Barclay Damon Live Presents: The Cyber Sip Podcast

Episode 10: "Why I Left the FDIC, and Overcoming 'Tech Hesitancy,' With Sultan Meghji, Part 2"

Speakers: Kevin Szczepanski, Barclay Damon and Sultan Meghji, Former FDIC Chief Innovation Officer

[Kevin Szczepanski]: Hey, everyone, this is a Barclay Damon Live broadcast of the Cyber Sip, practical talk about cybersecurity. I'm your host, Kevin Szczepanski. Let's talk.

[Kevin]: Everyone, welcome back to another episode of Cyber Sip. We are pleased to be joined again by Sultan Meghji, a 30-year security and technological innovator, and for a year he was the first chief innovation officer of the FDIC. Sultan, welcome back to Cyber Sip.

[Sultan Meghji]: Well, it's great to see you again Kevin, thanks.

[Kevin]: Thanks. Good to see you as well. Thank you for coming back now. In our last episode, we did not get to the reasons why you left FDIC and some of the recommendations you have for how not only that organization, but presumably others in the same position, can innovate and improve. So I wanted to turn to those topics now. There comes a time when you decide that you have to move on. Can you talk to us about that? How does that happen and how do you make that decision? I'm sure it had to be a difficult one, because this to you was something of a mission. What happened to make you change your mind?

[Sultan]: Well, it was certainly a passion of mine to figure out how we could make this better for everyone, because I do think this because of issues like the ones I tried to solve, the system itself is riskier. The people have more struggles that, you know, we were before the camera started, we were talking about a banking fraud issue that we were just chatting about that is a perfect example of how things we could do better. But you know, it's interesting there are a couple of things that the kind of all came to a head not too long ago. The first was—and this is probably not a surprise to anyone who knows anything about politics in the US government. But oh my gosh, the politics...

[Kevin]: Really!?

[Sultan]: Just completely in the way. I mean, it's, you know, there were people who thought I was on one party and decided to treat me well or treat me poorly because of that. There a bunch of people who thought I was in the other party and decided to either treat me well or really poorly because of that. And so it didn't matter if I said the sky is blue. You know, two of those communities were to agree with me, and two of those communities would disagree with me. If I said the sky was purple, the other two would agree with me and the previous two would disagree with me, right. And the fight, if you will, and the showing allegiance to the party became more important than actually getting something done. And I think, you know, like a lot of people who come to DC kind of in a "Mr. Smith Goes to Washington" kind of way, I thought, well, I can work with this. I can figure out how to do it. And at the end of the day, there are going to be things that just you aren't able to do. And my job was to fundamentally, strategically innovate across this organization and in the sector. And the fact is, you can't do that. And in no small part because of the politics. The second thing is the bureaucracy itself. The bureaucracy is designed to support the bureaucracy and to protect the agency. And so anything you do, if it's different, it is bad. If it is, anything they don't understand it's bad. And so you end up having to spend years and years having a fight over simple things. You know, even in the example I think I gave the last time I was here, I talked about putting Teams and Outlook and stuff like that on people's iPhones, right? There was a discussion and it wasn't… well, it was actually more than one. There were a couple of discussions about if it was secure to do that, and I literally had to point out that the CIA and the US Air Force do the exact same thing. And so I figure it's OK for the CIA. It's probably OK for a banking regulator. And then the third is that we fundamentally are in a moment where because of the politics, because of the ignorance, because of the tech hesitancy, I looked at the list of things I wanted to accomplish, and I'd gotten about 75% of the things I wanted to get done in the first year done. And so I would call that success, you know? And then I looked at the next year and I saw that I wasn't going to be able to get the rest of that 25% done, no matter how hard I worked or how little I worked. I could have sat on my rear end, attended meetings, turned on Teams every morning and just clicked through that while jogging, while being on an airplane, while sitting on the beach, and made as much forward progress because of the inertial process orientation of the organization—as if I had been slamming my head against the wall, you know, running around, all this. And that's when you know that the organization is just fundamentally incapable of that kind of change without far more, larger strategic issues. And I think for me, I saw a law of diminished returns there, and there are a lot of really interesting and exciting things happening out there in the market that I think are moving far faster than most people in the regulatory system realize. I think the world is changing at a much faster rate. I think three weeks ago, if you and I had recorded this, Kevin, before anything had happened in Ukraine, for example, we would never think "land war in Europe" is a likely thing to happen—or that there is nuclear saber-rattling by an autocratic dictator of a former Soviet state. I mean, this is 2022. This isn't 1986. Right? And I think there's a lot of other stuff going on. So the world is changing quickly. And you know, the great thing is that since I've left, many other agencies have reached out, in fact. In fact, I'm doing basically a meeting or call every day now with other federal agencies who also read the op-ed I put out and want to understand kind of the double-click on my recommendations and see what they can do about it. Now, where it goes, how much goes, that's fine. But I think it's a positive sign that there are leaders in other agencies and other parts of the US government and frankly, in Congress that are looking at this as, hey, we need to take this seriously and let's see what we can do to actually move the needle on this.

[Kevin]: Right. No, I agree with you. I think you left in the right way. You left on a positive note and it's been—I think we were talking off camera—it's been about 10 days. And yet you gave some thought and put a serious piece out there on some of the things that you think need to happen in order to improve the situation, not only at FDIC, but as I read those recommendations, they could apply to any government institution. They could also apply to a private sector institution as well. So let's talk about some of those now. I want to run through them because I think our audience would find it helpful. You talk about civil service reform, education and training, more collaboration with companies and universities outside the Beltway—that sounds critically important—and then collaboration with international partners. Let's take the civil service reform piece first. What do you mean by that? Why is that so important?

[Sultan]: So there are three things that I think about when it comes to people in any organization: you want to hire the best.

[Kevin]: Mm-hmm.

[Sultan]: You want to keep them, and you want to grow them, right? I don't think our civil service as, at least as I experienced it, really maximized those three things. So in many situations, I was recommended to hire someone because they were friends with someone or they knew knew the right person or they had, you know, the people skills, but they didn't have the technical skills over someone who had the technical skills. So it's really a challenge to build a meritocracy if you're hiring for loyalty or you're hiring for something other than the actual skills of the job. There was a position, thankfully not one that I was hiring for, where the hiring manager called me up, and she said, well, this is a technical role, and it was a very digitally oriented role that she was hiring for, and of the three final resumes she got, one was, and I'm not kidding, a bricklayer. And that was by the process of the civil service. That person was listed as one of the top three candidates. Well...

[Kevin]: How does it even get to that point? How does the resume even get to the desk, right?

[Sultan]: That resume should have been rejected immediately. Now I'm sure he's a great guy. He doesn't know the digital technologies that are needed for this role. So clearly there's a process failure there. OK, that's so that's on the hiring side. On the growing side, you know, in our previous discussion, we talked a little bit about continuing education, but I do think there is, you know, we have to make that be a fundamental component of keeping people in roles. So here's a great example. Someone can sit in the job for 20 years at the FDIC, and it's not just FDIC, but others. You can't do that, especially when we have such an older-skewing workforce. People have to move around. You have to give the people coming up the line the opportunity to grow themselves and prove themselves to land in these jobs. And if someone sits in a job for five years because they're waiting for their boss to retire and then there are 20 people that are applying for that job, for one job, it's going to be a challenge. And so figuring out how to put more mobility of role and mobility of staff into the civil service is critically important. You know, in the private sector, I'm not aware of too many people who stay in the same job for more than about three, maybe four years. You know, in in large, well-established organizations right...

[Kevin]: Lot of mobility. Sure.

[Sultan]: Right? The mobility has to be a key component. And also growing the people and making sure they have the opportunities to grow themselves in them. And then finally, we have to keep them. So many of the really amazing young people that I had the opportunity to work with at FDIC, I created this whole list of like the really high performers that I wanted to make sure were really taking care of and could really execute. And these were all people under 40, which most organizations would be considered young. But at the FDIC, it's absolutely considered young, who I thought were just the highest performers, they had great technical skills, great people skills, professional, they were polite. They were just the best of the best. And eight of those 10 are now no longer FDIC employees. And so that tells you that you can't retain and whether it's benefits packages, I mean, salaries are always going to be a challenge with the government, but not as much as you think. But there are a lot of things that we do that actively discourage people from staying. For me, that is worth a serious set of examinations. I mean, if you are growing up in the '60s and '70s, having a retirement account and a pension and health insurance, that's really it. And that was exciting. That was your benefits package. Today, with the cost of housing and a variety of other things going on, people in their 20s and 30s are looking for different benefits. They're looking for more flexibility. They're looking at things that make it easier for them to navigate building a family in COVID, they're looking for ways to find financial support. We all know this: salaries have not kept up with inflation, and certainly they aren't keeping up with them now. So there's a lot of gap there. So that's that, to me, is the biggest piece of the human capital side.

[Kevin]: You talked for a second about education and training, and I know we talked about this in our past episode, but this is one of the critical reforms you've identified. You know, I was listening to and forgive me if I get his name wrong. But I was listening to Jocko Willink, an interview. He's talking about his experience in the armed forces, and some of it seems to relate here. He was saying, you know, if I have someone in my charge that's not doing the job right, whose fault is that? And the interviewer sort of sat there silently thinking, well, you're going to tell me whose fault it was. And his point was, it's my fault. Right? I mean, maybe someone isn't capable of doing the job. Maybe after doing everything you can, you discover that someone is just not able to perform and get the job done. But his point was, at least initially, that's a leader's responsibility to make sure that you have the people that are trained up and have the continuing ed they need to know how to do their job and to perform it consistently. Does that play a role in your prescription for change?

[Sultan]: Leadership accountability is, to me, the single biggest thing I didn't see in my time in the government. I saw, you know, bad behavior and the leaders didn't get a ding against them. The employees didn't a ding against them. I was oddly surprised at the lack of kind of human performance accountability there. You know, it's interesting... the market has really evolved. Know people who used to take five days a week to do their job, basically in the last decade can do it in half the time because of enabling technologies, right? And some companies have done things with that extra two and a half days. And they said, great, you're getting it that amount of time. Okay, great. We're not giving you more work. And I think if people do that, they say, OK, you do 10 x per week, you get more efficient, you can do 20 x per week. OK, that's fine. That's not how good companies are solving that. What they're doing is saying, OK, great. If you can get all your work done before, you know, by noon on Wednesday, great. Take Wednesday afternoon off and then on Thursday, identify something else that we can make better. And then on Friday, it's all continuing education.

[Kevin]: Mmm-hmm.

[Sultan]: To me, that gets you far closer to a recipe of success to institutionalize the continuing, retraining and reeducation of our workforce because it's all changing and we have done a very poor job of it. And I think this is kind of a broader issue. We could do so much better when you have other countries teaching advanced mathematics to children four or five years younger than we do. When you have this massive global economy engineered to be the most competitive because it's all capitalism and we don't have the right people and the right skills and the right jobs, we have to bring them along and we have to make it a fundamental accountability, not just of the leaders, but of the organization itself.

[Kevin]: Yeah, you're talking about continuing it in training, forming as much as 20%. One day a week, depending on circumstances. That's a critical piece that's not happening anywhere today is it's all time.

[Sultan]: I haven't. I've seen it in very few places. I've seen it in a few tech companies, but that's those are places where it's hyper-competitive. And if you're, for example, you an artificial intelligence programmer, you should be spending a day, if not two a week, just keeping up with the advancements in your sector. Now that I'm not aware of too many guys who are serious AI people who are making less than a couple of million a year or so, you got they are, they earn that money, but they do continue to do that research. And I think technology is changing so quickly. That's kind of the order of magnitude that I'm starting to think has to become the norm is kind of one day out of five, you know, maybe even a little more.

[Kevin]: Well, that's revolutionary, but given the pace of change we've talked about today and in our last episode together, I ...it makes sense to me. Let's turn to the collaboration pieces you talked about more collaboration with companies and educational institutions outside the Beltway. And I think this is slightly off point, but I wanted to run this concept by you, and maybe you can address it when you talk about this critical piece. I've heard it said by some experts that we need to move more departments of the federal government outside the Beltway because that inside perspective is too limiting. It's too provincial. We need more government organizations getting out into the land where the rest of the people are, and that may spur new ways of thinking and may decrease the amount of groupthink that affects an organization. How does that play into your sense of collaboration and what is it that you think that private organizations and educational institutions can offer that the government is not getting today?

[Sultan]: Yeah, it's an interesting couple of questions, so I'll jump on the groupthink comment, which I do believe is an issue not just in government but in a lot of larger organizations. I personally don't think geography is that big of a deal. You know, the agency I worked for, well over half of their staff were not in DC. And you still definitely had a groupthink mentality in certain issues. I think, you know, I think we've seen through COVID that that geography is less important than organizational culture. And so if you're worried about groupthink, then that's an organizational culture issue. And I don't think what building people walk into or whether they're sitting in their home office in pajamas is really as big of a deal, right? However, it is absolutely clear to me that that groupthink...one of the easiest ways to solve some of that groupthink and it fits in the continuing education discussion is to have far more transparency amongst the federal agencies so that they are able to hear what's going on in academia and what's going on in the private sector. So over the last 30 years, we've just cut so much of the funding to primary research that came out of the federal government. So like, I grew up in a situation where I got an NSF grant almost exactly 30 years ago for six figures to study artificial intelligence. The program that paid me that—and that paid for my bedroom, and you know, the computers and all this stuff hasn't existed for 20 years. You know, the closest thing that we have to that is what's happening in the private sector. So private sector, privately funded, opaque research has replaced tremendously government funded, transparent public academic research. And so if you are in the government and you are wanting to get ahead of any of these emerging technologies, even simple stuff like artificial intelligence or some of the coming changes to quantum computing or cryptocurrency or, you know, pick whatever's after that, you have to work with academia because you need to understand how those students are being trained, what the researchers are working on, even though there's a significantly smaller research base. And then you also have to be looking at what the companies are building before it comes to market. One of the challenges that so many regulatory bodies have is they're reactive when they are presented with things by a bank, like the bank will walk into FDIC and say, oh, by the way, here's this shiny thing we built and are going to do it. Then it becomes a fire, you know, fire drill exercise for a year or two while the FDIC decides if they're allowed to do it. And that is a serious challenge because that really stifles innovation and it keeps the FDIC from seeing what's happening. So in a perfect world, there would be far more transparency so that organizations like the FDIC would hear about something years before they have to make a regulatory decision about it. And then they can spend lots of time pondering it and figuring it out and hiring an academic group to do some research on it or a think tank or whatever. And the fact is, it's this big wall and that wall needs to start to have more windows put in.

[Kevin]: Now, is that a funding issue, Sultan, because if it is, I'm glad to hear you say that because I was going to say if it is a funding issue, we're all in trouble because...

[Sultan]: It isn't. I certainly don't have a subtle opinion on my thoughts about anything. You know, getting through Congress that would make an impact. FDIC, just for those who don't know, is not funded by Congress, it is funded on the back of the insurance assessments from the banking system. Actually, a friend was like, oh my God, if there's a government shutdown, does it matter to you? And I'm like, well, I think they don't get to print our paychecks because that's done by part of the government that is congressionally funded. But you know, no, it's an independent agency. But you know, every recommendation I've made would require no fundamental change to the budget. It would just be a way of changing what they already do. And I did that on purpose because I, both while I was inside and want to make the point, you know, this is an organization that has a multi-billion-dollar annual budget. They have all the, they have plenty of money. They don't need more money. They need to deploy it in a way that actually has, I think, more of an impact.

[Kevin]: There are simple, easy steps that don't require congressional and presidential approval.

[Sultan]: Not at all. It's simply a matter of having the people who are making those decisions understand what else is going on in the world and make a slightly different decision.

[Kevin]: Let's touch on the collaboration, the international collaboration point that you make, Sultan. How does it differ from domestic, the domestic collaboration and where are the opportunities to make that, to turn that collaboration into real results?

[Sultan]: I mean this we could probably do an entire podcast just on this one, but I'll try to keep it a little short. But basically, there are roughly a hundred different banking regulatory bodies in the United States between the states and the federal government, and they all work closely together. But in many cases, it's kind of a, you know, write a note, wrap it around a brick and then hurl it over the wall kind of thing. They don't work together on things. So a great example is the computer systems that all the different regulators use to actually examine the banks, where they type in the results of their examination. You would think there would be a fairly small number of these systems, right? It would be less than five. Right. It's double digits. In fact, it's high double digits. You have agencies where they'll have multiple systems all doing the same thing. You know, you're in a situation where there are more technology systems that manage parts of the regulatory system by like a multiple than there are actual regulatory bodies in the United States.

[Kevin]: Hugely inefficient.

[Sultan]: Massively inefficient. But so from a collaboration perspective, it makes it very difficult for the states and the various federal agencies to work together on things. You know, for the first time ever last year, we got it so that we had multiple federal regulatory bodies using the same real-time collaboration tool that we set up. And that took a tremendous amount of effort to get that across the finish line. But you would think that a banking examiner at OCC, a banking examiner at the FDIC, and a banking examiner at CFPB, who all happened to be working on the same bank could get on a chat with each other and just chat about something, you know, like on a Microsoft Teams or Slack or something like that. We did that for the first time last summer, and it was a pretty significant effort to get there. Now on the international side, there's a lot that we can learn from our international partners, whether it's the European Central Bank or the Financial Conduct Authority in the UK, or what the Singaporeans or the UAE or the Israelis are doing…because of the friction and all of the different agencies and all the different actions and the legacy technology that we're dealing with here in the US, a lot of other countries have thought through things years before we would see them. And there is far less collaboration in that space than you would expect. I was very lucky to have known the…my kind of my opposite number at FCA when I was at FDIC before. And so the ability to look at what they did and look at what was successful and look at what wasn't, it allowed us to build the very first tech sprint for FDIC off of a blueprint that somebody else wrote but customized to fit inside of our environment. And we did it in 90 days.

[Kevin]: Oh, no time.

[Sultan]: No time at all. Right. And the first one was incredibly successful. We had an amazing participation. We had lots of great success. I can't wait to hear what else the FDIC does with the output of that. It's going to be hugely impactful around financial inclusion. But you know, this is a this is an example where we don't have to reinvent the wheel. You know, and I do worry that there's a lot of that "we didn't build it here" kind of mentality and the fact is in this case, when we're talking about banking regulation, the US is not the leader by far, and we need to close that gap pretty quickly because the bad guys are exploiting it. It's causing issues with competitiveness. And by partnering with our international friends and looking at what's happening globally, we will be able to close that gap far faster than if we just lock a bunch of people in a room and tell them to come up with something. Right?

[Kevin]: Yeah, no, you're right. The bad guys are not going away. But I'm reminded of a metaphor that one of my mentors years ago told me. He said, Kevin, you keep trying to hit a home run, just hit some singles. And it strikes me that the recommendations you have here are singles. They're not...you don't have to hit a grand slam to get these done. And it just sounds to me like, and the hope is that FDIC will step up to the plate and accomplish these things, implement these changes. And who knows, in a year's time or three years' time, the organization might be on even stronger footing than it is today.

[Sultan]: I really hope so. I mean, I am hopeful. We'll see. We'll see. I'll come back in in six months and tell you if I'm feeling optimistic.

[Kevin]: I was going to ask you if you're an optimist.

[Sultan]: I generally, I am, but I'm more, I'm more hopeful in this case than necessarily optimistic.

[Kevin]: Right? All right. So Sultan, in the time we have left, I have to ask you what's next for you? It's only been 10 days, but I know the phone is ringing and you have been very busy. What are you working on? What do you think the next step is for you?

[Sultan]: Well, you know, I joked when I left that I was going to go back into retirement and sit on a beach. But that's obviously not what I'm doing. I still, you know, I'm still a professor. I still am a scholar at a think tank. I'm still part of Bretton Woods. But I am, you know, in the roughly 18 months that I was kind of heads down on all of this with FDIC, the four or five years before this running a company, and a couple of years of [garbled] work before that, you know, years makes no difference. Eight years that I've been kind of heads down and I'm taking an opportunity to step back and lift my head up and see what interesting, thoughtful, caring, smart people are doing to make the world better. And we will see ...I'm...the world has changed since I've been heads down and I need to spend some time learning about what's cool out there. So when I have something I will, when I have something worth talking about, I'll come back to you.

[Kevin]: You come back and talk to us any time. I look forward to that. Thank you so much for joining us. I've really enjoyed our two episodes and appreciate your insights. I think they're very important and I see the connection between FDIC and the private sector. I think a lot of small and mid-size organizations can take the advice that you have laid out for a government organization and apply it in their own worlds.

[Sultan]: Well, I hope so, and thank you so much for having me, Kevin, and I look forward to continuing to listen to this great podcast and hear some other great people in the future.

[Kevin]: You're very kind. Thank you so much, Sultan Meghji. Thank you again for joining us, and thanks to all of you for joining us. Back soon with another episode of Cyber Sip.

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