

Addendum to Purpose+Profit: How Organisations Will Shape the Defining Challenges of Our Time
Interview on purpose-driven leadership with Hein Knaapen, Chief HR Officer ING

1. Are you familiar with current ideas around 'long-term capitalism', or 'people, planet, profit' metrics? If so, how do they shape your thinking at ING?

Yes, I am. Let me start with a critical note – however politically incorrect that may be today. I'm still a fan of the old ideas around 'creating value' (Milton Friedman's ideas around the primacy of shareholder value, ed.) in principle, but today you need to have an additional broad awareness of what society requires, and what earth requires. The reason why I start with the critical note is that I think the nuances are often missing in how companies execute on the idea: for many companies, it tends to become a hobby remote from the business. That's killing the idea. On the other hand, having a purpose that truly explains i) who you are and ii) how you aspire to develop is very powerful. It brings focus, direction.

Note that this problem happens more often with people management ideas (e.g. well-being, editor's note). You need to ensure that the link with value creation for management is absolutely clear. From a content perspective, that is perfectly possible.

2. Can you explain those nuances in more detail?

Well, take the funds that actually invest capital. Who owns that capital really? In many cases, those players are pension funds taking care of our future well-being as humans. So, you're also looking to make those businesses successful from an economic point of view, because they benefit us. But they have to do so in a sustainable – environment-friendly way.

3. How would you explain the deltas between Milton Friedman's (economist who won Nobel prize in 1976, red) and the theories today?

Let me say first that I'm not an economist. What I see today is that the focus is on a lot of areas (environment e.g., ed.) that were underestimated in Friedman's model. These points need to be made forcefully, and the UN ambitions are a great step in this direction.

I also believe many things are still true, like the ideas around freedom and monetary incentives. Friedman has this famous quote, 'there is only one social responsibility of business – to use its resources and engage in activities designed to increase its profits...'. You wouldn't say this today, but I don't believe the original idea was stupid at all. Obviously, when taken to the extreme (e.g. vulture funds, ed.), it can be a bit nasty. However, to quote The Economist of a few weeks back, capitalism should lead to a decent income for the common man, so value creation is essential. The common man should be able to hope that his kids will be better off than himself.

4. If we zoom in on ING, how are you implementing these ideas?

There are two sides to sustainability for me: the environment side, and the people side. For the environment side, we focus on the UN Sustainable Development Goals (SDG), and this effort was led by Leon Wijnands (Global Head of Sustainability ING, ed.), who I believe has done a great job

to bring the SDGs closer to our business. Leon, luckily, was quite pragmatic. He looked closely at what fits our business best and where we could have an impact, so some of these goals play a larger role for us than others.

For the people side, we're not doing such a great job. We often pay people in the middle management layers too well, which limits their mobility. I believe that hampers their growth in the long run. What we should be saying is: 'when you're hired, the value of your asset will increase during your stint at ING.' Note that this was driven by honourable thinking, but I'd say it backfired. You have to make people ready for the rest of their lives as well.

5. Let me put you on the spot then. If you were to draft a new organisation for ING today, without any ties to current stakeholders, what would you change?

Well, I would shamelessly copy our current CEO's (Ralph Hamers, ed.) thinking. You have to be a department store where people can shop for all their financial needs. We explain this internally as having two companies: one is the balance sheet; the other is customer proximity. We combine those two skill sets in one company. If there would be one bank that could theoretically be a department store (or platform, editor's note) for all financial needs, it would be ING.

6. Back to your normal life then, when you're implementing this. What do you do first?

A large part is leadership. Just setting KPIs is not enough. We used the McKinsey Influence model to draft a comprehensive design for this. Some elements in the program are more emotional.

Secondly, it only works if it's driven by what a company wants to achieve. Aligned with strategic goals. It is useless if it does not connect to the business. It needs to align people development with the company's strategy.

7. Final question then. Imagine you read this as CEO of another company. What dilemmas will they face implementing this idea?

First of all, there is this fundamental challenge with people. On one side, you want to create an environment where people can be their best self. This is a world of 'we are in it together for the bright future'. On the other hand, you need a really high-performance environment with a great operation. Combining the ideas can be hard in my experience. Secondly, don't forget that it truly needs to align with the business of the company. A final thing is the public opinion. It can be hard to grasp the nuances for outsiders.

When I think about China, however, these dilemmas may not necessarily exist. They've become rich in a pressure cooker, and things might be quite different. I'm very much looking forward to how they'll deal with these challenges.