

## **BankThink** Motivate employees by challenging them to solve unbanked problem

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The basic business of banking has always been a balancing act between risk and reward. How much do we lend to a client given what we think about their probity and the likelihood that they will pay us back with interest?

Not much has changed, except that it is harder than ever to find new clients within urban, affluent strongholds. At the same time, startups are attracting employees from financial institutions, making it harder for banks to retain good workers.

What must a traditional bank do to expand its client base and retain strong employees? A little counterintuitively, perhaps, banks can gain an upper hand on both fronts by finding ways to do good even as they profit. There are two ways for banks to do this: First, identify underbanked sectors and provide to them financial tools that can support their emergence from poverty and enable profitable capital development; and second, empower employees to work on tools, applications and sectors that will provide them a “human” as well as “financial” return on their labor.

The second part of this strategy deserves special attention: the ability of banks to attract and retain top talent. How ethical a bank’s culture is perceived to be is one factor that is often overlooked. I came across this quite directly when I interviewed for a position in risk management at one of the premier Wall Street banks in 2009. The managing director who interviewed me for the role told me that when she had first gone to work at the bank in the early 2000s, she had been very proud to tell friends and family about her position and the bank she worked for. But after the financial crisis, she professed a profound embarrassment regarding who she worked for and often tried to avoid telling people about it. But it was not just her. Many other, comparatively well-paid employees felt the same way.

When people do not feel proud of the organization they work for, it is harder for them to feel good about themselves and the work they do. When people do good, on the other hand, they feel good, as the psychologist Martin Seligman has demonstrated, in his book "Authentic Happiness." This stems from two components: The first is a sense that people are making a positive contribution to something that is larger than themselves, and the second is the feedback they

receive from those they have helped. When the bank they work for does good, they can feel prouder and happier about the work they do.

How can banks foster this pride? One option is to more aggressively focus on helping the underserved. For example, banks have vastly expanded the availability of banking services in Latin America and Africa in recent years — a move that helps improve the bank's bottom line while helping global populations as well. The poorer segments of the population in such regions traditionally find it difficult to access banks either because they live in towns or villages without bank branches or because they simply would not think of entering into a formal banking relationship proactively. Such people are vulnerable to loan sharks to help them meet their day-to-day financial needs, subjecting them to onerous interest rate charges and potentially dangerous situations. By making mainstream banking products available to them, banks can accomplish the goal of both helping their bottom line and of bringing major sections of the population out of poverty and exploitation.

The finding that workers want to make a positive contribution appears to be more pronounced than ever in the generation now coming of age — an important insight for future hiring efforts. If banks can enlarge the pool of people they help — and can contribute to improving the world in some way — they are likely to foster more engaged and fulfilled employees, from the CEO down to the most junior analysts. Right now, in the banking world, there is a significant pull on potential and actual employees being exerted by startups in the fintech and regtech world. Banks are aware that they are competing for this talent. By developing programs that address the needs of the underserved, banks can increase their ability to win that war.

While employees in banking have typically been incentivized through bonus payments linked to traditional profit-making, banks should consider arrangements that tie individual compensation to how the company is contributing to society in broader ways and how the individual is contributing. Internal business competitions encouraging employees to team up to identify new ventures to support developing communities are another tool that can support more meaningful employee experience. Similarly, employee development programs overseas — “bankers without borders” if you will — are another tool that can be successfully deployed to support these two objectives.

Fundamentally, banks remain competitive places, and they need to attract competitive personalities to their workforce. But at the same time, they need to figure out how to best harness this competitive spirit — and the pursuit of their bottom line — within the constraints of this emerging bank paradigm. Fostering a more positive reputation, through creating real opportunities for capital development to those left out of traditional ventures, is likely to have its own rewards, leading to better business opportunities and even greater profits.

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