to do good. Convincing everyone of our purpose. By discussing it and listening. Making our investors care by being transparent and showing them where their money goes and making clients aware of the impact we want to have and they can have. A sustainable leader leads by example creating impact through change.' - **MANAGING DIRECTOR**

equity and inclusion will have a positive effect on your reputation, and, subsequently, attract the right stakeholders, clients and talent.

Becoming a preferred employer by differentiating yourself is key as future generations but also current generations are genuinely committed to making a change - on the environment, on society and on life overall. Also, in a market where there is an ever increasing shortage of labour, differentiation will facilitate attracting top talent. Talent who, in turn, will help make change happen.

Therefore, increasing your social impact by being more transparent, inclusive and diverse, and offering sustainable solutions will have a positive, long-term effect, and, also increase revenue.

WHAT LEADERS IN FINANCIAL SERVICES THINK

When talking to CEOs and non-executives about sustainability, it is clear that it is on everyone's agenda. All realise that it is an important subject that cannot be ignored. However, its ranking on the agenda largely depends on an individual's personal drive and intrinsic belief in sustainability - determined by their background, upbringing or family situation. Personal drive is the most important motivation of a sustainable leader.

For example, family background. Having children who are driven to change the world, and care about the environment, about inequality and diversity. Children who demand that their parents start thinking and caring about this too. To ensure that their and future generations can still enjoy a prosperous and healthy life.

There are also leaders that are intrinsically driven themselves to make these changes. They do not only see the positive impact it will have on society, they also see the long-term benefits for the business and the importance of making sustainability part of the company's DNA.

WHAT WILL THE FUTURE BRING?

We believe in a future where sustainable leadership is an essential part of every leadership toolkit. Also in Financial Services. Having a long-term strategy with a purpose where sustainability plays a critical role. A role to move the business forward, making it future proof. Future proof by creating social impact, but also increasing long term profitability. Sustainable Leadership = Sustainable Profit.

We, at Odgers Berndtson Netherlands, would love to discuss this further with you. How we can help you hire a sustainable leader or become one. What experiences, competencies and motivations we need to look for when searching for a sustainable leader.



‘Part of our strategy is to invest in sustainability. Bringing to life the purpose of our business: why do we exist? By mentioning it everywhere: during presentations, meetings and in all our communications.’ - **CHIEF**

EXECUTIVE OFFICER

A future where it is important to be transparent, to all stakeholders including customers, employees and investors. Transparent about your carbon footprint, your mission and vision, how diverse and inclusive you are as a company, but also about your investments. To tell people about the purpose of your business: your core reason for being. That way you will have a unique and positive impact - on your business, your stakeholders and society.

Let's talk Sustainable Leadership with
Bram Tijsseling at Odgers Berndtson
Netherlands:

bram.tijsseling@odgersberndtson.com
+31 6 1510 9756



Bram Tijsseling



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