

## **FCA Transforming Culture Conference**

19 March 2018

Event summary and next steps

## Overview

This is a chance for you to take part in our ongoing work on transforming culture in financial services. We summarise the themes discussed at our conference on this subject – and set out next steps.

We published a [Discussion Paper on Transforming Culture in Financial Services](#) – a collection of essays intended to encourage discussion, strengthen current consensus, and speed up the pace of change for cultural transformation in financial services – in March 2018.

A week later, we held our Transforming Culture Conference to engage with a wide range of stakeholders in exploring the ideas published in the Discussion Paper.

Around 200 delegates attended the conference - a mix of industry leaders, academics, culture and change experts, and regulators. The day started with a [keynote speech from FCA chief executive Andrew Bailey](#), followed by 4 sessions focused on the following questions:

- What constitutes a good, healthy culture for financial services?
- What role should regulators and regulation play in managing culture?
- Remuneration and beyond – what are the most powerful motivators of behaviour?
- How can we deliver real cultural change in financial services?

The following pages summarise some of the themes that were reflected in the discussions or recorded on the feedback sheets on the tables. These ideas do not represent the FCA's views but provide some further perspectives on the issues covered in our Discussion Paper.

## Next steps

We're keen to continue exploring ways to improve culture in financial services by bringing thought leaders together and facilitating dialogue.

From the dialogue and the conference discussions we have identified 4 key thematic lines of enquiry:

- **Psychological safety over fear**
  - What role does psychological safety play in promoting healthy and inclusive cultures? How can this be promoted most effectively?
- **Remuneration and incentives**
  - What implicit behaviours are being driven by bonus cultures? Are there better approaches to compensation? What non-financial incentives can be used to motivate performance?
- **Leadership and management capabilities**
  - What is needed to support leaders, including middle management, to cultivate healthy cultures? How can these skills be better recognised as a management discipline?
- **Assessing culture**
  - What does effective assessment or measurement of cultural indicators look like within firms? How should measurement be used?

## What you can do

Over the next year, we intend to continue our engagement with the financial services community, and want to convene thought leaders to explore the themes and questions raised above, and share examples of practices across the four themes.

With your help we hope to further the ongoing dialogue around what firms can do to strengthen and improve their cultures, and speed up the pace of change for cultural transformation in financial services.

If you are interested in pursuing these questions further, please let us know by contacting [cultureandgovernance@fca.org.uk](mailto:cultureandgovernance@fca.org.uk)

## Is there a 'right' culture?

### **Question discussed:**

### **What constitutes a good, healthy culture for financial services?**

### **Panellists:**

- **Alison Cottrell**, CEO, Banking Standards Board
- **Dr Celia Moore**, Associate Professor, Bocconi University, Milan
- **Andrea Orcel**, President of UBS IB & Chief Executive for UBS Ltd and UBS AG London Branch
- **Dr Tom Reader**, Associate Professor, Department of Psychological and Behavioural Science, London School of Economics

## **Themes from the session:**

Delegates at the conference discussed attributes of a good, healthy culture within financial services. Some that came up frequently were:

- the ability to speak up within a safe environment
- leading by example
- self-reflection, focusing on behaviours and consciously managing the culture

Potential challenges to delivering a good, healthy culture were also discussed.

A strong theme that came through was the importance of a psychologically safe, inclusive environment, with reduced fear of making mistakes and discussion of failures. However, counter to this, the idea that some fear could be useful to drive behaviour was discussed. For example, in the airline industry the notion of 'fear' is very powerful, so delegates suggested that the emphasis should be on eradicating 'unnecessary' fear.

The role of leadership was viewed as key in leading by example, listening and responding positively. Delegates also pointed to the importance of leaders having the capability to support middle managers, who were viewed as crucial to delivery of the 'right' culture. The role of leaders in creating a workforce with high levels of engagement who are happy to be there was also discussed. Ideas of ways to achieve this centred around leaders being transparent and honest, and providing autonomy to their staff.

Delegates viewed self-reflection as a contributor to a good culture, along with the idea that behaviour needs to matter, with the suggestion that 'expected behaviour' should be clearly defined and reviewed periodically by firms. Delegates also suggested that firms should look outside the industry to learn lessons on what healthy cultures look like, and incorporate views on how to implement ideas from other industries that have successfully undergone cultural change.

When discussing potential challenges, delegates suggested that defining a good culture was an easier task than implementing and embedding the culture, particularly in large organisations with thousands of employees. The measurement of culture was also viewed as a potential challenge, as it is not a topic that is well codified. There was a strong view in the room that achieving a good, healthy culture is a continuous journey, and should not be viewed as a destination.

## Managing culture – the role of regulation

### *Question discussed:*

### *What role should regulators and regulation play in managing culture?*

#### **Panellists:**

- **Megan Butler**, Director of Supervision – Investment, Wholesale and Specialists, Financial Conduct Authority
- **Professor Peter Cartwright**, Professor of Consumer Protection Law, University of Nottingham
- **Azish Filabi**, Executive Director, Ethical Systems
- **Aleksander Grocz**, Specialist Examiner on Governance, Behaviour and Culture, De Nederlandsche Bank
- **Kevin Stiroh**, Executive Vice President, Federal Reserve Bank of New York

### **Themes from the session:**

The breakout discussions at the tables centred on:

- the importance of firms taking ownership of their cultures
- the importance of supervision and not rules in supporting the management of culture
- the perceived impact of regulatory intervention, compliance cultures and associated challenges (including fear of the regulatory environment)

There was discussion about the relationship between firms and regulators and the impact this can have on behaviours within firms. The view in the room was that while firms should own their cultures, firms should be engaged with the regulator on the topic with consistent conversations taking place at all levels. Delegates at the conference discussed the role supervisors could play in facilitating dialogue to encourage more self-reflection within firms.

As regulators hold a central position and have a unique view of the industry, delegates considered that regulators have a role to play in sharing insights across organisations and highlighting key aspects of culture. It was also suggested that regulators could more broadly acknowledge the progress that has been made, while recognising that the ongoing process takes time.

Some of the potential challenges identified by delegates were around unintended consequences of regulation, such as delayed action due to waiting for a regulatory view, and how to move away from perceived fear of the regulatory environment.

The idea that there is often a compliance mindset when it comes to regulation was discussed, particularly in the context of the approach taken by firms to culture. While there was recognition that there is a role for some rules in this area – for example, in relation to remuneration – given the view that firms should own their own cultures, the consensus was generally against prescriptive rules relating to culture.

# The role of reward, capabilities and environment in driving behaviours

## **Question discussed:**

***Remuneration and beyond – what are the most powerful motivators of behaviour?***

## **Panellists:**

- **Sir Sandy Crombie**
- **Stephen Haddrill**, CEO, Financial Reporting Council
- **William Hague**, HR Director, Financial Conduct Authority
- **Rachel Lock**, HR Director, TSB
- **Dr Wim Vandekerckhove**, Reader in Business Ethics, University of Greenwich

## **Themes from the session:**

Discussion on this topic was wide-ranging and included:

- whether financial incentives should play a central role or not
- the approach to reward and performance – and the incorporation of behaviours into reward
- the important role of non-financial incentives
- environmental motivators

Delegates were split on the role of remuneration and bonuses across the financial services industry. Some delegates said money is still very much a motivator for recruitment and retention, and talent may leave or not be attracted to the industry without this financial motivation. Others thought the 'bonus culture' should be eliminated. However, there may be a potential fear of making the first move so, to achieve this, some delegates felt that the industry may need to make the change as a whole.

The idea of a broader, blended approach to reward was discussed, with the view that pay should be linked to performance and behaviours. If this were to happen, then it was suggested that more open conversations need to take place to give individuals a better understanding of how their behaviour has affected their pay. It was also seen as important for firms to think about long-term vs short-term incentives and to ask themselves how they can effectively create long-term incentives.

Beyond financial incentives, delegates identified other motivators, including promoting mental wellbeing, job satisfaction, trust, purpose, recognition, empowerment and inclusion. Purpose was particularly identified as a motivator for a younger workforce, which may be contributing to a shift in motivations.

In terms of the workplace environment, there was discussion around creating a place where people want to work and whether workplace expectations have changed based on influence from the tech world.

## Leading culture change

### **Question discussed:**

***How can we deliver real cultural change in financial services?***

### **Panellists:**

- **Octavius Black**, CEO, Mind Gym
- **Tom Blomfield**, CEO & co-founder, Monzo
- **Andrea Eccles**, CEO, City HR
- **Steve Martin**, CEO, Influence at Work UK
- **Katarina Rosen**, Managing Director, Credit Suisse

### **Themes from the session:**

Some common ideas focused on:

- the importance of diversity and inclusion to effecting culture change
- the importance of purpose and values
- the importance of having the right workforce and enrolling middle management
- creating an environment for change

Diversity and inclusion were viewed as key to delivering change, and attracting diverse candidate pools seen as a way of bringing in fresh ideas to challenge normalising and conformity.

There was discussion on the importance of defining and sharing the organisational purpose and direction of change, as well as creating a common set of values.

It was suggested that a longer term view of success is needed and a message that appeared to resonate amongst delegates was the 'start small' approach – focusing on small things that will collectively build to make a difference.

Some delegates identified selecting the 'right' workforce as a way of delivering change, with the suggestion that firms should recruit for culture and train for skills. As discussed in one of the earlier themes, middle managers were seen as key to delivering cultural change. In particular, discussion focused on how middle managers can be empowered and supported.

An environment of cross-sector, cross-firm and intra-organisational sharing was suggested as a way of incorporating lessons from within and outside the industry to help deliver change. Transparency, communication and trust were identified as key factors that could support cultural change, along with recognition such as celebrating successes and saying thank you.

Overall, the view in the room was that change needs to be driven at all levels within an organisation – from the top down, the bottom up, and through the empowerment and support of middle management.