

Leveraging financial capabilities to resolve global issues

Changing the flow of money can change the world. Kumi Fujisawa, who is trying to create new social systems as vice president of the think tank SophiaBank, and Daiwa Securities Group Chairman Shigeharu Suzuki (then president & CEO) discussed how financial institutions are uniquely positioned to make certain efforts, such as offering products and services for impact investing and that are compliant with the Convention on Cluster Munitions.

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Finance is social infrastructure: Fulfilling our own role contributes to society

Fujisawa: When I attended the World Economic Forum at Davos this year, the term CSR was already outmoded—the focus has turned to how companies, as global citizens, can help resolve society’s problems through their core operations. What kinds of opportunities are there in the financial business?

Suzuki: We do not treat CSR as an accessory to our business. We have positioned contributing to society through our daily operations as the foundation of our activities. Companies have a role to play in society because they operate in the public sphere. Finance is social infrastructure and financial service companies’ role is to link unevenly distributed capital with the companies and countries that need it. I believe companies’ core value lies in contributing to society in the process of pursuing their own objectives.

Fujisawa: What can financial service companies do to help resolve the problems that exist in the world today?

Suzuki: Donations are the most widely recognized form of social contribution, but there are other options. The impact investments we offer allow clients to pursue profits while contributing to society and also generate profit for our company. I believe it is the role of companies to expand their business in areas that also contribute to society.

Fujisawa: I recently mentioned the Daiwa Microfinance Fund on Twitter because I thought it was fantastic when I heard about it. It is possible to apply for amounts starting from ¥1,000 in-store or online. Comments I received included, “It’s great that there is a company creating such products” and “I would like to support this.”

Impact investment also for employees

Fujisawa: Creating BRIC* Funds seems like a better idea for generating revenues efficiently, but creating and offering products that meet the criteria of socially responsible investment has different advantages than those of ordinary financial products.

Suzuki: In some ways, these products are also for employees. We do important work by offering financial products and services that support the foundation of society, but in our daily operation, often cannot easily recognize the value it has in society.

Fujisawa: The significance of impact investment is clear to both employees offering the products and customers purchasing them.

Suzuki: I think employees prefer to find their jobs meaningful, rather than just work to support themselves. Also, customers who may want to make donations face uncertainty about how and where the money will be used. With our products, it is clear that the money will be used where it is necessary. As financial products, they naturally entail risks, but being investments rather than donations, they also offer prospective returns. I believe they are a positive product offering significant benefits for our company, our staff, our customers, and the recipients of the funds.

Fujisawa: I think it is difficult to take the first step because impact investment type products are not highly profitable products for a financial company.

Suzuki: A company has no reason to exist if it does not generate profits. However, companies should meet various social responsibilities as well as pursuing profit. We will keep working to offer products with high social payoffs in line with our role, as a financial service company, as a part of social infrastructure and to provide our employees with rewarding work.

Fujisawa: You’re planning to offer more impact investment products, right?

Suzuki: Yes. Our microfinance products were commercialized from a plan created by a front-line employee concerned about poverty. This example of a good idea being turned into a product has served as an inspiration to employees to put in their best effort, creating a virtuous cycle.

Fujisawa: What has been the reaction from employees?

Suzuki: I think many employees in the sales departments feel they play a meaningful role in society.

Fujisawa: It’s wonderful for the sales staff of a financial service company to feel this way about their work, isn’t it?

*BRIC stands for Brazil, Russia, India, and China.

Impact investing—a good match for the unmatched Japanese national character

Fujisawa: I've heard that doctors were major buyers of Vaccine Bonds. I imagine that offering impact investment products broadens your customer base.

Suzuki: I believe Japanese people are the most kind-hearted in the world in terms of national character. Impact investing is extremely well-suited to Japanese people because they provide the opportunity to pursue social as well as financial returns. They are likely to spread more as they become known to people who have not previously been involved in investing.



Kumi Fujisawa

Cofounder and Vice President of the think tank SophiaBank

Established Japan's first investment trust rating company in 1996 after working at investment trust firms. Co-founded the think tank SophiaBank in 2000. Trying to create new social systems through a wide range of media such as seminars, TV, and magazines.

Fujisawa: It looks like you are developing products based on a belief in the good qualities of Japanese people. Creating products valuable to society sends a positive message to employees and to the Japanese people. It also sends a message abroad about the virtues of Japan. I believe it enhances the Daiwa Securities brand.

Exercising social responsibility by not investing in undesirable companies

Fujisawa: The Oslo Convention on Cluster Munitions entered into force August 2010. On July 30, 2010, Daiwa Asset Management publicly announced that it would prohibit the inclusion of securities issued by cluster munitions producers in active funds. This surprised me when I first heard it, but it's great, isn't it?

Suzuki: We cannot invest in companies involved in unacceptable or banned products and services. We exclude such companies at the due diligence stage prior to underwriting and are putting in place procedures to ensure sales personnel do not recommend them to clients.

Fujisawa: That's terrific. For a country like Japan, which has the greatest financial assets, to create the safety valve of not directing money to companies that are not beneficial to society sends a strong message to the world. This is another way in which the Daiwa Securities Group is taking the lead.

Suzuki: I think more companies are taking social responsibility seriously, but I am proud of our leading role.

Fujisawa: The Daiwa Securities Group's initiative is remarkable given the strong tendency of the Japanese, particularly in the financial and capital markets, to avoid uncharted territory. What has been the response within the company? It is generally said that middle-management opposes changes in corporate strategy.

Suzuki: I believe and hope that there has been no opposition. I have long said that we should not engage in socially unacceptable businesses even if they are not against the law or other rules, and I believe this way of thinking has permeated our company. General managers in particular showed strong support when establishing the principles for cluster munitions producers.

To create an atmosphere allowing employees to work effectively is a management mission

Fujisawa: The number of female sales personnel seems to be rising.

Suzuki: Female sales staff are highly effective in dealing with individual investors, who require meticulous service and explanations. Financial service companies have a reputation for being male bastions, but this is now completely untrue.

Fujisawa: Has the increase in female employees been deliberate or spontaneous?

Suzuki: Both, I think. We certainly deliberately set out to create a rewarding work environment. This led to greater engagement by female employees and a gradual increase in numbers.

Fujisawa: What prompted you to create a female employee-friendly environment?

Suzuki: A few things struck me poorly when I entered the company. One was the messy state of offices. Front office spaces were different, but back offices were in an awful state. I ordered a company-wide revamp when I took up the position of president.

Fujisawa: Your female employees must be happy to have someone who cares about this leading the company.

Suzuki: Another thing I didn't like was that there was no set time to leave the office. Employees are now encouraged to go home before 7:00 p.m. It is particularly difficult for women to work if they don't know what time they will return home.

Fujisawa: You have improved the things that you personally observed needed improvement. It's the leader's job to also consider shaping the environment and creating opportunities from various angles, don't you think?

Suzuki: We have been able to attract many excellent employees because our company now ranks high in surveys of desirable employers. It just goes to show what can be achieved if you offer the proper workplace. I believe it is the role of senior management to create such a workplace and atmosphere.

Fujisawa: I've learned that you have placed great importance on employees enjoying their work. This is probably why the Daiwa Securities Group can do work that contributes significantly to society.



Shigeharu Suzuki

Chairman of the Board, Daiwa Securities Group Inc.

Global Compact principles also not an accessory

Fujisawa: Finally, I'd like to ask about the Daiwa Securities Group's commitments as a member of the UN Global Compact.

Suzuki: The principles of the Global Compact are factors that should be routinely considered in managing a company. They are consistent with our mission and useful in carrying out our activities aiming for a social impact.

Fujisawa: So there was no reason not to join.

Suzuki: I think it is important for companies to be good citizens even if they don't go as far as becoming members of the Global Compact. This should be natural for managers with a Japanese mindset.

Fujisawa: I am highly impressed with what I've heard today. Thank you very much.