The Financial Services Forum

Behaviours That Help to Achieve Strategic Goals

Date: 17th May 2016

Location: Fujitsu, 22 Baker Street, London

Setting the scene

Chairman David Rush (Director, Alderbrooke) introduced the speakers:

- "Culture" defines behaviours and values across a company.
- Until Q3 2015, most FS companies were interested in company culture primarily for regulatory reasons. Since then, more want to bring culture in line with what customers want.
- Andrew Bailey, who will run the FCA from 1st July 2016, recently told the City Week conference in London (9th May) that failure of culture is to blame for bad outcomes in FS, and, in order to avoid future crises (and dispel their negative public image), banks must change their culture.

Perspective from *Hani Nabeel, Talent Assessment and Development, Alderbrooke*

- FS driven by revenue at the expense of customer centricity.
- More regulation doesn't necessarily improve culture – but can create a culture of fear. (Will increased regulation make FS regulator centric?)
- Leaders must serve as role models to create a customer centric environment.
- Nine "deceptively simple" leadership behaviours that drive customer/client centricity – "If you look after your people, they will look after your customers."

1. Live your brand values by your company behaviours – your culture should be your brand enacted.
2. Inspire and motivate – think: "How did I inspire and motivate someone today?" With this outlook, leaders can unlock a level of commitment from staff that can make a significant difference for your company. If employees are motivated, clients will be able to perceive this.
3. Provide a definite sense of direction and purpose – by showing how an employee's day-to-day activities are necessary to achieve the organisation's wider vision.
4. Promote a high level of cooperation – teams make better decisions than individuals.
5. Be honest and act with integrity – do my behaviours reflect our company values?
6. Be trustworthy – so that you inspire trust among employees and customers.
7. Develop and support others – leaders should encourage staff to learn from mistakes and analyse why their successes were successful. If you don't support others, you can't be a good leader.
8. Create strong positive relationships – show the staff that they are valued – empathise with individuals and balance individual needs with the organisation's deadlines.
9. Be courageous – leaders who address issues, resolve conflicts and insist that everyone is accountable gain the highest levels of employee satisfaction and, in turn, customer satisfaction.

Perspective from *Klaus Woeste, Partner, Financial Services People & Advisory, EY*

- FS needs to achieve a culture of "sustainable performance" – which means strong in all three areas of conduct performance, customer centricity and financial performance.
- The regulators are trying to "fix" conduct and behaviour, but we always find the vast majority of people in an organisation are good people, doing the right thing – and it is the culture of the organisation, rather than the individual, that is at fault.
- Regulators' increasing focus on conduct performance has forced some organisations to be "too safe" – good on conduct performance / customer centricity at the expense of financial performance.
- Higher impact drivers for performance include: branch manager characteristics and capabilities, team dynamics, team diversity, attrition, ability to learn on the job, customer/staff match, staff capabilities including empathy and decision-making within conflicting priorities.
- Lower impact drivers include formal training and financial reward.
- Financial reward is not a high motivator for recklessness / bad behaviour, but, in fact, unrealistic targets and lack of empathy for staff are the key reasons people find themselves engaged in this behaviour (e.g. "I don't care how you do it, just do it!")
- Organisations in the sustainable performance quadrant:
    1. do not drive change with a "one size fits all" approach;
    2. look for good practice in the current set-up and compare and contrast with underperforming units;
    3. identify the traits of high performing people/teams, codify and drive through the rest of the organisation.
- Data shows the highest-performing employee at a bank is a part-time, middle-aged mother who has worked there for at least 15 years. Perhaps raising children gives her the empathy for excellent customer service?

Perspective from *Ann Roughead, Non-Executive Director, Columbia Threadneedle Investments*

- Management comes from the top.
- If I cannot motivate you to come to work etc., I'm not doing my job.
- Problem occurs when a CEO believes their view is the only right answer.
- Strategy has to be communicated down the business – employees are more motivated when they know the purpose of their work.
- Respect me (but not necessarily like me), have integrity, be tough.
- People want boundaries.
- Financial reward is not the main driver.
- The regulator has taken the chance out of FS, which has some negative effects, e.g. today everyone is a "specialist" with appropriate qualifications etc., whereas research shows that best performance comes from a diverse team. In the past, many under-qualified people who were given an opportunity went on to excel. Now businesses are so scared they will only be give a job they are fully or over qualified for
- In the past, CEOs had experience as managers in all sections of a business and became rounded. Today, people are promoted on financial performance, when they are not necessarily the best managers.
- We have to police ourselves before the regulator regulates all the fun and chance out of what we do.

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Snapshots from the *Q&A* session

- The regulator is trying to be an innovator and doesn't know whether it's supposed to be policing or helping. Fundamentally, the regulator wants to do the right thing and has the same constraints as we have, but lacks people with experience and guidance from the legislator.
- The regulator should be aiming to prevent things from happening before they happen – not just waiting until things happen and then cracking down.
- Taking no risk is seen as an achievement, but taking risk is necessary. Many organisations are now in the "too safe" zone because of their reaction to FCA regulation. We need to be more courageous and work for change in the right direction rather than just standing still as a response.
- People make mistakes, yet a culture exists that people can't make any mistakes – therefore people aren't willing to admit to their mistakes and let the organisation learn from them.

This event summary was produced for The Financial Services Forum by First Quartile Limited, part of FWD.

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