



When Banking Meets Agility

February 2020

The wake-up call

“Oh dear, I really didn’t sleep well last night.” I remember that being my first thought when I woke up. I had spent a sleepless night turning problems over in my mind, just not getting my thoughts to rest. The week had started badly. Peter Miller, our HR Business Partner, had called me early in the morning the day before; he urgently wanted to speak to me. As the HR Director at SunnyBank I had worked with him for over a decade now; I could hear in his voice that he was troubled. Looking at my agenda, we decided to meet for lunch.

“Sandra, I am worried about the future of SunnyBank,” he said. The latest employee survey had shown that our staff perceived the bank as old fashioned, inflexible and our work approach outdated. Worst of all, our people had the feeling that they had very little impact on the company’s outcomes and most of the purpose of their day-to-day work seemed unclear. The HR department had been having a hard time attracting and retaining talent for a while now.

We were clearly unprepared for the digital revolution, while other banks were already in the middle of the process. We were still busy doing paperwork, whereas they had started handing over repetitive tasks to machines, creating new roles to develop and implement virtual assistants and hired data scientists to create data models.

We both knew that potential employees perceived us as a traditional organization with no innovative mindset, and it was time for a change. We had to become an attractive employer again, able to compete with tech-savvy firms and other competitors in today’s war for talent. Despite my lack of sleep, I was determined and ready to tackle the crisis.

But first things first, I needed to do some research to understand what our employees were looking for, and what appealing competitors were doing differently from us.

The Motivation Paradox

While browsing to find out how to attract talent and to understand what actually motivates employees of our digital age, I came across an interesting [TED talk](#)¹ by Dan Pink. In his talk, he refers to a psychological study conducted by Sam Glucksberg over 40 years ago, that has been replicated many times ever since. It shows that rewards work well for straightforward tasks but when people are supposed to find innovative solutions, extra rewards like financial bonuses actually hamper creativity. So while this approach might work well for single-domain knowledge workers, it seems to be ill-adapted for the part of the workforce that we expect to come up with new ideas and drive innovation. “And yet, forty years later we still incentivize our employees for their contributions with bonuses?” I was stunned. There was clearly a research-practice gap in most companies, including SunnyBank. I realized that if we wanted our employees to come up with innovative approaches, we needed to make sure that they found intrinsic motivators such as mastery, autonomy and purpose in their work instead of purely monetary rewards.

“But what would this mean for our performance appraisals? One of our main salary determiners.”

I wondered. What my research showed was that attractive employers had dropped traditional annual reviews. Instead, companies like Gap Inc. and P&G have implemented more immediate feedback. This allows to course-correct early instead of waiting for the ship to hit an iceberg. Feedback is no longer one-directional from manager to team member; state-of-the-art feedback is given in all directions as long as it follows rules to ensure that it is done in a fair and constructive manner. This seemed logical to me, and something that we could certainly try at SunnyBank.

Agile Working – a Game Changer

As I continued my research on the latest HR trends, some buzzwords popped up: Artificial Intelligence, People Analytics, Employer Branding and Agile HR. “Agile HR,” it echoed in my head. Of course, I had heard about Agile before. I had once read that the Agile Manifesto had been published almost twenty years ago when a small group of technology experts met to define a set of values and principles allowing for better outcomes for their customers through more adaptability, while increasing predictability. With banks and other businesses operating in a fast-changing environment, organizations have to become truly adaptable to survive in ecosystems continuously faced by disruption of their value chains.

Agile organizations create cross-functional teams aligned to an organization's value streams. These teams have autonomy to achieve their objectives by making independent decisions, while the organization's leadership communicates its strategy clearly to ensure alignment across its autonomous teams.

Over the last years, this approach has spread from IT departments to the whole enterprise. Some well-known companies such as Netflix, ING and Spotify adopted this approach to achieve Enterprise Agility. In these kind of structures, employees with T-shaped skill profiles are very valuable. T-shaped people have deep expertise in their field, but they are also generalists and willing to learn new skills. Thinking back to Dan Pink's TED talk, I realized that these companies provide opportunities to learn new skills quickly, creating motivated employees by providing purpose and alignment, while allowing them to strive for mastery. With Forrester's "Future of Work in Banking" prediction that automation in banking will lead to an 11% increase of cross-domain knowledge workers, this was clearly relevant for SunnyBanks².

How would we be able to make the necessary changes? How would we ensure that future hires are T-shaped or have the motivation and ability to become T-shaped? If agility is about mind-set, we need to validate more than skills acquired in the past. We have to evaluate candidates' thirst to learn new things, their creativity and problem solving-skills. To do this we need to understand how people deal with the unforeseen and maybe disrupt the traditional interview with new kind of questions, for example, "How would you calculate the distance between Earth and the moon?" Obviously, the idea is not to get a mathematically correct answer, but to see how a candidate would approach the question, or if they decide to give up straight away.

In agile environments, hierarchies are flat. You can no longer be laid-back and rely on your manager to make the decisions and just follow instructions. Instead, individuals are empowered to make their own decisions, they need to be trusted and given the autonomy to have a real impact. Decentralized decision-making has the potential to unleash the creativity of each individual but it clearly changes the way we need to think about leadership. Managers need to evolve to coaches and servant-leaders, instead of being supervisors.

I had heard that Google gives their employees 20% of their working hours to choose what they would like to work on. Now I read that at Valve, a leading video game company, everyone is completely free to decide what they want to work on. "Wow, that's impressive but definitely not something SunnyBank is ready for," I tell myself.

Nevertheless, I have come to realize what things popular employers do differently from SunnyBank:

- While salary is a significant hygiene factor when choosing a job (it has to be fair, in line with market rate and aligned with living costs), many companies foster opportunities to learn continuously and acquire new skills. Just paying bonuses is not sufficient to motivate and retain employees.
- They acknowledge that their markets are changing rapidly, and that is no longer possible to plan every detail ahead. Instead, they strive to be agile and to decentralize decision-making to be able to react faster and to anticipate threats and opportunities better.
- They value people for what they add to the organization instead of aligning value to a traditional hierarchy.

What's next?

I was convinced that going Agile could help SunnyBank. I also knew that this project was too big to tackle alone, and be the only one swimming upstream. I had to build an alliance of key people at the bank to ensure that we got the ball rolling. How would I convince the leadership team that we had to change the way we hired, managed and worked – before it was too late to turn the ship around?

Stay tuned and follow Sandra's story in our next episode...

Mastery and role-based career paths in lean-agile organizations

Traditional organizations commonly link career progression to management responsibilities. Each step up the organizational hierarchy results in increased responsibility, influence and remuneration.

Even in a lean-agile organization, opportunities for hierarchical career progression still exist. However, it is essential that leaders embrace lean-agile values and principles. The latest release of the Scaled Agile Framework for instance, SAFe 5.0, positions the lean-agile operating model as secondary innovation and value delivery focused operating system. This second operating system coexists with the traditional hierarchical model that keeps the organization running. John P. Kotter introduced this concept in his 2019 book *Accelerate*³. This dual operating system approach will only work if leaders on the hierarchical side of the organization also adopt a lean-agile mindset to support the dual model and the striving for business agility.

For lean-agile leaders, mastery of servant-leadership will be one of the key element that drives them. Becoming a better servant-leader means that one will be better at optimizing for quality, happier colleagues and customers, as well as sooner and safer delivery of value⁴. The local experience of your employees in their teams is critical for their level of engagement and retention⁵, hence ensuring that your organization's leaders understand what motivates

knowledge workers is essential in a digital economy that is confronted with large a workforce gap as baby boomers continue to retire over the next ten years.

However, not everyone will want to become a servant-leader, but focus on the mastery of different types of skills instead. The idea of providing leadership to a development organization might not motivate every senior developer. Instead, they could prefer working on complex technology challenges. As they progress along their respective role-based – e.g., expert – career paths, they are encouraged to mentor colleagues and share their learnings, helping to build the continuous learning culture that every organization in the digital era requires.



¹ TED TALK Dan Pink: https://www.ted.com/talks/dan_pink_on_motivation

² Forrester: "The Future of Work in Banking", 2020

³ Accelerate: Building Strategic Agility for a Faster-Moving World, John P. Kotter, 2019

⁴ What are you optimising for?, Jon Smart, SEACON:UK 2019, <https://youtu.be/wdsiuP-cZW0>

⁵ Nine Lies about Work, Marcus Buckingham & Ashley Goodall, 2019



Katharina Weber
Senior Consultant
Operations Excellence & Human Capital



Lilia Amico
Analyst
Operations Excellence & Human Capital

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 286,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the “Deloitte network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.