Webinar transcript: transforming culture through employee motivation and recognition

Jonathan Davidson: Good morning and welcome to the third in the FCA's series of webinars on transforming culture in financial services. My name is Jonathan Davidson and I'm the Executive Director for supervision of all the retail financial services. I am absolutely committed to affecting a transformation in the culture of financial services. I want to make a healthy culture in financial services, a culture which is healthy for customers; they can deal with financial services; they can get good outcomes. That is healthy for employees. Literally sometimes we see issues about mental health, it's got to be healthy and sustainable over the long term for employees. And of course, it needs to be healthy and sustainable returns for the firms themselves.

So, that's why I'm here and we've been exploring in our series what it is that creates a healthy culture and some of the tools that you can use to create a healthy culture. What we've realised in that journey, there is no one size fits all. We can't write rules that say this is how your culture should be. Every firm, every individual, if you like, has their own culture, their own way of doing things, their own set of mindsets. But what we have found is there is some commonality about cultures that people look at and say, this feels healthy. It feels good to work here. It feels like it's sustainable. It feels like it delivers good returns. A couple of those are that it's purposeful. People come to work and it's more than just about the money.

The second thing is that it's inclusive. You know, I always say diversity is fine and it's absolutely necessary, but it's absolutely pointless unless it's inclusive. If it's not safe to speak up, all the diversity isn't going to do any good for the firm or the individuals themselves. So, safe and inclusive and with very effective leadership and governance, and of course employees who are motivated to do the right things, to exhibit the right behaviors. Exhibit the right mindsets are driven by appropriate incentives. Now, historically, when we talked about this question about incentives, it's often been about sticking and carrot. I went to business school and it was very much give them more money if they do the right things and give them less or punish them if they don't.

So today, however, what I want to do is two things which I hope will help you as the audience and I hope financial services more widely, start to think about what are the key tools for motivation beyond just money, which will lead to a healthier culture. So, I've got some panelists who are getting to help me with that question. And then for you in the audience to encourage you in fact, I would say inspire you with a sense of purpose to go out there and take some of these tools and do some experiments and see whether it works. And if it works, do more of it. Share it with other people. Now it isn't just going to be us talking to one another and to the camera. This is a two-way conversation as it needs to be.

So, thank you to all of those of you in the audience who have already submitted some questions. They're great questions and I thank you in advance for all of those of you who are watching who are going to submit questions as we go along. As you listen to us, say, hm, I'd like to know the answer to this, or even if it's just a comment, put it in. And in the second half of this we'll come back to those questions and we'll try and get through as many as we possibly can. So, I'm very

pleased today to be joined by three awesome panelists. We've already had been having a great conversation. I'm sorry we didn't capture it on camera. I'm going to ask them to introduce themselves. They can do better justice than I can to their backgrounds and why they're here. So, I'll start with on my left, Sarah, would you like to introduce yourself?

Sarah O'Farrell: Yeah. Thank you so much for having me here, Duncan, and it's great, Parmjit, - sorry, Jonathan. It's great Parmjit and Duncan to be here with you as well. And so, my name is Sarah O'Farrell. I am a Lead Inventor at ?What If! Innovation Partners and my background is in behavioral and psychological science. So, I've been spending the best part of a decade designing behaviour change strategy and behavioural change programs to try and help people to live healthy, fulfilled lives in which they can perform to their best and feel mentally well and physically well. So, my work has spanned healthcare topics such as lifestyle change, medication adherence, and trying to get people to adopt new healthcare technologies.

And in pursuit of helping people live more fulfilled, healthy lives, a big part of that also is the workplace. So I've done a lot of work on organisational design and change and employee experience design, looking at how do we create workplaces that really meet people's fundamental human needs that create the conditions in which they are motivated and engaged, can and want to perform to the best of their abilities and have really good mental and physical health. And the nice thing about all of those areas is that actually they share the same common denominators. So really what's good for people's motivation and engagement and mental health is also incredibly good for creativity and productivity and performance and loyalty and sustainability. So, it's a great place to be working.

Jonathan Davidson: Yeah, it is. And it's great that you've come along. I can't wait to hear all the insights, so thank you. So, Parmjit.

Parmjit Flora: Hello. I'm Parmjit Flora. I am a Senior Operations Manager at Ocado and I essentially run their flagship warehouse. I look after in the region of 1,700 people. And the main reason that I am here is really to learn more from you guys about how we can innovate and look at employee experience enhancements. What I have been doing over the last two years really is looking at different ways that we can encourage and motivate the employees that work at Ocado and our warehouses, whether that's through a range of surveys, a range a difference in one to ones and appraisals, whether it's through the environment, actually, can we change the environment they work in? And similar to you, we look at different ways of experimenting, different iterations and how it can change and motivate the staff that work for us.

Jonathan Davidson: Great. Very good. Thank you very much, Parmjit. Duncan?

Duncan Brown: Hi, Jonathan. Yeah, thanks very much for inviting me along. I want your job title, Sarah. I think I find Lead Inventor; I find that really motivating. But anyway, no, I had the advisory work at the Institute for Employment Studies. We're a research-based charity and basically our mission is to research good practice in all of these areas, what really turns people on and makes them contribute to high performance and then to disseminate that in forums like this. Get to really get that out there so we get it into practice. So, thanks for having me.

Jonathan Davidson: Well, thank you all for coming along. So, what we're going to do now is turn to a panel discussion of a couple of issues while you think about the questions you'd like to put to the panel. Do our best, as I said before, to cover as many as possible. So, submit away as we go. So, the first question that I wanted to discuss is when people come to work what is it that's motivating them? What is it and does it, in your experience, does it actually vary across

sectors? Does it vary through the generations? What's going on? And maybe I'll start this time with you, Duncan.

Duncan Brown: You know, Jonathan, I've spent my whole career on that and I've kind of bounced between academia where I'm thinking, right, let's really find out. And then I'd kind of get fed up and think, well, actually it's all out there and doing it. And then I go into consulting and advisory work and it's kind of, you do that for a while and then you think, have we got any evidence at all on this? And go back into academia. But I think, I dropped my bike off on the way here on to get a service. And have you noticed, in bike shops the employees always seem really keen. They're always like, oh yes sir, do you need some lights or whatever. I don't know. I'm thinking, how do they do that? What is the, I've never done a job in bike shops, but I guess what I find so interesting about this area is that a lot of the research that Sarah and my organisation or whoever come out with seems to say there's some pretty fundamental common human needs that employers need to address, obviously around financial, security, belonging.

And again, the research varies, but some sense of purpose, interest rather than just that we're doing this for the money. And that seems to me to be pretty common for most of the research, but what the research also seems to say is it depends. There's no best practice, there's only best fit. It depends on your setting. You know, we can't really talk about financial services, I don't think, because what's going to motivate folk in a VC, Mayfair business is going to be very different from an administrative centre down in Worthing or wherever. And so that, and that's what keeps it so interesting really. That's what I'm looking to learn from these guys on what they found.

Jonathan Davidson: So, Parmjit, what's your experience?

Parmjit Flora: So, I think we were having a similar discussion earlier. So, I think there's one piece of advice that one of my managers actually gave me when I was trying to motivate staff and he'd said, actually, instead of trying to motivate somebody, you need to talk to them and figure out what it is that motivates them. And that's such a simple reframing of the problem and I actually would go as far as saying that that changed my managerial life really, and that I think is the key. So earlier you were talking about the research that we have and there's a vast amount of it, but it is really trying to find out what it is that motivates those individuals. And I think that will vary depending on what group you're looking at, definitely.

Sarah O'Farrell: Yeah. I couldn't agree more. I mean, we all have, as we were saying earlier, the same fundamental human needs. And money motivates us to the extent that it can help us to fulfill our baseline human needs around security and stability and shelter, and all of the survival needs so that we don't have a sense of economic anxiety. But beyond that we have our higher order needs around a sense of autonomy and agency over our existence. A sense for a need of purpose, wanting to make sure that our time in the world was well-spent. Wanting to feel that we are good at what we do, that we're effectual as human beings. All these things are hugely important and over the course of a lifetime, we'll all experience the need for these at various points. They'll spike at different phases, but generally we all need the same needs to be met. So exactly to your point, it is about talking to people and asking them what is important for them right now and what role can the workplace help play in helping them to meet those intrinsic needs versus support them to meet them elsewhere.

Duncan Brown: It's such an insight. One of the HR directors of one of the large banks, he said to me, he said, Duncan, do you know we know more about our customers than we know about our employees? So, I think there's quite a lot of big businesses where that's the case because,

you know, bike shop with half a dozen staff, it's easy to know actually, even know them all by name. But if you've got 100,000 staff all over the world, that's much harder.

Jonathan Davidson: So, I wonder whether there are all these human needs and there's this sort of scale, from you just got to get over the survival. You've got to have enough money to live on before you can start thinking about more noble things. But I think about my father's generation where they went out into the workplace, they got a job, they were guaranteed reasonable income. They didn't think about financial bonuses and 35 years later they retired and that was the deal. I don't know what the motivation there was and now we've got a situation where it's quite different when nobody's guaranteed a job for any period of time. Indeed, we have a million and a half people who are part time, zero hours. So, do you think the balance of these things is changing in the workplace?

Parmjit Flora: I think definitely access to those things has changed and I can't see that going back to the way it was or the way that you described. And access to things like, actually, am I going to have a good retirement? Am I actually going to be able to own a house? Am I going to be able to have this job for a significant period of time? That's not true at the moment. I also think that the access to social media information that has definitely changed the way we view work and view what we need from work. It's very easy to, in a couple of clicks, to find out what's happening at certain large firms and find out what they're doing for their employees. And if you have that sense of value for yourself, then you could certainly demand that either from your workplace, and if they're not delivering, it's very, very easy to then jump to a place that is delivering. So, it puts pressure on the person who needs those things, but also puts pressure on the organisations because suddenly we have to deliver those things for our employees.

Duncan Brown: I think the engagement survey databases, the major ones that many employers use, do highlight, Jonathan, as you say, that actually financial needs have gone up over the last decade really since the financial crash. Because whatever we've got, as you say, six million folk earning less than a real living wage, insecure employment, et cetera. That's not surprising. But again, I think that one of the major suppliers I was just looking at, still the number one driver of engagement for most employees is career and future. And of course, that's really difficult in most organisations at the moment with the uncertainty to do that. And yet that sense that they care about me, I've got a future here, is really important to people.

Jonathan Davidson: Yes. And I also get the sense as well that lots of people care about what the company is doing more broadly. Is the company doing good in the world or is it actually in a sense selfish and just thinking about its own interests, is that it? And I know when I look at financial services, we're in the whatever it is, the third machine age, more and more employees are being replaced by machines. And it's not just manual jobs, it's the thinking jobs that are being replaced by algorithms. And so, there's lots of financial services firms that are saying, I need new kinds of employees. And you know, young people in the tech world, what is it? What is it? What is the motivation? I know Ocado is a very tech firm.

Parmjit Flora: It is. It is. And you're right, our warehouses are very, very technical. We have lots and lots of actually funky pieces of kit. We have even funkier coding and AI that goes into running those pieces of kit. But we still need people to do those jobs, and as I said earlier, my warehouse has 1,700 people. The new warehouses that we're building, they're even more technologically advanced. We'll still have those people. So, I think it may be that we have ended up introducing that technology, but it definitely hasn't gotten rid of the need for humans to do certain work.

Jonathan Davidson: And some of that work can be looked at from the outside as sort of mundane.

Parmjit Flora: Yeah, very much so. So, we have, as an example the majority of our workers, 80% of our workforce will be doing something like picking up products and putting them into a bag and packing, shopping. We'll have a certain proportion of those people will be loading that box and putting it onto frames to get it onto vans to get it to people's houses. And there is definitely an element of mundane in that, and finding ways to motivate those people who are actually earning enough to be able to have a living wage. They're actually earning enough on top of that because we have certain bonuses that are incentivised, so if they do more work for us, then they will end up earning more money. But finding ways to keep those people engaged I think is probably the most difficult piece that we have in our organisation.

Jonathan Davidson: So, have you got thoughts on what motivates people who are doing the, if you like, the repetitive jobs?

Sarah O'Farrell: There's really the science is really clear on the fact that if there is a repetitive, monotonous job, a financial reward is a pretty good motivator for that. But once the job requires creative thinking, collaboration, empathy, any sort of higher order skills and higher order thinking and behaviors, and that actually money sometimes can distract from that. And actually, when you incentivise people that their performance can actually go down versus when you ask them to think about the impact that they're having on the world or the sense of purpose that they're getting from the task. So, I think that where we do still have a large portion of industry doing monotonous jobs, it's how do we make sure that we're giving people a good living wage, so that they don't have economic anxiety. That is just an absolute moral imperative. We can't be living in an economy like we're living at the moment and having people with cash flow issues, even though they're coming to work for 40 hours a week, that just can't be the case.

But after removed economic anxiety from people, it's about asking, exactly as you said, what matters to people in these mundane jobs. If the job is a source of fuel and income so that they can feel a sense of purpose and community and connectedness and play and all those other great intrinsic motivations in their personal life, then fine. We have an obligation to make sure that our workplaces are keeping them healthy mentally and physically, that they're pleasant, that they're not in any danger, that they're getting a good wage. And, but if it's the case that people in those jobs actually say, do you know what? I want more from my career. Well then it is about those case by case issues, isn't it? And coaching and growing people to feel more of a sense of purpose and meaning and impact and maybe have more autonomy and stretch. And so, it just comes down to what people want.

Duncan Brown: Let's not forget as well to the tech changes have created a whole new range of really interesting jobs. In financial services, I've done a couple of projects the last year or so on that kind of FinTech area where even some of the high-pay financial services firms have been really challenged because that sort of deal. What you see in the tech firms that Google with its cool environment and free food or whatever, is a very different deal. So, what do the banks do? Do they copy that deal or do they work out their own hybrid version? And I think in effect it's forced them really to think some of the firms about what is the nature of that deal. And just like some of the big law firms which maybe relied on high salaries have been losing staff to some of the fast-growing regional firms who can offer a nicer lifestyle, more flexible working, even part time partners perish the thought. And so that, again, they've had to think through what's our kind of deal we're offering because it isn't working.

Sarah O'Farrell: Actually, it's fascinating to look at what we know about the relationship between income and life satisfaction, wellbeing, motivation and engagement. Because it's got this curvilinear relationship whereby income and motivation, engagement, wellbeing, all those great things and they track in parallel up to a certain point. But once your income has helped you realise your basic human needs, then they stop, they stop tracking and they diverge as curves because then your income needs to help you meet your more fundamental psychological needs. Like a need for purpose. Like a need for flexibility and autonomy. So yeah, that's why when we look at work like Daniel Conaman, the behavioral economist that won the Nobel prize in economics in 2002, he found that above about $75,000, the impact of money on wellbeing and happiness is really marginal because at that stage you've got your basic human needs met. After that, the impact on happiness and engagement and motivation is fulfilling your higher order psychological needs.

Jonathan Davidson: So, I'd summarise it by saying, look, I think we're saying that motivation is about a lot more than money. Especially when you've got enough money. And I'm very hopeful that actually no matter what your job, I'm very conscious of the famous story about the NASA janitor who's cleaning the bathrooms and they asked her, what are you doing? Who says, 'I'm helping to put a man on the moon'. Or indeed in the car manufacturing industry where they've got people doing very repetitive jobs, but they actually realised they couldn't make any more improvements in productivity by having engineers sitting in head office, being creative. They actually went down to the employees and said, look, your job is to figure out how to do your job better. And the huge productivity increases by empowering them, training them, building their capabilities to work out how to do what they were doing better.

Duncan Brown: Fantastic. The best incentives and motivators, I think as well, often you almost can't classify some of them between financial and nonfinancial. That's what we all do in our total reward packages, have the financial, have the non-financial, and yet what's an all employee share plan where those are really well communicated and high participation. Okay you can make money on them but there's something else, isn't there? There's a sense of belonging that you're an owner of the business even in a big organisation. So, it's meeting a range of needs, I think.

Jonathan Davidson: So, thank you for that, Duncan, because I'm going to transition us to the second question, which is having established that there's a beautiful rich variety of motivations, fundamental human motivations, that we can tap into, what are the best tools to use? Getting practical here. Is it about the money? Is it about recognition? Is it empowerment? One of the questions said is about more fruit bowls, free fruits. Is it about opportunity to do flexible? There are so many different tools that are available to us to create a healthy culture. What do you think are the most effective tools? Let's start with the theory this time.

Sarah O'Farrell: Great. Well, I'm actually going to move from theory into practice, to probably everyone's surprise. I think that there is a sort of higher order practice that spans all of those things around fruit bowls to appreciation, to purpose and all those things, and that is actually a process of experimentation. So, when we are listening to our employees and hearing them say they want things like a greater sense of purpose, a greater sense of autonomy, and there's a process to actually bring that to life within organisations and then to seeing it live on in scale within the organisations. And that process is experimentation. And so, I'll give you an example from a piece of work that we did over the last couple of years.

The people that we were working with client side knew that their employees wanted a greater sense of autonomy and they as a firm really wanted to give employees a greater sense of autonomy. But autonomy is kind of a nebulous concept. It could be a lot of things, you know.

So, we helped that firm to learn how to run its own experiments so that it could get incredibly precise and tangible about defining what autonomy means to people. Is it the types of tasks they do, the types of technique they use to do them, when they do them, who they do them with, really to get granular and precise? And then once you're granular and precise in what it is exactly, you're trying to achieve, in terms of behaviour, you can then run an experiment to see what the impact of that is.

So, we trained up this firm to run experiments around helping employees to act more autonomously during the week, and we found that the results of that were just phenomenal. Both in terms of performance, productivity, but also the psychological outputs around people feeling that they had a greater sense of purpose at work, that they felt more appreciated and respected and that they were more engaged and had better energy. So, I think that in terms of a tool, experimentation is the tool to unlock all of these behaviors and conditions in the workplace that will drive motivation and engagement.

Jonathan Davidson: That's fabulous. So, I hope everyone's listening to that because we're going to try and think of some experiments before we go. Parmjit, what's your take?

Parmjit Flora: Again, going from building on what Sarah said, applying that type of academic rigor to these sorts of experiments that we do in the workplace, I think is actually the future. And I think that's how we're going to change motivation. There are very few firms, very few businesses that do that. I have to hold my hand up and say mine included, but we are starting to collaborate more with universities and try and apply that type of work. I think in terms of the tools that we use currently or the tools that have been most effective in my experience, they are to do with really applying a sense of value to the individuals, the individual groups.

So, what is it that that particular group values? Money, yes. But actually, we did a survey with approximately 400 members of our workforce and they told us that they were actually interested in some form of career development. What that was really, we're not entirely sure, but that's what they're interested in. That's why they're here, that's why they're working for us. We're a growing business, so what can we provide those people? So, we've now started to look at apprenticeships. I have half of my operation managers group who are doing some sort of degree level learning. We've got free English lessons for our employees. We've just run a scheme with a local charity where we're giving away free books for our employees to try and help them actually be able to hone into that thing that they need and try and give them the opportunity that they require. And I think it's those sorts of things that we can then do that actually don't cost very much money. So, we managed to actually work with a charity that gave us 300 books that they'd saved from going to landfill. So actually, it has a community impact as well. And that has given us a lot of recognition and actually adopted a lot of good feedback from our employees just to be able to give them these things that they require.

Duncan Brown: I was doing some work in a talent agency, the people who kind of manage the stars and authors. And ironically, I was doing it on partner incentives actually, but I went in one day and it's quite a young, buzzy environment and they were like really buzzy. And so, I asked their CEO, so why is everyone, it's really buzzy in here? And he said, oh, we had a recognition event yesterday. They'd done a really good book launch, then taken the author around and it had sold really well. I said, well, what did you do? He said, there was six of them on the team. I've got them in the office. I said, here's 500 quid, gave them 500 quid. They go downstairs, there's a taxi. He said, you've got to get in the taxi, it'll take you to Selfridge's, they're on Haymarket, take you to Selfridges, you got half an hour to spend the 500 quid and then get back in a taxi and bring it back.

So, they all rush down with their 500 quid in the taxi, there's someone in with a video camera into Selfridges. Apparently, menswear didn't get a look in, but they did buy something for the team, I think a posh coffee maker or something. And then they're all back in the office and telling him. And the thing he said to me was really interesting. He said, in a year's time, and then they gave them all the video stuff, everyone will remember exactly what happened on that. Whereas say for the partner bonuses or executive incentives, I mean what happens to it? It just goes with everything else really. And I think we're not very creative I think often in this area.

Jonathan Davidson: No. It is interesting, we did a CultureSprint where we try and come up with experiments in the last 10 days. And lots of people were talking about recognition and different schemes and I learned a lot about recognition because every firm has got its own experiment running on recognition. And some of them were saying is the interesting thing is the ones that fail and the experiments that seem to be failing were the ones where they gave too much money into the recognition because other people said, well that's outrageous. It's not about the recognition anymore. It's just about the money. And it made other people very jealous. The other problem of sort of mode of failure that is an interesting experiment is when it's not clear who decided and why. And there's so many people getting them that everyone says it's a bit pointless and managers are just giving them to their team members just because they did their job. And so, there was some of the experiments that did work, whereas what I would call the democratisation of it, where it was other employees, you had to be voted by other employees, not by the boss. So, I thought it was interesting, this recognition.

Parmjit Flora: That's really interesting. We, in terms of our bonus schemes for our management teams, we had exactly that type of feedback. It's a group of people who make these decisions and it's our bosses that make these decisions and they're not entirely fair. So, they have their favourites. So, we've then swung completely in the opposite direction and only use data that we could then attribute to that particular person for tasks that they had done, to then give them a particular bonus. Expecting, really, our employees to tell us 'Well fabulous I've actually done all of this work and it's completely fair. You've been absolutely transparent about the rules and now you're giving me this money.' But actually what ended up happening was they actually didn't trust the data itself or they didn't like the data we were using. So, there were all sorts of other reasons why that money then still wasn't seen as being given out fairly, even though we were completely transparent about the way that we were delivering this. So, we're moving now to a mixture of data and subjectivity and that seems to be sitting better with our teams. But you're right, you do learn a lot more from things that fail.

Sarah O'Farrell: And that's it, right? The value is in the learning. Right? And if you are piloting that initiative in an experimental way so that it's maybe just a small group of people, it's de-risked because you're testing it out. You can be incredibly excited about that learning and say, okay great, we know what not to do now. We haven't like lost a huge amount of investment and we'll move on. We'll try something else.

Duncan Brown: Yeah. But it's interesting sometimes I think HR functions can be a wee bit faddish on this. And you know, I often get asked what's the latest thing or whatever. I think we almost have to reverse the kind of thinking or we can put an incentive or recognition scheme to change the culture. Actually, my evidence is that the best incentive and recognition schemes work in what are already very healthy cultures and it helps promote that. So, if you're in a culture where people trust the targets, then the incentive, in my experience, whatever you do with it it's going to work, actually. Because people know whether it's subjective or objective. Ed Schein, the originator of the term, I was lucky enough to meet him years ago, and of the term

OD. He, I mean his original research was what motivates people, what influences in an organization.

I think eight of the top 10 were basically leadership. It wasn't money or whatever, it was what the leaders said and particularly what they did. And I think that it's often easy to forget that, one auctioneer, a famous auctioneer I was working in where one of the heads of department would come in every morning, walked straight past his staff and not say hello. Whatever incentive or recognition scheme we put in there, do you know what, that's not going to work I don't think in that environment.

Jonathan Davidson: So, I'm going to move us on again because I'm very anxious to hear your questions out there in the audience. So, what we're sort of saying is there's lots of tools we could use. And whether it be recognition, whether it be money, whether it be promotion, whether it be empowerment, there are many, many things. And I think the big message is you're trying to understand the human beings in front of you in order to design it and have a go as an experiment. So, my last question really is if you, just one idea quickly and then we'll go to questions, is an experiment, what's your favorite experiment you recommend everybody in the audience have a go at. And not one that involves HR and massive change and/or decisions. Okay, away we go.

Sarah O'Farrell: So, I like experiments that solve real problems that are really important for people. So, I would recommend everyone in their team get together and pick any framework of motivation, whether it's Maslow or something else and have a chat and say which of these needs are currently being met in the team and which aren't? And if the team says, for example, do you know what? We've got none. We've got no autonomy. Actually, we're looking at this framework and that is a gap. I would then recommend that the team gets really precise in exactly what autonomy would look like for them. And then that they test what happens, that they test what happens if they all take every decision in a week themselves or work wherever they want for the week and measure the results, measure the results on wellbeing, on engagement and performance. And you can even create your own questionnaires, but just get really brave and bold and action oriented about designing experiments that address problems that matter for employees in the here and now. And actually, learning the process of experimentation is something everyone can do.

Jonathan Davidson: Fantastic. Thank you very much. That's a really good one.

Parmjit Flora: So, I think I would think about the way that we use numbers and performance measures that's incredibly important to the way that we work in warehousing. I'm sure it's important for you. But actually a number doesn't tell people how to do better. It doesn't tell people what they need to change. So along with the delivery of those reports and the delivery of that feedback, I would have a look at the way that you can change the method. So, we very recently adopted giving immediate feedback that has a subjective scoring system alongside the actual reported number, very, very easy to do. We use, I'll namedrop Google, but we use sort of a really simple Google form. You can set that up yourself really quickly. You've got results and you've got the data there that you can then use and utilise to actually make a difference to people. And it's using the same frameworks that you talked about, how can we value people whose engaged, what do people care about? So, you can build those questions yourself.

Jonathan Davidson: Fabulous.

Duncan Brown: I need that. My 23-year-old, I'd hate to manage her. If she gets to the end of the week, I'm not kidding, and her boss hasn't told her how brilliant she is, she's like, they hate

me. They're going to fire me or whatever. So yeah, I think I would probably say, like you, Sarah, I'd probably say actually find out what your people need, even people running engagement and attitude surveys at the moment, if you ask most of them, they don't do anything with the data, particularly at the micro level. What would I like to do? Well, actually what I'd really like to do is do experiments with the executive long-term incentives and take them away for three years and see whether it made any difference at all to performance. But that's probably a bit too structural for you. I think the one from my experience where I've had most success is where I've shifted incentive and recognition programs from purely financial measures to look at customer measures. And I think in a range of settings, those have been incredibly popular with staff and at least initially had quite a big impact. So, I think that's one I'd look at is, are we actually rewarding and incentivising the customer?

Jonathan Davidson: Okay. There you have it. Three good experiments to do. I might do them as well. I can see my colleagues, they're saying, yes, you are now committed, Jonathan, publicly in front of a thousand people. Okay. So, we'll move into the section where we get you in the audience to give us your questions. We're going to click through as we get through as many as we can over the next 20 or so minutes. First question, Nicholas, thank you, who's the Head of Conduct Governance as a large company and his question is with non-financial incentives such as working from home, free fruit, a day off to help a charity becoming more and more standard and those sorts of things as part of working life, how do you think firms can set themselves apart from their competitors? So, I'm going to direct this to you, Parmjit, how are you setting yourself apart from your competitors for your employees?

Parmjit Flora: I think, again, is through listening to our employees. So very recently we had a pot of money to replace flooring that was reasonable and the pot of money to replace a ceiling in the canteen area. It was something that we'd already budgeted for and already planned for, but neither the flooring nor the ceiling was going to do any harm if we left, it just looked a little bit shabby. So instead of doing that, we decided to ask our employees what they wanted to do with that money, and again, ran a very simple survey and asked people what they wanted. And what they wanted was no surprise really. They wanted different types of seating, an area that was more private, somewhere they could charge their phones, a games room. They wanted an area where mums actually could do a little bit of, new mums would be able to use that as a mother's room. So very, very obvious things and we've gone ahead and done that. So, I think it is a combination of listening to our employees and then actually following through and making the changes.

Jonathan Davidson: That's, well, I think that sort of goes to the thing we were all talking about before is ask your employees the answer and they'll tell you the answer to the question. So, we'll keep going. Katrina, Director at a professional services firm has asked the question, thank you, Katrina, your views on the performance appraisals as a factor in employee motivation and retention. What's the ideal frequency, format, style? Who'd like to go? Duncan?

Duncan Brown: Yeah. I've just been literally doing a literature review for a public sector client on this and I found a quote from one academic that was saying rarely in the history of management can a system promise so much and deliver so little. And you can read stuff from the 1950s saying how de-motivating these processes are. But I think it seems to be summary of that the literature review really is, it's sort of really difficult process, but it's really important. People need feedback, they need goals, they need to know how they're progressing against them. I think in a way what happened was we got too ambitious, we said, well, let's call these performance management systems. That plan people's careers and give them feedback and set them objectives and link in with their pay and link in with their promotions. It's too much. And

I think the nice examples I'm seeing now; people have come back to basics. It's basically about a conversation. Hopefully a very regular conversation between two folks. Let's focus on that. If we get that right, actually, you know what? A lot of this other stuff falls into place.

Jonathan Davidson: Strip away the process, put the humanity back in.

Parmjit Flora: And adding immediacy. So actually, it has to be something that is recognisable. So, the old, or we still have actually six months appraisals, but when you're listening to feedback from your manager about something that happened a month ago, two months ago, three months ago, it's a very, very long time, you've changed and things have changed. So actually keeping, adding immediacy makes it much more relevant, I think.

Sarah O'Farrell: Agree. And there is good research to find, and you've probably found this, Duncan, in your literature review you did, that you really need to be having these regular check in conversations on how you're tracking progress about every two weeks. And because things change so fast and it's not obviously the same world that it was at generations ago and no one wants anything to come up in their appraisal review, performance review, that's a surprise. There needs to be no like positive or negative surprises really. It needs to more be sort of like a reflection and a consolidation. But I heard another good quote to kind of match your quote on yearly performance appraisals, which was to say trying to manage your career through a yearly performance appraisal is like trying to manage your marriage through your anniversary dinner. So, actually we need have these continual coaching conversations where we're keeping people on track. And I think it is a really good analogy to bear in mind.

Jonathan Davidson: That is a very good one. I have this immediacy thing often felt like there's sort of six-monthly performance review. I used to refer to them as the drive by shootings. Yeah.

Duncan Brown: A Department Head said, one is bad enough once a year. God, what do you want me to do it more regularly for?

Jonathan Davidson: So, and the next question, Dalene, from an asset manager asking a question; launching a recognition scheme during a time of rapid change and transformation, is this the best idea? I guess you're having doubts, Dalene. So, what do our experts think?

Parmjit Flora: I'd say it's probably even more important. So, we're going through a period of transformation actually for our management teams and having those sorts of milestones that you can recognise, things that you can celebrate is much more important through that time of uncertainty when people are feeling a little bit stressed or a little bit worried. I couldn't think of a better time to do it.

Sarah O'Farrell: I completely agree, it's exactly when you really need your leadership to be showing up and demonstrating how much they value you. So, I agree. And it doesn't have to be something big and systemic, big structural change. It can be really small things. You know, we had the line around fruit bowls and free food or whatever the last time. The only thing I'd say on that and regarding the provision of benefits and incentives that are really tangible like that is just to watch out that they don't backfire. Over the years I've seen a couple of organisations where the incentives have been really misaligned to people's realities, especially in low wage workforces where you're offering certain schemes, gym membership, cycle to work schemes that people can't afford or the gym is more expensive than the local gym near their house. Actually, they have much more pressing fundamental needs, so again the real takeaway from this, this is about listening to your people. If we're going to be investing money and benefits to make sure it's aligned to life stages, aligned to lifestyles and that's something that people truly value is not something that we assume they will value.

Duncan Brown: Yeah, I think that kind of the short term non-financial methods are much safer in that sort of setting. I wouldn't set off a big long-term incentive and at the start of a major change.

Parmjit Flora: Or if you can tie it into your change, that's even better. So, you can tie those things in.

Jonathan Davidson: Okay. Very good. Next question, thank you, Jennifer. Who's at a mortgage company. How can you motivate an employee, like a telephone agent who may be dealing with very difficult issues and important issues such as me editorialising, such as vulnerable customers who are in arrears, on a daily basis, often on a comparatively low salary to achieve the right customer outcomes on a consistent basis?

Sarah O'Farrell: Just because I'm really passionate about trying to improve the employee experience for people who are working in lower wage jobs, but also for people working with more vulnerable customers. It's so important. And again, motivation is not a mystery. We've discussed a lot of the drivers of motivation. I think especially when you're dealing with vulnerable customers, it's actually about the organisational purpose in terms of how you're trying to help those vulnerable customers in the role you're trying to play in their lives. And beyond that sort of higher-level abstract sense of purpose there is then again, the very short list of motivational factors around how do we give people the autonomy to address sensitive issues in a way that they feel is best and maybe not just have to read off a predefined script. Skill people up so they have the capability to take initiative to act on gut instinct so that they feel they're having a sense of agency. And then beyond that it really is about trading a pleasant work environment. You know, you talked about what your employees wanted about somewhere to charge their phones and somewhere to have something nice to eat and sit. It is these basic design factors and I think if you can give a sense of purpose, a sense of autonomy and a pleasant environment, that's a huge amount achieved.

Jonathan Davidson: It is very interesting. I was at a talk about a year ago and the speaker after me was brilliant and she talked about the six tips for great compliance and all I can remember is the first one, which was make sure your employees understand the purpose. Then she talked about a telephone agent dealing with exactly this situation. And in the contact centre they had an algorithm, computer, brilliant algorithm that would say gather the following facts, put them in. And the algorithm will say yes and no and/or refer to senior management. And somebody had discovered there was some key strikes you could do to override it. And pretty soon, agents were overriding not because they wanted to, there was no financial incentive for them to override. So, if you went and asked a lady, why did you just override? She said, well, person on the phone, children, schoolbooks, desperate, hasn't got the clothes to go to school. No money. I felt so bad for her. I overrode and gave her the loan. Of course, that is going to make the situation worse than, in other words, you can have lots and lots of compliance rules. If people don't understand the purpose behind what you're saying, because people want to help other people and you need to know what is the way to help them really.

Duncan Brown: On performance management, it's quality, not quantity isn't it? The risk in the environments, it's actually, management often gets really detailed information. You're taking 10 seconds less or per average call than me. Do you know what, that's irrelevant? What's important is that we're helping the customers and the performance management systems are key. And also, I think just investing in a business I was working for that was helping vulnerable people. They took the telephone because they had some face to face folk as well. They regularly would

take the telephone-based folk out with the face to face so they meet these folks and see what they're facing.

Parmjit Flora: And so, I've actually done this job. So, I was talking earlier about when I left university and I was a collections agent on the phone. And I can completely understand how difficult it is when you're in those dialer sort of situations and you're having the calls fed through to you constantly. It actually doesn't take very long for you to remove the human from the person that's on the phone and it becomes a voice and you have a goal. And that's the goal that you need to hit. And I think the thing that makes a difference is reframing that voice and turning that voice back into a person and then having the autonomy to be able to make the difference. And I think throughout doing that role, it is making those changes for the workforce that made a difference. Having breaks, having a time to reset, all of those things are incredibly important to stopping it from becoming a conveyor belt and then you end up just achieving that one financial goal rather than what's best for the human on the other side.

Sarah O'Farrell: Yeah. There's one other thing, if you don't mind, I'd like to say to Jennifer in response to a question and I'm really especially interested in your thoughts on this, Parmjit, as well. And I actually think contact centres are amazing and call centres are amazing because what they essentially are is a permanent source of always on insight into how your business is or isn't working. So, we have hundreds of people in the call centres and they're getting calls from people where you know as a process hasn't worked. A product hasn't worked. In some way the business hasn't been able to deliver for them. Your call centre agents are the insight team that feeds into the innovation funnel for the business and I think there's something incredibly compelling about bringing our call centre staff on the journey of saying you are actually at the coal face of our innovation journey. You are telling us what is working in our business model and what is not working in our business model. And to have call centre staff be able to experience that sense of impact that they can actually feed into the innovation pipeline I think is something that is a real opportunity for call centres actually.

Parmjit Flora: You're right.

Duncan Brown: You need to get into one of my utilities. That is the opposite, I can tell you; scripted, it takes you 25 minutes to get through you're sort of fuming by the time you get through it.

Jonathan Davidson: We should do another webinar on what it means. So, we have what we call the supervision hub. So, the insights that come out of it are invaluable to me, but I recognise all the same things and recognise that most people, they really want to help the other person. It is a human being on the other end of the phone. So, this is about empowering, but if you're empowering someone, you've got to give them the capability and otherwise they're going, this is so far outside my comfort zone, you know? So, thank you, Jennifer. That's an amazing question. Richard to FinTech, what are your thoughts on the benefits of team incentives rather than individual. Working towards a common goal that you all achieve or you don't, does that cause more issues in that people feel they add more value than others or does it drive a team ethos? Great question.

Duncan Brown: Yeah, I mean, I think I've been doing a lot of team incentives recently, and in fact what we were finding was that the most successful employers do all of both team and individual. The problem with specific teams often is that you may be a member of more than one team and the team membership may vary. So, in a way you've got to watch with the incentive. It doesn't freeze as an organisation structure when you want more flexibility. But that balance of, I think we all like a balance of we like to feel we're part of something. We like to

actually I'm a bit better than you at something and I like to have that recognised and if you can get that balance, I think that's perfect.

Sarah O'Farrell: A lot of the research on incentives as well, it shows that that balance is important, right? A communal incentive, team incentive, plus individual shows that the best way for people to get a long-term, like what we've been psychology, we called hedonic values, which is a pleasure value out of a team incentive is when they're given money to spend having an experience that connects them to other people. So, if you give people money to go on a shopping trip to Selfridges or 500 pounds to go out on dinner with their teammates, that experience, exactly as your client said, stays in the mind for a year as if not forever. And it also has a lot of other benefits in terms of team bonding and psychological safety. So, I think team incentives that encourage people to connect and to share experiences together and to bond and that are also fun are very valuable.

Parmjit Flora: It is interesting. We've done this, we've done something slightly different with our teams. We have a team incentive, a business incentive and an individual incentive. But on top of that, what we've started to do over the last, I think two years for our operations managers is actually to send them on days out to networking events and learning events. And that actually has done exactly the sorts of things that you've talked about, but actually without having to have the financial input by the company. So, if you're a smaller company, that's something you can very easily do and it has exactly the same results.

Duncan Brown: I did some work with a retailer in their call centre on Merseyside years ago and they had a whole team incentive, quite high one and was going around asking. And what was interesting was apparently there was a transfer market developing, an unofficial transfer market for high performing individual employees. So, I can get your Liverpool tickets if you'll come and join my team. So, I thought, yeah, it's the both.

Jonathan Davidson: Very good. We've got time for probably one and a bit questions if we were really, really quick. So how do you know when you've cracked that? Sorry, Penny, who's an insurance broker? How do you know when you've cracked it with regard to engagement and recognition? One sentence each, cracking it.

Sarah O'Farrell: I think your employees are sticking around and they've got a smile on their faces.

Jonathan Davidson: Sounds good.

Parmjit Flora: I'm not sure I feel if it's ever worth cracking it because you should keep doing this to keep your employees motivated and engaged.

Duncan Brown: Yeah. Now, I'm just going to say it's better when it's better than it was. I think sometimes people aren't realistic enough of what's achievable on this. I think if you're getting better every year, that's great.

Jonathan Davidson: Fabulous. Do we have time for another question that looks like okay? From Laura, who's at a credit card company, what's your views on annual bonus schemes, incentive motivator or just driver of bad behavior between colleagues? Good question.

Duncan Brown: Yeah, it's not the what, it's the how, isn't it? We've probably all seen brilliant examples and appalling examples. It's like if it's running over a year's timescale, have we got the measures, right? Are we feeding back to employees so they feel part of it? It's very live so that they're not forgetting about it for 11 months and then, oh yeah, there's a bonus.

Parmjit Flora: Yeah. I'm really interested at the moment in having a look at the way that we are putting incentive schemes together. Really interested in trying to build in some more creativity. Looking at the seeker instinct. Are there other things that we can tap into that will encourage a wider range of our employees? So, I was talking to Duncan earlier about the different personality types that we have. So, you've got your introverts or extroverts and what we tend to find in some of these bonus games that I've seen before is that the extroverts, that people who will stand up and make a show of the work that they've done may be the ones who end up earning more. And that may not necessarily be the right thing to do, and so I'm very, very interested in having a look at how we can change those. But yeah, I agree there are bad ones. There are good ones. Pick a good one.

Duncan Brown: More likely to be men I should think, aren't they?

Parmjit Flora: I work with mostly men, so yeah.

Jonathan Davidson: It's difficult to just refer back to the points you were making about immediacy I always think, it may not be a drive by shooting, it's more of a sort of drive by, by the way, here's your reward for the year. I can always remember my very first bonus I received and they said and the main manager said, are you happy with that? And I said, I'll tell you in about half an hour's time when I find out what everyone else got. It wasn't about the money anyway, but I understand for some people of course it is about the money and that is important. So that was the last question that we've got time for.

First of all, I'm going to do some thank you's. First of all, thank you most of all to the audience for all those great questions and I know we didn't manage to get through them. I am going, to go through a lot of them because even the questions set me off on very helpful thoughts and experiments that we might do going forward. I also want to thank the panelists obviously for coming along. I learned a lot. That's my test of success today. I learned a lot from all of you, so thank you for that. I like to all say, always say thank you in advance. So, I encourage everybody to say thank you. What can you do to help create, if you like healthy cultures in your firms, in financial services in general. We're going to be working on this program of work and we're pulling together all the findings from what we're doing about psychological safety and the inclusive culture, the role of middle managers, incentives and so on. And we're going to be compiling it all and we're going to run a conference in next March, so look out for that.

The webinar recording will be sent to everyone watching, so do feel free to share it and go and do some experiments. And in fact, so I'm going to ask the panelists what's their one sentence take away from today that they'd like to share. What's their learning for today? So, I'm going to steal Sarah, cause I'm guessing she's going to say experiment and so I'm going to steal it before she can even get there. So, it's all about doing experiments and understanding what the human beings that we have the privilege to work with and doing experiments to see how we can make debate them.

Sarah O'Farrell: So, yeah, you did steal my one takeaway, but the other one which is equally important is, as we've all been saying, it's about listening to employees and finding out of their intrinsic drive, the real like intrinsic fire that we all have. What are we not meeting and how can we better deliver what they need? It's all about listening.

Parmjit Flora: And I think we're probably going to come up with the same one, but for me it's definitely finding out what your employees' value and then building on that. So, what is it that they actually care about? What actually motivates them and work on that.

Duncan Brown: A little bit different from them, mine's from particular, from my two colleagues here is being often we focus on, we're asked to focus on top talent or stars how do we reward and incentivise them appropriately? And I think both of you have given great examples of that engineroom, we're in the core of the organisation, the warehouse work or whatever. Do you know what, if you can really motivate that population, just move them forward, I don't know, 5%, wow, your organisation is flying. So that's mine and maybe we think a bit more about the whole workforce, not just the start.

Jonathan Davidson: Yes, that's certainly something really to think about. So, this is about making everybody, it's a healthy environment for everybody, not just the few. And it's not just the people who've got the creative jobs, the CEOs, the C-suite, the people at the top. It's the people doing jobs, which may be repetitive, but they can be full of meaning I think is what we're saying. So that's fabulous. And I just say thank you again and thank you to the audience, and thank you to all my colleagues who are behind the screen there. I hope that we've done you justice. They're giving us the thumbs up. Thank you very much. Everyone have a great day.

[END OF TRANSCRIPT]