DIGITAL *for* GOOD

Green Finance Diversity Stakeholder Capitalism Sustainability Inclusion Community Purpose CSR ESG

Stand for something ...
or you will fall

CHRIS SKINNER

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INTRODUCTION: HOW DO YOU PRICE AN EXTINCTION?

According to every research report I read, our planet is dying. Even if our planet is not dying, our wildlife is. In the past half a century, almost 60 per cent of the animals on Earth have disappeared. I am not going to stand for it, and nor should you.

At the same time, that opening paragraph creates a big yawn. I've heard it all before. It's boring. You can talk about ESG—Environmental, Sustainability and Governance—issues, but I'm no longer interested. It's like the constant thrum of news headlines about pandemics and wars. After a while, you become immune to the news. It's boring.

Between these two extremes—we must do something; I can't and it's boring—there's a happy medium somewhere. But where? This book might show you. The actuality is that you can do something. Just don't say that you can't do anything.

If you don't stand for something, you will fall.

During my last years of dealing with banks from crisis to crisis and, specifically, the 2008 crisis, I realised that the broker between the end of the world as we know it and a positive outlook lies in financial services.

Financial services fund the frackers but can finish fossil fuel firms once and for all by stopping such funding. Without access to funding, companies that depend on things that are bad for society or bad for the planet will fail. Banks and financial firms are, therefore, the puppeteers of our future.

The more I thought about this, the more it seemed obvious that the big financial firms need to change. But how? Banks make big money out of fossil fuel firms by providing them with loans and trade finance. Take that lifeline away from the banks and a big profit stream disappears. When you are driven by shareholder return, that ain't gonna happen.

But then came the digital age where everyone is connected in real time. Banks that talk about being green whilst being obscene will get found out. Activist shareholders, pressure groups, non-governmental organisations (NGOs), employees, consumers and society at large are starting to realise that the financial system may have been rotten to the core, but it can be reformed. Such reform is called stakeholder capitalism.

Stakeholder capitalism is fuelled by the network, from the apps on your phone to the searches you make on Google. Companies can no longer hide under their PR machines; they are transparent and visible to the network. In other words, the network has decentralised democracy to the power of a click and a swipe.

Originally, I was going to write this book about purpose and banking. Banks need a higher purpose that they commit to in the round. They need a stakeholder purpose that makes sense. Then I realised that I could not write such a book. The content would simply come across as a rant from Chris Skinner, and I don't want to rant. Ranting doesn't get you anywhere. So, unlike my previous books, I thought I would gather a group of friends to give their views about stakeholder capitalism in the round.

Over the past few years, I've hand-picked a small group of influencers from every continent to contribute. All of these contributors have the same message: we have to change. We need a higher purpose. We need to be driven by stakeholders to do good for society and good for the planet. We need to stand for something; if we do not, we will fall down.

In conclusion, during my lifetime, I've seen a lot of wildlife threatened with, or on the brink of, extinction, or worse, become extinct. This is what has driven me to take this direction. I've seen the loss of rhinoceroses, elephants, lions, orangutans, polar bears and more. I cannot stand this. I want my children and grandchildren to enjoy the beauty of Earth as I've enjoyed it. More than this, I want my children and grandchildren to have a future on Earth. Elon Musk might want to send them to Mars, but I want them right here by my side. Don't you?

Equally, even if you do not believe in ESG in business, do you believe in a future? How do you price an extinction? If the wildlife diversity on Earth disappears, what price do you put on that? If your house disappears in a flood or fire, what price do you put on that? If your partner, parents, children disappear, what price do you put on that?

I think the answers are clear and, to be clear, this is not a book about climate and climate emergency or anything like it, as some have mistaken my project to be about. This book is about how the financial system can grasp technologies of today to use digital for the good of society and the good of the planet. That's something worthwhile in itself, regardless of whether there's a climate emergency or not.

In reaching out to my circle of friends worldwide, who are not tree huggers, I'd like to point out, I know that they feel the same way. They feel that if financial firms can change the funding of trade, we can have a positive future. In that future, we can use digital for good to transform and be more transparent. We can use digital for good to be confident that our conscience is clear when it comes to our ESG challenges.

Is your conscience clear?

I really appreciate the support of all the people who have been involved in this project and I hope you like the outcome. Let me know your thoughts.

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Spring 2022
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WHY DIGITAL FOR GOOD? BY CHRIS SKINNER

In 2008, banks were called socially useless, just as social media started to take off. In the 2010s, banks tried to become at least a little bit more social. Some even had a blog! I covered all of that in *Digital Bank* (2014). In the 2020s, banks must not just be social; they must also be socially useful. Some banks are trying to be, and the constant themes are twofold: banks must do good for society and good for the planet by harnessing the opportunities offered during their digital transformation journeys. This book is about those journeys.

The primary focus of this book asks the question, how can we use digital services to transform and do good for society and good for the planet? This question begs all sorts of answers from solar energy to space colonisation to inclusion to charitable services and more. We cannot cover all of those themes here—there are too many. Also bear in mind that my writing approaches everything from a monetary perspective, therefore, the focus of this book is—how can we improve the planet and society through digital financial services?

In this book, we will explore lots of themes, focused around five main areas that try to answer that question. These five themes are:

- digital transformation
- financial inclusion
- stakeholder capitalism
- transparency
- purpose

There are more dimensions than these five but, for the purpose of this book, these are the main areas that we are going to focus on. In this introductory chapter, I have tried to summarise succinctly the topics. In the rest of the book, we will cover each of these in far more depth, with guest essays and interviews from experts within each field.

DIGITAL TRANSFORMATION

I have spent all of my life involved in technology in financial services and, back in the last century, was doing a lot of work on business process re-engineering (BPR). Back then, companies were not doing business transformation. They were making incremental improvements. They thought it was better to evolve the company with technology, as that was less risky, than reinvent the company around technology. That was acceptable in the 1980s, but it is not acceptable today.

Transformation with technology has been a mantra for years, but it is particularly important today as, the more the years go by, the more there is an imperative to reinvent business models to leverage technology. You can see that clearly based on what has happened with the pandemic lockdown. All of the digital corporations, delivering and servicing the customer at home, have seen huge success; any of the physical corporations, delivering and servicing the customer in stores, have disappeared (or are likely to).

This is because the internet is not only changing the business model of every company, but it is also changing the thinking of every company's employee and customer. It is changing the way in which we think about human life.

It is for this reason that the number one issue for most companies is that they are not doing digital transformation; they are doing incremental digital. They are evolving their company to be on the internet. They are digitising, rather than being digital. The difference is that the truly digital companies design their business models to be born on the network, leveraging all of the network technologies from platforms and ecosystems to 5G and the internet of things (IoT). Those that are incremental digital just add technologies to their old analogue business model. It does not work.

The best illustration of incremental versus transformation change is to challenge your company with a few key questions, such as, do you have a chief digital officer (CDO) and, if so, why? The reason why this is a key question is that if you think digital is a project that can be allocated to a function and given a budget, then this thinking is completely wrong. If this is what you are doing, then you will fail at doing digital, because you are not taking the right approach.

You cannot treat digital transformation as a project or a function, and assign it to an individual. You need to all be doing it. The whole company needs to be engaged in a transformational change of thinking, not just one person leading a project. This is because digitalisation is a transformation of the company from industrial to digital structures. The latter demands new business thinking and new business models. It is a transformational project, not an incremental improvement. If you treat it as the latter, it's not going to work because everything has to be developed for everything being digital, from the customer at home and, more importantly, for the employee at home. If you weren't ready for that, then what can you do to be ready for that?

During 2020, with a lockdown on the world, many companies realised that everything had moved to the home: service from home, entertainment at home and work from home. As a result, most companies became cloud based. After years of discussion, companies discovered that their people had moved home, away from the office, so they had to become cloud based to allow work-from-home and service-from-home. The question is, did they reconsider their business structure as they moved to cloud?

There is a huge difference between being cloud based and cloud native. It is the same difference between being a digital native and a digital immigrant. Companies that are digital immigrants are now cloud based, but they have not changed any fundamentals of their thinking around their business model, service or product.

Companies that are cloud native built their company business model, products and services in a design born for the network and accessible via the internet and mobile smartphone. They started with a blank sheet of paper and designed their company to be born on the network. There is a huge difference between firms born on the network and those evolving into the network. Indeed, it is a fundamental difference.

The best way to illustrate this is with what we are achieving with technology today. When I was growing up, I was in awe of the fact that we achieved a huge goal.

> "We choose to go to the moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one which we intend to win, and the others, too."
>
> **U.S. President John F. Kennedy, 1962**

> In the summer of 1969, we landed a human on the Moon. The whole world watched, and jaws dropped. Today, we have many discussions around colonising Mars.
>
> "It's important to get a self-sustaining base on Mars because it's far enough away from earth that [in the event of a war] it's more likely to survive than a moon base."
>
> **Elon Musk, 2018**

And it goes beyond this.

> "We exist to make the capability of human travel beyond our solar system a reality within the next 100 years."
>
> **100 Year Starship project**

We will boldly go where no one has gone before.

The picture on the left was tweeted by Elon Musk and shows men working underneath SpaceX's 50-metre-tall rocket *Falcon Heavy* whilst sitting on its 75-metre-tall booster base; the picture on the right shows workers building the Empire State Building sitting on a girder, having lunch. SpaceX's Falcon Heavy is the skyscraper we are building for the twenty-first century, just as the Empire State Building was the skyscraper we built for the twentieth century.

You may think that this sounds ridiculous, but here's a good project for your teams to work on: How will you service customers on Mars? That is a great workshop topic because if you build a business to service customers on Mars, then that is the business you need to build for a digital transformation. If customers and employees are locked down at home, they might as well be on Mars and, if you have to service customers and employees on Mars, that would be a real digital transformation. This is the first thing of importance when discussing digitalisation and transformation: build a new business model born for the digital age.

USE THE NETWORK TO REDUCE INEQUALITY AND CREATE MORE INCLUSION

The second thing we will focus on in this book is using digital services to reduce inequalities and increase financial inclusion, a subject explored in some depth in my 2018 book *Digital Human*.

Today, we are bailing out the people. In 2008, we bailed out the banks. When global governments bailed out the banks, the consequence of that decision was the recognition by so many of the inequality of society. Banks still continued to make big profits and big growth whilst the average person was displaced or disillusioned. For example, it was only after 2008 that we talked about the 99 per cent and an active campaign amongst the many emerged to attack the 1 per cent, who are the elite.

The separation between those who have power and those who do not was creating a society and economy that could not work forever, and it was becoming more and more extreme. In particular, the inequality chasm between those who have money and those who do not is causing societies to break down. This is illustrated in everything from Extinction Rebellion, which has a Money Rebellion, to Occupy Wall Street to Black Lives Matter to activist shareholders and more. This is why this issue is very much top of mind, as the people are saying that we need to have more equality and more inclusion.

Specifically, that frustration is what has led to so many FinTech start-ups being created in the past decade. The start-ups could see the alignment between old firms who were trying to evolve through incremental digital improvements versus the opportunity to create new financial services leveraging technology to provide digital engagement. This rise of such start-ups was more than just creating digital engagement. It was about using digital for good, as illustrated later in my interview with Tom Blomfield, co-founder of Monzo, a UK challenger bank.

Why does banking get a bad rap? It controls society; it controls economies; it controls governments. That's why it is so heavily regulated and why it is so systemically important.

When we had the last financial crisis in 2008, one of the key issues was that the banks had been operating purely for shareholder interest and profit. A lot of questions were asked to find out what had driven banks to behave in the way that they did, and what their behaviours meant for societies, economies and governments.

There was a statement in 2009 from Lord Adair Turner, the then chairman of the Financial Services Authority in the United Kingdom, that a lot of banking was "socially useless". Bankers were quite offended by that statement because it was something that felt uncomfortable. Yet, when you think about how many banks behaved that way back then—and many still do today—it is because they were driven purely by shareholder return and profit. As a result, their principle aim was to sell credit to companies and corporations and citizens who didn't necessarily need or want that leveraged credit.

This pure-profit focus also created huge issues which led to even more headlines such as the Payment Protection Insurance (PPI) scandal in the United Kingdom, which cost British banks more than $60 billion;[1] the Wells Fargo account-opening scandal in the United States, which caused a fine of $100 million; and the Royal Commission into the banks of Australia, which found that banks were even charging monthly premiums for dead people's subscriptions, resulting in billions of dollars of fines.

Now that is wrong. It's not just wrong for banks; it's also wrong for society and wrong for the planet. It's morally wrong.

This leads to the big question: if a bank is morally wrong, if a bank is socially useless, can it really play the right role in society, economies and governments? Does the bank's moral compass need to change fundamentally to something else? The next decade will determine this, and it will be turbocharged by two major issues. The first is the coronavirus of 2020. The second is the climate emergency, which I'll discuss later in this chapter.

Let's start with the coronavirus pandemic. This has driven banks to think about whether they were ready for digital and whether they were ready for digital employees and digital customers. Many were not. We have

1 Unless otherwise stated, the currency used throughout this book is the US dollar (US$).

talked about digital transformation and digital banking for over a decade, particularly when the last crisis hit. When it did, there was a strong view that banks would be challenged by technology, and they really have been, for the past twelve years. The last crisis spawned the whole FinTech industry, which is now massive. Year after year, the amount of money being invested in FinTech has doubled, although obviously not in 2020 due to the pandemic.

What that's meant is that we have seen thousands of start-up innovators challenge bank structures in many ways. They do it around application programming interfaces (APIs), apps, analytics, platforms, ecosystems and everything that is wrapped into today's Open Banking.

In particular, it's around data. Data analytics, artificial intelligence (AI), machine learning and such like but, more than this, it is around processes. Specifically, processes are an interesting area to focus on in that the process-driven financial structure is one that is now here to stay. You see massive breakout companies like Stripe, creating billions of dollars of value from automating and making a process easy.

In Stripe's case, merchant checkout online. In fact, its last valuation was for $95 billion, as of March 2021, nearly triple its last reported valuation of $36 billion in April 2020. That's $95 billion for a twelve-year-old company that's doing innovation around payments through APIs. To put that into context, that valuation made Stripe the equivalent in value of four Deutsche Banks.[2] So, Stripe with a few lines of code and a twelve-year history is worth four times more than a bank with centuries of history and huge amounts of infrastructure.

It has been fascinating watching the financial technology markets and how they have changed the nature of finance. They have not disrupted the banks. They have tried to in many ways but, right now, they are still small beans compared to the big banks. In ten years, maybe we will have small banks and they will be the big beans. Let's wait and see.

The clear thing that has been happening however, for the last twelve years, is a revolution of financial services through technology. Cloud computing drove that. The smartphone has driven that. We could not have apps and APIs without those platforms and services. The cloud computing companies have been hugely influential on the digital transformation journey, and this leads to the coronavirus pandemic where everyone was suddenly in lockdown: customers, employees and companies.

2 As of 31 March 2021, Deutsche Bank was worth $24.9 billion.

Were banks ready for this? Not all of them. In fact, it quickly became clear that there were two sorts of bank: those that were ready and those that were not. The majority were not ready. A good example is a UK bank that has its call centre based in India. With India locking down with four hours' notice, and no set-up in the United Kingdom for any call centre, the bank was not contactable for months, which is quite ridiculous. They were not ready for digital. They were not ready for lockdown.

Up until recently, most business continuity planning around physical operations was to have another office. If there were a terrorist attack on the major office, then there would be another office at hand. There was no concept of a lockdown of a building, and having a purely digital reach. This is why all of the big banks are committing to cloud computing now, after years of thinking and talking about it.

For example, in summer 2020, there were many announcements of banks committing to Google Cloud, Microsoft Azure, IBM Cloud and Amazon Web Services. Finally, the big banks are moving to the cloud as they recognise this to be the way to digital transformation and digital reach, and they are doing this because they have to. If all of their employees and all of their customers are locked down at home, how can they operate? How does this work?

This is the biggest change that we are seeing—the rapid move to digital transformation. That is why banks must ask themselves whether their business is fit for a future in which all of their customers and staff are at home. More than this, banking creates an equality divide between those who use it and those who don't.

The issue at the core of this is that we need a new form of economics, as the inequality divide in society is exacerbated by the model of free market economics, which is no longer sustainable. Add to this the fact that the world's population is still growing, and technologies are automating more and more unskilled jobs, and it is clear that the haves' wealth is increasing at the expense of the have-nots.

Interestingly, some of the issues caused by technology and past generations may be solved by technology and generations to come. It is one of the things that I have long been discussing in digital work, and relates to the fact that we can now include everyone in the network, including many of those who have historically been excluded.

Using digital financial services allows people to prosper in a way that they could never prosper before. Philanthropic organisations like the Bill & Melinda Gates Foundation have been focusing on financial inclusion for years. Such organisations recognise that, if excluded from financial services, the poor pay the most to deal with money. Specifically, if you have no digital financial services and have to rely on physical exchanges, that creates an overhead of cost that most of the poor cannot afford. Also factor in that they had no digital finance until recently, meaning that they did not qualify for free banking, relied on high-cost credit and payday loan services, were forced to pay for everything with cash, were the most open to fraud and so on.

This is in large part due to the fact that, historically, the poorest of the world have had to pay the most to move money because it was almost impossible to move money if you did not have a bank account, and billions of people had no bank account. In 2010, 2.5 billion people had no access to banking or financial services. Today, this figure has been reduced to around 1.2 billion, with India being a great example of this transformation.

A recent report from the Bank for International Settlements (BIS),[3] the regulatory body covering most of the world's banks, highlights the massive transformation in India thanks to the IndiaStack, a technology infrastructure that covers everything from digital identities (Aadhar) to making payments (Unified Payments Interface, or UPI). The paper shows a remarkable change in financial inclusion in just over a half a decade. In 2011, two-thirds of Indian citizens were unbanked; by 2017, only a fifth were. Putting it another way, India went from just 35 per cent banked to 80 per cent in just six years.

3 Derryl D'Silva, Zuzana Filková, Frank Packer and Siddharth Tiwari, "BIS Papers No. 106 The design of digital financial infrastructure: lessons from India," *Bank for International Settlements, December 2019, https://www.bis.org/publ/bppdf/bispap106.htm.*

Using technology for financial inclusion is clearly demonstrated elsewhere in the world. For instance, WeBank in China built a business providing basic banking services to over 200 million unbanked Chinese workers in just four years. Likewise, NuBank in Brazil grew a customer base of 35 million users in just over seven years, with one in five users never having had a bank account or access to one before.

Digitalisation is creating amazing change to the world by driving inclusion for everyone in the network. This is the second thing of importance when discussing digitalisation and transformation: use the network to reduce inequality and create more inclusion.

STAKEHOLDER CAPITALISM

Thinking about how we can use our capabilities in commerce to do better as a society brings me to the third point, which is stakeholder capitalism. The whole notion of Milton Friedman's profit-driven and free market-focused economics is broken.

> "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 …"
>
> **Milton Friedman, 1970**

This was a construct for American capitalism in the last century that grew into a monster. This monster has been slain by China, and we need a new economic construct for the 2030s.

> "Under what conditions is it socially efficient for managers to focus only on maximising shareholder value?"
>
> **Luigi Zingales, 2020**[4]

4 Note that Professor Friedman and Professor Zingales both work(ed) on the same campus at the University of Chicago.

Shareholder-driven capitalism works because it is driven by pure investor and shareholder focus, at the expense of society and the planet. This is the moral compass or, maybe more, it is the moral maze. How can you deliver shareholder returns through doing good for society and the planet? When companies and financial firms are described as being socially useless, it is because they play within the rules of the game but ignore the fact that the game is destroying the world. The game itself must change.

One of the things I keep saying today is—if you don't stand for something, you will fall down. It is my strapline for purpose-driven business and purpose-driven banking. Shareholder return is obviously important, but it is just one of the stakeholders you have in the business. The others—customers, employees, society, community, government, the country, the planet—are becoming just as important. This is a major shift—shift happens! —and is the focal point of twenty-first-century economics.

This means that you will have to focus on far more than shareholder returns in the next decades. For example, there was a really interesting action that happened at the end of 2019, which was organised by Jamie Dimon, the chairman and chief executive officer (CEO) of JPMorgan Chase, namely, the Business Roundtable's stakeholder manifesto. This manifesto stated that we have to be focused on all of the stakeholders in the business, not just on the shareholders. Almost 200 American businesses signed up to the manifesto. Within days, several of the companies that had signed up to the manifesto laid off staff in order to focus on shareholder return and look after their investors.

You have to deliver the action, not just say the words. You have to walk the walk and not just talk the talk. This is one of the major things that is key to being purpose driven. It has to be committed, and not just PR. It has to be executed, implemented and delivered by the executive team, and not just be words.

For example, around the same time that the Business Roundtable announced its PR words in November 2019, the United Nations (UN) issued The Principles of Responsible Banking. A total of 132 banks signed up to these principles at launch in September 2019 and this figure had risen to 190 a year later. Yet several of those banks have clearly been doing actions that are in shareholder-return interests only, and not in stakeholder-return interests. They are not being responsible; they are being irresponsible. One of these banks is leading the investments in fossil fuel companies, and not encouraging those companies to go green. Another is leading the investments in fracking, for example. It's a fracking bank; it's not a green bank, an ethical bank. Future customers want to deal with a bank that is not only protecting the future of you, me and, more importantly, your and my children and grandchildren but also protecting the interests of the planet and of society.

In the decades to come, financial institutions—actually all institutions—have to be socially useful and have the right moral direction. A lot of institutions will fail in the next decade if they are not morally and socially useful, as they will be found out, outed and accused.

DIGITAL DRIVES TRANSPARENCY

This brings me to the fourth point, which is that digital transformation is far more than just creating companies that live on the internet and native to the cloud. Companies of the twenty-first century are completely digitally transparent. Transparent in what they do in their business practices, structures, operations, trade and supply chain.

In fact, technologies like blockchain, preferably called distributed ledger technology (DLT), are a strong part of this as they make transactions transparent. Anyone can see everything in the supply chain and value chain about how goods are sourced and delivered. In fact, there are many DLT examples that focus on sustainable food sourcing. According to research, more than 20 per cent of the top global companies will use blockchain by the year 2025.[5]

Another example is the biggest issue that charities have, namely, do they get the money to where it is meant to go? Alibaba, the biggest patent holder of DLTs, uses this technology to ensure charitable transparency. Anyone who contributes to a charitable cause can see exactly where their money goes, and

5 Hasib Anwar, "Blockchain In Food Industry: Food Traceability And Safety," 101 Blockchains, 5 December 2020, https://101blockchains.com/blockchain-in-food/.

how much is received by the targeted recipient. That is transparency and all companies will find that they are being held more and more accountable for their activities and actions, due to such digital transparency technologies. In the near future, companies that are not completely open and accountable digitally will be challenged.

We can see this already with the way in which firms like BlackRock operate greenwashing. Greenwashing is being green on the outside and rotten on the inside. The PR and CEO statements talk extensively about ESG and such like but, under the hood, the majority of its activities involve funding both fossil fuel and destructive firms. It's still all about the profit and shareholder return, rather than community and stakeholder return.

Any company that tries to hide such behaviour today will be discovered by digital investigations. Think about any company involved in operations that are bad for society or bad for the planet. How do you think they can keep that quiet in this day and age?

Before the internet, it was easy. You just did not allow anyone to know. In the digital age, anyone who gets a whiff of such activities will leak them, share them, amplify them and make them viral. Companies with bad practices will be found out and they will be accused. They will have fingers pointed at them; it may start with just one customer or one employee but, within a day, it could quite easily make the headlines of mainstream social media and then traditional media. Such things are shared virally, globally, with all media and citizens within seconds. That is the nature of today's generation who were born on the internet. They want the world to be sustainable and have a future—just look at Greta Thunberg—and this is a critical focus of people. It is not just a focus of employees or customers, but of citizens and society.

WHAT IS YOUR PURPOSE?

The final thing is to become a purpose-driven company. A lot of purpose is driven by the pressure to have a wider remit than just shareholder. The remit is stakeholder, and stakeholders are particularly interested in companies being committed to ESG factors. Such commitment will become even more imperative in coming years, as greenwashing, trashing communities, funding polluting companies and other dark operations become increasingly exposed through digital transparency. Climate is a good example here, as so much has been greenwashed by banks to date. We are all more than aware of the immediate climate crisis or, as it is now called, the Climate Emergency. This is the second major issue that will shape much of the next decade, after the pandemic. If we continue to destroy our world by creating greenhouse gas emissions, then our children, and generations to come, will have no future.

A research report from 2017 discovered that, since 1988, 71 per cent of the greenhouse gas emissions destroying our planet have come from just one hundred companies.[6] They are the companies you would expect. They are the Exxons, Shells and BPs of this world. The fossil fuel firms. The sellers of oil, gas and coal.

They are the companies that have been destroying Earth because they have been taking our resources and burning them. That is what we will have to deal with in the future if we want a great reset of our planet. We may or may not admire people like Elon Musk, but the fact that he is trying to move us to battery- and electricity-fuelled transport, and maybe even move to Mars, resonates with younger generations and is the reason why Tesla has became the most valuable car producer.

For financial firms, the bottom line of what is happening is that the banks are the companies that control the activities of these one hundred companies. If you narrow it down further, about half of those emissions came from just twenty-five companies. You then have to ask, if there are so many companies engaged in destroying the planet for profit, what is going to change that behaviour?

The answer is simple: there will be change if the financial behaviours and incentives change. A 2021 report made it clear that banks are critical in changing the behaviour of fossil fuel and greenhouse gas emitting firms and

6 Dr Paul Griffin, "The Carbon Majors Database: CDP Carbon Majors Report 2017," CDP, 2017, https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/002/327/original/Carbon-Majors-Report-2017.pdf?1499691240.

countries. Banking on Climate Chaos 2021 found that sixty of the world's largest commercial and investment banks have collectively put $3.8 trillion into fossil fuels from 2016 to 2020.[7]

This is not a simple issue, however. It is complicated, otherwise, we would have solved the problem years ago. If you've read Dr Seuss's The Lorax, written way back in the 1950s, you will know that some of the climate issues were well known even back then.[8]

For me, the best illustration of the thinking in this space came from Ana Botin, the executive chair of Santander. Appearing on Bloomberg TV in 2019, Botin was asked about how Santander could make a difference regarding climate change, as she had claimed that the bank had been voted The Most Sustainable Bank In The World. When the interviewer asked why Santander didn't just stop funding fossil fuel firms, she responded as follows:

"That wouldn't be responsible. We cannot just cut the energy off in Poland, where a lot of the economy is still powered by coal. But we did announce, and we are one of the big banks in Poland, that we are not going to finance any new coal projects. You have to find a sensible balance between transforming and supporting our customers. We have a mission to help people and customers prosper in a sustainable way."[9]

This resonated with me as I was living in Poland at the time. I did not realise that Poland was the most polluted country in Europe and depended so heavily on coal-burning energy. You cannot just turn Poland off. You need to change it and renew it, and the best way to do that, as Botin stated, is to "find a sensible balance". However, if we are living in an emergency, we need to tip the scales sooner rather than later.

This is a key responsibility of financial firms. However, it is not necessarily the banks that will change this, but the institutional investors instead. For example, I chaired a conference during which a Pension Fund CEO said that his biggest concern was that, in the years ahead, we will not have anyone to pay pensions to as there will not be anyone left to pay a pension to.

7 "Banking on Climate Chaos: Fossil Fuel Finance Report 2021," Rainforest Action Network, 2021, https://www.ran.org/bankingonclimatechaos2021/.
8 Although this children's book focuses on deforestation, it resonates with the climate issues of today.
9 Chris Skinner, "Ana Botin of Santander on FinTech and Blockchain," Finanser (blog), 25 November 2019, https://thefinanser.com/2019/11/ana-botin-executive-chair-of-santander-on-strategy-sustainability-fintech-and-blockchain.html/.

That is a big driver of changing thinking and it is more than just ESG. It is having leadership that understands and uses digital for good, and combines that with the leadership to focus on doing more good for society and the planet. It is about having a strong purpose as a company, which is lived and breathed by every person who works in that company.

PURPOSE-DRIVEN COMPANIES

Originally, I wanted to call this book Purpose-driven Banking, but settled on Digital for Good as it is more than just about banking and purpose. However, the main body of this book does discuss purpose, as it is a key to companies that will succeed or fail over the next decades. Companies have to stand for something, or they will fall down.

It is not just about having a purpose, but having something that current and future customers and employees can relate to. It might be about saving the planet but it could just as easily be about saving the local community, saving those less able, saving the wildlife on Earth or any other cause. Whatever the purpose, it has to be a cause that most believe in and can support, and is often what defines the culture and values of a company.

Do companies have that purpose and that value or something similar, as clearly articulated in their core? One of the greatest companies in this space is, maybe surprisingly, a Chinese company called Ant Group, which provides the Alipay payment services in China and is part of the Chinese internet giant Alibaba. I did a case study on them in Digital Human (2018) and remember seeing a poster hanging in their headquarters that read "Do Good for Society and Good for the Planet". This is a key message and a core cultural value of the Ant and Alibaba Group, created and communicated by the founder of the group, Jack Ma.

However, Ant does not just talk it, it walks it. By way of example, the Ant Financial Alipay app has this amazing thing within it called Ant Forest, which is one of the biggest multimedia playing games in the world. Played by hundreds of millions of people, the game encourages players to be green. It gives you rewards if you walk to work or cycle to work, instead of catching a bus or taxi or driving. It gives you rewards if you recycle, instead of throwing things away. It gives you rewards if you use sustainable products versus non-sustainable products.

These are key activities, but the gist of the game is that you get a tree planted when you achieve a level of points within the game. You get those points by behaving and paying in a sustainable way as opposed to in a non-sustainable way. In addition, you can get points from other players in your friends' community if you see them doing something that is unsustainable.

The result of this programme is that there are now almost 600 million people in China using Ant Forest to plant trees. At the end of 2020, over 300 million trees had been planted. Enough trees have been planted to reduce the carbon emissions of China by 5 per cent in just three years, and clear 12 million tonnes of carbon emissions. In fact, the company has committed to be carbon-neutral by 2030. So, China is moving towards being a sustainable economy through sustainable finance.

There are a number of layers in here that are really important, but the most critical point is that Ant Financial and Alibaba have a purpose. Their purpose is to do good for society and do good for the planet. This purpose is something that is going to develop into the nature of how our world looks over the next decade. Not just within Ant Group, Alibaba and China, but within every company. What is your purpose? Is your purpose something that we can relate to? Does it do good for society and good for the world? Or is it just about shareholder return and profit? Is it socially useful or socially useless?

In the latter case, you'll find that many employees and customers are going to walk away in the years ahead because, as stated, customers and employees no longer relate to financial institutions that purely exist for profit. Equally, customers do not relate to banks and financial institutions that were not ready for a lockdown.

What is your commitment? What is your purpose? The network is connecting us all, creating a digital revolution. We are breaking from the past centuries of industrialising everything to the next centuries of digitalising everything. It is a completely different world, with different constructs and different needs. It demands different business models, different products, different services and different thinking. It also demands different societies and different ways of governing that are nothing like the past in order to create a different planet that bears no relation to the past.

The digitalisation of everything from governance to finance to commerce to relationships is the driving force behind building a purpose-driven focus and using digital for good. Stand for something, or you will fall down. Purpose cannot just be a marketing or PR thing, in the same way that digital transformation cannot just be a project or a function. It needs to be something intrinsically important as to why the company exists.

If you stand for something, you will succeed. If you don't stand for something, you will fail.

Within all of this is data. Data is driving everything that is going on today. For industrial-era firms— many of those in the banking community, in particular—their strategic gold is the data they currently own. This is where successful firms in the future really have leverage, yet many of those industrial firms do not use data well. In fact, most traditional firms use data very badly due to legacy systems, which are fragmented and aligned to lines of business and product.

These legacy systems need to be redesigned with digital at the core and geared towards holistic views of the customer. Then the customer data can be leveraged in a way that is customer supportive, rather than customer negative. The data can be leveraged for more sales through customer-intelligent marketing. It is smart data and you cannot be artificially intelligent with dumb data. Smart data is the critical factor to differentiate between businesses that are good and those that are bad.

The data that every business has today, as an incumbent, is the gold that will keep them in existence in the future, if they are smart and use that data well. After all, so many new companies and start-ups want to replace the incumbent companies by using data as their leverage point. We have seen this specifically with Amazon versus Walmart. Amazon's magic sauce is that it has the customer's data, analyses it, views the customer holistically and makes logical links and recommendations through those analytics. If you have the data to analyse customers holistically, it provides huge leverage to attack the weak underbelly of the industrial-era firms of the world.[10]

FinTech companies have become hot, with valuations of billions of dollars, for this reason. It is because they can see that banks are not only weak with digital but, of more concern, weak with data. When you look at a Stripe or an Adyen or a PayPal, all they are doing is playing on this weakness. Equally, we have seen this in media; we have seen this in travel; we have seen it in entertainment; we have seen it in commerce; we have seen it in retail; and now we are seeing it in financial services.

In conclusion, all of the following things are important: digital transformation, climate emergency, inequality, diversity, inclusion, purpose, stakeholder capitalism, digital transparency and more. However, the most important thing is getting a grip on your data. After all, data is the air that we breathe today. Clean data is good air. Dirty data is going suffocate you. How clean is your data? How strong is your leadership team? How well does your company understand digital? How committed is it? Does your company have a purpose and is this purpose real or fake?

All of these questions are tackled in this book. Admittedly, it's a big topic, but I hope you find answers. If nothing else, you will find it a good read as we have everyone from Gail Bradbrook of Extinction Rebellion to Brock Pierce of the Bitcoin Foundation, and a bunch of investors, financiers and bankers in between, to illuminate, enlighten and help you make your own mind up about these big areas of the future.

10 Chris Skinner, "What Banks Can Learn From WalMart," Finanser (blog), 18 May 2017, https://thefinanser.com/2017/05/banks-can-learn-wal-mart.html/.

AN INTERVIEW WITH TOM BLOMFIELD, CO-FOUNDER OF MONZO, A UK CHALLENGER BANK

I've known Tom Blomfield for many years, and enjoyed watching Monzo grow from nothing in the United Kingdom to a major contender as a digital-first challenger bank with millions of customers. As the bank grew, Tom, a serial entrepreneur, gradually stepped back from the day-to-day business operations and focused on its growth vision and purpose. In fact, the bank had always had a purpose. What drove the bank and its vision? What is its purpose? To find out, I talked to Tom soon after he left the bank to pursue other ideas.

Chris: What does purpose mean to you?

Tom: It's the why, I guess. If you have watched any of Simon Sinek's videos, the why is the meaning that connects the people to the company. Even if you don't believe in purpose, every company has what's called externalities—the impact they have on the surroundings, whether that's their environment or their customers or their neighbours or society. It might be a small business that chucks its waste over the fence or it might be a really big business, like Facebook, that's one of the largest connectors in the world. All of these businesses have these externalities whether you like it or not. Being conscious of those externalities and then trying to ensure that they are working for the public good is key. What impact do you have on the world and society around you, your customers, your employees? They exist, whether they are a conscious choice or not, and so it's better that they are a conscious choice rather than stumbling into something and realising that you've had this pretty horrific impact on the world.

I don't think you can have businesses that aren't purpose driven or are purpose driven. Everyone has these effects and side effects, so I think it's best to be purposeful and have a clear intention about your purpose than not. If you embrace that, then there are huge number of benefits which ensue.

Chris: How do you end up picking the right purpose?

Tom: It needs to be close to your core business and that can be harder or easier. Monzo has a purpose to "Make Money Work for Everyone" and that encapsulated our ambition. "Everyone" means everyone in the entire world. You can take that as a sign of megalomania but really making money work for everyone means that is has to include the financially excluded people, homeless people, people who have arrived in this country without passports, as in migrants and refugees. For us, it was about financial inclusion. Working with technology charities to help people who have struggled with money in the past. The key is that your purpose needs to be connected with your core business, otherwise it feels like it has been bolted on afterwards.

Chris: When you look at large international conglomerates, many have morphed into a faceless company that doesn't really have values or purpose. Can they create one?

Tom: It's easier when you're small, but there are big companies who do it well. Unilever is pretty well known for doing pretty good things in that space. Or take Google as an example. Their unofficial motto for many years was "Don't Be Evil". It's a statement of "We're Not Going to Intentionally Trash the World", but it's not a positive statement of intent. It's almost decisions which seem amoral, not immoral or moral, but without thinking of morals almost. Without considering it will then have these repercussions. I would much prefer a statement like "Leave the World Better Than You Found It" rather than "Don't Be Evil".

Chris: How do you balance purpose and stakeholders with shareholder return and return on investment?

Tom: It should be easier when you have a massively profitable business, like Google. Amazon is intentionally almost a zero-profit business, but certainly pushing their reinvesting so heavily and being so focused is in their mindset. It is harder to make that model work and then hand out very generous benefits, and even harder still for loss-making businesses that are relying on external investment. The pressure is always there to not raise salaries, not meet the market standard, not give out the benefits you would like to and try to maximise profitability. I don't think cost-cutting is ever really the way to get to profitability. Growing revenue is the upside to cutting costs. You're fairly limited with the failings you can make.

Chris: Steve Jobs always said innovate out of a crisis.

Tom: If you're Steve Jobs, you get to play by your own set of rules.

Chris: How did your purpose play out in the Monzo story?

Tom: We've had some real successes but were not perfect, by any means. There were people we couldn't give bank accounts to because, ultimately, they fell outside our risk appetite after vigorous discussion at the board and with regulators. We decided that some people would not be within our risk appetite, which I was very disappointed in, but we did a lot of good and I'll give you a couple of examples.

One is in debt management. We introduced the first gambling block in the United Kingdom, which was effectively a way within the app to selfidentify as someone who wanted to stop gambling. You'd flick a switch, which would explain to you that by doing this it would prevent, as far as is possible, any transaction going through to a casino, bookmaker or slot machine. It would decline the transaction. If you wanted to re-enable it, it would take 48 hours. You would have a cooling off period, which is really important.

This feature came about, not because someone in the corporate social responsibility team thought it was a good idea or the PR team or me or any of the management. It was two people working in our vulnerable customers team. We have a specific team who just work with customers, who have vulnerabilities of various kinds. They noticed that we had people with gambling problems, and that it was really affecting their lives. They talked to a few charities and came up with this pretty straightforward idea.

It wasn't a complicated piece of software to write—we built it within a handful of days with a couple of engineers who volunteered their time—and got it through all the right approval processes and launched it. It's been absolutely phenomenally successful. We had hundreds of thousands of people enabling this thing, and we saw a reduction in gambling behaviour amongst that group by 70 or 80 per cent. Some people would re-enable it eventually, but the key is that we helped to create a reduction of 70 to 80 per cent in gambling behaviour amongst a group who self-identified as problem gamblers. We had quite public case studies.

There's a guy called Danny Cheetham, for example, who had got himself into quite bad debt. He had gambling problems. He was able to talk about it, but had never been able to get on top of it. Finally, with Monzo's gambling block, he'd started to claw himself out of debt. I think it's about a couple of years now that he hasn't gambled. That, for him, is absolutely life changing. It came about because some people on the frontline of Monzo identified this opportunity, saw that it resonated so strongly with our values and decided to make it happen. To me, that's the importance of your purpose and values. It's not from the top-down. It's in energising that belief in everyone who works for the company.

The second example is working with homeless charities. The rules on KYC and anti-money laundering (AML) are long and complicated, but also explicitly say that banking must be balanced with the obligations to offer financial services to as broad a range of people as you possibly can. Basically, you have a financial inclusion obligation and that must then be balanced with the risks. It is up to the bank where they decide to draw the line. According to Financial Conduct Authority (FCA) rules, it says that you might not be able to get a traditional ID from some vulnerable customers, for example, someone that has just come out of prison or living in a homeless shelter or maybe a refugee. In such cases, there are other ways of verifying identity and onboarding those customers. You might go and talk to an ex-offender's parole officer or you might go and talk to the person who runs the homeless shelter, and take a letter from that person, to prove the person's identity. We do a lot of work with homeless shelters to get accounts for people who might not have a driving licence or a passport.

Banks are always being forced to do this with one arm twisted behind their back, under the guise of basic bank accounts, with the idea being that you mitigate your risk by giving out bank accounts which don't have an overdraft, but do offer contactless cards that allow you to spend. You can reduce financial exposure to banks, and also reduce the risk of money laundering and counterterrorism. Banks were forced to offer these accounts by legislation a few years ago. But then the only way for ex-prisoners and the homeless to get one of these accounts was to go to one specific branch of that bank. One bank branch that offered the account opening service for these people—in the whole country. Banks met their obligation but, really, they did it with resistance. It was because it was hard to do, and it was costly, and these accounts didn't make much money because the overdraft was turned off, and so there wasn't a lot of incentive.

At Monzo, our accounts are so cheap to run anyway that the cost wasn't a consideration. We were able to offer these accounts. Because of modern technology, it's much easier when you have the right structure, so we are able to offer more of these accounts to homeless people.

Again, there was no real profit to be made but, just under that mission of "Making Money Work for Everyone", it became important for us to do that.

Chris: Most banks would say that the regulator has a problem with onboarding customers who have no documentation.

Tom: They might but this requirement is specifically stated in the regulation that you must do this. I don't think you could do it blindly. You couldn't say "You know what? We're just not going to check identity documents for anyone" and then open accounts for everyone and close your eyes to risk. That clearly is not acceptable. If you weigh up the risks and say we believe this can be done, but note that the risks are XYZ, you then work out how to mitigate those risks by putting these limits in place. You can see how to accept alternative forms of identification, like a letter from the homeless shelter or from the parole officer. The regulator actually has produced a list of those alternative forms of identification that banks should be accepting. That is legislation saying "you can". It's just a pain for banks to do it because they are all working in the same way with the same standard format. You get a cashier in some branch, who has never heard of this stuff, saying, "Sorry, I can't open your account; it doesn't tick the box we need." Computer says no!

You just need to take a risk-based approach, and really understand the legislation. If you take the regulator through it, and they can see that you've considered it properly, it poses no problem.

Chris: Do you feel like purpose was important to you because you were of a certain age when you founded Monzo or do you think it would be the same and would resonate no matter what age you are?

Tom: It resonates with all ages, with everyone. For our staff, the purpose means something. In fact, some people would say, in their interview, that they were here because of our purpose. They would say that they had read an article or blog post on the work Monzo was doing with financial inclusion or problem gambling, and that they wanted to be part of something that does good. That wasn't just young people. We had people in their fifties and sixties joining who, having worked a whole career in banking, wanted to make a positive difference.

Chris: When you look around the world that you are in today, do you think that financial services works?

Tom: Not yet. I think Monzo has made some progress. I'm really proud of the things we've built but there's a long way to go. More and more people from traditional financial backgrounds are talking about these things now. Mark Carney, after he left the Bank of England, has spent a lot of time talking about the environmental impact of investment decisions. More and more people are getting it, but there's just such a long way to go.

Chris: What would you say are the key things from your experience looking ahead that we need to change to make banking work better for society and the planet?

Tom: With the rise of technology, this isn't banking or finance per se. It's society and the economy. People build these services and give us an edge on competition and, because of the availability of the internet and technology, it becomes a winner-takes-all market. You can see this with Facebook and Google. That is good for consumers broadly and I still think Google is a net positive to society. Having free maps and email and brilliant search, actually, is worth it. I don't think they're perfect, but the economic benefits of what they do reach a very, very, very small number of people. Sure, it makes a few billionaires and several thousand millionaires—software developers mostly—but the benefits that Google delivers to the average person are worth it. The issue then is that anyone else who doesn't have their incomes indexed to tech stocks end up with this huge inequality gap, which I think is going to be more and more problematic. There will need to be some way of taxing the rich and moving to some form of more even distribution of wealth across countries, especially health care and education. Not a Universal Basic Income, but a basic level of care for everyone.

What this means in financial services is offering products and services for people's day-to-day lives, rather than focusing on the big products like mortgages, which are just so out of reach for so many people.

It has changed over past five years, but much more focus on great day-to-day transactional banking for people who are living pay cheque to pay cheque will be critical. Then enabling them to be able to save up is important.

Chris: Will purpose-driven businesses be more successful than those that have no purpose?

Tom: They must be. The choices consumers and employees make will dramatically favour those companies and brands with purpose, especially if they can show that they live that purpose. Too many companies just talk about a nice mission statement and don't back it with purpose. It is clear that this will have an impact over the coming decade or two.

ABOUT TOM BLOMFIELD

Tom Blomfield founded Monzo in 2015 along with four other co-founders. After graduating from Oxford with a master's degree in law, he joined the consulting world at OC&C before opting for start-up life in Silicon Valley. At San Francisco's Y Combinator, Blomfield dipped his toe into the world of FinTech and founded GoCardless, a direct debit processing company. A further stint stateside at New York-based dating app, Grouper, saw him complete his time in the United States and return to the United Kingdom where he co-founded Monzo. He was CEO of Monzo from February 2015 until he left the business in 2020. Blomfield is now involved in a variety of activities. In 2013, he was named one of the top five entrepreneurs under 30 by the European Commission.