

Driving real change in Financial Services Embedding, nurturing and sustaining the right culture throughout your organisation

Short-term “fixes” have created costly vulnerabilities in firms

The misalignment of corporate cultures with the required and appropriate ways of working is causing real and continued damage to the Financial Services industry.

On the surface, each of the ‘causes’ of regulatory violations in the Financial Services industry may seem to be unique. The issues are not country or region specific as well known examples from all around the world frequently make the news headlines.

In May 2019, five banks were fined over €1 billion for rigging the foreign exchange (FX) market by a small group of individuals in the European Union (EU). In 2018, Commonwealth Bank of Australia (CBA) paid \$AUD 734 million due to multiple cultural issues. And in the USA, Wells Fargo added to their now \$1.7 billion tab with an additional \$575 million fine.

We believe that there are two main themes when we look at these examples through a cultural lens: *systemic cultural issues* and the creation or enablement of the ‘bad apple’. We believe that embedding the right culture (ways of working, processes, etc) addresses both and can prevent the poor actions and decision making that ultimately cost companies millions, even billions, in fines and continue to damage their reputations.

Systemic cultural issues

Systemic cultural issues arise from companies with a poor culture throughout groups, functions, and/or the entire organisation. Both the CBA and Wells Fargo examples are excellent demonstrations of how letting a poor culture spread can have costly implications.

Prior to the violations, both banks had a strong history of solid performance and were highly regarded. In CBA’s case, complacency was seen as being their undoing as, in 2018, numerous incidents came to light within three months; losing customer data on 20 million accounts, charging fees on deceased customer accounts and breaching anti-money laundering reporting laws are all serious infractions on their own. Taken together, they are exponentially worse. In their report, regulators blamed the bank’s ‘grossly ineffective’ risk culture as the primary reason behind these violations.

Wells Fargo was not complacent, but rather drove a high pressure culture to meet sales targets. This ultimately led to one of the biggest banking scandals in US history when it was discovered that employees were opening fake accounts and adding services to customer accounts without their knowledge. Despite the fines and scrutiny from the U.S. government and regulators, it seems that the bank has struggled to fully embed the necessary changes. A recent article from The Guardian interviewed bankers from Wells Fargo who indicated that despite all the “changes”, nothing had really changed and the high pressure sales culture that led to the scandal still persists today. This seems to be a case of addressing the culture cosmetically and not building in the sustainability needed.

Creating ‘bad apples’

It is those systemic issues that create the ‘bad apples’ who are seemingly impossible to stop. When an individual or a small group of people stray from company policies and are allowed to seemingly get away with it or even break the law, companies often do not find out about this until it is too late.

It’s not uncommon for a misalignment of culture to exist within an organisation. The stated values and behaviours from the top are not always effectively ‘lived’ throughout. Processes and ‘accepted’ ways of working may cause individuals to act in ways that put the organisation in a difficult position.

In the decade since the 2008 financial crisis, global banks paid a staggering \$321 billion to regulators for their misconduct. Despite all the investment in risk and compliance technology and ‘values programmes’

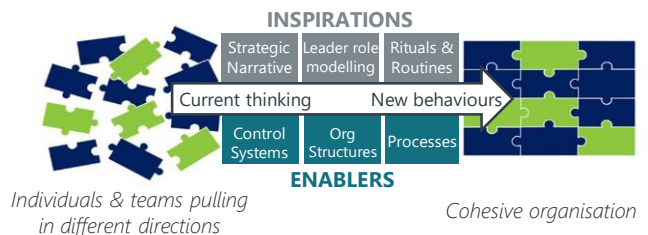
The issues lie deeper and sit within a firm’s culture. When culture is not properly embedded in the ways of working or processes that the organisation uses or employees aren’t engaged with what the ‘culture’ really means for them, ‘bad apples’ can be created. Financial Services organisations need to do more to drive the right culture throughout everything that they do.

The five banks caught up in the FX market rigging example noted earlier are a classic example. Over a few year period, individuals from these banks decided to collude with each other to earn a higher margin; all without the approval or knowledge of their respective institutions.

The good news is regulation and internal company policies have tightened since the financial crisis, but “water always finds a crack”. Stringent oversight and policies to prevent the ‘bad apple’ can only take a firm so far. There are potential repercussions if policies are too prescriptively imposed as a company’s culture could be lost and business trading stymied by red tape bureaucracy. We believe the best way to prevent a ‘bad apple’ is through creating and nurturing the right culture; ensuring you empower the right people to make the right decisions.

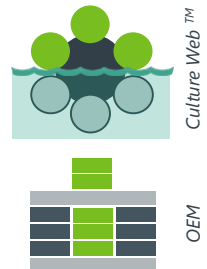
What makes it so difficult?

We’ve found that organisations facing cultural concerns often jump straight to reshaping and realigning leadership and hope that this will fix the problem ‘hotspots’. So, where do things go wrong?



Leadership is just one of many ‘inspirations and enablers’ that can shift a culture. In order to achieve the desired new behaviours and norms, an organisation often has to go deeper than just top level realignment. To do this, an organisation should set out to define or redefine its culture.

However, before a culture can be redefined, it is best to use a fit for purpose tool to gather clear insights on the existing culture across the business. The Culture Web and Q5’s Organisation Effectiveness Matrix (OEM) are two examples of these diagnostic tools. Each are designed to bring to light the gaps and challenges the business currently faces, and will help prioritise the actions required to activate and evolve the culture.



For example, you and your team have done exhaustive quantitative and qualitative research and have come to the conclusion that overly ambitious senior employees are coercing newer employees to perform unethical activities! As a result, you redefined the desired culture by linking it to a refreshed set of values and behaviours. This is a big win! You clap yourselves on the back... but what now?

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The key to embedding in three steps

Key to the success of any change programme, is just that, change! Creating the right values or behaviours set for your organisation is an important task, making sure they stick is an even bigger one. We use three steps: Plan, Activate, Evolve, to make sure our clients' values and desired behaviours are embedded in the organisational culture.



1. Plan

It is vital to ensure there is appropriate business involvement in the development of the cultural implementation plan, creating ownership from the outset. The plan itself should feel ambitious but realistic, and perhaps most unexpectedly, it should be detailed. Culture must be brought to the forefront so it is distinct and any roadmap meant to inspire change must be clear and pragmatic:

- Assess change readiness and cultural alignment across the organisation to identify where effort is required
- Work backwards: starting with the vision of what your ideal culture is and how people should behave will keep the momentum towards developing the solution
- Everyone believes they are doing the best they can, so it's crucial to provide clarity – "in this situation you should behave in this way..."

2. Activate

Core to the success of the culture shift will be the successful integration of plans to deliver the culture change into existing initiatives across all areas of your business. Linking the cultural implementation plan into the cadence of the business will ensure that energy towards the culture change is maintained throughout the shift and is truly embedded across the organisation. The culture change will sometimes be a critical component of a wider change plan. Key to the successful activation of the plan will be:

- Business owned delivery of the plan – ensuring the culture change is 'done by' rather than 'done to' the organisation
- Tailored activation across the business to match up with the specific requirements and activity within each function
- Utilisation of regular meetings/touchpoints across the business can help change the routines and practices of how you work
- Celebrating successes and small wins

3. Evolve

The evolution of culture to ensure its continued alignment with business priorities and activity will ensure that it remains effective, and engagement levels across the organisation are sustained. Embedding governance and performance tracking into the cultural implementation plan will ensure that culture continuously evolves in the right way:

- Status reports to be provided to and reviewed by the Board and Executive Team to ensure the cultural plan remains in line with your strategic objectives and key operational activities
- Regular surveys and check-in points with people across the organisation, to ensure engagement with employees is sustained while providing a clear feedback loop to make ongoing improvements to the plan
- Establish metrics to measure the impact of the cultural shift with appropriate adjustments as needed.

Just to be clear, it takes time to effect real and lasting cultural change, so stick with it. Committing to making changes and holding firm to what you wanted to achieve is essential and will deliver the long-term, sustainable results you are looking for.

Embedding your cultural DNA: Critical Success Factors



Have clear objectives

Develop a tangible, aligned view of the desired culture, how this differs from your current state, and what this means for your organisation



Align leadership

With the Executive Team and Board agreed upon what change is needed – and role-modelling it proactively – the troops will more likely follow



Create spaces for experimentation

To try new things and air 'creatively disruptive' views without upsetting the apple cart



Be transparent

Openness promotes innovation and honesty while avoiding suspicion



Culture Champions

Embedding the change across all levels of the organisation and promoting engagement throughout the programme



Embed in 'real' work

Cultural change should be embedded alongside BAU and must be tested at the 'coal face'. This means changing processes to match the behaviours you want to see



Target adversaries

Involve supporters of the status quo and potentially vigorous opponents of change. Use their engagement to drive the change throughout



Build from the bottom up

If it is what your people want to see - they will ensure it 'sticks'



'Set off fires' across the organisation

Allow people to experience first hand the benefit of new culture and new ways of working

Want more insight on this topic?

Be sure to ask us for a copy of our 'Nurturing Culture' report. We love all things culture and will happily share our insight, thoughts and experiences with you in more detail.



We would love to start a conversation with you around culture and the future of your organisation. If you would like any more information about how we can help you, please get in touch with us:

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