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The Editor
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Dear Editor,

Tougher regulation is not enough. Banks need a conscience.

The world needs banks. This is why the world's governments have stepped in to bail out so many of them. Apart from having a safe place to put one's money, we need banks to grease the wheels of industry. No industry, no economic growth. But how can the world's governments guarantee that the banks will be able to perform this role in the 'post-crunch' era... without again spiralling downwards, as we have witnessed in recent months, sometime within the next 10 to 20 years?

Well, it is not by government control or with tougher regulation alone.

For governments to own and, by definition, control banking institutions is absolutely not a long-term solution, but instead a short-term, necessary evil. Governments are run by politicians who are, by definition, not the ideal operators of banks. He who controls the wheel-greasing also controls industry. Do we want state-controlled industry? Moreover, whilst banks have tended to think in time frames of months rather than years, very few major governments are concerned about what will happen in 20 years' time.

Tougher regulation, on the one hand, though necessary, will simply represent a red rag for the next generation of banking bulls and an incentive to find a smart way around it. On the other hand, if the regulation is too tough, it may actually hinder economic growth.

There is another way.

If my 15 years of working within the brokerage division of five different banks has taught me anything, it is that there are very few examples of leadership or team orientation in the banking world. Banks are collections of individuals. There is virtually no-one to look up to as role model, no (good) example to follow. Indeed, these line managers typically have no skills at all in matters of personnel management or team-building. Of course, they were not recruited or selected for those qualities or capabilities. They were hired for the most part because they were incredibly clever rainmakers.

Not surprisingly, therefore, there is no loyalty whatsoever: it is simply 'hire and fire'. We have seen this during previous cycles: massive increases in headcount and bonuses followed by massive cuts in both, and especially the former.

No leadership, no team-orientation and no loyalty mean no corporate culture, no corporate conscience and no collective responsibility.

I am aware that all banks are not the same: simple, retail banks have not had the same issues as those with a significant investment banking element. But allow me to generalise here, especially as most large banks on this planet, to a greater or lesser extent, fall into the investment banking camp.

It is, however, very different in industry, where I used to work for the ten years prior to moving into brokerage. Just look at the top management of world's No. 1 food company, Nestlé. The CEO has worked there for 30 years and the Chairman for 40 years. And there are many, many examples of senior Nestlé managers with tenures of more than two decades. I have chosen Nestlé as it is a company from an industry that I know fairly well. There are many other such examples in many other companies and industry sectors... Thank goodness.

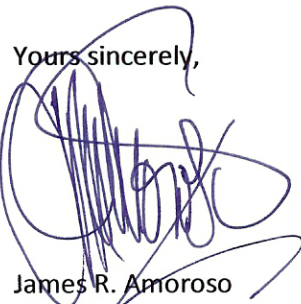
So what is my point? The regulators need not only to put stricter rules and regulations in place, but also to put real leaders in place, leaders who are truly ethical and who will form a new regime, implementing a top-down-bottom-up re-engineering of the corporate culture of these institutions.

As long as the banks remain collections of individuals, it will continue to be like herding cats. Hosing them with water now will chase them off and make them wary about returning... for a while. But one day they'll be back to feed on our greed and to make a disgusting mess in our back yard!

My concrete proposal: We need to recruit a few dozen, financially-savvy, senior managers from ethical industrials with strong corporate cultures and put them in charge of the banking world. However, this would require these industrials giving up some of their best managers. These companies will only 'donate' their top managers that if it is in their collective interest. And, thank goodness, it is. Naturally, filling banks' boardrooms with the right NEDs will be easier, as it doesn't necessarily mean giving up the day job. But banks need the operational leadership such as we see at Nestlé, P&G et al. Imagine if you put someone like Peter Brabeck or A.G. Lafley at the head of an international bank. The rot would soon stop... and stay stopped. And this new ethical leadership would herald a team-orientation and a loyalty which would lead to a corporate culture, a corporate conscience and a collective responsibility.

In this way, banks would once again be focused upon greasing the wheels of industry, instead of lining their own pockets.

Yours sincerely,



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