

PURPOSE DRIVES RESULTS



October 22, 2022

Building a purpose driven organization is being put to the test. **Almost all senior executives surveyed reported difficulty focusing on their company's official purpose** while reacting to macroeconomic factors like inflation, supply chain issues, labor shortages, and a potential economic downturn. A full 45% reported it was very or extremely difficult to focus.

In August 2022, **Pathward™, N.A.** conducted a study to understand the **Role of Purpose in the Fintech Industry** with 500 U.S. Senior Executives, VP+, responsible for product, business development, technology, or marketing at Fintech firms or firms delivering financial products.

Of the 500 executives surveyed, all reported that they changed their purpose somewhat in the last several years in response to market disruptions. **And, almost half (45%) indicated that they made significant revisions.**

► Purpose Driven Outcomes

The good news is that **all companies reported having a defined purpose.** While companies have been tested in terms of their focus on that purpose, this finding from our study reveals that Fintech companies understand the value of purpose that the authors of "Built to Last", Jim Collins and Jerry I. Porras identified. In "Built to Last", Collins and Porra studied visionary companies that performed 15x better than the stock market from 1920-1990s. One of the key qualities these visionary companies had was a commitment to a corporate purpose that was greater than profits and associated principles and that guided corporate decisions. It didn't matter what the purpose was, what mattered was their unwavering commitment to that purpose.

Steadfast commitment to corporate purpose is worth it. As Peter Drucker once observed, "The most successful company is not the one with the most brains, but the most brains acting in concert. Nothing unifies a leadership team like a shared intention. Amongst those executives whose teams have a well-integrated purpose, 73% say it helps them steer through marketplace turmoil."³

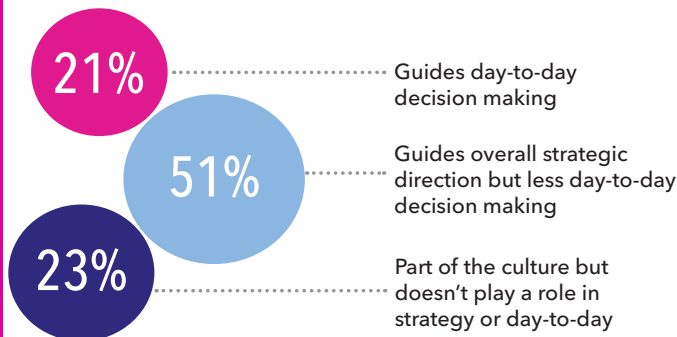
Evidence that an unwavering commitment to corporate purpose translates into significant bottom line results is abundant. The Advertising Research Foundation 2020 Insights study found "83 percent of revenue growth over-performers link everything the company does to its brand purpose."⁴ A 2019 Deloitte report explains "Purpose-oriented companies have higher productivity and growth rates, along with a more satisfied workforce who stay longer with them. Our **research shows that such companies report 30 percent higher levels of innovation and 40 percent higher levels of workforce retention than their competitors.**"⁵

► Committing to Purpose

Given these outcomes, what is the current level of commitment to purpose among the companies in our study? How far have these Fintechs driven purpose into their organizations' DNA? Here the story is mixed. **Only 23% of the executives surveyed report that their purpose guides day-to-day decision making.**

Which statement best describes your company's commitment to its stated Purpose?*

Percentage of respondents



*ASKED AMONG 500 US SENIOR EXECUTIVES, VP+, RESPONSIBLE FOR PRODUCT, BUSINESS DEVELOPMENT, TECHNOLOGY, OR MARKETING AT FINTECH FIRMS OR FIRMS DELIVERING FINANCIAL PRODUCTS
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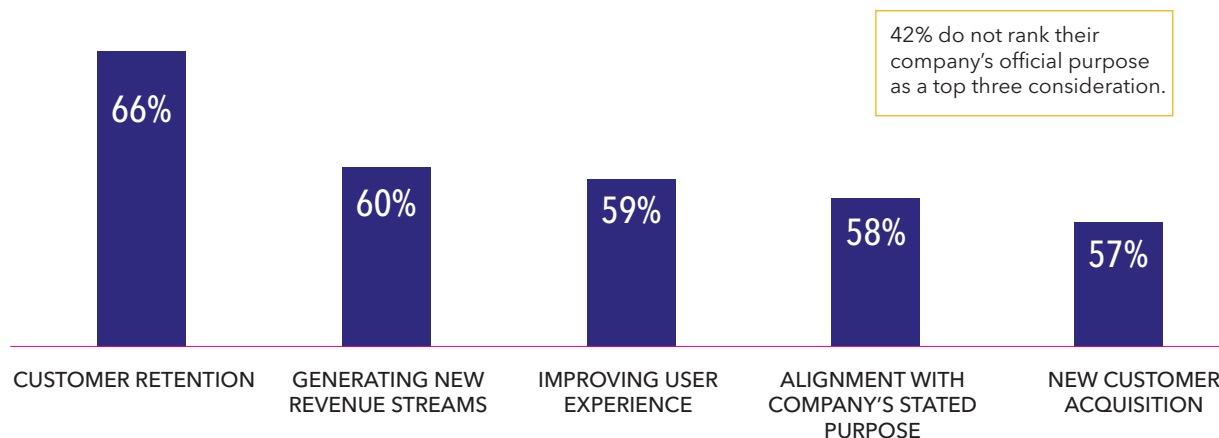
A larger proportion (51%) say that corporate purpose guides their overall strategy but not their day-to-day decision making. Nearly a quarter of companies acknowledge while purpose is a part of their company culture, it really isn't driving their business decisions. These findings indicate that there is a lot of upside potential for these financial services companies to grow the role of purpose in their business and potentially benefit from the business results that commitment delivers. Some of this may be related to how recently these Fintechs have had a defined purpose. **While all companies surveyed in our study reported having a corporate purpose,**

60% have only recently defined their purpose.

A prime example of where more opportunity exists to drive purpose into day-to-day operations is product development. While 46% of companies surveyed say purpose guides

PURPOSEFUL PARTNERSHIPS?

Senior Execs' Top Influencing Factors on Product Development and Service Offerings*



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their product development and service offerings—the most common way companies operationalize corporate purpose—it is not usually the leading factor. **Just 1 in 5 senior executives surveyed (20%) rate alignment with their company's official purpose as the top factor influencing product development.** More than twice as many (42%) admit it's not even a top-three consideration.

Beyond product development, the companies surveyed report they are operationalizing corporate purpose across a broad range of activities including customer communications (46%); hiring practices (43%); standards for business partnerships (43%) to name a few.

► **The Employee Factor**

While companies are operationalizing purpose through their organizations at varying degrees, there is uniform opinion that commitment to purpose has an impact on employee retention. **An overwhelming majority of executives surveyed believed that commitment to purpose had a positive impact on employee retention.** However, as we dig a little deeper, the survey reveals only 25% **strongly** agree it has a positive effect on retention.

According to a McKinsey report, three quarters of millennials are re-evaluating their work situation. As millennials become poised to be 75% of the workforce by 2024, this is an insight that is worth paying attention to. This McKinsey report found 70% of employees in general say their sense of purpose is defined from work.¹

In the important millennial demographic, McKinsey also found 71% of millennials rank finding work that is meaningful as one of the top three factors that they consider for defining career success; and that 30% rank it as their No. 1 factor.² Given the current environment, increased commitment by employers to corporate purpose is likely to pay dividends when it comes to appealing to millennials.

Currently the Fintech senior executives in our study who see the connection are driving purpose into employee's daily lives in a myriad of ways including educational materials (50%); nearly half (46%) even offer paid time off for volunteering; 46% include corporate purpose as a metric in reviews.

► **Purposeful Partnerships**

Interestingly, while the level of commitment to operationalizing purpose is mixed in the Fintech's we studied, these executives understand the value commitment to corporate purpose has on business outcomes when they are selecting business partners. **A clear majority (57%) would prioritize a banking partner with higher overall cost if it meant a higher focus on corporate purpose.** In fact, 50% say a banking partner's commitment to purpose is most impactful on their level of trust, the most cited factor.

While some might expect lowest overall cost of services to be the top factor in deciding who to partner with, the findings point to the opposite. Only 2 in 5 senior executives (39%) cite the lowest overall cost of services as a top factor when selecting a bank partner, but

commitment to purpose doesn't mean trading off on profitability – in fact, just the opposite. An overwhelming 99% agree that purpose-driven bank partners are more likely to drive stronger program, profits and outcomes. Another 69% say a purpose-driven partner is more likely to protect their reputation.

There is evidence that purpose driven companies have historically outperformed the market and the survey findings show that Fintech executives understand that connection. While many have only recently identified that purpose, as the Fintech segment is maturing, many have made significant inroads in operationalizing that purpose across their organizations.

To view the full report, go to <https://www.pathward.com/content/dam/pathward/us/en/documents/pdfs/the-role-of-purpose-in-the-fintech-industry.pdf>

¹<https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/help-your-employees-find-purpose-or-watch-them-leave>

² <https://hrexecutive.com/the-strong-business-case-for-giving-employees-a-sense-of-purpose/>

³Source: <https://betterworkingworld.ey.com/purpose/how-can-purpose-reveal-a-path-through-disruption>

⁴<https://thearf.org/category/news-you-can-use/insights2020-facing-2020-with-2020-vision/>

⁵Deloitte article <https://www2.deloitte.com/us/en/insights/topics/marketing-and-sales-operations/global-marketing-trends/2020/purpose-driven-companies.html>