

RESEARCH

The trust dividend for banking with purpose

Covid-19 has shaped and continues to reshape the financial services sector. Banks have had to show tremendous resilience and leadership to maintain stakeholders' trust. Through our flagship .trust research programme, in which we examined the performance of leading institutions across Europe's biggest economies as well as emerging players and challenger banks. Here, we share with you some key highlights from the research.



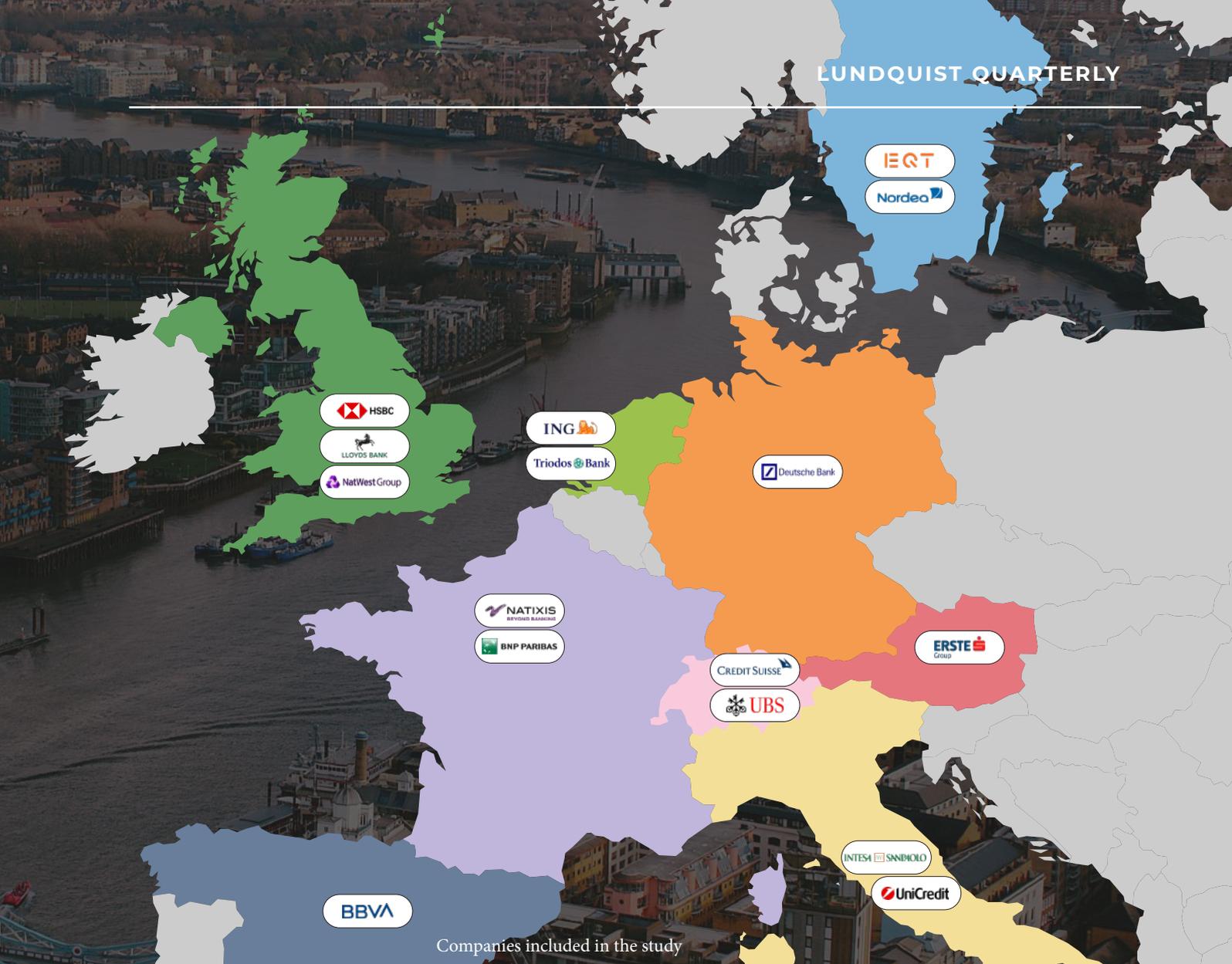
By Caroline Becker
Senior Communication Consultant, Lundquist

How has the pandemic affected banks' commitment to stakeholders? How have they navigated challenges such as the post-pandemic economic recovery, digital transformation, diversity and inclusion and pressing environmental issues such as the climate emergency? How are banks responding to the explosion in interest in sustainable and ESG investing? Above all, what kind of action has emerged as key to maintaining trust in the new normal?

These questions have guided us in a new analysis of the banking industry through our flagship .trust (read: dot trust) research programme in which we examined the performance of leading institutions in each of Europe's biggest economies as well

as emerging players and challenger banks. Through the lens of their digital corporate communications, we evaluated both the "substance" of content (identity, strategy, leadership, employer branding and more) as well as the "distinctiveness" of their storytelling and engagement.

The Banking and Financial Services sector edition is the first in a series of industry-specific studies we're rolling out as we look at the post-pandemic communications landscape in Europe. This alignment has generated a kind of "trust dividend" that successful banks can earn in the eyes of their stakeholders, a dividend that can bring real benefits like greater customer loyalty, investor interest and employee engagement.



How have European banks responded?

Looking in detail at a representative selection of 16 European banks, we identified a leading group of top performers and four key areas that underpin their winning strategies in generating trust: helping societies prosper (and showing the evidence); stepping up in the post-Covid recovery; being inclusive employers; putting sustainability at the core of financial services.

Demonstrating a trustworthy response to the challenges became just as important as the business itself. Doing the right thing was perceived as an imperative as the context changed and aligned the success of financial institutions to those of their

stakeholders, throwing into stark relief what it really means to be sustainable. This alignment has generated a kind of “trust dividend” that successful banks can earn in the eyes of their stakeholders, a dividend that can bring real benefits like greater customer loyalty, investor interest and employee engagement.

Before we delve into how leading banks are taking action on each of these fronts, it’s key to understand the role of purpose in this new landscape.

We found that 56% of the companies we analysed explicitly refer to having a purpose and many leading banks use those statements to capture their new role in society and how they are translating that role into action.

Put simply, if the mission is a description of the what of a company, a purpose statement tries to answer why, the reason companies exist beyond selling products and services. It goes beyond the vision, too, which talks about where a company is headed.

Putting purpose to work



A purpose statement needs to go far beyond a simple slogan to express a company's essence. It must have the power to unite management, employees, and customers all the while serving society – a multi-stakeholder approach that benefits all. Look, for example, at **UBS**, whose CEO Ralph Hamers recently presented its new purpose for “Reimagining the power of investing. Connecting people for a better world”.

Our research reveals almost half of those with purpose link it to their business strategy. Doing so provides credibility and concreteness to the messages communicated, as purpose is reflected in various aspects of the business. Banks that are reimagining the business strategy as a reinforcement of their purpose can show what their goals mean in concrete terms and in doing so, maximise the transformative potential of purpose. But how are banks going beyond high-level statements to generate trust in the business and show their contribution

to society? Let us take a look at four key topics to successfully respond to the growing expectations of clients and their surrounding market context.

Stepping up in an emergency

During times of crisis, banks have an opportunity to build resilience. While doing so, they can showcase their relevance to society through a transparent and cohesive narrative.

While 88% of banks communicate on how they acted to mitigate the impact of the Covid-19 emergency on clients and society, the effectiveness and consistency of this type of communication (that is, accessible and substantive information) is relatively low, with only 31% of banks detailing how they responded to the crisis. Ensuring key topics are discussed (such as impact on dividends for shareholders or on employees' day-to-day lives) in an accessible way is important to reassure stakeholders.

Intesa Sanpaolo has been fully committed in supporting institutions and society affected by the Covid-19 pandemic.

Millions of euros worth of donations, suspension of mortgage payments and loans for businesses affected are just some of the ways the Italian lender stepped up. The bank has even gone so far as to track the positive impact of its contributions over time and communicate on all its efforts in a section of the website.

As we move post-crisis, **Lloyds Banking Group** demonstrates its ability to quickly respond to change, rebranding its purpose from “Helping Britain Prosper” to “Helping Britain Recover”. By linking its purpose to the Covid-19 recovery, the company makes a strong case for its commitment towards society.

Inclusion as key to attracting new talent



It is no secret that many of today's jobseekers are millennials with high expectations for integrated corporate values and strong purpose. Our research reveals that tackling the issues of inclusion and diversity is a common strategy for banks to showcase their qualities as good corporate citizens and employers. Beyond attractive recruitment campaigns and career websites, banks are taking a much broader stance on the topic.

To break down the perception that the industry is dominated by cisgender, white men, social media is leveraged to share stories and initiatives addressing inequalities, race and gender disparities.

Erste Group has various campaigns on their social platforms from #inspiring-women, to video stories of employees coming out in the workplace and organising virtual lunches with experts discussing banking topics for the Women Hub. Effectively linking commitments with distinctive information, **UniCredit's** new diversity initiative page features a video gallery helping to create engaging and interactive messages, covering topics from women in leadership to unconscious bias. By complementing these commitments with personal stories about its employees, stakeholders' needs are met through a combination of substance and distinctiveness.

For social impact, seeing is believing

Financial institutions have long taken their social responsibility seriously and we found 81% of the banks we analysed present special social sustainability targets. Yet only 19% showcase the progress towards such targets.

While the first step towards societal involvement can effectively take the form of setting targets, banks have the power to be credible by providing concrete facts and data to give meaning to their commitments.

Deutsche Bank integrates its *raison d'être* fully throughout its digital channels, creating a #PositiveImpact upon which the bank's purpose is based: ensuring communities and economies around the world thrive. Deutsche Bank highlights not only promises but also concrete actions taken to support society and the communities where it operates.

By communicating on societal targets and achievements from the past year while sharing stories that give a voice to those impacted, corporate and societal goals are linked.

Sustainability at the heart of new business models

Given the explosion in interest in sustainability and ESG, what does it mean to take a long-term perspective on banking? Almost all of the banks analysed (88%) present an approach to sustainability.

However, only 44% of business strategies are explicitly linked to sustainability, therefore treating the future of the business and sustainability as somehow separate.

Banks and financial institutions that integrate sustainability in a holistic manner and apply future-oriented thinking across different aspects of the business will likely prove more resilient and capitalise on the surge in demand for ESG products.

Banks have embarked on the journey towards new modes of communications, including **UBS** proposing a sustainable investment quiz to learn more about the topic and the offerings of the bank, and Natixis' podcast "Green in Mind" looking at how financial institutions sustain their social and environmental commitments. Engaging users in this way can help banks distinguish themselves in the highly competitive context where they operate.

Which banks are leading the way?

The communication model developed with our research .trust calls for a balance between substantive information (like clear targets) and distinctive communications (such as storytelling) to create and maintain trust among stakeholders.

The companies that succeed in walking this fine line between substance and distinctiveness constitute the leading pack: **BNP Paribas, Credit Suisse, Deutsche Bank, HSBC, Intesa Sanpaolo, Lloyds Banking Group and Nordea**. After an unprecedented global emergency and economic dislocation, the sense is that change too has become endemic and we should expect that the new normal should continue to throw up challenges, from disruption to business models, new challengers, and digital transformation.

Our research shows that some companies were ready for this new normal and adapted, others simply responded. If banks want to continue to serve society's needs, and not be left behind by shifting times, leaders will need keep pushing the boundaries of banking's purpose to serve the communities within which they operate at all levels of the business, transforming how we perceive business entirely.

**This article was published in International Banker magazine in June 2021 and has been revised to for publication in the Lundquist Quarterly.*

