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This paper explores the issue of burnout among junior analysts in the finance industry, specifically focusing on the role of workplace motivation in contributing to this issue. The review draws on a range of studies and literature related to burnout, motivation, and management practices in the finance industry, analyzing the factors that contribute to junior analyst burnout and identifying effective management practices that can help reduce burnout and promote a positive work culture. The review highlights the importance of adopting a Theory Y management approach that prioritizes employee empowerment, autonomy, and self-direction in addressing burnout among junior analysts. The findings suggest that providing opportunities for professional development and growth and delegating tasks and responsibilities to employees are effective management practices that can reduce burnout and promote a positive work culture for junior analysts in the finance industry. The review concludes by recommending a multifaceted approach that involves adopting effective management practices, providing support and resources to junior analysts, and promoting a positive work culture to address the issue of burnout in the finance industry.

Keywords

Finance, Burnout, Job Satisfaction, Theory X and Theory Y, Banking

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Comments

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MGT 370: Workplace Motivation

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Junior Analyst Burnout

Working as a junior banking analyst is incredibly challenging. The constant stressors coupled with the deal-focused nature of the work require analysts to get work done regardless of what is going on in their lives outside of work. The result is the development of the workplace motivation issue of burnout. Burnout involves physical, emotional, and mental symptoms materialized by feelings of emotional exhaustion, depersonalization, and reduced feelings of accomplishment. The World Health Organization includes burnout in its International Classification of Diseases Handbook and has identified it as one of the major problems in the work force today (World Health Organization, 1994). According to the WHO, a patient can be diagnosed with burnout if they experience feelings of depleted energy, feel mentally distanced or cynical about their job, and have problems with getting their job done successfully. Despite junior analysts being one of the most coveted positions by recent college graduates with the promise of six-figure salaries and social status, analysts are experiencing symptoms of burnout within just a few years of starting their job. While in any job one may experience the phenomena of burnout, the level at which junior analysts are burning out industry-wide is a reason for concern as it is having devastating impacts on talent retention, satisfaction, and overall culture in the industry.

The burnout of junior analysts in the financial industry is due to a culmination of factors that include employees feeling as if they have insufficient control over their work, workers feeling like quasi-machines, workers having conflicting work demands, and poor work culture. The combination of these factors manifests itself in a variety of ways ranging from physical ailments such as headaches to the development of emotional insensitivity towards clients and other employees. Resulting in negative effects for the company and interference with the employee's personal and business relationships. The current climate for junior bankers perpetuates a culture focused on hard work, long hours, and a competitive atmosphere amongst colleagues. With management contributing to this culture, it is apparent that burnout is a consequence of the negative work climate.

Analyst Burnout in the Theoretical Context

Ergo, burnout represents a major issue in the finance industry and is largely due to the fast-paced, high-pressure, and demanding nature of the work. Junior analysts are frequently required to work extended hours, adhere to strict deadlines, and manage significant levels of stress, leading to physical and emotional exhaustion. Furthermore, the finance and banking industries are renowned for their competitiveness, with a culture that prizes performance, achievement, and financial rewards, often at the expense of employee well-being and work-life balance. The ongoing pressure to fulfill objectives and surpass expectations can result in burnout, which may have significant implications for individuals and organizations, including decreased productivity, higher absenteeism, and elevated turnover rates. As such, it is crucial for managers in the finance industry to prioritize employee well-being, foster a supportive work environment, and implement strategies and policies that encourage work-life balance and decrease stress levels. Furthermore, work motivation theories can provide valuable insights to address this ongoing issue.

Job Characteristics Theory is one theory that may help managers address this issue and the relationship between job characteristics and an individual's response to work. The Job Characteristics Theory considers five job characteristics that matter for motivation and for positive outcomes. The five job characteristics are skill variety, task identity, task significance, autonomy, and task feedback, all of which can be used to calculate the motivating potential score of the job. Current research points towards the notion that due to the heavy workload, demanding hours, and strict hierarchy, junior analysts may not be experiencing meaningfulness or responsibility in their work. Thus, the job characteristics theory and its connection to three psychological states (meaningfulness of work, responsibility in outcome of work, and knowledge of results of the work activities); may be used to find the underlying issues associated with junior analyst burnout. Thus, this theory can identify and potentially solve issues associated with the work motivation issue of burnout. However, this theory fails to consider the importance of work culture and its implications on worker productivity, satisfaction and performance. With the stigma around speaking about mental health and a “pay for performance culture,” Job characteristics Theory considers how the characteristics of the job may contribute to burnout but does not do the best job of identifying how the culture in banking may be impacting performance and contributing to this endemic of burnout.

Another motivation theory that may help resolve this issue is the Expectancy Theory. The Expectancy Theory assumes that effort is a function of one’s expectation that performance will increase and, thus, certain outcomes will occur as a result. The expectancy theory and VIE (valence, instrumentality, and expectancy) apply to the issue of junior analyst burnout in the finance industry but fail to consider issues such as managerial style, workplace culture, and autonomy. Although this theory helps identify how bonuses and promotions may increase motivation through Valence, due to many analysts find these rewards desirable. However, many analysts struggle with expectancy as they are unaware if their hard work will lead to increased performance. Therefore, this theory does a good job of identifying why analysts may choose one behavior over another, but it is not the best option to resolve the workplace motivation issue.

McGregor’s Theory X and Theory Y are two opposing management styles that describe how managers view their employees and their motivations. In the finance sector, a manager's management style significantly impacts employee motivation, job satisfaction, and organizational performance. Theory X assumes that employees are lazy, lack motivation, and need to be constantly monitored and controlled. Managers who subscribe to Theory X tend to micromanage their employees, believe in strict rules and regulations, and use punishment or rewards as a motivator. Theory X supposes that employees are inherently unmotivated and interested in their own needs, thus they need to be coerced to work effectively. On the other hand, Theory Y assumes that employees are motivated, responsible, and want to contribute to the success of their organization. Managers who subscribe to Theory Y tend to empower their employees, delegate responsibility, and provide opportunities for growth and development. Theory Y infers that workers are capable and will achieve their goals when they are properly motivated. The finance industry, in particular, is known for its high-pressure work environment, where employees are expected to perform under strict deadlines and meet challenging targets.

The question of how to motivate and manage employees in the finance industry has become increasingly important as burnout and turnover rates continue to rise. By understanding McGregor's Theory X and Theory Y, finance managers can adopt management styles that empower and motivate their employees to achieve their goals and contribute to the success of the organization. The current environment is Theory X centric with regulations that require intense oversite, rewards, or punishment based on the outcomes of live deals and a culture that perpetuates a stigma around mental health. This Theory X managerial style is leading to increased turnover rates due to its association with the increasing levels of burnout amongst analysts. With work environment, long hours, and poor culture being the leading causes of burnout, McGregor's Theory X and Theory Y framework should be used to implement strategies and policies that encourage work-life balance and decrease stress levels.

Understanding the determinants of junior analysts' work experience, motivation, and satisfaction is of paramount importance to decision-makers in the finance sector. This is because work experiences directly impact their performance (Judge et al., 2001). In a study of 100 bankers in the United States, it was found that job satisfaction and burnout have a significant and positive correlation of .68 with employee turnover (Abate et al., 2018). The results from this study suggest that as burnout increases, job satisfaction decreases and results in increasing employee turnover. These findings are congruent with the assumption that burnout is a leading cause of dissatisfaction and that satisfied employees report less burnout and are more likely to remain at their job (Abate et al., 2018).

Furthermore, the relationship between burnout and satisfaction may be a result of the nature of the work itself. Studies that evaluated the relationship between burnout and job characteristics found significant correlations between burnout and the characteristics of the work environment (Dias & Angelico, 2018). Specifically, close supervision, long hours, work environment stressors, and lack of autonomy all contribute to the feeling of emotional exhaustion (Packirisamy et al., 2017). Emotional exhaustion is noted as one of the leading causes of burnout and is defined as a feeling of being over-extended and "depleted of one's emotional resources in response to chronic interpersonal stressors on the job" (Dunford et al., 2012, p. 638). In the finance industry, this is more likely to occur to newcomers as junior analysts experience significant increases in job demands, often a greater workload than their associate peers, and higher levels of role ambiguity compared to other industries (Dunford et al., 2012).

Organizational newcomers are more likely to experience increased oversight, stricter deadlines, and more criticism. The prevalence of this Theory X managerial style was identified in 2021 when junior analysts from Goldman Sachs put together a working conditions survey in which 83% of those surveyed frequently experienced micromanagement, 100% experienced unrealistic deadlines, 92% were frequently shunned in meetings, and 77% felt like victims of workplace abuse (Kelly, 2021). Leading to increased levels of burnout and only a 30% chance that those surveyed would remain at Goldman Sachs in six months (Kelly, 2021). This case showcases how a predominately Theory X managerial style has contributed to a negative work environment, decreased levels of satisfaction, and increased the symptoms associated with the diagnosis of burnout.

Nonetheless, it is important to note that work has significantly changed since McGregor's' publication of this motivation theory. According to a 2003 study by Michael Bobic and William Davis which investigates the relevance of McGregor's theory in the 21st century, the authors found that dramatic changes in the work environment have changed how workers interact with their job. Specifically highlighting how employee career paths, job security, job satisfaction, and the degree to which employees prefer security to creativity. Furthermore, Theory X and Theory Y's relationship to Maslow's Hierarchy suggests that employees have moved past security and phycological needs and now require belonging, esteem, and self-actualization for motivation. Yet, research investigating why college graduates pursue a career in banking suggests that analysts are more interested in the salary and benefits rather than the work-life balance (Sobolev, 2022). Proposing, that recent college graduates may be pursuing security and physiological needs instead of those higher on the hierarchy. Consequently, the Theory X approach would assume that these workers dislike work and chose this job for the money and prefer to be directed in an attempt to avoid responsibility (Bobic & Davis, 2003). Due to this, managers' assumption of the motivations for why an analyst chose to pursue a career in finance is a factor that contributes to which managerial style they choose to pursue (Sobolev, 2022). In other words, because college graduates have little work experience and most likely lack safety and physiological needs at their start, managers may initially assume a Theory X managerial style to cater to their motivations (Bobic & Davis, 2003).

This often results in managers assuming that their analysts should act as quasi-machines for the success of the company (Clarke, 2022). McGregor's theory points towards the notion that this Theory X approach to management is a result of managers having a pessimistic view of human nature derived from their understanding of the competitive culture of the finance industry. Some of the consequences of this culture are lack of autonomy, micro-management and work-life conflicts which are all noted to have positive correlations with burnout (Tehrani et al., 2021). Furthermore, the culture of the finance industry aligns with McGregor's assertion that a manager's cosmology (assumption of employees) was potentially a self-fulfilling prophecy (Lawter et al., 2015). Inferring that a manager who adopted practices aligned with Theory X would find that employees are unmotivated and care only about their rewards or punishments. Current research on the culture of the finance industry suggests that this may be a factor contributing to its negative perception and ultimately to burnout (Clarke, 2022). This was found to be true in a survey by Upslide of 200 randomly selected investment bankers in which 72% of them were considering quitting to avoid burnout and cited the work environment as their main determent (Clarke, 2022). Thus, current literature points towards the notion that Theory X is associated with burnout through its assumptions of employee motivations and the management style's possible contribution to the negative perception of the industry's work environment.

Thus, burnout may be a result of managerial style and its effect on worker behavior and attitudes. In a 2015 survey done by Leanna Lawter, Richard Kopelman, and David Prottas encompassing 21 managers and 80 subordinates randomly selected from 4 public companies, the authors used a multilevel analysis and data from a questionnaire to test Theories X and Y. Within this study the authors tested the relationship between Theory X and Y manager behavior and subordinate performance, the mediating role of manager behavior on the relationship between manager attitude and manager-rated subordinate performance and manager attitude and workgroup performance. The results from this study were all positive, and the hypotheses were supported. Manager behavior and subordinate performance and the mediating role of manager behavior on the relationship between manager attitude and manager-rated subordinate performance were both statistically significant with a correlation of .61 and a p-value of .01 and .51 and .02 (Lawter et al., 2015). The study also found that subordinate attitude was related to Theory X and Theory Y manager behavior with a correlation of .22 and a p-value of .01(Lawter et al., 2015). This study provides evidence supporting the notion that junior analysts' performance and attitudes are significantly and positively related to Theory X or Theory Y managerial style of their superiors.

Correspondingly, a subordinate attitude is noted as an internal psychological experience that contributes to the diagnosis of burnout (World Health Organization, 1994). Ergo, these results uphold the view that analysts have unlimited potential for performance if their motivations are managed in the right way. Furthermore, this study shows that not only do managerial attitudes matter, but their behavior affects the analysts' attitudes, satisfaction, and performance. Indicating that current manager behavior and attitudes in the finance industry could be one of the main contributing factors toward analyst burnout.

Proposed Solutions

Research on the subject matter indicates that burnout is a pervasive issue in the finance industry that can negatively impact employee well-being, organizational performance, and the industry as a whole. McGregor's Theory X and Theory Y motivation theory provide a useful framework for understanding the underlying motivational factors that contribute to burnout. By adopting a Theory Y approach that prioritizes employee well-being, autonomy, and self-direction, organizations can create a supportive work environment that reduces burnout and increases employee motivation and engagement. However, the culture in the finance industry can make it challenging to address burnout effectively. The industry's high-pressure work environment, competitive nature, and focus on performance and financial rewards over employee well-being and work-life balance can create a toxic work environment that contributes to burnout. Additionally, the stigma surrounding mental health in the workplace can make it difficult for employees to speak up about their struggles and access the support and resources they need.

Therefore, addressing burnout in the finance industry requires a multifaceted approach that considers the organizational culture, management practices, and individual employee needs. Implementing effective management practices is paramount to resolving the ongoing issue of junior analyst burnout. As noted earlier, research shows a strong correlation between manager attitude and manager behaviors with analysts' attitudes. Due to the strength of this relationship, a top-down approach that focuses on adopting Theory Y management practices that prioritize employee empowerment, autonomy, and self-direction, can help reduce burnout by creating a supportive work environment that promotes employee well-being, engagement, and satisfaction.

To address this issue management should incorporate opportunities for professional development and growth during working hours, while also protecting the weekends of their junior analysts. In the study of junior analysts at Goldman Sachs 100% of analysts agreed that work had negatively affected their professional and personal relationships and that they were given unrealistic deadlines leading to an average of 98 hours worked per week (Kelly, 2021). Opportunities for professional development and growth are thus overshadowed by the intensity of the workload. The industry should emphasize these opportunities by requiring analysts to attend a minimum of two one-hour-long sessions a month. While also preventing analysts from working Friday after 8 PM until Sunday at noon. Theory Y suggests that analysts would develop new skills and knowledge while ensuring that analysts maintain healthy relationships due to protected weekends. As a result of these policies, motivation, and delegation may increase due to growing analyst skill sets and thus decrease the potential of turnover.

The best way to measure the success of this Theory Y approach would be through required anonymous surveys using a Likert scale of managers and analysts. These surveys should be taken once every six months to best measure ongoing managerial practices and analyst responses to them. The results from the Likert scale would then be used to find how analysts respond to their manager's attitudes and behaviors based on the scale’s ability to measure how much the respondent agrees with each statement. The results would then be compiled and factored into each manager's end-of-year review. The emphasis of these surveys would be education and it is the responsibility of each manager in the hierarchy to mentor lower-level managers to ensure a culture that perpetuates positivity. This top-down approach of educating managers about how their attitudes and behaviors impact analyst attitudes confronts the stigma around mental health in the industry and educates managers about the implications of their management style while also promoting open communication.

In conclusion, burnout among financial analysts is a serious issue that can have negative consequences for both employees and organizations. However, by adopting a balanced Theory Y and Theory X management approach that emphasizes employee empowerment, autonomy, and self-direction, managers can create a supportive work environment that promotes employee well-being, engagement, and job satisfaction. Specifically, providing opportunities for professional development and growth and delegating tasks and responsibilities to employees are effective management practices that can reduce burnout among finance analysts. While addressing burnout in the finance industry is a complex issue, implementing effective management practices that prioritize employee well-being can make a significant difference in reducing burnout and promoting a positive work culture for finance analysts.

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