



Strategic Alignment and Trajectories of Responsible Innovations in Sustainable Banking

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Abstract

Exploring the cases of « sustainable banks », this article aims at identifying the role and the dynamics of the « strategic alignment » of their activities (including micro-finance). A brief literature review coupled with the analysis of the evolution of sustainable banking activities, led to the identification of the interplay and the dynamic balance and equilibrium between « centrifugal » and « centripetal » forces underlying this alignment. Centrifugal forces contribute to “stretching” banks’ activities (product/services-markets), its resources and competences while centripetal forces are conducive to ensuring their strategic alignment. Centripetal forces relate to « stable » dimensions such as the bank’s vision, mission, values and principles. We identified three categories of banks « Born and being sustainable », « Born sustainable and losing their way » - « Moving towards sustainability ». Our analysis suggests that (1) in « Born and still sustainable banks » the close integration of “stable” dimensions (vision of sustainability, shared values and mission) act as the driving forces in this alignment. Sustainable banking activities are central (core business) and expand progressively. These banks are of small size and (exclusively) dedicated to sustainability and intermediation (2) Born Sustainable banks are “losing their way” when centrifugal forces (led by strong external attractions), are pulling the bank in the direction of « classic » or dominant banking practices and act as a « catalyst », widening the gap (creating tensions) between the former (professed) and the new vision, values, mission, and strategies. In these banks, emphasis has been put on rapid growth and waves of mergers and acquisitions leading to the development of investment banking, financial market operations and more speculative operations. (3) « Banks moving towards sustainability » follow two trajectories. The first leads to the development of sustainable banking activities that progressively expand and become more central. In this case the centripetal forces would be strong enough to create a « snowball effect ». In the second trajectory sustainable banking activities are limited and evolve along a peripheral “orbital” trajectory. In big commercial banks “moving towards sustainability”, size could be both an advantage and a disadvantage when it comes to fostering and expanding sustainable banking.

1. Introduction and Background

Banks and the banking system have a huge impact on society and “as such may impact sustainable development” (Scholtens, 2009, p.159). It has been argued that banks have developed more initiatives related to corporate social responsibility (Jeucken, Bouma, 1999, Scholtens, 2009), ethics and sustainability and that lessons which can be learned from financial and economic crisis call for more sustainable banking and finance (Batu, Boitan, 2009, San-Jose, Retolaza, Gutierrez-Goira, 2011, Constantinou, Ashta 2011) and provides banks with opportunities for sustainable value creation (Laugel, Lazlo, 2009, Weber, 2005, Relaño, 2011) and sustainability agreement, (ex: the Equator Principles (Conley, Williams, 2011) or the Principles for Responsible Finance (PRI, 2011). These PRI principles cover “- the range of services for low income people- their protection- fair treatment- responsible investment- transparency- balanced returns- standards. However, there is a consensus in the literature that only a few banks are really “sustainable”.