Purpose Led Sustainable and Virtuous Banking

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Jubilee Centre for Character and Virtues

Virtuous Leadership and Character

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"Purpose led sustainable and virtuous banking"

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ABBREVIATIONS

SCIB	Santander Corporate Investment Bank
CEO	Chief Executive Officer
FCA	Financial Conduct Authority
ECB	European Central Bank
LIBOR	London Interbank Offered Rate
FMSB	Financial Markets Standards Board

ABSTRACT

When the former Governor of the Bank of England, Mark Carney, spoke of Inclusive Capitalism he: "*hoped to open up a discussion on the importance of social licence for the financial sector […] so that individual virtue and collective prosperity could flourish.*" [1]

This abstract argues that collective prosperity is achievable in a corporate environment by establishing a *purpose led approach* built upon the foundation of the new virtuous and character leadership model that nurtures *ethos* and drives the creation of positive value to society.

[1] Rouch, D. (2020). *The Social Licence for Financial Markets: Reaching for the End and Why It Counts*. Palgrave Macmillan. 10.1007/978-3-030-40220-4.

NATURE vs. NURTURE

In Aristotelian words, to understand a thing's nature is primarily to grasp "how a being displays itself by its nature[2]." It is only by examining the nature of things that we determine its true "virtue" (Arête) and we are capable of using all of its potential and faculties to achieve "excellence." This paper seeks to answer how Corporate & Investment Banking can ultimately achieve its nature (or purpose) by fostering an ecosystem which enables individual flourishing / thriving and in turn sustained enterprise outperformance, and why the industry may have under-utilised the lever of character leadership and behavioural risk methodologies to establish a competitive edge, arguing that it is precisely these intangible strengths, character and intellectual "virtues" such as courage and integrity as well as prudence and sound judgement; the environment of the organisations, which drive best outcomes for the firm and its wider stakeholders in the long run.

The extent to which the industry can be framed by its potential virtues and constitute a "practice" according to Alistair McIntyre in "After Virtue"[3] remains subject of intense debate notably "The irrelevance of ethics"[4] and counterarguments found in "Can finance be a virtuous practice"[5] or "Can a good person be a good trader? An ethical defence of financial trading".[6] This paper seeks to reconcile what has been theorized in academia and that which has played out at an organizational, sectoral and practical level. Drawing conclusions from recent case studies in order to inform our conclusions on what the optimal conditions or "enablers" for individual development and firm contribution should be within an investment banking organization while aligning to the "standards of excellence" necessary for not only the orderly functioning of markets but also good client and broader societal outcomes, simultaneously encouraging effective competition.

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[2] Aristotle (1906) Nicomachean Ethics, Book 2, chapter 6: "Virtue (arete), then, is a habit or trained faculty of choice, the characteristic of which lies in moderation or observance of the mean relatively to the persons concerned, as determined by reason, i.e. by the reason by which the prudent man would determine it."
[3] MacIntyre, Alistair (1984) After Virtue second edition, chapter 14
[4] MacIntyre, Alistair (2015) The Irrelevance of Ethics
[5] Rocchi M, Ferrero I, Beadle R. Can Finance Be a Virtuous Practice? A MacIntyrean Account. Business Ethics Quarterly. 2021;31(1):75-105. doi:10.1017/beq.2020.5
[6] Rocchi, M., Thunder, D. Can a Good Person be a Good Trader? An Ethical Defense of Financial Trading. *J Bus Ethics* **159**, 89–103 (2019). https://doi.org/10.1007/s10551-017-3756-3

Stressing the importance of character leadership and effective “Tone from the top” must therefore translate to a more holistic, magnanimous approach – reflecting an authentic embodiment of the stated corporate values of the firm they work for. Leadership will be decisive in effecting positive change as these good behaviours trickle down throughout organisations and drive a collective sense of mission and purpose (“tone from within.”)[7] This paper compels investment banking organisations to first look inward, in particular at its wider leadership and internal structures arguing that the often overlooked, less quantifiable aspects of corporate culture will be decisive in the future of businesses and the industry as a whole.

[7] Mark Steward, Executive Director of Enforcement and Market Oversight, Financial Conduct Authority ‘Compliance, Culture and Evolving Regulatory Expectations’ (2021) “It is one thing to have an idea about how your CEO or line manager might respond in a situation, it is another to be clear about how you might respond on your own and why. Whether stated directly or not, the “development of Tone from Within via training, self-reflection and self-challenge is a precursor to wider corporate change.”

HISTORY REPEATING ITSELF

Corporate Investment Banking has traditionally been a supremely technocratic environment which champions hierarchy and seniority, attracting ambitious individuals who possess the right combination of technical skills and capacity for delivery to thrive in a very fast-paced industry. However, in this context, are individuals encouraged to strive for a higher, collective purpose or is history destined to repeat itself, with Financial Institutions (and organizations as a whole) retaining staff and appointing managers who inadvertently prioritise self-interest and short-term targets?

Continuing to reenforce outdated views of Corporate Investment Banking leadership, much depicted in media and satire alike, risks undermining credibility and alienating organisations from their stakeholders both internal and external who are being urged to demand more of their institutions. When the former Governor of the Bank of England, Mark Carney, spoke of Inclusive Capitalism[8] he hoped to open up a discussion on the importance of social licence for the financial sector both to embed "a sense of the systemic and in which individual virtue and collective prosperity can flourish." This Eudaimonia Mr Carney alluded to can be lost within the day-to-day functioning of banks and financial services firms where individuals and teams are seen to be exclusively results-oriented.

With a clear set of virtues and a shift away from authoritarian to authoritative[9] (people-focused) styles of leadership where diversity of thought and innovation are celebrated and encouraged rather than stifled, encouraging Excellence (both human and professional), Psychological Safety and Collaboration amongst staff, in Santander we strongly believe that real, demonstrable implementation of a collective mission underpinned by a wider purpose will necessarily lead to sustained growth (prosperity) over the longer term.

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[8] Rouch, D. (2020). *The Social Licence for Financial Markets: Reaching for the End and Why It Counts*. Palgrave Macmillan. 10.1007/978-3-030-40220-4.

[9] Stobierski, T. (2019). 5 pros & cons of authoritative leadership. Harvard Business School. from https://online.hbs.edu/blog/post/authoritative-leadership-style.

I AM WHAT I AM

The Corporate Investment Banking model that has developed over time has in some cases lost connection to its purpose. This disconnect, perpetuated by a vicious cycle of cultural failure has culminated in multiple, sometimes systemic, banking collapses which now span generations. In order to solve the greatest challenges facing mankind, profitably but not at the expense of the planet or people[10], business must now re-consider their place in society at a time of unprecedented technological, geopolitical and environmental change.

The British Academy Report 'Principles for Purposeful Business'[11] compels organizations to look internally at how they can revisit their purpose to act as true agents for change denoting the original concept of a Corporation dating back to Ancient Roman Law as one that brings about societal (educational, civic, philanthropic) benefit, not mere profit maximization which has prevailed only in modern history. The report concludes a need for a framework based on collective purpose, trust and ethics requiring strong ownership by organizations; engagement with stakeholders and society at large who will, in turn, support their purpose (on the understanding it will nurture society as a whole) via financing.

Pointed cases that have challenged stakeholders' support (both internal and external) for the traditional investment banking model have often been attributed to individual behaviour. The LIBOR fixing scandal[12] was famously reported as being changed for 'the price of a mars bar' to assist the commercial and trading interests of the firms in question but at high expense to the public. The ability of key individuals to be influenced with such little incentive called into question the integrity of individuals at key financial institutions at a time when public trust was already eroded in light of 2008/ 2009.

[10] Miller, K (2020) The Triple Bottom Line Harvard Business review. https://online.hbs.edu/blog/post/what-is-the-triple-bottom-line
[11] Principles for Purposeful Business by The British Academy (2020) https://www.thebritishacademy.ac.uk/publications/future-of-the-corporation-principles-for-purposeful-business/
[12] Libor Rates could be changed for a Mars bar, court hears, BBC News (2015) https://www.bbc.co.uk/news/business-33448210

Llewellyn, Steare and Trevellick's paper on Virtuous Banking[13], published five years after the Global Recession of 2008 / 2009 questioned what was needed to restore the confidence lost in the banking sector in spite of successive policy and regulatory interventions. Emphasizing the ultimate objectives of banks, they wrote that notwithstanding reform "many of our small businesses lack the finance they need; customers are bereft of the advice and care they require and consumer trust […] is at a new low." The paper suggests that virtue theory could bridge this gap and places central to its hypothesis that the diverse needs of customers can be better served via character formation in the pursuit of purpose. The authors asserted that what was therefore required was a study of the root causes since both the actions of individuals as well as the culture in which they operated seemingly contributed towards the fundamental misjudgement that 'what was good for one was necessarily good for all.'

[13] Llewellyn, D.T., Steare, R and Trevellick, J. (2014). Virtuous Banking: Placing Ethos and Purpose at the Heart of Finance. London: ResPublica.

THE WEAKEST LINK

Spurred on by Regulators and Supervisory bodies in wake of multiple crises, Financial Institutions have been encouraged to be more action driven and live by 'the spirit' as well as the 'letter' of the law[14] – noting that the mindset which drive habitual behaviours are in fact what truly characterizes an organization.[15] Since corporate values and mission statements can appear very similar to competitors from external parties and even hollow to participants (if they are not content-based and lived through the organization) this is something which firms have clearly been grappling to define in a unique fashion. Traditionally organizations have opted to publish and live by a set of values, finding them to be more coherent than virtues. Virtues however can be held intellectually but also lived practically and could help agents overcome obstacles when faced with ethical dilemmas.

Virtues are a product of repeated observance which, like habits, will become tangible over time and additionally carry with them a sense of aspiration (for the individual and the firm alike) because it necessarily must be cultivated and grown. MacIntyre[16] argues that Investment Banking is not implicitly virtuous but can become so through mastery and as such virtuous practice should help financial agents traverse 'grey areas' or moral dilemmas which rules and regulations may fail to scope. Applying high level principles such as fairness; transparency and honesty should mean that virtues of prudence, justice and sound judgement become practical realities of the profession and are applied to concrete situations when meeting with colleagues; clients and representing oneself within the firm or as a member of the industry. Through virtuous practice, rules and regulations are not viewed as mere tick boxes but as the standard of behaviour required to achieve sound, sustainable business.

When the Financial Conduct Authority introduced the Senior Managers Certification Regime[17] for UK firms, it made clear that organizations were only as good as their weakest link, and with respect to the client facing or material risk taking roles

[14] Financial Conduct Authority, The FCA's approach to advancing its objectives (2015) https://www.fca.org.uk/publication/corporate/fca-approach-advancing-objectives-2015.pdf
[15] Financial Conduct Authority Discussion Paper: Transforming Culture in Financial Services (2018) https://www.fca.org.uk/publication/discussion/dp18-02.pdf
[16] MacIntyre, Alistair (1984) After Virtue second edition, chapter 14
[17] Financial Conduct Authority, Senior Managers and Certification Regime (2015) https://www.fca.org.uk/firms/senior-managers-certification-regime

that firms should take proper accountability for ‘knowing their people’ requiring a ‘fit and proper’ test be performed before any of these new hires took their first step in the bank (or those already performing the functions in house), representing the first big step in banking for firms to attune themselves to the people they hired in questioning whether they should be able to represent the industry.

NOT MERE LIP SERVICE

The Oxford Character Study on UK Finance[18] surveyed what qualities were needed for truly good leadership, finding that respondents' features fell into three distinct categories, 'character' and 'interpersonal skills' which were valued disproportionately to leaders who exhibited the third key quality 'technical competence', though it tends to act as the first signal and foundation for promotion in a Corporate Investment Banking context. Corporate Investment Banking, traditionally rooted in an authoritarian technocratic leadership built on hierarchy is already gradually evolving to a more authoritative, albeit still rather utilitarian approach whereby reputation could be seen to still be the fundamental driver, as opposed to the responsible creation of added value for society.

Leaders must now be virtuous and of good character, putting this into practice in day-to-day interactions, avoiding the maligned short-termist behaviour that does not view the flourishing of individuals as an end in itself. This style of leadership is characterized by Daniel Goleman as the 'Authoritative' style of leadership, those leaders which value the betterment of their surroundings and believe positive behaviours will in turn drive engagement, connectivity and cement psychological safety. ¨Authoritative leaders, also called visionary leaders, tend to approach leadership like a mentor guiding a mentee." Instead of telling their team to follow instructions and do as they say, authoritative leaders exercise empathy and will bring others on the journey with them.[19]

Organisations which successfully recruit individuals able to develop these characteristics, and underpin their operations with core principles including strong psychological safety will bear witness to individual and firm-wide enrichment as this contributes incrementally towards transformation of the organization culture since staff will in turn foster these positive behavioural cues which trickle down creating a ´tone from within´ substituted by training; engaging in self-reflection to challenge themselves bringing about wider corporate change. Organizations have a key part to play in selecting and retaining their Board and Senior Management based on sound judgement,

[18] Character in UK Finance, Oxford Character Project (2023) https://oxfordcharacter.org/uploads/files/Good-Leadership-in-UK-Business_Sep-2023.pdf
[19] Stobierski, T. (2019). 5 pros & cons of authoritative leadership. Harvard Business School. https://online.hbs.edu/blog/post/authoritative-leadership-style.

competence but, above all, integrity to ensure these qualities are not diminished at decisive moments, i.e. the ideal authoritative archetype, one who has a “firm understanding of the challenges to overcome and the goals to reach with a clear vision for achieving success.”

ONE BAD APPLE…

The stereotypical authoritarian leader by contrast is demanding and whilst this can motivate the right sort of employee (one with motivations highly correlated to that of their manager) for a time, employee engagement will tend to wane over a longer horizon given the manager is disproportionately task-focused, suppressing effective communication and creating distance between the manager and their direct reports. Conversely, when individuals are actively encouraged to develop soft skills alongside technical competences, organizations will witness a multiplier effect to the functioning and well-being of the firm and the individuals within it. It is too simplistic a model to state leadership in banking aligns more closely to authoritarianism however assuming that in a highly results oriented firm, a typical Corporate Investment Banking model of recruitment will disproportionately favour technical competence over soft skills in both hiring and promotions strategy it is likely that this leadership style will translate throughout the firm, in turn hindering character development & growth and diminishing creativity.

A sink-or-swim approach to management could be viewed as a natural extension of the traditional banking culture, commonly known as "move up or move out" referring to the system of promotion over tenure however in a society where the power balance has shifted from employer to employees, where collectivism is not achieved within an organization and causes team members to leave, the organization risks losing key drivers for good. Crossan, Furlong and Austin[20] characterized this phenomena as "good apples" leaving the "bad barrels". In order to mitigate against leadership styles that are misaligned with firm wide expectations, potentially leading to negative firm outcomes, organizations should ensure clear expectations have been set and not only create but fully embed the right 'tone from the top', first coined to describe the attitude of Senior Management to internal controls and ethical considerations following multiple accounting scandals, notably Enron, and re-emphasized during the introduction of the Sarbanes-Oxley Act[21], to ensure character development is central to strategic development.

[20] Crossan, M., W. Furlong and R. D. Austin. 2022. Make leader character your competitive edge. MIT Sloan Management Review (Fall): 1-12.
[21] U.S. Securities and Exchange Commission American Society of Corporate Secretaries Washington, D.C.

The trickle-down effect resulting from these negative micro-cultures within organizations can be telling of a wider disease whereby ‘one bad apple rots the whole barrel’, but it holds that the reverse should also apply i.e. the cumulative effect of a firm made up of multiple, healthy functioning teams characterized by ‘good behaviour’ should ultimately lead to firm-wide prosperity. The “invisible hand”[22] of culture should be genuinely embedded into company strategy and execution and manifested throughout the bank´s activities and internal relationships with everyone having a clear sense of belonging, direction and contribution from their leadership team and a collective shared mindset and purpose. The strategy should also reflect values and beliefs which permeate in the way of doing business everyday contributing towards both stakeholder benefit alongside the firm’s bottom line.

A direct comparison of Credit Suisse and UBS before the 2008 crisis shows key similarities between the two firms and suggests that culture has been the coefficient, having a decisive impact alluded to by the European Central Bank allowing one firm to continue operating following a number of scandals, and in a twist of fate, rescue the other.[23] UBS’ next steps will now doubtless be closely scrutinized by stakeholders looking for evidence of cultural slippage. However, as with any major takeover, the most likely outcome will be one of Credit Suisse staff having to adapt to their new environment and lose some of the key markers observed since the recent collapse their firm - behaviour in the institution has been recalled in recent reports as self-interested, describing the culture as “very sharp-elbowed […] you were told to take advantage of the balance sheet and got paid a massive bonus, that was the game. And it was the game for 30 years. And there was no sense of being in it together.”[2] Whilst partially explained by the business diversification undertaken by UBS pivoting away from asset management and investment banking, the comparatively better culture at UBS is viewed as the resultant effect of lessons learned and past mistakes leading to a divergence.

(September 27, 2002) https://www.sec.gov/news/speech/spch586.htm
[22] Treading softly yet boldly: how culture drives risk in banks and what supervisors can do about it, ECB (2023) Treading softly yet boldly: how culture drives risk in banks and what supervisors can do about it (europa.eu)
[23] Culture Clash: the challenge of uniting fierce rivals UBS and Credit Suisse (2023) https://www.ft.com/content/12d8b5c0-12c7-4769-8f03-e68424abe36e

Ensuring firms are mindful of the decisive impact that culture can have on long term firm prosperity should not be underestimated. The 2023 Conference of the Banking Union, where the European Central Bank posited that "banks are complex organisms driven by the sum of their human interactions and decisions" and "Balance sheets are often scrutinised with a hawk's eye but it is often culture that whispers the first signs of trouble" clearly signals that firms should view culture as this coefficient to sustainable growth. The speech encouraged firms to recognise this cumulative effect and take heed, noting that this predictive quality would translate into their supervision, citing behaviour as the "tell-tale sign of whether a bank is primed for prudent risk management or careening toward recklessness."[24]

[24] Treading softly yet boldly: how culture drives risk in banks and what supervisors can do about it, ECB (2023) Treading softly yet boldly: how culture drives risk in banks and what supervisors can do about it (europa.eu)

THE CARROT OR THE STICK

The Financial Markets Stability Board Spotlight Review on Conduct & Culture Management Information[25] highlighted that many firms were still in early stages of development in 'measuring' conduct, however it did go some way to explaining what Conduct and Culture should look like, calling on the industry to focus on the 'carrot' and not the 'stick', reminding firms that culture is "not just about avoiding bad behaviour, it's actually about incentivising, supporting and fostering behaviour that helps the organisation to be successful on a sustained basis and can help the bottom line."

Ensuring virtue-driven purpose can be quantified has thus far eluded firms, industry bodies and regulators alike. Firms' efforts in respect to understanding culture were initially focused entirely on the misconduct metrics they could build using the data at their disposal on policy breaches. This approach therefore fails to provide the necessary insight to effect meaningful change and does not take into account the root causes of behaviour. Seemingly 'bad' behaviour[26] taken outside of context (organizational nuance, personal and political dynamics) could have the adverse effect of discouraging staff to speak up, causing them to feel alienated and distanced from their purpose especially when faced with binary conduct outcomes in response to the complex decision making they are faced with on a daily basis.

The challenge which institutions will now face therefore is putting this into practice and ensuring the sum of these behaviours are measurable in an industry which values the 'tangible', attempting to 'join the dots' on a single, coherent scientifically informed approach to understanding culture, behaviour, and leadership to determine the right outcome, with the ultimate aim being success of the firm and the individuals within it. The ECB stresses that it is in these nuances that organizations can gain key insights[27], with supervisors assessing not only past behaviour and incidents but also employee surveys and interviews to build a picture, transforming the qualitative to the

[25] Spotlight Review Conduct and Culture MI, Financial Markets Stability Board (2023) https://fmsb.com/wp-content/uploads/2023/07/FMSB-Conduct-and-Culture-MI-Report-July-24-2023.pdf
[26] Grosse, D: The Business of Banking is the Business of Behaviour (2023) https://www.linkedin.com/pulse/business-banking-behaviour-david-grosse/
[27] Treading softly yet boldly: how culture drives risk in banks and what supervisors can do about it, ECB (2023) Treading softly yet boldly: how culture drives risk in banks and what supervisors can do about it (europa.eu)

measurable, arguably quantitative and which can go some way to understanding and avoiding recurrence.

IS IT ALL JUST A GAME?

In a rapidly changing environment, banks themselves are under intense pressure to adapt. Post-covid; with challenger banks on their tails and under the watchful eye of their regulators, coupled with increasing public scrutiny the traditional banking model is reaching a critical point with more external drivers for change than ever. The Head of Board Engagement at the NASDAQ[28] likens this new normal to a game of Pacman, with participants battling for market share like pellets in the arcade game. In order to succeed he suggests that "traditional banks […] not only need to be nimble and innovative but must continue to maintain the trust and leadership they have built then fought to rebuild through challenging times."

Along with the theory of culture as a coefficient therefore, banks should be conscious of exogenous shocks and question whether their character development model is sufficiently agile and equipped to overcome challenge, operating within a heavily process driven and bureaucratic environment for example can drive misconduct by creating complex, irrational or cumbersome structures that ultimately result in circumvention, lack of connectivity, transparency and trust. In essence the 'hardware' of the firm should be sufficiently agile and flexible to be conducive of an orderly fit for purpose organizational structure designed to achieve the ultimate goal and purpose.

This paper acknowledges that the model is nascent. The recent collapse of Silicon Valley Bank (SVB) led to speculation that the bank had prioritized diversity policies, ESG goals and investments over exercising prudent risk management, leading to its demise. Whilst this view has since been contested as dangerous[29], implying diversity equals poor decision making, with postmortems further indicating that SVB's diversity and ESG agendas did not differ materially to its competitors, it serves as a stark reminder to banks that strategy remains key and staff should maintain and develop

[28] "During the past 10 years or so, the competitive grab for traditional-banking market share has resembled Pac-Man, the still-popular 1980s arcade game where the player's goal is to eat as many dots and power pellets as possible before being eaten himself. As they compete for market share against start-up fintechs, with names such as Root and SoFi, as well as with first-generation mega-companies, such as PayPal (with a market cap exceeding $270 billion as of January 1, 2021) and Virgin Money, traditional banks have learned that to succeed, they not only need to be nimble and innovative but must continue to maintain the trust and leadership they have built then fought to rebuild through challenging times".International Banker. (2023). *Why Banking Leadership (Still) Matters. By Byron Loflin, Global Head of Board Engagement, Nasdaq.* https://internationalbanker.com/banking/why-banking-leadership-still-matters/.

[29] Why did SVB collapse? Diversity demands were not the reason (2023) https://www.standard.co.uk/business/silicon-valley-bank-diversity-kamales-lardi-b1068064.html

their key competences, not compromising the pursuit of excellence in search of a corporate utopia.

It remains to be seen how society's changing expectations will translate in an investment banking context to prove or disprove the theory that sustained prosperity emanates first from a clear set of virtues and a shift away from authoritarian to autocratic (people-focused) styles of leadership. A key assumption of this model is that if behaviour truly changes as opposed to merely paying lip service to stakeholder demands, it should hold that true, evidenced 'Tone from the top' will distinguish those firms who will succeed from those which may ultimately not survive as the model is undermined.

DEFINED VIRTUES AND VALUES

Santander Group ensures their values are collectively held and their culture is widely understood, with the Corporate values of "Simple, Personal, Fair", instilling these behaviours internally for staff to absorb and reflect upon but also externally through advertising campaigns ensuring the customer base experience and feel shared ownership of our culture statement known as "The Santander Way". Further, within Santander's Corporate Investment Bank, three distinct but complementary culture pillars have been established to maximise and reenforce positive behaviours in day-to-day interactions which we view as a necessary precursor to longer term, cultural transformation.

To help staff (and in turn the firm) achieve 'Arête'[30], we encourage employees to live by three fundamental principles that translate into action-driven behaviours and virtues – *Excellence,* virtue in the broader sense, at Santander translates to a client-centric approach beyond technical competence alone to maintaining the highest standards of professional conduct, imbuing staff with the drive to achieve their own professional and human excellence through exercising sound judgement, prudent risk management and courage to do the right thing in every particular situation bringing about the practice (and ultimate mastery) of these virtues. Santander's goal is ultimately to develop good leaders that exemplify these virtues, provide clear direction, motivate and inspire others with confidence, passion and commitment to deliver on SCIB transformation and goals.

Psychological Safety generates empathy and trust across the firm at all levels, whereby people are allowed to make mistakes in a safe environment, "speaking up" comfortably and taking full responsibility for their actions while being supported by their management and learning from shared experiences (good and bad). Intellectual diversity, openness of ideas and constructive challenge is celebrated to achieve better outcomes and eliminate "group think", thus creating an environment where staff feel safe and supported to achieve their full potential.

In that same vein, SCIB recognises that communication and fostering connections ensuring teams appreciate the unique values which staff bring to the firm

[30] Aristotle (1906) Nicomachean Ethics, Book 2, chapter 6: "Virtue (arete), then, is a habit or trained faculty of choice, the characteristic of which lies in moderation or observance of the mean relatively to the persons concerned, as determined by reason, i.e. by the reason by which the prudent man would determine it."

will help to drive innovation and achieve a greater purpose, *Collaboration* as the third principle therefore maximizes enterprise value working as a team with a single purpose in a multicultural global environment and a climate of courtesy and respect amongst staff which gives teams a shared sense of ownership, co-opting the good objective values and feeling accountability and ownership for the firm's overall success.

The Oxford Character Project, Character in UK Finance[31], identified the top five common stated shared values across UK based firms – Excellence and Collaboration feature in the list of five alongside Customer Service, Passion and Integrity which Santander embodies within the first two behaviours through Excellence in its client-centricity; passion being synonymous with Excellence and Professionalism (part of Excellence) a key cornerstone of Integrity. Our third CIB value, Psychological Safety, does not feature in the top 5 but aims to support individuals in reaching their full potential and creates the final link in a virtuous circle whereby individuals and the organisation as a whole can flourish.

[31] Character in UK Finance, Oxford Character Project (2023) https://oxfordcharacter.org/uploads/files/Good-Leadership-in-UK-Business_Sep-2023.pdf

A CASTLE IN THE STARS

Moving away from a model of profit maximisation to 'human maximisation' which necessarily leads to a virtuous circle ensures the model is lived and owned by its agents as staff at all levels feel enfranchised to innovate. We recognise this process is multi-faceted and complex, requires strong character-based leadership and sufficient understanding of human motivations based on key principles of behavioural science – in particular ensuring that the ultimate purpose cannot be undermined by overly bureaucratic or complex processes which hinder agents in effecting positive change.

Firms should be mindful that virtues are embodied not merely exhibited whereby virtues could be perceived to be shallow and as such it is the belief of the authors that what is now required for firms to achieve sustainable outcomes for themselves and their stakeholders is to reflect on the true purpose of the industry, setting strategic goals for the firm, demarcating through investments which contribute added value to society, i.e. through creation of 'ESG' products.

In this way, a purpose led virtuous banking model should not be considered the unattainable 'castle in the stars'[32] utopia which management neither view as quantifiable and employees cannot truly decipher within their organisation. It, like the virtues it is based on, should be a process of practice, of mastery and habit-creation achieved through collective effort and clear strategy setting in pursuit of a longer-term goal.

[32] Hunter S Thompson letter to Hume Logan on 'Finding your purpose' (1958) Hunter S. Thompson's Letter on Finding Your Purpose and Living a Meaningful Life (fs.blog)