

Matt Wallaert:

Banking is one of the few organizations, I think, that really has that same sort of permission. There's almost nothing in your life that you choose that doesn't have at least some implication for your finance. And so I think banks need to see that as an opportunity, a permissioning to coach beyond some of the borders that they artificially set for themselves.

James Robert Lay:

Greetings and hello, I am James Robert Lay, and welcome to episode 265 of the Banking on Digital Growth podcast. Today's episode is part of the Exponential Insight series, and I'm excited to welcome Matt Wallaert to the show. For almost 20 years, Matt has been applying behavioral science to practical problems. You see, after leaving academia, his career as an executive led from startups to the Fortune 500, and back again, before joining Frog, a Capgemini company as the head of behavioral science, where he is focusing on helping organizations build their own applied behavioral science capabilities while building projects with the Frog team. Matt is also the author of Start at the End, how to Build Products That Create Change, and I'm looking forward to our conversation today because regardless if you are in marketing, sales, service, ops, lending, IT, or on the leadership team at your financial brand or FinTech, you can incorporate behavioral science into what you do, no PhD required. Welcome to the show, Matt. It is good to share time with you today.

Matt Wallaert:

Thanks, man. Thanks for having me. I appreciate it.

James Robert Lay:

Absolutely. Before we get into talking about Starting at the End and Building Products that Create Change, positive change, what is good in your life right now, personally or professionally? To get started, it's always your pick.

Matt Wallaert:

Well, it's raining and that's good because it's Southern California and we need all the water we can get. Although unfortunately, of course it's causing mudslides and all sorts of other problems. But generally speaking, I like the rain. I'm from Oregon, so for me, a little bit of moisture isn't such a bad thing.

James Robert Lay:

Depending on where you are in the world, rain can be a really, really good thing, or sometimes being in Houston, Texas, where we get hurricanes, we get more than enough rain and we would love to send that to other parts that can help them out. But no, I think that's an interesting point, when we think about change in transformation, perspective is so critical. What's your take on perspective when it comes to change?

Matt Wallaert:

Yeah, as you were talking about the desire for water to move elsewhere or come to you, in finance in particular, so much of what we do is about perspective. I remember, when I left academia, first company I ever worked for was company called Thrive, and they were [inaudible 00:03:32] biggest competitor. We're working on personal finance, and how do you change personal financial behaviors. And I remember looking at the data through the lens of gender. We gave people a financial health score, we wanted to say, Hey James, given the amount of money that you have, how well are you managing it? You don't want to be a credit score. Credit scores are just a proxy for do you have money, right? I don't want

to do that. I want to say, given the money you have, how well are you doing? So we would do things like we'd look at savings rate. As a percentage of your income, how much money are you saving? And when you look at that in raw dollars, men kick the shit out of women. They are saving far more raw dollars than women, but women are saving a much greater percentage. And so reporters who would ask me, well, who are better savers? Because they love these kinds of gotcha headlines sort of things. And I'm like, well, because of the gender wage gap, it all depends on how you look at it. As a percentage, women are better at saving, as raw dollars, it's men because they make more raw dollars. It is so fascinating that you can get to these very, very tiny details about how you're going to measure something that have massive changes in how you're going to think about something. So I like the notion of, it's one of the reasons I try and get people to be really specific. That level of uncomfortable specificity is something I think behavioral scientists really gravitate towards. We want that, in order to abstract away perspective or at least to agree on our perspective, we often have to get uncomfortably specific about where we want to be.

James Robert Lay:

You talk about this idea of being a behavioral scientist, and to me, I look at the idea of behavioral science through the lens of financial services as a tremendous growth opportunity. I think it's one that has been lacking. I think maybe it's just a natural progression to get to where we're at today. When we look at our research at the macro level, there are larger financial brands that are bringing in chief behavioral officers to drive some of this, and you're coming from academia as well. Where has the lag been? Why has it taken this long to get this perspective? Granted you were working with Thrive all the way back, it was probably 2009, 2010 time period. Why the lag of maybe getting this at a more of a macro level conversation?

Matt Wallaert:

I'll use behavioral science to answer the question about behavioral science. So in behavioral science, we sort of think about behavior as a competition between promoting pressures, reasons to do something, things that make behavior more likely, inhibiting pressures, things that make a behavior less likely. And I think when you look at the adoption of behavioral science, the promoting pressures have been building. I think people want the things that come with it more. You talked about companies starting to do it, like Julie O'Brien going from Weight Watchers to US Bank, to head of behavioral science for them, those sorts of moves. But there are really strong inhibiting pressures. I don't know, for example, how to measure the performance of a behavioral scientist. So if I'm the CEO of US Bank and I want to hire Julie, how will I evaluate Julie a year later? What does it mean to say she's done a really good job of behavior change?

So I think that's an inhibiting pressure that has caused a lag. I don't know how to measure it. I don't think people know how to hire. I think a lot of them gravitate towards the, well, I'm getting a scientist, so what I really want is this PhD person, but people who go so far as to get a PhD in a science often don't have the application layer that you need in order to succeed inside of a business.

James Robert Lay:

Sure.

Matt Wallaert:

So you're caught a little bit between well, do I want an academic who it's going to be hard for me to extract value from because they don't know how to interface into my business, or do I want someone on the business side, but who may not understand the topic as well? And that has resulted in, we have this

weird missing layer in the pyramid of behavioral scientists. So I have been doing this for, I'm going to apply behavioral scientists outside of academia for 15 years, which is pretty much as long as anybody has been doing it. And we do a lot around creating the community. And there's this problem where there's only a handful of people at the top. There's a handful of people that have been doing this for a really long time, have a lot of applied experience. Steve Wendell, who was at Morningstar for a long time, people like Julie, like me, there's a handful of people there, and then there's a bunch of people who have come out of more recent master's programs at LSE or UPenn, but there's that missing layer at the middle.

So you're either Weight Watchers and US Bank are competing for Julie and she's going from one major company to another major company. There's only 30 people, and so they're getting traded between the major companies, but you're not really growing anything. Then you have all of these junior people who have nobody to work for. There's no middle management layer in behavioral science where I can graduate and say, oh, well I can work for James. He's the director of behavioral science somewhere. He's not a CBO, but there's like a pathway that I can go through. Instead, we just have CBOs and then new graduates. And that's a really tough situation to be in as an industry.

James Robert Lay:

Well, let's use what you wrote about in your book, Start at the End, how to build products that create change, and maybe it's here, maybe it's how to build teams that create change. Because one of the principles that you shared in the book is start with the outcomes instead of the process. And I like this perspective. I look at process. It's a definition that I apply to experience. Experiences or well-defined processes that have been defined, applied, and then optimized over time, resulting in a positive or negative emotion. But you're saying no, no, no, let's start with the outcome, because I think in banking, a lot of times, when we think about experience, we just start with the process. Let's flip this around. What do you mean by this, start with the outcome instead of the process?

Matt Wallaert:

Yeah. So when we talk about outcomes, specifically, I mean behavioral outcomes. So the analogy I often use is science fiction. All of us are authors of science fiction. We want a world that is definitionally fictional, even this podcast, and then everything we do is about creating that world. This podcast is about getting people to do something, right? You don't just want people to listen. Listening is the intermediary thing. How do you know somebody's seeing different? I can't pop your brain open and see, Ah yes, I've changed the way James is thinking. The only way I know that I've changed the way James is thinking is if James behaves differently afterwards.

James Robert Lay:

Outcomes.

Matt Wallaert:

That's right. It's that behavioral outcome. So I always think about, there's every science fiction movie where there's the multiverse and there's good James and bad James, and good James has a mustache and bad James doesn't or something. Who knows? Inevitably one of them crosses over and there's some fight and you have to figure out which one you're going to shoot. This is a very big science fiction trope. The only way you know is by them doing something, right? You can't open up their brain. Once they shave off the mustache, they're identical. So the Matt pre-listing to your podcast and the Matt post listening to your podcast, unless actually, physically, literally do something different, how would I know if I've actually changed their perspective? So it's that emphasis on doing that behavioral science really

brings. Behavior as an outcome. And then science is a process. I think science is this beautiful thing that we've designed as humans to learn through experimentation, et cetera. And so it's using that, Hey, I know where I want to go.

I have this vision of a world that doesn't yet exist, but I know that's where I want to be. And then observations about the world that I have, and really two kinds of specific observations. One, why would anyone want to live in this other world? Why is it attractive? So if James says, Hey, after people listen to my podcast, they will write down three things in three months that they're going to do, that they're going to focus on. That's a behavioral thing. They either will have done it or they will not have done it. It's zero one, they either do it or they don't. I can record seven different podcasts and give them to 700 different people and see, hey, which podcast is most likely to result in them doing that thing? As a teacher, that's what you're doing all the time. You're teaching the same lesson in a variety of different ways and then seeing which way gets the kids to get to the place. And I think that there's a lot to learn from that.

James Robert Lay:

So I want to dive deeper into this because in *Banking on Change*, I'm introducing, what I call, the four environments for exponential growth. Exponential growth is where one is growing personally and professionally at the same time. Work life integration. So you could be learning, you could be thinking, you can be doing. That's the actions that we're talking about here. And then we must create that space and time to review what we've done, to learn through those experiences, to then think about how we can do even better through our next round of iteration. When I look at the lens of financial services, I think there's a lot of doing, but it's hard to pause, to review, to reflect, and then to learn, to think, to do even better. Even someone in the digital university, it's a program that we have. I've had a financial brand leader literally within the last day, and I just posted this on LinkedIn, they talked about the inherent nature, and almost the aversion, for financial brand leaders to pause and review what they've done. What's that? What's going on?

Matt Wallaert:

I loved one of the things that you said in there, where you said, the reason I review is to make things better later. The whole notion of better only works if we know what better means. If we've said, Hey, the point of what I'm doing here is to get people to write those three goals for three months, or those three focuses for three months, if we don't say what that is upfront, if we don't say what better looks like, it's impossible to do a good review. So I see a lot of reviews happening, but they're reviews of processes, not outcomes.

They're sort of, well, did we do this well? Were we happy with the way that we did this? Was doing the right thing, not did we achieve our objective? And if you didn't experiment, if you didn't try more than one thing, it's hard to know what, okay, great, we wanted everybody to write three goals, three goals for three months. We did a thing. We did a singular podcast. 60% of people did it. Is that good or bad? Well, it's bad relative to a hundred, which is what we wanted. Is it better or worse than any other idea we have? No idea. We have a ruler now. We know what it is we measure and want, but we have to have done more than one thing.

James Robert Lay:

Because you have nothing to benchmark it off of, there's no perspective, there's no context for framing, to figure out are we making progress or are we just stuck maybe in inertia? And so when you think about

this idea, and I like the idea of outcomes instead of processes through the lens of financial services, through the lens of banking. Big opportunities that are available to maybe create or capture through this type of outcome driven thinking for people.

Matt Wallaert:

I'll give you an example of a failure for my own past as a good example of where I think there's opportunity. So one of the first places I worked was Thrive, [inaudible 00:15:56] biggest competitor. We eventually sold to Lending Tree. You were in the personal finance space. One of the big learnings from that was we only looked at what happened once you already had the money. So James, go get the salary somewhere and then I'm going to budget or I'm going to do other things to help him manage that money effectively, save, pay off debt, whatever it is. But I'm not paying any attention to, well, is he underpaid? But we know, statistically speaking, women are underpaid, underrepresented, people are underpaid. So I think that's a huge opportunity for banking. Banking spends all this money on personal finance tools and other kinds of things to encourage people to save, encourage people to take out loans, encourage people to do the right thing. Why on earth are banks not involved in closing the wage gap? You, more than anyone else in society, profit? So we know, statistically speaking, that women are underpaid by somewhere between 20 and 30%. So let's just assume you're a bank and you have a hundred customers, and 50 of them are working women, and all of them are underpaid by 30%. That means you could get a 15% boost in the number of dollars flowing through your organization by closing the gender wage gap. Why wouldn't you do that?

James Robert Lay:

So now let's stay on this because I think this is a super fascinating subject and one that I have been bating around now in my own mind, and then also in conversations that I've been having, I wrote about it in banking on digital growth. When you think about financial services, you've got money in, you've got money out, very simple. You might invest it, grow it, et cetera. But the behaviors that are tied to that, from an individual, consumer, a person, a human being, often run at a subconscious level, tied back to environmental upbringing, situations that we can't control, coaching, helping people see, once again, see things differently. For example, we'll stay on the gender wage gap. Maybe that's not even in a person's frame of reference, but if we just brought that up and asked the question, because I think you know can make a statement, there's a gender wage gap opportunity, or what is the opportunity to go and consider your salary? We can't ignore questions. Statements can tend to be ignored. But when you start asking, then it's like, I don't know, is that something I should think? So there's this whole idea of building coaching into the financial services model that we're seeing at a very high level now. There's the financial gym out of New York. It's a membership driven program. But when we think about this through the macro context of banking, whether that be at a national level, a community level, a credit union level, where does coaching fit into some of this?

Matt Wallaert:

Well, I think it's no surprise that Julie O'Brien went from Weight Watchers to US Bank. Weight Watchers, a coaching based organization about accountability partners and community, to US Bank, where she leads that same function, she leads some of their coaching teams and other kinds of things. I think that's really important. I think the key is broadening what coaching means in financial services. So traditionally coaching was a mint. It was control your spending, and that was the place we coached. Maybe we coached on investment. There's a lot of white dudes who'd like to coach you on investment. Maybe those two areas. But there's a much richer view of your financial life, including things like your salary, there's a whole variety of different parts of your life that finance touches that banks need to lean into that, and I think we've seen this in other industries.

Look at health. Your health insurer doing things like saying, Hey, I'm going to help make sure that you get to the gym because hey, that has an impact on your health. That's not a separate thing. It touches my thing. Banking is one of the few organizations I think that really has that same sort of permission. There's almost nothing in your life that you choose that doesn't have at least some implication for your finance. And so I think banks need to see that as an opportunity, a permissioning, to coach beyond some of the borders that they artificially set for themselves.

James Robert Lay:

I would agree. I'm going to connect this back to the Weight Watchers example or the gym example because when we start looking at macro level research, a person's financial wellbeing impacts their physical wellbeing. A person's financial wellbeing impacts their mental wellbeing. A person's financial wellbeing impacts their relational wellbeing. So it really is a tremendous opportunity to look beyond just the commoditized dollars and cents. I always say the time is now to put the transformation of people over the commoditized transaction of dollars and cents. This is how we take banking from good and make it great, make it even that much better. But once again, back to your point, your question before, what is better? How do we objectively quantify the progress there? Because otherwise it's this ethereal pie in the sky and we'll define it differently. So looking at the world through your perspective, through your lens, as a behavioral scientist, where are opportunities to make banking even better going forward for the people that it matters most to? Just people.

Matt Wallaert:

So I mentioned one, I think the gender wage gap is an interesting example of getting involved in how do people make money and employment side. Hey, if banking customers is unemployed, why wouldn't you help them get a job? That is good for you. Help them get a job. There's employment services, things that you could do that probably make dollars and cents, sense.

James Robert Lay:

Pause on the point. You're doing this personally yourself, even on your website, you're helping to promote jobs. And I think that's a great analogy of you're putting what you believe into practice. Can we just go down that path? Because I think practicality here is so important to help say, well yeah, here's really simple opportunities looking to apply this knowledge here.

Matt Wallaert:

And in some ways it loops back to our process orientation. I'm always looking for how do we magnify the impact of what we're doing. So you're right, I do open office hours where anybody in the world can spend time. It's first come, first served. So it's a new year, and so in a few weeks here, I'll release my diversity report, but we have good evidence from last year that, hey, when you do first come, first served and you don't say, well, I'm only taking intros, you get a much more diverse population of people that you can serve. But then how do you mechanize that? So for example, we have a spreadsheet of, hey, if you meet with me and you say you're looking for a job, we send you a spreadsheet. We say, great, every time you file for Bob, put it in this spreadsheet. One of our team members will look and see, do I know somebody there that I can introduce you to? You can mechanize that. Somebody has access to my LinkedIn, they just look through all my LinkedIn connections, say, who do you know there? And we can start to make those introductions, and make those things more egalitarian. And so I think people often fall down on, well, coaching's not scalable, but yeah it is, right? It just needs process orientation in order to make it scalable. Anything is scalable given the appropriate process orientation. We go back to that promoting and inhibiting pressures for a second, right? It's not that I don't want to help you, it's just that helping you is hard. So if I invest time in making helping you easier, I'll be much more likely to help

people. You and I were joking before the show about lighting, how I'm appearing on camera right now. If I have a setup that makes it really easy to shoot off a quick video, I'm really much more likely to make videos. I don't need to set an intention or motivate myself more, just to make it easier to do, the camera's already set up, the mics are already there, just get it done.

James Robert Lay:

You've reduced the friction.

Matt Wallaert:

That's right.

James Robert Lay:

And I think when you reduce the friction, it's easier for someone, A, to get started, and B, continue to move forward with reinforcing that pattern or behavior with some type of affirmation or positive reinforcement.

Matt Wallaert:

And maybe that's the big opportunity, to your point, in banking, is about friction reduction. So let's go back to gender wage gap and let's talk about asking for a raise. We think about that as often a promoting pressure problem. Well, people want money, think about Lean In. We just got to tell women, Hey, you got to ask. As if the problem is a promoting pressure. But I guarantee you, women that are listening right now, feel free to send me a note if you don't want to be paid fairly, right? All women want to be paid fairly. Of course women want to be paid fairly. It's not a promoting pressure problem, it's an inhibiting pressure problem. I don't know if I'm underpaid, I'm worried that I'll get fired. I don't know how to ask. I don't know how to ask successfully. Great. So banks can remove those inhibiting pressures. It is trivially easy to give people in your bank, your customers access to figure out whether they're underpaid. And it's trivially easy to say, Hey, here's a template that you could use to send your boss a like, Hey, I found out I'm underpaid. Here's the data that I use. All of those things are just friction reduction that you as a bank can invest in. Someone at your bank needs to own that, someone at your bank needs to step forward into the friction reduction role and say, Hey look, it's not just about continually throwing in more promoting pressures, it's about removing those inhibiting pressures. How easy can I make it to do the right thing?

James Robert Lay:

Right there. How easy can I make it to do the right thing? And that's where, for the dear listener, someone else, as an advocate in this space, is Natalie Bartholomew. She's been a guest on this podcast. She has [thegirlbanker.com](http://thegirlbanker.com). If you don't know Natalie, just go to [thegirlbanker.com](http://thegirlbanker.com). Big shout out to her for the work that she's doing to advocate for women in banking. So little bit of a side point right there. Make it easy to do the right thing because I think one of the big... I don't know, a lot of people don't necessarily want to talk about this, but the way banking works is we make money when people make mistakes. And if we can transform that perspective to, and I don't have the answer, I'm still trying to figure this out in my own mind. How can we create value, and through that value, that's how we create revenue.

Matt Wallaert:

Well, this is why I love the gender wage gap as an example, right? Because it has a clear monetization stream that isn't based on a mistake. You issue a debit card or a credit card, you make some percentage of fees on interchange as money flows through that instrument. That means if people make more money

and thus spend more money, you make more money. This is why I love insurance. Insurance is another great place because when you're fully capitated right in insurance, then when you help somebody be healthier, you pay less in them going to the hospital or direct care costs. And so they win when they're healthier and you win when they're healthier. I love businesses with that aligned business model. I don't think banking has to have a non-aligned business model. I think there are so many lovely opportunities, whether that's a management fee on a robo advisor or whether that's money throwing [inaudible 00:27:55] debit. There are so many ways to make money that aren't mistakes.

James Robert Lay:

No.

Matt Wallaert:

It seems sad that so much of the industry is focused on the mistakes that we make.

James Robert Lay:

And I agree with you. And that comes back to, I think, maybe a deeper philosophical realignment is to why do we exist in the first place? And when I wrote Banking on Change, the whole digital growth blueprint model, it's a circular model and it puts purpose as the nucleus of the model. It's not even mission, it's not even vision. It's that external why do we exist to create value for other people, and how are we creating value for other people? And what I have found is that's sometimes a hard narrative to have a conversation around. Why do you think that is?

Matt Wallaert:

Let's go back to promoting inhibit pressures. If doing right by your customer was profitable and easy, everybody would do it, right? Of course they would. Everybody has an intrinsic drive to be a good person. That is something we're born with as humans, or most of us are born with as humans. And so I don't think it's a promoting pressure problem. I think it's an inhibiting pressure problem. I think a lot of banks and credit unions don't know how to pivot away from a model where they're banking on mistakes, where they're making money from people screwing up. And so I think that's incumbent on people like you and I and others to reduce the friction to doing that. Drawing that parallel for them of, hey, you probably didn't think about the fact that you make money on interchange fees and so more money going through is good and that you can actually help people get more money. And there are a variety of ways to do that.

James Robert Lay:

Yeah. I think about what is going on in the overdraft world right now in NSF's. You've got a couple of larger institutions who are saying, no, we're not going to do this anymore. We're stopping. And then you've got this, some are like, oh, that's great. We're going to lean into that because that's the right thing to do. Back to your point. And then there are others who are like, yeah, you just took away a lot of our non-interest income and we're going to fill that. And I'm like, well fine. Use that as an opportunity to go look for other ways to create revenue by creating value for other people. Back to your point, doing the right thing, that that's really resonating and ringing in my head, because my senior year varsity basketball coach, coach [inaudible 00:30:31] passed away way too early. Just a beautiful, beautiful guy, beautiful soul. That's the thing that I learned from him. He said it over and over and over again. Do the right thing. Do the right thing. I think it's character. I think these are the more, like you said, everyone is born with this intrinsic perspective to do good, to help others. Where might we lose some of this? Once again thinking of this through behavioral science, why do we lose some of this? Maybe along the way and maybe it's consciously, maybe it's subconsciously. I'm looking to you for this one.

Matt Wallaert:

Yeah, I think a lot of it has to do with... So we're born with an intrinsic desire to do good, and then extrinsic forces start to act on us. And it turns out that those extrinsic forces are not costless. I always am reminded of the magic marker study. So there's this great study in the seventies when magic markers were first coming out, and they take two classrooms and both get to play with magic markers. And at the end of day one of the classrooms gets a good player award. James comes up to the desk, he get a good player award. Good job today playing with those magic markers. Other classroom gets nothing. Day two, same thing, right? Play with magic markers. Play with magic markers. James, get a good star for doing magic markers. Day three, play with magic markers.

Play with magic markers. Nobody gets a star in either classroom. Who's still playing on day four? Well, the kids who never got stars, they're still playing because magic markers are intrinsically interesting. They're intrinsically awesome, they're intrinsically fun to play with. The kids who got gold stars, they don't play anymore because what they learned was the reason to play with magic markers is gold stars. That's the reason to do it. And so if I don't get my gold star, I'm not doing that anymore, right? The way we have set up the working world, particularly in banking, when you look at who advances in banking, it's a giant system of gold stars. It's a giant system of like, well, I'm going to do whatever. Look at Wells Fargo and the scandal there, right?

James Robert Lay:

Cross-selling.

Matt Wallaert:

Yeah. That is badly set up motivational systems. If you step back from it, you're going, yeah, obviously. But when you're in it, when you're in the thick of it, when shareholders are yelling at you to increase the value and then the CEO's yelling at you, people lose perspective. Your coach was right. Do the right thing. Because it's tremendously hard to do the right thing when everybody else is pushing on you for metrics, and so part of it's just aligning those motivational forces. Hey, we do good when our customers do good, and are we really clear about that as our business model? Do we know what behaviors we're going to monetize? If I went out to the women of the world and I said, Hey, I'm going to help you get a raise and then I'm going to make some money off that. None of them would say that was bad. Every single one of them would be like, fantastic. Good for you, good for me.

James Robert Lay:

It's a win, win, win. It's like the idea of a triple bottom line. I want to come back to the Wells Fargo point because words have power. That was a whole cross-selling issue. I'm a big believer, I wrote about this in *Banking on Digital Growth*, help first, sell second. The sell comes as a result of helping people. I've even had conversations with other financial brand leaders that are building these personal brands, digital brands, that are creating a ton of content, they're creating a ton of value for people and they're like, I will never do a loan with them. I will never take a deposit from them, but there's that intrinsic need to help other people. So we did another discussion. I had another discussion, and I've been coaching this, instead of thinking about cross-selling, let's look at this through the lens of cross helping, because once someone opens an account with me or with my organization, well that's an opportunity to get really curious about where they are, where they've been, where they're looking to go next, and then look at it very objectively.

And I think this almost ties it back to where your thought is. You start at the end. You start at the end for them and then work backwards from that. Because maybe that's just another opportunity here. Because if people don't know what the end looks like, if either A, they've never been given the opportunity to think about that because they are struggling from day to day, from paycheck to paycheck. That's a very deep question. And one, it's almost an impossible answer, the idea of helping. I say people are looking for two things. They're looking for help, they're looking for hope, but for many people, hope has to come before they're even able, willing to receive help.

Matt Wallaert:

You have to have evidence that things are changeable before you are at all interested in change. When you talk about hope help, the canonical example is we look at young black men for example, who disproportionately drop out of high school, and you say, man, why would you do that? You know that education is going to be good for your future. You know this is a debt. You know, you know, you know. And so people launched campaigns where they're like, well, maybe you don't know and so I'll just educate you. I'll tell you how good college is, et cetera. Those campaigns have almost no effect. Why? Because they do already know. They also know that they're disproportionately likely to be jailed, and disproportionately likely to be unemployed, and disproportionately likely to be discriminated against. And so they are doing an objectively logical thing, which is to say, Hey, I'm going to go have fun before you stick me in jail. That is objectively logical in the system that we have set up. You have to say, no, we have to meet people. There is something more and this will pay off and I can demonstrate for you, and that's true. You know, talk about behavioral outcomes and starting at the end, one of the things we have people do as the very first step in any behavioral change process is write a behavioral statement. And the simplified version of this is when a target audience wants to something, some motivation, they will behavior. So when someone wants to do something, this is what they'll do. And in banking, all the time, I work with people and they'll write things like, well, when customers want to open an account, they'll go to our website. Nobody is walking around going, you know what I want to do today? I want to open a bank account. No, they have something they want to do. The bank account is a process. It's a thing I do in order to do something else, and banks are very, very bad at understanding what it is at a deeper level that their customers are trying to do. They just say, well, I want them to open accounts, so they must want to open accounts, right?

James Robert Lay:

I agree with you and I want to get the why in just a sec, because I wrote about in Banking on Digital Growth. I said, people wake up and say I need a car. They don't wake up and say, I need a car loan. The car loan, that's the process. The car, that's the outcome. Where's the gap? What's holding us back from bridging the gap between outcome and process? Is it a lack of empathy? Is it a lack of perspective? Is it because bankers are left brain, analytical driven leaders? I don't know. What's the gap here?

Matt Wallaert:

Well, we go back to that motivation setup, that system that's set up. No bank says at your quarterly review, how well did you help customers do the thing that they wanted to do? They say, here are the metrics I expected of you. I expected you to cross-sell 20 units and so I'm going to hold you accountable to 20 units. They didn't say, Hey, we actually advocate for managing through these behavioral statements. So I report to James. James says, Matt, when young Latino women in LA want to be able to buy a car, they'll get a car loan, they'll do it using our banking system, they'll do it with us. That is an objective outcome that is based on what someone else wants that you can still hold me accountable to. You don't have to say, well, you have to cross-sell 20 units. You can say, Hey, when the denominator is number of young women who want this to be true, the numerator is how many you helped do this in the right way. You're accountable to the denominator and numerator of this thing. That is such a radically

different way than we set up, particularly banking. And it's why banking, I think, lags behind many other, what you might think of as more empathetic systems. It would be crazy to run a healthcare system where we said, all right, doc, your job is to make sure you do 50 surgeries, you got 50 units of surgery you got to do, and you got to do those 50 units of surgery. Health systems that have tried that have completely broken down when they moved to systems that are about the process orientation of what you need to do. Outcome based medicine has been dramatically transformative. Where is outcome based banking? Where are you measuring that you help the people that you are serving be better off financially than they were a year ago? We hold doctors accountable to this all the time. We can look at things like re-hospitalization rate. We have metrics where we have established a system to say, did you make someone healthier than they were before? We don't do that in banking. We just say, what'd you do to them? Right? Not what'd you do for them, but what'd you do to them?

James Robert Lay:

That, I think, is another just key takeaway for the dear listener. Outcome based banking, you mentioned outcome based healthcare. How does that begin? It begins with a diagnostic study into some type of pain that someone feels, and then we're going to make a recommendation and provide a path forward. But it's always starting with the end in mind. Starting about the end in mind, I think, back to your point about accountability as we start to wrap up here, Matt. I always like to hold the dear listener accountable as best we possibly can. Give them some type of action, something small, something simple, something low friction that can inspire them to at least move forward and make progress based upon what we've talked about here today when it comes to behavioral science through the lens of banking. What's one small thing, one small recommendation that they can commit to do next?

Matt Wallaert:

Let's try writing a behavioral statement. So a behavioral statement is when a target audience who has some limitations wants to motivation, they will behavior as measured by data. So try doing that for a project you're working on today at your bank. Think about something you're working on and try and tell me, if this project is successful, who will be doing what and why? And how would you know? How are you going to measure that? So if I'm successful, women are going to ask for and get raises and I'm going to measure that by total number of accounts in which I see an increase in income within the next six months. Try doing that. I'm not asking you to write a goal for the future. I'm saying, can you even do that for what you're doing today? And if you can't, maybe you should stop. Maybe you should stop doing the thing that you are doing, if you can't tell me why you're doing it, right? If you can't tell me the outcome that you're trying to drive with that, that is an invitation to stop and possibly not do that. Or if you do, do it, at least wait until you understand why you're doing it. Right? That is so much stuff that we do day in and day out, in every industry, but particularly in banking, where nobody can tell you why they're doing that other than it's the rules or it's the way it's done or this is what it is. That's not an acceptable answer to me.

James Robert Lay:

Repeat it one more time. Repeat the behavioral statement. Because I think this is so practical that anyone can do.

Matt Wallaert:

Yeah, let's do the simple version of this, right? When a target audience wants to motivation, they will behavior as measured by data. So when my customers want to what? And don't say, get a car loan, say get a car. What is the thing that they would say? There's a nifty trick to this, and you can do this with people. If you prompt them with one, they should give you the other. So let's take Uber as an example. James, you took an Uber last week, why'd you do that? Well, I wanted to go somewhere. Look at that. I prompted you with a behavior, you gave me the motivation, right? James, you got a car loan last week, why'd you do that? Well, I wanted to get a car. Fantastic, right? I can also do it the other way. James, you got a car last week, how'd you do that? Well, I got a car loan. Great. I prompted you with the motivation, you gave me the behavior, right? That should be true for your customers, right? Don't accept something like open an account. Open an account is a process. James, you opened an account last week. Why? Why did you open an account last week? Right? And I think most bankers can't answer that question.

James Robert Lay:

Yeah, because I needed a better way to spend my money or I was tired of getting screwed from this other organization and I was looking for something better than what I had today.

Matt Wallaert:

Who knows what the answer is, but go find out, right? Ask.

James Robert Lay:

Ask. That is the follow-up to the simple activity from you, Matt. You got to go all in on people. You got to ask good questions, listen to them, and learn through observation. Matt, this has been a lot of fun, buddy. What's the best way for someone to continue the conversation that we've started here today?

Matt Wallaert:

The great thing about having a weird last name is I'm very easy to find, right? mattwallaert.com. Matt Wallaert on every social media you can think about, because I have this weird extra vowel in my last name. I'm an easy guy to find. I have open office hours. You can first come, first serve, you can spend some time with me and ask me whatever you want for half an hour. I believe very passionately. The reason I came on the show and the reason I care about doing this kind of thing is there are a select few industries that are really at these sort of pivot points in human life, and banking is one of them, right? It's there at the best. It's there at the worst. It's involved in so much of what we do, and so if we can do it better, if all of you out there, if we can say, Hey, I'm going to reorient myself towards behavior. I'm going to use a science like process to generate that behavior and it's going to be good for me and it's going to be good for them, and I'm going to align my business model against it, that's transformative. I think about, the UN has way too many goals. They have these core goals. It's like 21 of them or something, right? It's the same long list of UN developmental goals. It's hard to find one that isn't touched by banking somehow, right? You're at such a linchpin moment for people, that I just think use that power in a good way and that'll be worth it for me, and it'll be worth it for you and it'll be worth it for James and everybody else. Please accept this as an invitation from the two of us to rethink what you're doing in a way that serves people.

James Robert Lay:

What a beautiful, beautiful way to wrap this up, Matt. Connect with Matt. Learn with Matt. Grow with Matt. Matt, thank you so much for joining me for another episode of Banking on Digital Growth. This has been a lot of fun.

Matt Wallaert:

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Thanks for having me.

James Robert Lay:

As always, and until next time, be well, do good and make your bed.