ORGANISATIONAL BEHAVIOUR

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Introduction

In this paper, I aim to ***analyse*** the organisational behaviour of Credit Suisse and its link to what is defined by Credit Suisse as the organisational performance.

The performance and mission at Credit Suisse is defined by one objective – "*always to create shareholder value.''* (Ho, 2009, p. 123). Therefore, the analysis section will look at how and though which behaviours the bank believes it is fulfilling this objective. Three areas will be included in the analysis. First, I will look at the **Culture as integrated** (Clegg, 2016, p. 220), to analyse the dominant culture in Credit Suisse and what behaviours it empowers. The **Transactional leadership** theory (Clegg, 2016, p. 132) will be brought in to complement and explain how the behaviours present are continuously enforced, and further **Sense making** (Clegg, 2016, p. 33) will be brought in to understand how investment banks and their employees make sense of this environment and why this behaviour is still ongoing.

The current culture of short-termism, and irresponsibility brought about the 2008 financial crisis and many before, and thus the situation calls for a change, as is also supported by empirical evidence reflected in "The measure of the man" (The Economist, 2016). I will therefore argue, that Credit Suisse's definition of performance should be enlarged to include the social impact of their actions and stakeholder interests, not merely the maximisation of shareholder value through raising share prices.

In the ***recommendation*** section, drawing on the analysis, I will thus reflect upon the current performance review measures and how they reflect the culture of Credit Suisse. Then, I will introduce suggested changes to the current performance reviews and show how this move towards **Elton Mayo's Human Relation Approach** (Clegg, 2016, p. 164) can lead to a new organizational culture which will have a shifted focus towards socially oriented benefits, rather than individual gains.

Question 1 - Analysis

CULTURE

Credit Suisse is first analysed using the theory of Culture as it allows us to get a broader picture of the organisational environment and behaviours within. An integrated culture is an organisation-wide agreement espoused by top management and enforced by the employees (Clegg, 2016, p. 220). In Credit Suisse, I see a common integrated culture of immediacy, short-termism, not caring and "milking the present" (Ho, 2009, p. 290). This culture is based on the common notion that *'the mission (of all of Wall Street and all corporations) is always to create shareholder value.''* (Ho, 2009, p. 123) enforced by employees, as Karen Ho finds that *"'shareholder value'' meant more than raising the stock price of a corporation: it also signified a mission statement, a declaration of purpose, even a call to action. Creating or reclaiming shareholder value was morally and economically the right thing to do; it was the yardstick to measure individual as well as corporate practices, values, and achievements." (*Ho, 2009, p. 125).

This mission creates an environment where all that is important is the short-term effect, reflected in the manager-employee, the employee-employee and the employee-client relations.

The level of management-employee relations stems from the fact Credit Suisse identifies itself with the market (Ho, 2009, p. 244), thus stressing the extreme need for flexibility and responsiveness by firing their employees in times of market shrinkage. This is reflected in high employee turnover, since hiring and firing is made extremely easy. It is admitted that "*Wall Street firms . . . could care less about their employees. Easy come, easy go*" (Ho, 2009, p. 247*).* Employees are being treated as temporalities which can be stereotypically (Clegg, 2016, p. 58) replaced by another equally talented guy from Harvard or Princeton. Executives often introduce their workers to clients as "'*This guy went to all the best institutions in the world.''" (Ho, 2009, p. 69)* signalling the importance of the institution they come from, rather than an individual. There is no human, relationship or long-term element to the treatment. Overall *"senior managers on Wall Street are renowned for their exceptionally poor management skills, as Wall Street emphasizes short-term, competitive individualism, not teamwork or the cultivation of long-standing mentorship, or collegiality."* (Ho, 2009, p. 87). They *"focus their ''efficiency'' on ''wringing the most that they can out of their people'' via compensation schemes and the motivation of job loss* (Ho, 2009, p. 277).

Furthermore, the management creates an environment of competitiveness, as the employees are *"Constantly being compared to others, and it's a very mean industry and you know, survival for the fittest"* (Ho, 2009, p. 229), which creates a culture of temporality, trying to get the most out of the current position even at the expense of co-workers, earning as much as possible until getting fired, and of riding *''this wave as long as the good times roll.''* (Ho, 2009, p. 288). There is no sense of loyalty towards to company from neither VPs nor associates, as "*If things go wrong, there's always another investment bank to move on to"* (Ho, 2009, p. 285)

The lack of commitment and interest on the level of employee-client relations is caused by bankers pay being merely based on the volume of transactions, not the long-term effects since *"Brokers get paid when you buy and when you sell. Almost none of it is linked to how well their customers do.''* (Ho, 2009, p. 285). This system means that the main incentive of employees – salary – is not linked to what impact their actions have on the client. There is even a notion of a *"second payday"* (Ho, 2009, p. 155), when a banker merges a company, and then dismantles it after the merger proved to be unsuccessful, focused merely on his own profit in the transaction no matter what the social impact is. It is even straight-out stated that *"Investment bankers are not compelled to take any responsibility for scandals or bad deals, for compensation has nothing to do with actual investment or client performance."* (Ho, 2009, p. 285). What these facts do, is contribute to the overall culture of working only for one's own benefit, not considering social impacts.

These behaviours are further powered by the <u>gambler's fallacy</u> (Clegg, 2016, p. 65) in the form of expecting that since the environment has always recovered, no matter what their actions are, it always will. So even though bankers anticipated a crash, they continued their behaviour due to the belief that *"Wall Street investment banks were ''too big to fail""* (Ho, 2009, p. 291). The overall culture of smartness leads them to an <u>overconfidence bias</u> (Clegg, 2016, p. 64) that there isn't a problem which won't easily be solved, however they *"leveraged claims of its own smartness, and in the end fell victim to its self-representations."* (Ho, 2009, p. 322).

Overall therefore the cultural practices voiced, enforced and accepted in Credit Suisse are of short-termism and acting merely for one's own benefit, as based on the neoclassical theory. The ***<u>limitations</u>*** of the theory of Culture is that it doesn't explain more in detail what mechanisms caused this culture to be nor the relationships which allow this culture to stay in place. This gap can be complemented by using theory of Leadership & Power.

LEADERSHIP AND POWER

The theory of leadership, namely using the Transactional vs Transformational leadership theory, allows us to analyse how specifically the leaders in Credit Suisse create the culture that is currently present, specifically in the manager-employee layer.

I argue the leaders employ <u>Transactional leadership</u>, which is merely focused on distribution of tasks, and allocation of rewards and punishments (Clegg, 2016, p. 132). VPs merely tell the associates *''I want to get this deal done—however you want to get it done, get it done.''* (Ho, 2009, p. 84), and if they don't bring in a perfect product *"Analysts and associates are vociferously berated for the slightest missteps […] and once a mistake is found, ''no one trusts you, and your life can be hell for the next few months.'' (p 94*). There is, no space for interaction or participation, learning over time, nor support. The only incentives allocated by managers are financial rewards in forms of bonuses once a year, the rest of the time it's merely many forms of punishment imposed onto the employees.

The leadership theory, alongside with culture, show us how the perceptions are enforced and what the relationships are like. The ***<u>limitations</u>*** of these theories however are that they don't explain how sense is made of the culture and the leadership, and how it is received. Therefore, Sense making will be utilised to look at how Credit Suisse and its employees makes sense of their culture, actions and impacts.

SENSEMAKING

<u>Sense making</u> is an important ongoing, continuous as well as retrospective process though which we continually make sense of and rationalise the environment we're in, as well as our own and other's behaviour within it (Clegg, 2016, p. 33). In Credit Suisse, sense making is a tool used to make sense of what the role and the importance of Wall Street, why employees are being treated the way they are, and a sense of what impacts their actions have.

First of all, Credit Suisse overall makes sense of itself by claiming *"that ''no industrial progress'' could ever occur without the Exchange's role in the issuing and distribution of securities — when in fact the*

Exchange mainly dealt in the buying and selling of shares in the secondary market, after productive capital had already been raised (Ott 2007, 124)" (Ho, 2009, p. 178). The banking industry thus, though presenting its own perception of history, justifies its position and power. They make sense of what they do by claiming to believe that they are fulfilling their mission and contributing to corporate America, and that the only way America can work is by focusing on shareholder value. *''If you look back to the old days,'' Stan Clark told me, ''all the companies were basically just fat, dumb, and stupid. [T]hey didn't change […] Now, you have Wall Street with all these shareholders. . . . You can't just be dumb, fat, and happy. You have to change […] Wall Street is definitely making a much more efficient corporate America"* (Ho, 2009, p. 131). By framing the old system as "stupid" and the new as efficient, Credit Suisse makes sense of the mission of shareholder value maximization goal.

The bankers make sense of the conditions they are working in by justifying the hard work as "*a badge of honor and distinction*" (Ho, 2009, p. 74), and by using compensation as a valid reason for job instability because "*You know, one reason you get paid so much is because you may lose your job tomorrow."* (Ho, 2009, p. 274). This way they justify and rationalise the volatile rampant environment where they are treated as temporalities while working 100 hours per week (Ho, 2009, p. 88).

When it comes to the effect of their work, the most vital impacts I identify are takeovers, downsizing and crisis. According to Credit Suisse employees, *"Takeovers ''cleanse'' decades of managerial inefficiency to give corporations a fresh start and a fighting chance."* (Ho, 2009, p. 147). As for downsizing, they use *"rationales of efficiency, long-term economic value, and the prospect of a ''better'' overall economy."* (Ho, 2009, p. 157) and when considering crisis, they have learned to apply <u>external attribution</u> (Clegg, 2016, p. 60) of events to the market. They "*resort to an abstraction they call ''the market'' to explain these crises. Junk bonds, merger crazes, internet bubbles, highly leveraged housing meltdowns, and subprime debacles are mistaken for, and understood to be the organic results of, market cycles"* (Ho, 2009, p. 10). They claim that the crises "*are not understood as arising from the particular workplace models, corporate culture, and organizational values of Wall Street financial institutions* (Ho, 2009, p. 11). Rather than changing their actions, Credit Suisse, alongside other banks, has a habit of instead trying to influence perceptions of their actions labelling the impacts, however socially destructive, as market's fault, or being reasonable due to following the shareholder value maximisation objective.

CONCLUSION

Credit Suisse's culture is emphasised though stressing shareholder value as their mission as well as the measure of their performance, and is made sense though using external attributions for negative events and internal attribution for positive ones (Clegg, 2016, p. 60). With this culture, the bankers are able to convincingly argue for their way of functioning, no matter what the social consequences. However, as after the 1989, 2000 and 2008 market crashes, there **needs to finally come a change** in the culture of short-termism and the culture where *"there is no commitment really to social change"* (Ho, 2009, p. 52). I argue that the notion of shareholder value maximisation as a sole purpose is only present because investment bankers *"extended Adam Smith's legacy by forging his stamp of approval on a form of organization he believed was destined to fail." (Ho, 2009, p. 176).* This notion has historically been present due to the persistence of outdated neoclassical assumptions, and needs to be changed, further supported by Berle and Means (1991), stating that *"the modern corporation should not be analyzed ''in terms of business enterprise but in terms of social organization.'' (Ho, 2009, p. 192*). Therefore, my recommendation section aims for maximising the extended definition of firm performance, which includes the financial, as well as relationship and social aspects, and aims to further help the development of Credit Suisse.

Question 2 - Recommendations

My goal in the recommendation section is to help change the destructive practices of corporate culture at Credit Suisse, especially because of the influence of their practices onto *"other corporations, markets, and economies"* (Ho, 2009, p. 215). I argue that the culture in Credit Suisse stems from what behaviour is encouraged. What to a large extent determines the behaviours encouraged and present are the performance reviews and their link to the main incentive of employees, the compensation schemes. That is why I argue that changing the performance reviews is at the core of changing the culture altogether. I overall suggest a shift towards Elton Mayo's Human Relation Approach, focused on long-term effects, social skills and informal working relations. Mayo in his theory emphasises the community, team, collaboration and Hawthorne effect, meaning increasing efficiency though a group realising its value (Clegg, 2016, p. 164). By implementing 3 specific suggestions with regards to performance reviews, I argue that it will be possible to move towards Credit Suisse company being a more socially responsible employee-focused entity.

As a **summary of the recommendations**, the overall system I suggest will consist of a new system of performance reviews enacted though mentor meetings based on both qualitative and quantitative individual (R1), and team evaluations (R2), both of which link to the revised compensation schemes as an incentive for embracing this change (R3).

Recommendation 1 – New quantitative & qualitative personal performance review system

Currently, the performance reviews are not done as constructive crucial feedback sessions, rather as just a mandatory part of the schedule (The Economist, 2016, p. 2). This lack of interest and skill renders the performance reviews nearly useless.

In order to achieve moving towards being a more socially responsible entity focused on its employees and other stakeholders, I suggest that the performance reviews should consist of both qualitative and quantitative measures. They would be enacted though regular mentor meetings, as also inspired by the article in The Economist (2016). These would not be a waste of a booking in a calendar (The Economist, 2016, p. 2), rather they would be personalised sessions between an associate and a manager. The content would be discussing past transactions, looking at the long-term success of the advice given to clients as well as the individual's behaviour within the company in the context of new company culture and goals. Mentor and the associate would look at the overall outcome of events, with the aim of encouraging associates to focus on the broader impact not merely the short-term stock price resulting from their advice.

These mentor meetings would provide a great mechanism, in which, though detailed reflection of past actions, associates would be able to move from single loop into double loop learning, possibly rethinking certain practices (Clegg, 2016, p. 341) when seeing the negative impact of their actions on society at large. It would also allow gradual learning in case of mistakes which is currently not present in Credit Suisse. They also create a new incentive for creation of a social benefit and value, as the mentor meetings would also focus on this aspect. These meetings would further incentivise relationship building between the mentor and the associate – this would prolong the tenure of employees, and result in lower employee turnover, as the associates would be nurtured in their jobs, making it not so easy to replace them with someone "just as good". This would also result in a more long-term interest from employee's side. As they would be involved in a learning process and building relationships, this could decrease the incentive to merely wait for the bonus and quit straight afterwards. It will give them an opportunity to be listened to, and to be engaged in conversations with their mentors, decreasing distance in the second dimension of power (Clegg, 2016, p. 261). This would also change that employees are treated by managers as temporalities, since now the are expected to stay at the job for longer, and at the current treatment *"the burnout rate is huge."* (Ho, 2009, p. 103). This would overall bring the "human" and relationship aspect into the workplace, or at least would be the first step towards it.

Recommendation 2 – Group evaluations - creating a culture of cooperation rather than competition

Currently the employees are *"Constantly being compared to others, and it's a very mean industry and you know, survival for the fittest"* (Ho, 2009, p. 229). There is an overall culture of competitiveness where "*On Wall Street everybody wants to get ahead" (Ho, 2009, p. 103).*

A new suggested component will be a form of evaluation based on team efforts. It will be based on collaborative environment of the teams, evaluated by both the manager and by the team members themselves. The evaluations would bring continuous feedback to the individuals as well as their relationships with colleagues. This new evaluation form will also have an % impact on compensation, to encourage incentive for participation, since when investigated why people want to work in investment banking, currently "*Every answer, with no exceptions, named ''money'' as a motivation"* (Ho, 2009, p. 257).

The impact will be an increased team building and effort, as their behaviours impact one another, resulting in searching for forms of collaboration rather than competition. It further encourages relationship building, as the associate's relationships will also be taken into consideration while doing evaluations. It would also encourage longer retention of employees as they are part of a team, creating group dynamics (Clegg, 2016, p. 93). This will go on further to create sense of unity.

Recommendation 3 – New compensation schemes linked to the individual and group evaluations

I argue that the underlying system which determines compensation is flawed. Currently, banker's bonuses are merely based on the volume of transactions the bankers perform. This creates unaccountability, short term focus and carelessness which are at the centre of the problem identified in Credit Suisse who *"have no commitment to workers or even certain businesses, (Ho, 2009, p. 278).* This system doesn't exhibit incentives to create a greater social benefit. It merely incentivises a transfer of wealth from others to themselves, rather than creation of value. Overall, *"Wall Street approaches to compensation not only solidify job insecurity but also engender a relentless deal-making frenzy with no future orientation, which in turn sets in motion not only financial booms and busts but also the transfer and imposition of investment banking models of employee liquidity onto corporate America. (Ho, 2009, p. 252)*

When trying to change the culture at Credit Suisse, the aim is to link the changes in performance reviews to something tangible, namely the compensation schemes. The above suggested revised performance reviews (individual, R1 and group, R2) would be the base for pay reviews. These include monetary (as per the old system), behavioural and group components as % value of the overall bonus.

The linkage of performance reviews and compensation schemes is an incentive for employees to embrace this change. The impact of broadening the compensation scheme to include both types of reviews would, though <u>reactivity</u> (American Journal of Sociology, 2007), incentivise employees to redistribute their resources, namely energy, onto other aspects, rather than just the monetary volume of transactions, such as their relationships at work, as well as their relationships to clients. This will result in an overall more balanced environment focused on a broader set of objectives.

CONCLUSION

Taken together, these recommendations provide sufficient effort to move towards <u>Elton Mayo's Human Relation Approach</u> (Clegg, 2016, p. 164) and are a step towards shifting the focus in Credit Suisse from self-interested short term to collective cooperative long term.

The main ***<u>limitations</u>*** of the suggestions are that a change in culture is always difficult and often unpredictable, as it is built though a gradual and complicated social process, especially through actions or inactions of the management. It can be assumed that the shift in the behaviours requested will take time to adjust, I however argue that this difficulty can be overcome though management thoroughly explaining and supporting the changes, their goals and desired impacts to encourage sense making (Clegg, 2016, p. 33) of the new environment. I thus expect the need for extra effort implemented from the top (CEO, Board of Directors, and management) in terms of enacting, not merely voicing the change for this to be a successful transition.

A practical limitation is the cost of these new implementations. Credit Suisse would need to noticeably invest into the restructuring of the performance review and the pay review systems. However, as the CEO asked for the recommendations, I assume the company is willing to use its resources for this cause.

A further limitation is that possibly, if taken too far, a shift towards Mayo's approach can cause a loss of focus and control in a company. However, as Credit Suisse is an extremely Bureaucratic organisation (Clegg, 2016, p. 450) separated on the second dimension of power, the fear of "taking it too far" with Mayo's approach is at this point unreasonable.

Summary

I argue, that by using the theory of culture, transactional leadership and sense making I was able to create a reasonably full picture of the current organisational behaviours present in Credit Suisse and how they impact the performance as defined by the bank – maximisation of shareholder value. Even though the company successfully argues for their mission, I argued that the underlying measure of performance should be changed to incorporate societal and human aspects. Thus, though making specific recommendations to the performance review system, I argue that Credit Suisse will be able to move towards being a socially responsible entity who takes care of their stakeholders and follows a shared mission – to maximise shareholder value while taking into consideration the relationships and satisfaction within the company as well as the social impact of the services provided to society.

References:

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