COMMUNITY BUILDER

René Jones is putting his own spin on M&T’s longtime strategy of slow and steady. “We’re essentially trying to become a more modern version of ourselves,” Jones says.
René Jones is putting his own stamp on M&T Bank

By Penny Crosman

When the Business Roundtable said last summer that it believed corporations should exist to create value for all stakeholders, not just investors, the reaction from M&T Bank Chairman and Chief Executive René Jones was something along the lines of, “It’s about time.”

For more than two decades, the influential lobbying group took the position that a company’s purpose, plain and simple, is to maximize profits for shareholders. Delivering returns for investors still matters, but the Roundtable now argues that the best way to build long-term value is to treat customers fairly and invest in employees and communities.

Jones applauds this stance, though he wonders what took his fellow CEOs so long to come around.

“The first time I heard it, I was like, are you kidding me?” he said in a recent interview at his office in downtown Buffalo, N.Y.

For decades, first under longtime Chairman and CEO Bob Wilmers and now under Jones, M&T operated with the underlying philosophy that if a bank strives to make a difference in the lives of all constituents, shareholders would ultimately benefit. It stuck with this ideal even as it grew from a local community bank in western New York into a regional powerhouse with assets of $120 billion and operations in eight states and the District of Columbia.

“It’s great that we finally have come to this realization,” Jones said of the broader banking industry. “Surprise, surprise: Focusing on your customers, focusing on your communities, focusing on the governments that try to support those communities and building ecosystems tends to result in a healthier company.”

At M&T, he added, “It’s what we’ve always done. It’s the essence of who we are.”

Jones, 55, took the helm at M&T in late 2017 after Wilmers died at the age of 83, and he relishes the opportunity to carry on the legacy of his mentor.

At the same time, he is rethinking some things about the way the company operates.

He is, for example, gutting the luxe executive suites at the corporate headquarters and replacing them with smaller offices and more communal space. It’s one tangible way that he is communicating to the staff that he’s doing away with what he calls a “permission culture” to foster an environment where managers are empowered to make decisions.

He is also overseeing the development of M&T’s new 330,000-square-foot tech hub, which will be housed in a renovated building called One Seneca down the street from the bank’s headquarters.

Under Wilmers, M&T was fanatical about managing expenses, but Jones understands that if the bank is to remain competitive, it needs to invest heavily in technology. Over the past two years, Jones has tripled the bank’s investment in tech recruiting, and it plans to hire up to 1,500 technologists whose jobs, by and large, will be to develop products, services and processes that will help M&T better meet its customers’ needs.

“We started to realize that large banks, fintech companies and non-banks have the ability to come in and understand things about our customers without ever showing up in our community,” Jones said. “We can’t compete pound for pound with the big banks with large budgets. We’ve got to be sure that we deliver a good customer experience.”

Jones is also committed to building a more diverse workforce. Growing up in a mixed-race family that didn’t have much money, Jones brings a unique perspective to decision-making and believes strongly that greater diversity leads to better results.

“If you think about diversity, inclusion and belonging, a lot of that process is about changing your views of what’s possible and changing
your beliefs about what outcomes that you could have,” Jones said. “As you think about your goal of increasing the number of women on your board or increasing the number of African Americans or minorities in your management team, essentially all those things are being blocked, not necessarily by supply. They’re being blocked by your view of the world right now and what is possible. I would be more one to explore the possibilities of why those impediments are there. But it takes a different mindset to begin to think about it.”

Following a legend

Jones, who joined M&T in 1992 and worked alongside Wilmers as his chief financial officer for a dozen years, was one of three executives Wilmers had been grooming to eventually succeed him. (The other two were Richard Gold, president and chief operating officer, and Kevin Pearson, vice chairman.)

Brian Klock, a managing director at Keefe, Bruyette & Woods who also worked at M&T for 10 years, said that investors revered Wilmers and what they hoped for most after he died was continuity. “Investors didn't think anything of René taking over, because they knew him as CFO and they knew the deep friendship that he had with Bob Wilmers,” Klock said. “From the outside, the strategies and the culture are still the same that Bob put in place: Be a conservative underwriter, but make sure you’re there for your customers, community and employees in good times and bad times.”

Still, when Wilmers died, Jones did not take over his former boss’s office. As part of the C-suite redesign, Wilmers’ corner office is being converted into a smaller office with a conference room. “You have to think about that time,” Jones reflected. “Bob had been chairman for 35 years ... so the organization was in a place of uncertainty and people needed a lot of reassurance. Part of it was respect and part of it was, ‘Let’s thoughtfully think about how we want to use that space.’

Under Wilmers, M&T was consistently one of the industry’s top-performing banks. It generally produced above-average returns on assets and equity and its shares were among the most valuable in all of financial services. An investment of just under $4,600 in 1983, when Wilmers acquired M&T and became its chairman and CEO, would be worth roughly $1 million today.

Though it now has a presence in affluent and dynamic markets such as northern New Jersey and Greater Washington, D.C., M&T thrived even when the bulk of its business was in slow-growing western New York and Pennsylvania.

“There are no fast-growing markets in upstate New York and central Pennsylvania,” Klock said. “These aren’t where all the biggest and fastest-growing banks are. So you really need to be good at what you do. You need to be close to your customer. And it’s just something Bob Wilmers did from when he took over.”

Returns, and the share price, suffered a bit last year as M&T ramped up its tech spending — it hired 800 data scientists and software engineers in 2019 — but observers say it’s an investment Jones had to make.

“Even though it may be one of the best banks in the last three decades, you can’t just sit there and think it’s just going to continue to produce that,” said Marty Mosby, the director of bank and equity strategies at Vining Sparks. “You have to push to get incremental benefits to the customers and to your workforce so that you’re able to create the next bank and then the next best offering for your customers in the next 10 years.

“What’s different under René is that he’s embraced this idea of being more agile and responsive to the customer and focusing on investing in what matters to the customer.”

The tech hub

The new tech hub has multiple purposes: to help M&T attract techies from all over the country; to help it shift from outsourcing to in-house software development; and to migrate it from slower waterfall development projects to quicker, iterative agile development.

The bank plans to build minimum viable products, test them with local customers in the hub, and revise them.

“To do that, you need all those people to be in the same room,” Jones said. “We are going through rapid amounts of versioning on that same customer journey to get different outcomes. If you don’t have a space where everybody can come, you can’t get it done with the speed and efficiency that you need.”

The space has floor-to-ceiling glass windows that overlook Lake Erie. There are many “ceremony spaces” planned where teams will sit together and collaborate.
The furniture for the community spaces has been selected with intention, said Sarah Tanbakuchi, M&T's technology manager. Ottomans that can be easily moved around are an example what she refers to as “perch” furniture. It is, as the name implies, meant to facilitate brief exchanges with colleagues.

“We don’t have people sitting around for too long.” Tanbakuchi said. “We want them up, active, engaged, communicating with each other.”

“We’re focusing on transparency, democratization of data and information,” she added. “So you should be able to see the teams, see what they’re working on.”

There will be more than 1,600 workstations with sit/stand desks. A tech academy is part of the plan, so bank employees, and even nonemployees with an interest in tech, can learn new skills.

Before the coronavirus outbreak struck, construction on the cavernous space was due to be completed by June, said Michele Trolli, M&T’s chief technology and operations officer, who will work out of the new location.

In late March, New York Governor Andrew Cuomo placed a pause on all construction in the state. Now the bank says construction will resume as soon as it is safe for workers to return to jobsites.

Much of the work in the tech hub will be focused on improving the customer journey. To Jones, this term means observing the challenges customers face when, say, buying a home, and smoothing the points of friction.

“Rather than think about it as a loan product, how do we walk through a process where we look at their decision to buy in the first place?” Jones said. “What are the events that make the process one of the most stressful things in an individual’s life? And then you can begin to think about how you can streamline some of those things.”

A boost for Buffalo

The goal of hiring hundreds of new technologists in Buffalo over the next three to five years is ambitious.

The Buffalo-Cheektowaga-Niagara Falls region was recently ranked 52 out of 53 job markets in a Moody’s analysis. (Austin, Tex., was No. 1.)

Each region was ranked on five metrics: the unemployment rate, labor-force participation rate, job growth, labor-force growth and wage growth. Buffalo and Rochester had the slowest-growing regions.

In the Buffalo region, jobs and the labor force — the number of people who are employed plus the unemployed who are looking for work — increased by less than 1% in 2019.

“The issue is, how do you hire that many technologists in a place like Buffalo, New York?” Jones said. “Across America today, there’s this race for relevance among small and midtier cities.”

But Jones also pointed out that while New York, Toronto, Boston and San Francisco have dominated the innovation space, housing prices have shot up in those cities, making them out of reach for many younger educated workers. It’s why lower-cost cities such as Austin, Nashville, Tenn., Denver and even Buffalo are attracting millennials, and Jones sees no reason why his city can’t become a tech hub in its own right.

“We think there’s an opportunity, if we behave the right way, to create an ecosystem that attracts talent in Buffalo,” Jones said.

Buffalo Mayor Byron Brown agrees. He said that the city’s low housing costs — the median home price is less than $104,000, according to Zillow — is among the reasons why the millennial population has grown by about 22% in the past decade and why about 50% of local home buyers are millennials.

“While there are other communities in the country that are better known than Buffalo as technology hubs ... M&T Bank’s announcement of creating a tech hub and bringing 1,000 tech jobs over three years to Buffalo seemed to really jump us up the list of communities being looked at as good places for technology employment in the coming years,” Brown said.

Attracting top talent to the city means more than just providing jobs for techies, Jones pointed out. The community needs to offer jobs for spouses as well as things to do in the area.

Jones works with community and business leaders on all of this.

“René has taken an innovative and commendable approach to looking at strategic priorities for the bank and making an effort to understand how he can provide maximum benefit,” said Eric Reich, the founder of the higher education software company Campus Lab and chair of the tech startup incubator 43 North.

43 North was the first tenant in Seneca One Tower, the building housing M&T’s tech hub. Every year, the incubator runs a competition among entrepreneurs from all over the country. The top winner receives $1 million and is required to move the company to Buffalo for a year. Office space and mentorship are provided.

“That gives us one year to convince them that Buffalo is the place they should make a home for their business,” said Bill Maggio, one of the founders of 43 North. “Buffalo was a tough sell initially, but the word is getting out that the cost of living and carefree lifestyle” — translation: no traffic — “are very appealing to people who are trying to build businesses in cities like Boston, San Francisco and other more traditional hotbeds for startups,” Maggio said.

Several alumni of the program have stayed in the city. One, ACV Auctions, is now a unicorn worth $1.5 billion. It provides an online marketplace for used cars.

43 North takes a 5% interest in each company; that money is used to support the program.

Maggio gives Jones credit for supporting the community.

“M&T Bank has always been a community-based bank and committed to Western New York,” he said. “They’re seeing this as an opportunity to not only take the bank to the next level, but to also help Buffalo.”

Can’t quit Buffalo

Jones began his career at the Boston office of Ernst & Young. He then worked for several years at The Group Inc., a real estate firm.

He joined M&T Bank’s executive associate program in 1992 after receiving his MBA from the University of Rochester.
In this program, the bank hires people with MBAs and puts them on a fast track to becoming executives.

To get in, Jones had to be interviewed by 13 different people at the bank, including Wilmers. All of them had to make a unanimous decision.

At the time, the Massachusetts native figured he’d stay for a short time and then move to a larger city.

“There was no reason for me to come to Buffalo other than the bank,” Jones acknowledged. “All my relatives and people I knew from graduate school would call once a quarter and ask me, why are you still in Buffalo? So every two years I sat down and thought about what my opportunities were, was I making a difference, in both work and non-work. Working for M&T and Bob Wilmers, there was always something going on. It was a relatively easy decision.”

His daughters, who are in their late teens, are also committed Buffalonians.

“There was a moment when I was driving in my car with my wife and two daughters and one daughter said, ‘I know what I’m going to do; when you guys move out, I’m gonna move into your house.’ And the other one said, ‘No, I’m going to move into your house.’ And I thought, ‘Oh my god, my kids are from Buffalo. When did this happen?’”

**Thoughtful about diversity**

When you ask Jones a question, there’s always a slight pause before he answers.

“You can see that he’s thinking about all different aspects of how to answer your question,” Klock said. “A lot of us just react with the first thing that comes to our mind. He doesn’t do that; he’s able to sit back and listen and think before answering.”

From an early age, Jones has pondered questions around disparity and opportunity.

His African American father — born the 13th of 13 kids, just a few years before the Great Depression hit — grew up on a farm in Wolftown, Va. Knowing that his family couldn’t afford to feed him any longer, he joined the army at the age of 16 in 1940. He met Jones’s mother in Belgium during the war, around the time of the Battle of the Bulge.

They had six kids in all, René being the youngest.

Jones was born in 1964 in a small town in Massachusetts near the military base at which his father was last stationed.

“Growing up in an African American or mixed family, you experience things that are very different,” he said. “That led me to have this ability to recognize stereotypes in every place I go. I don’t think of it as good or bad. I just recognize stereotypes everywhere.”

Jones said that, growing up, he never met a doctor (other than the military doctor his family visited at the nearby barracks) and didn’t know a single person who owned a business.

“No one in my family did,” he said.

He didn’t start to see the possibilities people could have in life until he went to Boston College, where he majored in business with a concentration in accounting.

Now, when he looks at people, Jones thinks, “Where did you start? What are your possibilities? What have you seen? What have you been exposed to?”

With employees, he wonders: If they were exposed to new things, how would they fare?

“Giving people that opportunity, I think, is really, really important,” Jones said.

When doing performance reviews, rather than looking for three things they did well and three things they did poorly, Jones asks, “Which of those six things is your biggest opportunity to amplify the performance of the team?”

Banks have talked for decades about increasing diversity and most have employee resource groups intended to get more women and minorities into the ranks. But the top ranks, even at M&T, are still dominated by men.

“The challenges are so deeply rooted in behaviors over long periods of time,” Jones said. “And those behaviors are not just of people on the outside of the issue, but the individuals themselves and what they think is possible. Until you change the reality of what’s possible and show people what it is, you don’t get different outcomes.”

As M&T hires for its tech hub, one program will reach out to communities that have been overlooked, find people with aptitude, train them and help them with impediments they face.

“It’s not that they just don’t have a job,” Jones said. “It’s a whole host of social issues that you have to have services for.”

At the same time he is aiming to bring more diversity to M&T and its leadership ranks, Jones is breaking down what he calls a “permission culture” so that the bank can better serve all populations. Case in point: A banker in Howard County, Md., felt that M&T could do a better job connecting with the county’s large Korean population and started hiring Korean-speaking employees to staff area branches.

“The permission culture is one where the owner has to control all the decisions,” Jones said. “If you’re going to be a community-oriented bank and be close to your customers, you have to free that up. You have to allow people close to the customers to be able to make decisions.”