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INTEGRATING ECOSYSTEM-WIDE FLOURISHING IN BANKING RISK MANAGEMENT: A Comparative Study of Microfinance Case Study and Conventional Banking

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ABSTRACT
This thesis investigates how ecosystem-wide flourishing (EWF), defined as the well-being of individuals, organizations, and regions, can be integrated into banking risk management to enhance financial resilience. Using a qualitative comparative approach, it examines two cases: the Love in Action microfinance study and a semi-structured interview with a senior leader from a conventional bank. Drawing on stakeholder theory, the triple bottom line, resilience theory, and financial resilience frameworks, the research explores how human-centered practices influence risk assessment and organizational performance. Findings reveal that while microfinance institutions embed flourishing through formal agreement structures and cultural rituals, conventional banks primarily rely on financial indicators and informal assessments, overlooking critical relational and leadership dynamics. The study concludes that integrating EWF into banking practices can improve stakeholder trust, reduce systemic risks, and support long-term financial sustainability. Practical recommendations are provided for banks and SMEs to develop structured tools, leadership evaluations, and inclusive risk frameworks that align with sustainable development goals.

Keywords: ecosystem-wide flourishing, risk management, financial resilience, and sustainable banking

INTRODUCTION

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1.1 Problem Description

Modern businesses operate within complex, interconnected ecosystems that include suppliers, customers, regulators, and other stakeholders. These ecosystems are highly dynamic, with each participant's health affecting the network's overall stability and success. Ecosystem-wide flourishing (EWF) is a condition of thriving that encompasses the well-being of individuals, groups, and their environments within an organizational ecosystem (Ritchie-Dunham et al., 2024). It emphasizes nurturing relationships among various stakeholders and ensuring that all parts of the ecosystem, such as clients, employees, partners, and communities, experience positive growth and resilience (Odonkor et al., 2024).

Traditionally, risk management in the banking sector has focused primarily on short-term financial stability and regulatory compliance (De Lima, 2024). However, this narrow approach often neglects the long-term health of the ecosystem. Research shows that reputational risk in the banking sector arises from the organization's relationship with stakeholders, highlighting that neglecting stakeholder well-being can lead to significant reputational damage and potential loss of market value, income, and regulatory challenges (Zagurskiy, 2017). Empirical studies have shown that neglecting employee well-being leads to significant hidden costs, including increased turnover and reduced productivity, which adversely impact financial performance (Westover, 2024).

Integrating ecosystem flourishing into risk management recognizes that the health of the broader system directly influences financial performance. The integration of regional and employee well-being into banking risk management remains a significant challenge. Despite the growing

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recognition of sustainability's importance, current risk management frameworks often lack a holistic, human-centered approach that fully incorporates the social dimension of sustainability (Artha, 2024). Sustainable banking practices, which integrate environmental and social considerations into risk frameworks, offer the potential to mitigate financial risks and improve performance (O'Sullivan, 2024). However, many banks continue to struggle with effectively addressing these social and well-being factors, leaving them vulnerable to financial instability and regulatory challenges.

A proactive approach that integrates ecosystem dynamics—including the well-being of employees and regional stakeholders—can enhance both financial performance and resilience while supporting stakeholder well-being (Koushik, 2023). Yet, there is a persistent inverse relationship between sustainability performance and risk in the banking sector: institutions that underperform on sustainability, particularly in addressing social well-being, face heightened default and systemic risk (Biswas & Das, 2022). Conversely, banks that embed sustainability into their operations, including a focus on regional and employee well-being, demonstrate enhanced moral capital, financial stability, and resilience (Scholtens & Van 't Klooster, 2019). This underscores a key problem: the gap of comprehensive, human-centered risk management approaches that fully integrate the well-being of both employees and regional stakeholders, ultimately compromising long-term resilience and performance.

1.2 Research Questions

How do microfinance banks and conventional banks compare in integrating ecosystem-wide flourishing into risk management, and what are the implications for financial resilience?

Sub questions:

1. What practices and agreement structures enable ecosystem-wide flourishing in the microfinance case study (Love in Action)?
2. How do conventional banks integrate (or fail to integrate) ecosystem-wide flourishing into their risk management practices?
3. What are the financial risks and benefits of integrating or neglecting stakeholder well-being in microfinance and conventional banking?
4. How can insights from both microfinance and conventional banks inform the development of a comprehensive, human-centered risk management framework for the banking industry?

1.3 Research Objective

The objective of this research is to conduct a comparative analysis of microfinance and conventional banking practices in integrating ecosystem-wide flourishing into risk management. Specifically, it aims to:

1. Identify how microfinance banks (as detailed in Love in Action) incorporate ecosystem flourishing and stakeholder well-being into their risk models.
2. Examine how conventional banks approach (or neglect) ecosystem flourishing in risk management, drawing insights from an interview with a banking sector expert.
3. Analyze the financial implications, both risks and benefits, of integrating or neglecting ecosystem flourishing.

By achieving these goals, the research seeks to provide insights that can help the banking industry, both microfinance and conventional banks, enhance long-term financial resilience, strengthen stakeholder trust, comply with evolving regulatory expectations, and become leaders in human-centered, sustainable risk management practices.

THEORETICAL FRAMEWORK

2.1 Background on Risk Management

2.1.1 Risk Management Definition

Risk management, which includes several human endeavors like risk assessment, strategy formulation, and risk reduction through resource management, is an organized method for dealing with uncertainty around possible hazards (Susanto, 2018). Once potential risks are identified, decision-making processes integrate these insights with broader socioeconomic considerations to guide informed choices at multiple levels, including individual, corporate, and regulatory frameworks (Ramos-Peralonso, 2022). Mitigation strategies may encompass transferring risk to third parties, avoiding certain activities, implementing controls to reduce adverse impacts, or accepting risks within established tolerance levels (Susanto, 2018).

In both business and governance, risk management plays a crucial role in achieving operational balance by aligning protective measures with cost-efficiency objectives, thereby maintaining mission capability and safeguarding organizational assets (Vochitoiu et al., 2020). It also promotes a proactive approach that emphasizes anticipation and preventive measures to mitigate potential negative outcomes before they occur (Clapton, 2014). This forward-looking orientation enhances organizational resilience and supports long-term sustainability.

2.1.2 Risk Management in Banking Sectors

Risk management in banking is crucial for asset protection, sustainability, and decision-making, involving risk identification, asset diversification, regulatory compliance, and fostering a risk-aware culture (De Lima, 2024).

Key Types of Risks:

- Credit Risk: The risk of borrower default, which can be mitigated through thorough credit assessments and diversification of loan portfolios (Arnania-Kepuladze, 2024).
- Market Risk: Potential losses due to market changes. Banks use hedging measures to minimize this risk (Yang, 2024).
- Liquidity Risk: Regular stress testing can help maintain financial flexibility and provide adequate liquidity buffers (Yang, 2024).
- Operational Risk: Arises from internal processes and can be mitigated by effective internal controls and proactive risk management policies are essential (Maulana et al., 2024).

2.1.3 Limitations of Traditional Risk Management

Traditional risk management practices often overlook the significance of stakeholder well-being, particularly employee and client satisfaction, which can erode trust and heighten reputational risks (Aderibigbe & Fragouli, 2020). This neglect may compromise long-term financial stability and organizational effectiveness, as disengaged stakeholders are less likely to support the organization’s objectives, ultimately undermining resilience (Nafiu et al., 2025). In contrast, organizations that actively engage and manage their stakeholders can enhance their reputation and reduce risks associated with neglect (Ndlela, 2019). Effective stakeholder management is therefore a critical component of modern risk management frameworks.

Similarly, conventional risk management approaches often fail to consider the interconnectedness of organizational health with broader social and environmental ecosystems, leading to unsustainable practices that jeopardize long-term resilience (Wahyuni et al., 2024). A sustainability-oriented approach, which integrates environmental and social considerations into risk management strategies, can simultaneously strengthen financial resilience and generate broader societal benefits (Wahyuni et al., 2024). This highlights the necessity of a more integrated and holistic approach to risk management.

Finally, an exclusive focus on regulatory compliance can hinder innovation and adaptability, both of which are essential for navigating increasingly complex and volatile environments (Nafiu et al., 2025). Organizations that cultivate adaptive capacities and foster resilience are better equipped to manage emerging risks and uncertainties (Nafiu et al., 2025). Businesses can position themselves for sustainable long-term success by prioritizing adaptability alongside compliance.

2.2 Key Theories

2.2.1 Stakeholder Theory

Stakeholder theory emphasizes understanding and managing the complex interactions between an organization and its stakeholders, focusing on their diverse interests as well as the ethical and strategic implications of these relationships (Abdeladim & Yahyaoui, 2024). In banking, applying stakeholder theory means recognizing the value of nurturing relationships that foster trust, collaboration, and shared goals, ultimately enhancing resilience and performance. By prioritizing EWF, banks can adopt practices such as employee well-being programs, client engagement strategies, and inclusive governance structures that strengthen internal cohesion and external trust (Freeman et al., 2024). Building on this, Jonek-Kowalska (2023) underscores that stakeholder theory highlights not only the risks of neglect but also the opportunities for enhancing organizational effectiveness. By disregarding the needs and interests of key stakeholders, banks and other organizations compromise their sustainability and operational performance. The analysis emphasizes the critical role of embedding stakeholder management into strategic decision-making processes, which not only mitigates risks but also reinforces resilience and promotes a more ethically responsible business environment.

2.2.2 Triple Bottom Line Theory

The Triple Bottom Line (TBL) theory evaluates a company's performance based on three interconnected dimensions: economic (profit), social (people), and environmental (planet) sustainability. It emphasizes businesses' need to positively impact society and the environment while achieving profitability (Purnama, 2024; Zaharia & Zaharia, 2021). Specifically, prioritizing ecosystem-wide flourishing (EWF) aligns with the triple bottom line by ensuring employee welfare receives equal importance alongside economic objectives. To foster a thriving internal ecosystem, banks could implement policies promoting work-life balance, employee health, and inclusive practices celebrating diversity (Pfeffer, 2018). Such a vibrant workplace culture encourages collaboration and innovation, enhancing employee morale, productivity, and performance, ultimately driving sustainable profitability and building a positive brand image within the community (Lasrado & Bagchi, 2011).

2.2.3 Resilience Theory

Resilience Theory examines the capacity of systems, organizations, or individuals to absorb disturbances, adapt to changing conditions, and maintain core functions (Bertsia & Poulou, 2023). It emphasizes flexibility, adaptability, and continuous learning as essential components to thriving despite challenges (Masten, 2014; Naimy et al., 2024). Applying resilience theory involves developing adaptive capabilities within the organization by investing in employee training, wellness programs, and creating a supportive environment that encourages adaptability and learning (Linnenluecke, 2017). Cultivating ecosystem-wide flourishing internally helps employees feel valued and supported, enhancing their ability to respond effectively to disruptions and uncertainties. Consequently, a proactive organizational culture emerges, fostering innovation, collaboration, and strong interpersonal connections. Such a resilient internal ecosystem equips banks to navigate industry changes and crises with increased agility and effectiveness (Linnenluecke, 2017; Lengnick-Hall, Beck & Lengnick-Hall, 2011).

2.2.4 Financial Resilience on Risk Management

Financial Resilience Theory examines the ability of financial systems, institutions, and individuals to withstand and recover from financial shocks (Hamid et al., 2023). It involves maintaining financial stability, having adequate buffers, and adapting to economic changes (McKnight & Rucci, 2020). This theory can be applied to develop strategies that improve its capacity to absorb financial stress and adapt to shifting market conditions (Hamid et al., 2023). This approach focuses on enhancing stability, adaptability, and sustainability across the organization (McKnight & Rucci, 2020). By investing in ecosystem-wide flourishing, particularly through employee well-being initiatives, the company fosters a committed, productive workforce that delivers higher service levels and boosts customer satisfaction (Naimy et al., 2024). Such employee-centric strategies contribute to stronger financial performance by diversifying revenue streams, optimizing processes, and valuing employee input in financial decision-making (Naimy et al., 2024).

2.2.5 Agreement Structures in Human Flourishing

Agreement structures refer to the formal and informal ways decisions are made, values are shared, and commitments are honored within a system. In the context of ecosystem-wide flourishing (EWF), these structures determine how different actors—employees, departments, clients, and external stakeholders—coordinate and align around shared goals (Ritchie-Dunham et al., 2024). Healthy agreement structures foster psychological safety, transparency, and a sense of mutual ownership, which are essential for cultivating trust and resilience across the organization. They form the foundation for effective collaboration and adaptive responses to risk by clarifying expectations and minimizing misalignment between stakeholder needs and organizational actions.

METHODOLOGY

3.1 Research Design

This study adopts a qualitative research design to deeply understand the impact of integrating Ecosystem-Wide Flourishing in banking risk management. A comparative analysis is used to gain an in-depth analysis of how this can affect the organization's financial resilience.

3.2 Literature Review Methodology

3.2.1 Literature Review

The literature review explores theoretical frameworks and empirical evidence on ecosystem-wide flourishing, human-centered risk management, and sustainability in banking. A systematic review of academic journals, industry reports, and key texts (including the Love in Action study) ensures comprehensive and unbiased coverage of the topic.

3.2.2 Search Engine

The search for relevant literature will use academic databases and search engines, including Scopus, ScienceDirect, Google Scholar, and SpringerLink. Keywords such as “ecosystem-wide flourishing,” “sustainable risk management,” “stakeholder theory,” “financial risks of neglecting sustainability,” and “regenerative business ecosystems” will guide the search.

3.2.3 Semi-structured Interview

Semi-structured interviews will complement the literature review to capture expert insights and industry practices. Interview with target experts in sustainable finance, insurance risk management, and business ecosystem analysis to validate and contextualize the findings from the literature. Key themes include short-term and long-term impacts on the bank’s broader business ecosystem.

3.2.4 Review Process

- Initial screening of titles and abstracts.
- In-depth analysis of selected articles.
- Synthesis of findings and identification of gaps in current research.

3.3 Data Collection and Analysis Methodology

3.3.1 Data Collection

- Microfinance Bank Case Study: Data from Love in Action, including surveys from 70,700 clients and 9,554 collaborators, strategic systems assessments, stakeholder interviews, and insights into Total Value Generated and flourishing measures.
- Conventional Bank Interview: A semi-structured interview conducted with a banking sector expert, covering topics such as risk assessment practices, stakeholder engagement, employee well-being initiatives, and integration of sustainability into risk management.

3.3.2 Sample

- Literature sample: Peer-reviewed academic articles from the past ten years and reputable scholarly books on stakeholder theory, ecosystem-based risk management, and sustainability in finance.
- Interview participants: Industry experts and internal stakeholders from the banking industry, selected based on their expertise and involvement in risk management and sustainability practices.

3.3.3 Data Analysis

The data analysis will adopt a qualitative approach, incorporating thematic analysis of interview transcripts to extract core themes and insights, content analysis of case studies and regulatory documents to identify industry benchmarks and best practices, and comparative analysis of the existing banking strategies against best practices derived from the literature.

3.4 Methodology to Develop Interview Questions

The interview questions developed for this study were grounded in a comprehensive analysis of the theoretical frameworks discussed in Chapter 3 and the insights derived from the Love in Action study (Ritchie-Dunham et al., 2024). The purpose was to ensure that the questions addressed the key elements of ecosystem-wide flourishing (EWF), human-centered risk management, and organizational resilience in the banking sector. Below is a breakdown of how each theory and the Love in Action study contributed to the design of the interview questions:

3.4.1 Theories and Insights Supporting the Interview Questions:

Each interview question was intentionally designed to align with these theoretical insights and empirical evidence, ensuring that the data collection would be both rigorous and relevant to the study's focus on integrating EWF into banking risk management. To ensure clarity and transparency, the complete list of interview questions is provided.

Table 1
Interview Questions

No.	Interview Questions
1.	Can you give an example of how the bank assesses risks that could affect its long-term financial health, especially in sectors like agriculture or SMEs?
2.	Do you consider non-financial aspects too, such as how a company contributes to community well-being or relational dynamics? And how do you see a link between a client's well-being and the bank's own risk exposure or resilience?
3.	Could you give a concrete example of how you measure whether a company is embedded in a healthy ecosystem, since sustainability and circularity are broad terms? And how about in leadership and cultures? For example, is a company led by someone who creates trust and cohesion, or is it chaotic and toxic?
4.	How does the bank internally sense and respond to stress or early risk signals among employees?
5.	Are there tools beyond the engagement scan, like more day-to-day observations by team leads or managers?
6.	How does the bank see its role in creating long-term value for the regions it serves, both for clients and employees?

The development of the interview questions was grounded in several theoretical frameworks. Stakeholder Theory informed questions concerning how the bank engages with employees, clients, and communities, and how it incorporates their well-being into risk assessment processes. Insights from the Love in Action microfinance case study underscored the importance of relationship-building and stakeholder trust, thereby reinforcing the inclusion of questions on collaboration. Triple Bottom Line Theory guided the formulation of questions on the integration of sustainability and circularity within risk models. The Love in Action findings demonstrated that incorporating social and environmental considerations can enhance both resilience and financial performance, justifying the inclusion of questions addressing social and environmental risk indicators. Resilience Theory shaped questions regarding the bank's capacity to detect and respond to internal and external stress signals. The Love in Action study illustrated that resilient organizations actively monitor well-being and adapt accordingly, which informed questions on engagement scans, informal sensing by managers, and resilience-enhancing strategies. Financial Resilience Theory provided the foundation for questions examining how client performance and ecosystem health influence the bank's financial resilience. Evidence from the Love in Action study linked flourishing ecosystems to strong financial returns, supporting the inclusion of questions on the relationship between stakeholder well-being and risk exposure. Finally, insights on agreement structures from the Love in Action study emphasized the role of both formal and informal agreements in fostering trust and collaboration. This perspective informed questions on how the bank evaluates relational health and leadership culture among clients, and how it promotes ecosystem-wide flourishing as part of its risk management approach.

FINDINGS

This chapter presents findings from scientific literature that illustrate how ecosystem-wide flourishing (EWF) contributes to financial resilience in organizations, particularly in the banking industry. Using insights from the Love in Action study and interview results, this chapter highlights the risks of neglecting stakeholder well-being and the financial benefits of embedding flourishing in risk management frameworks. In addition to literature-based insights, this chapter also incorporates answers from an anonymous interviewee working in a conventional bank to provide practical perspectives. The full set of interview questions and responses is provided.

Table 2
Interview Questions and Answers

No.	Questions	Answer
1.	Can you give an example of how the bank assesses risks that could affect its long-term financial health, especially in sectors like agriculture or SMEs?	Yes, certainly. When a client applies for a loan, we assess their business model, look at potential risks, and assign a risk rating. This risk rating ranges from R0 (lowest risk) to R20 (highest risk). Based on this, we determine if and how we'll provide financing. The higher the risk, the higher the interest rate we charge. That's how we price risk.
2.	Do you consider non-financial aspects too, such as how a company contributes to community well-being or relational dynamics? And how do you see a link between a client's well-being and the bank's own risk exposure or resilience?	Yes, that's part of assessing the business model—things like sustainability and circularity also play a role. These non-financial aspects do influence the overall risk rating. The link example is that when our clients do well, we do well. There's a direct connection. If a client isn't doing well, that's also bad for the bank.

3.	Could you give a concrete example of how you measure whether a company is embedded in a healthy ecosystem, since sustainability and circularity are broad terms? And how about in leadership and cultures? For example, is a company led by someone who creates trust and cohesion, or is it chaotic and toxic?	A simple example: in the Netherlands, buildings now require energy labels (A to G). As a bank, we increasingly finance only clients with buildings rated A or better. If someone comes with an F or G label, we often won't finance the building. That's how we support sustainability. For the leadership and culture, we create a picture of the quality of the management team. It's subjective, but we don't have a formal tool for that. That's a gap—we can't always see what happens behind closed doors.
4.	How does the bank internally sense and respond to stress or early risk signals among employees?	We regularly conduct engagement scans. They measure how engaged employees are, how they're feeling, stress levels, etc. We take that feedback seriously and use it to improve the organization.
5.	Are there tools beyond the engagement scan, like more day-to-day observations by team leads or managers?	Yes, we try to stay in close contact with our account managers, asking how they're doing, how they feel, and whether they're stressed. We talk a lot—this is still a human-centered business.
6.	How does the bank see its role in creating long-term value for the regions it serves, both for clients and employees?	That's the most important question. Our mission is "Banking for Food"—feeding 9 billion people sustainably. And we want to play a key role in the energy transition too. We can do that because we're a large, global cooperative bank with 40,000 employees worldwide. Through our colleagues, we advise clients on food, energy, and sustainability—these themes guide our financing decisions.

4.1 Comparative Insights: Microfinance vs. Conventional Banking Practice

The findings highlight notable contrasts between microfinance institutions, as illustrated in the "Love in Action" study (Ritchie-Dunham et al., 2024), and conventional banks, exemplified by the anonymous bank interview. In the microfinance case, a person-centered culture rooted in formal and informal agreement structures and symbolic acts has demonstrably enhanced ecosystem-wide flourishing (EWF). Employees and clients alike reported high levels of secure flourishing, work engagement, and operational efficiency, evidenced by correlations between symbolic acts and improved agreement health. This demonstrates that human-centric approaches can not only strengthen social relationships but also translate into measurable financial gains.

By contrast, the anonymous bank's approach to risk assessment relies heavily on financial metrics, with limited use of structured tools to assess internal and external human factors. As the bank senior leader (2025) noted, "If we could reliably assess whether a management team is healthy, if there's trust, cohesion, and no toxic dynamics, it would help us greatly in determining creditworthiness. But right now, we don't have a tool for that. It's a missing piece in our risk assessment." This gap points to a broader limitation in conventional banking's integration of human-centered indicators into risk models. This finding suggests that while traditional banks are aware of the importance of social factors, they have yet to develop robust methodologies for measuring them.

4.2 The Role of Agreement Structures and Cultures

In microfinance, the use of agreement structures fosters psychological safety, transparency, and mutual accountability. Rituals and symbolic acts, such as planting a tree at the start of credit cycles, reinforce shared purpose and strengthen collective resilience (Ritchie-Dunham et al., 2024). These practices create a culture where stakeholders feel valued and empowered, increasing the likelihood of collaborative problem-solving and long-term loyalty. Such practices generate not only social cohesion but measurable financial benefits, including higher retention rates, reduced default rates, and enhanced Total Value Generated across ecosystems.

Conversely, the anonymous bank's reliance on subjective impressions and informal conversations for assessing client well-being and internal employee stress reveals a structural gap. Engagement scans and sustainability assessments are conducted, but using informal tools to assess leadership culture within SMEs and clients results in missed opportunities to identify and mitigate human-centric risks. Moreover, the bank's current practices may not fully capture the nuances of relational dynamics and leadership quality that are critical for resilience.

4.3 The Financial Implications of Flourishing

Research from Love in Action shows that flourishing correlates with tangible financial benefits. Ecosystems characterized by high levels of EWF demonstrated lower operational costs, increased productivity, and enhanced stakeholder trust (Ritchie-Dunham et al., 2024). Flourishing clients exhibited improved loan repayment rates and stronger relationships with collaborators, reinforcing organizational stability. These findings highlight the potential for human-centered practices to deliver not just social and ethical benefits, but also clear financial returns.

In conventional banking, evidence from the anonymous bank suggests a strong link between client well-being and the bank's financial resilience. However, the lack of a formalized framework to assess these factors diminishes the predictive accuracy of risk assessments. This limitation underlines the potential competitive advantage for banks that integrate ecosystem health indicators into their models. Furthermore, this gap emphasizes the need for financial institutions to consider adopting EWF principles to enhance long-term sustainability and reduce vulnerability to systemic risks.

4.4 Implications for SMEs and Leadership Culture

The findings emphasize the need for SMEs to assess their own leadership cultures as part of their financial strategy. As highlighted in the interview, a toxic or fragmented leadership culture increases risks for banks, while a cohesive and trustworthy culture enhances creditworthiness (Anonymous bank senior leader, 2025). By adopting practices similar to those in microfinance, including formal agreement structures and regular cultural assessments, SMEs can strengthen not only their internal health but also their financial attractiveness to lenders. This aligns with broader calls in the literature for human-centered leadership models that promote resilience, collaboration, and innovation.

CONCLUSION AND SUGGESTIONS

5.1 Insight from the Interview

The interview with the anonymous senior leader from a major regional bank provided essential insights into the current limitations of conventional banking risk management practices. While financial metrics are prioritized in credit assessments, a recognized gap exists in evaluating the relational and leadership dynamics within clients' organizations, especially SMEs. A key weakness was identified as the limited use of structured tools to assess human factors such as leadership cohesion, trust, and toxic dynamics. The interviewee highlighted the strong connection between client performance and the bank's financial resilience, emphasizing that the well-being of clients and employees is integral to long-term sustainability. However, informal approaches and subjective impressions currently dominate assessments, underlining the need for structured, formal tools to better capture these critical elements of risk.

Key takeaways from the interview include:

- Financial resilience is directly linked to client performance, which is influenced by leadership quality and organizational culture.
- There are currently no formal tools for assessing relational health and leadership culture within client organizations.
- Engagement scans and informal conversations are used internally to assess employee well-being, but external assessments are lacking.
- Credit assessments use sustainability and circularity as proxies, but deeper cultural evaluations are missing.
- SMEs with healthy leadership cultures and cohesive management are likely to secure better financing terms.

This gap presents an opportunity for banks to innovate and incorporate human-centered risk indicators into their frameworks. Developing formal tools and methodologies will enable a more accurate and comprehensive understanding of risk, ultimately enhancing resilience and sustainability.

5.2 Insight from Love in Action Case Study

The Love in Action study offers a compelling case of how ecosystem-wide flourishing (EWF) can be successfully integrated into a financial institution's practices. This microfinance institution demonstrated that formal and informal agreement structures, symbolic acts, and a culture of psychological safety and collaboration drive both social and financial performance. High levels of flourishing correlated with lower operational costs, higher productivity, and stronger relationships, ultimately contributing to financial stability and stakeholder trust.

Key takeaways from the study include:

- EWF is operationalized through formal agreement structures and rituals that reinforce shared purpose and alignment.
- Symbolic acts, such as planting a tree at the start of a credit cycle, enhance commitment, collaboration, and social cohesion.
- Flourishing ecosystems exhibit measurable financial benefits, including improved loan repayment rates and stronger stakeholder relationships.
- A culture that emphasizes relationships, meaning, and purpose supports innovation, adaptability, and resilience.
- The microfinance institution's success in integrating EWF principles demonstrates that human flourishing is not a luxury but a strategic imperative.

By centering human flourishing, the microfinance institution achieved not just social good but also significant financial benefits. The study illustrates how a focus on relationships, meaning, and purpose within organizational culture can be harnessed to scale flourishing across entire ecosystems, offering valuable lessons for the broader banking industry.

5.3 Overall Conclusions

Integrating insights from both the interview and the Love in Action study reveals that adopting EWF principles can enhance risk management effectiveness, foster trust, and align with global sustainability goals. Banks that embrace a human-centered approach are likely to gain competitive advantages in an increasingly complex and interconnected financial landscape, while SMEs that focus on their leadership and relational culture will strengthen their creditworthiness and resilience. Ultimately, the convergence of these insights points to a future where financial institutions not only safeguard their stability but also contribute to the well-being of their clients, employees, and broader communities. By fostering ecosystems that prioritize human flourishing, banks can create lasting value, cultivate deeper stakeholder trust, and position themselves as leaders in a sustainable and inclusive financial landscape. The journey towards embedding EWF is not merely an optional addition but a transformative step that can redefine how resilience and prosperity are achieved across the banking sector. Moving forward, the industry should prioritize the development of structured frameworks, training programs, and collaborative efforts to embed EWF into risk management and strategic planning.

5.4 Suggestions Based on the Findings

Based on the findings of this study, several policy recommendations emerge for banks and SMEs to integrate EWF into their risk management strategies effectively. First, banks should develop formal tools for assessing human factors, such as leadership culture, employee engagement, and stakeholder trust. Utilizing instruments like the Secure Flourishing Index (Węziak-Białowolska et al., 2019) will enable quantitative assessments of relational dynamics that significantly influence financial performance. Second, banks should integrate EWF into risk assessment models, incorporating ecosystem health indicators that capture social, environmental, and cultural dimensions alongside financial metrics, offering a more holistic view of potential vulnerabilities and strengths.

Additionally, SMEs should be encouraged to conduct regular internal evaluations of their leadership culture and stakeholder relationships, using best practices and standardized templates provided by financial institutions. This will not only improve their creditworthiness but also enhance operational stability. Banks and SMEs alike should adopt inclusive decision-making processes, involving diverse stakeholders such as clients, employees, regulators, and community representatives to build trust, enhance governance, and improve adaptability to emerging challenges.

Training and capacity building are crucial. Financial institutions should implement programs to educate bank employees and SME leaders on EWF principles, humanistic management, and adaptive leadership. This investment in human capital will sustain a flourishing ecosystem that is resilient and innovative. Furthermore, leveraging digital platforms to monitor well-being indicators, engagement levels, and sustainability performance can provide valuable data for proactive risk management. Incorporating environmental and social thresholds, such as energy efficiency ratings, into financing decisions aligns operations with regulatory and societal expectations.

Finally, collaboration with regulators, industry associations, and academic institutions is essential to develop standardized metrics and best practices for EWF integration. Such collaborations will drive sector-wide improvements in resilience and sustainability, creating a more inclusive, dynamic, and human-centered banking sector. Through these comprehensive policy measures, banks and SMEs can shift from reactive compliance to proactive, holistic risk management, ultimately strengthening financial resilience and contributing to a sustainable and equitable financial ecosystem.

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