Reshaping Culture in Financial Services

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“We simply do not know if we have the tools to change the banking culture.”

Lord Turner, UK FSA Chairman

Overview:

This paper, adapted from a presentation to the Conduct and Culture in Financial Services Conference, October 11-12, 2016 in Sydney, Australia, seeks to provide insight into three very important objectives:

1. Culture as a total business issue, not just an HR issue
2. Understand how culture is formed and sustained (and why it is so difficult to change)
3. Provide practical levers for reshaping culture in financial services

Background:

Between 2008 and 2015 the banking industry as a whole has been fined nearly $300 billion for unethical and fraudulent activities. As a result, trust in banks has been at an all-time low for the past 7 years, far lower than during the S&L crisis in the early 1990s. And with recent increases in regulation and compliance requirements putting additional pressure on banks and their employees, conduct and risk culture is becoming a significant issue.

As a result of external pressure by regulators, governments and the public, most banks have responded with numerous interventions and changes designed to improve conduct and risk culture, hoping that this will have a positive impact on excessive risk taking and unethical behaviour among their employees.

One global institution, Citibank, states on its website and in its ethics document that “conducting business responsibly and ethically is critical to protecting our reputation for integrity and maintaining our competitive advantage” and is therefore augmenting its existing Citi Code of Conduct with an additional company-wide top-down communications, staffing and education campaign of “Zero Tolerance”. Other banks are following suit with new policies and internal procedures in an attempt to reshape culture and eliminate unethical behaviours.

While such approaches are well intentioned, the real question is: “will they bring about positive and sustainable behaviour change?” And equally important, will the government and regulatory bodies see this as sufficient and back off on the growing amount of regulation and compliance?

We believe this is unlikely since there are already numerous internal compliance and business safeguards in place, as well as training programs, yet still issues of unethical and overly risky behaviour continue to occur.
The multiple initiatives and changes being introduced by banks are not sufficient to effectively improve the overall risk culture because all these new changes take place INSIDE the corporate culture, which is the real driver of behaviour.

In many ways, corporate culture is analogous to the water in a fish tank. When the water is clean, fish and plants tend to thrive. But let the water go foul and it negatively impacts everything. And introducing new fish or plants into a dirty aquarium does little good. The real solution to ethical and appropriate conduct in financial services lies in attacking both risk culture and the overall corporate culture from the inside out.

"In terms of regulation, I would say that we are clearly better off, but in terms of ethics, I would say we are nowhere,"

~Dean Baker, Centre for Economic and Policy Research

Objective 1:
Culture Is A Total Business Issue, Not Just An HR Issue

A 2009 study of risk managers by Moore, Carter & Associates, with Cranfield School of Management in the UK, stated that "most risk professionals – on the whole a highly analytical, data rational group – believe the banking crisis was caused not so much by technical failures as by failures in organisational culture and ethics."

In a 2010 presentation to the Society of Actuaries’ Risk Symposium on the topic of "Creating a Risk Management Culture", Norman Marks and Michael Rasmussen stated: "while some risk-taking will be governed by rules and controls, much is governed directly by culture – where often rules and controls are not effective, fail, or are ignored."
The history of modern business is littered with cases of collapse, accidents and even deaths that have their root cause in corporate culture.

The meltdown of Unit 1 at the Three Mile Island Nuclear Station in Harrisburg, Pennsylvania in 1979 had its root cause in a culture of strong vertical business functions that delayed the flow of vital information about backup pumps being off-line at a time when the main pumps failed. The result was a release of radioactive gas into the atmosphere, a core meltdown, the shutdown of the entire plant, nearly $1 billion in clean-up costs, and a major setback for the nuclear industry worldwide, once the main solution to our dependence on fossil fuel.

The banking crisis that began in 2007 has had a significantly negative impact on share price for many large financial institutions.

Corporate culture can also be a positive force for business growth and profitability. Consider the case of Zappos.com, an internet based, virtual shoe retailer that began in 1999, that organized its entire business strategy around building a culture of extraordinary customer service. And besides friendly and knowledgeable staff and hiring profiles that stressed strong relationship skills, the culture also drove investments in technology such that an order can be received, processed, boxed and placed on a waiting delivery truck in less than 8 minutes. And many customers receive their orders the very same day. And the growth and success of Zappos.com has been phenomenal as well.
Recently, the importance of corporate culture within financial services has been strengthened through stronger regulation of "risk culture". The Australian Prudential Regulatory Authority (APRA) has introduced a new standard, CPS220, effectively requiring that regulated Boards must:

- Specify the quality and character of the culture that they seek to attain (typically done in terms of core Purpose, Values and Principles). Most importantly, Boards are responsible for shaping the organisation's culture.
- Measure the extent to which the actual culture aligns with the ideal.
- Develop and implement measures to close any identified gaps between actual and ideal.

_Culture matters, big time!

**Objective 2:**
**Understand How Culture Is Formed, Sustained, And So Difficult To Change**

_Few concepts in business contain so many powerful truths, and at the same time so much crap, as corporate culture.

The term _Corporate Culture_ is a poorly defined business term and often lumps too many elements together to be useful in understanding how to effectively manage important issues such as ethical behaviour. If anything, corporate culture is a “rear view mirror” concept and can only be understood by observing daily behaviours and how employees consistently approach problems, deal with business opportunities and interact with each other. For an overview of the topic of corporate culture and its impact on business performance, you might enjoy reading **LEVERAGE: The CEO's Guide to Corporate Culture.**

_Culture is how employees act when the no one is watching!_

~ Herb Kelleher, Southwest Airlines

To better understand how culture is formed and sustained, there are five "Principles of Corporate Culture" that must be understood.

**Principle 1: Culture is not an initiative, but the enabler (or derailer) of all initiatives**

Many new initiatives in business never get fully implemented due to the impact of culture. For example, a new strategy and the logical reorganization that takes place all are well thought out and designed to build competitive advantage. Usually the new strategy is launched with much fanfare and speeches by senior management, along with the new organization chart designed for effective strategy execution. There is a flurry of activity for the first couple of months, and then things begin to bog down. McKinsey & Co. research estimates that nearly 60% of strategic initiatives fail to get delivered. The problem is not necessarily bad strategy, but poor execution, and the culprit behind the scenes is usually an old culture that is not aligned with the new strategy and structure.
**Principle 2: Culture works on human logic, not business logic**

Early humans had a pretty tough life as hunters and gatherers and to survive, belonging to a tribe and being accepted usually meant the difference between survival and death. Being part of the tribe also came with learning the skills of the tribe, working well with others and learning to do things that the group, and the leader, agreed with. Og here is a good example.

We evolved as social creatures and fitting into the group is hard-wired into our human DNA and reinforced through social networks.

Fast forward to the 21st Century and Og, now named Oliver, has a family, mouths to feed, a mortgage and has just been hired for a new job in a new company. The most important thing for Oliver is to fit it, get along with his new teammates and boss, and learn “how things are done around here”.

It’s the same social and peer pressure process that drives fashion trends; the need to fit in and be part of the group. In the 60’s there was no official declaration that acid-rock music, bell bottoms, long hair and tie-dye t-shirts were cool, yet within a few short months kids the world over were now belonging to a distinct tribe, Hippies. Even if you didn’t follow the Hippie beliefs, many of us dressed to fit in. It was a social trend turned into fashion.

When people are alone, their behaviour tends to be a product of numerous personal beliefs, attitudes, morals and habitual approaches to rules and regulations. We each follow our own internal code of conduct and ethics. However, when becoming part of a group, especially one where your pay check and future depends on fitting in and doing well, many people adopt the behavioural norms of the group, even if they tend to be different from their personal beliefs and behaviour.
Peer pressure and social groups are key in how corporate culture is formed and sustained.

_Culture works on human logic, not business logic._

Research by academics and behavioural scientists has shown that individual behaviour at work is determined more by peer pressure than employer proclamations, decrees, controls, rules or regulations. Banks in particular are comprised of numerous subcultures, each of which have strong unwritten ground rules for how members should behave in order to "fit in" and remain a "part of the group".

Experiments in group behaviour have consistently proven that even when individuals know what is right and know what should be done, many will not take the important step of speaking up or going against the "collective group" to which they belong. (Herrero, 2006, 2011; Thaler and Sunstein, 2009).

Most people think of an organization as a hierarchical structure, with a boss at the top and various people with different skills and responsibilities cascading downward. Information and influence flows from top to bottom. The fact is, most organizations don’t work in a top-down hierarchical fashion, but as a social network with a few key individuals seen as key informal leaders with a great deal of influence in how things are done.

The following diagrams are of an Oil Exploration and Production company structure, showing the “official” organization chart on the left, with Sr. VP Jones leading the organization. But a social network analysis (on the right) reveals that Mr. Cole, seven levels down in the organization, has the largest number of social connections and a strong influence on a great number of people. This is the “unofficial” organization chart and shows how things really get done around here! Cole is the informal, trusted leader and key influencer.
As a good example, think about who really has the strongest influence on how a hospital runs. The CEO of the hospital? The Hospital Administrator? The senior doctor? We all know who really calls the shots; the Head Nurses. It’s the same in the military, where the Master Sargent tends to be the informal and trusted key influencer. These informal and highly influential individuals determine the real culture, not the official values statements, risk guidelines or Codes of Conduct!

*If you don’t understand your culture,*
*you don’t understand your business.*

**Principle 3: Corporate culture easily fragments into strong subcultures**

*All culture is local. There is no one overall corporate culture,*
*but instead different cultures exist at the local level.*

Early corporate cultures are usually a product of the beliefs, values and business structures put in place by the founders. Most large banks started out having a strong and distinct culture that reflected the early founder. Bank America for many years was made in the mould of A.P. Giannini, founder and the first to introduce banking to the working class and the first to develop branch banking, making it more convenient to workers.

However, over time and as a result of many external influences, such as M&A, growth, increasing use of technology, influx of employees from other cultures, and senior management focusing more on P&L spreadsheets than culture and the behaviours of staff and managers, the corporate culture begins to fragment into subcultures. Once this fragmentation begins, it is difficult to realign back into a strong unified corporate culture.

Within banks, the formation of strong subcultures is further organized around different functions and business models (commercial banking, investment banking, wealth management, Operations & Technology). But even within functions, strong subcultures can exist based on informal leaders. When one or more of these subcultures is out of alignment with the values, ethics and risk conduct norms of the company, problems can and do occur.

And within banks, especially trading departments, it is not uncommon for entire trading teams to move from one bank to another, bringing their old culture and work habits with them. On several occasions we have seen the incoming department leader demanding that they be left alone so they can produce healthy profits for the bank. This often results in a strong subculture very different from the espoused conduct statements and risk profiles.

**Principle 4:**

*Organisations are shadows of their leaders, that’s the good news and the bad news*

Senior leaders have a far greater impact on culture and employee behaviour than they realize. How many times have you heard someone ask, “What mood is the boss in today?” Or heard someone
whisper, “Better stay away from the boss for a while, she's in a foul mood!” In many ways, organizations are shadows of their leaders. And that's both good news and bad news.

Imagine a senior manager who chooses not to get involved when there is talk of over-zealous risk behaviour in a particular department. After all, it's not her department and it's only rumour anyway. Besides, that department always turns in superior sales and profit performance and is highly rated by senior executives.

When leaders choose not to step up and step in, it sends a powerful signal to employees that such risks are condoned by upper management.

You get the culture you ignore, just a much, if not more, than the culture you actively promote!

In one of the few in-depth studies of banking culture in Australia and Canada, a third of employees surveyed stated that policy breaches by top performers were routinely excused. To complicate matters further, 95% of those surveyed referenced a strong belief that risk culture was heavily influenced by colloquial business unit (subculture) practices which may differ from the company-stated policies.

If senior executives really want to reshape risk culture and conduct, getting actively engaged is one of the most impactful and fastest ways to reshape culture. Such behaviours as sitting in on department meetings several levels down, talking about risk and conduct at every meeting, opening every meeting with the importance of purpose and conduct, sitting in on risk workshops and training sessions, better yet, leading those workshops, casts a strong leadership shadow that gets people's attention. Another key way to cast a strong shadow and reshape culture is to locate and recruit the informal leaders and subculture leaders to be part of a special culture reshaping team, headed by a senior executive.

**Principle 5: Remuneration, policies and processes determine culture more than you realise**

What if each player on a rugby team was paid solely on the number of points they individually scored? It would be a different game, indeed. Rewards and remuneration tends to drive behaviour, sometimes in ways that cross the line. It is well known that Traffic Wardens write more tickets, and more “dodgy” ones, when they are on a tickets-written-per-week bonus system.

The elephant in the room during most senior executive discussions about risk culture, conduct and ethics, and the issue that is often ignored, is the way in which current bonus and remuneration policies drive behaviour.

A real example recently emerged from Wells Fargo bank, which was recently fined several hundred million dollars when staff opened 2 million fake bank accounts and credit card applications in order to increase their bonus payments since they were pressured by management to meet aggressive sales targets and also incentivized for the number of accounts opened!
Many financial institutions have mortgage brokers and lenders who are remunerated on the number of loans they write. It is no wonder there have been multiple cases of poor quality lending, doctored loan applications, and mis-selling throughout the financial services sector.

Another set of “normal” work practices in many banks that can lead to ethics lapses and excessive risk is the lack of respect and teamwork between the front office (sales) and the back office roles (risk, human resources, IT and technology support). Good practices are ignored because they could curtail speedy sales and transactions.

The greatest risk culture problem in most institutions where remuneration and other policies drive unwanted behaviour relates to the perception by employees that risk issues and policy breaches are ignored, downplayed or excused. The elephant in the room is ignored and yet wields great influence on risk and conduct.

Understanding these 5 critical principles of corporate culture allows leaders to formulate actions and interventions that can be highly effective in reshaping culture and aligning risk culture and conduct.

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Objective 3: Four Levers Reshaping Culture In Financial Services

“High fines on their own don’t result in changes in behaviour, they result in shareholders getting less dividends. So we need an additional set of levers to effectively reshape culture.”

~ Greg Medcraft, Head of Australian Securities & Investments Commission

Sustainable culture change and the ability to effectively improve ethical risk and conduct behaviour must be tackled from multiple directions.
The above four levers, based on the key principles of corporate culture, if used collectively and with commitment and courage on the part of senior leadership, can be highly effective in reshaping conduct and risk behaviour.

To get where you are going, you first need to know where you are starting from.

**Lever 1** focuses on the importance of assessing and auditing the current culture. This is best done through a combination of quantitative surveys, and qualitative interviews up and down the organization, and with customers as well. Recently Macquarie University and The Ethics Centre, based in Sydney, both have developed customized Risk Culture Assessments specifically for financial services organizations. From such surveys and candid discussions with employees at all levels, a clearer picture of the actual risk culture and corporate culture can be developed. Such surveys and assessments bring a deeper level of insight into how risk and risk conduct really works inside an organization.

Don’t nobody bring me no bad news! ~ Lyrics from The Wiz

The danger with such assessments comes when the senior executive initiating the study doesn’t like the messages coming back. In a high level case of executive misconduct and fraud, a senior executive at Barclay’s Wealth commissioned a culture audit, then promptly shredded the report and denied its existence. He was later fired and the poor culture contributed numerous FCA fines against Barclays Bank.

Once the survey is completed and the insights about culture better understood, it is critical for the bank to develop a specific set of risk and conduct related behaviours that would lead to an appropriate risk culture. These must not be the normal platitudes or clichés like Teamwork, Honesty, Integrity, etc., which don’t effectively describe behaviour. In addition, these defined behaviours must align with the overall business strategy of the bank in terms of risk appetite and business performance. Since culture is a significant enabler (or derailer) of strategy, work must be done to make certain these two elements are in alignment.

Serious work must be done by all levels of the organization to articulate **real risk scenarios** and then describe those actions and behaviours that would lead to acceptable conduct and risk actions. This has been a significant missing step for most banks, who after a culture assessment, decide that just developing a new set of one-word values and plastering them on posters and banners will shift behaviour. This was the ill-fated approach taken by Barclays in an attempt to improve conduct and risk culture.
**Lever 2** focuses on the important role of leadership and the visible actions and behaviour of leaders in reshaping and reinforcing risk culture and conduct. It is important for all senior leaders to be seen to Step-Up and Step-In in relation to conduct and risk.

The first and most important role for senior executives is to openly accept accountability for the gaps in the risk culture and conduct. Taking accountability does not mean blame, but instead is a statement of leadership and commitment to “own the problem” and “own the solution”. When senior leaders Step-Up and Step-In and openly talk about the failings of the culture and how they have perpetuated some of the issues, it helps everyone recognize the critical importance being placed on culture but also helps them take more ownership of the issues as well.

Here is an opening we helped create for a recent senior executive about improving culture.

“I want to let you know that I am fully accountable for the gaps and weaknesses in our culture. I have been overly preoccupied with driving EBITDA and other financial measures and not nearly serious enough about leading and shaping our corporate culture. Both are important and I have taken my eye off the culture ball, and probably have sent you conflicting signals as to what is important. Both are important. We can’t win as an organization without both. We can’t feel pride without both. We can’t deliver on our vision and strategy without both. For my part, I am going to become the “poster boy” for our culture and I hope that you will take my renewed actions around culture as a stimulus to do the same.”

When was the last time you heard a senior bank executive say something like that?

As a result of regulatory pressures, many banks are reinvigorating their risk training functions and conducting more risk workshops and employee training sessions, as well as introducing new compliance policies. Senior executives should attend all of these sessions, and not just to make a canned speech, but to sit in, listen, respond to questions from employees, and open up a real and meaningful dialogue on risk culture. Also, senior executives should attend staff meetings three or four levels down to make certain that risk culture and conduct are on the agenda and again to engage with employees.

These are also great places for senior leaders to share the results of the culture surveys and to talk about the strengths and weaknesses of the current culture and how it influences risk behaviour and conduct. If you make culture and conduct important, employees will also.

Another role that only the senior leaders can play is to restate and reinvigorate the PURPOSE of the organization. We are not talking about some future Vision or Strategy, but the fundamental Purpose, the reason we are in business in the first place. Yes! We want to be profitable, grow and have good customer satisfaction. Those are great goals and objectives for any organization. But Purpose is deeper and more fundamental. It defines who we are and why we exist as an organization at all.

Looking back at the history of banking, it is easy to discover the real purpose of the banking industry and the financial services sector. In a nutshell, it is “to responsibly safeguard other people’s money, lend money to enable people’s future prospects, provide access to capital and financial services that will stimulate and enhance society and the global economy”. Profit and shareholder value are not a part of the Purpose. These are the outcomes of running a well-managed business with a good risk culture and conduct. For a long time, banks were the pillars of the community and bankers the most respected citizens. Reconnecting to Purpose will go a long way in helping reshape a healthy risk culture and responsible conduct.

A great example in a non-financial industry is the longevity and superior performance of Johnson & Johnson, a $70 billion multinational pharmaceutical company with over 125,000 employees,
whose founder, Robert Wood Johnson, articulated in 1943 the purpose of the company that still stands at the centre of every strategic and management decision.

Here is an abbreviated version of the Johnson & Johnson Credo:

*We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. Our second responsibility is to our employees, the men and women who work with us throughout the world. Our third responsibility is the communities in which we live and work and to the world community as well. Our final responsibility is to our stockholders. Business must make a sound profit.*

All Johnson & Johnson employees, regardless of level, go through credo training in their first six months of employment. The training allows the employees to do more than just espouse the values expressed in the credo; it teaches them how to demonstrate it. The credo also serves as the basis for all of Johnson & Johnson's leadership training programs and allows leaders to view the company and their decisions in a long-term perspective. According to one manager, the credo applies equally "whether you are in New Jersey or in India". The credo becomes personalized for each of the employees and becomes the underpinning of the culture. According to former CEO James Burke, the J&J Credo was the foundation for quick decision making and the successful recovery of the company stock price and consumer confidence after the Tylenol poisoning incident in 1982.

Another critical role for leadership in reshaping risk culture and conduct is to put corporate culture squarely into the business strategy. By dealing with culture at the level of business strategy, it cannot be ignored and cultural objectives must be progressed along with the other important strategic objectives. This also gets the Board involved and engaged in an important new oversight role as a part of modern corporate governance.

**Lever 3**, engaging informal leaders and subcultures, is often overlooked by those who don't fully understand the principles and dynamics of corporate culture. Locating and enrolling the informal leaders and key influencers throughout the organization unleashes a powerful force for reshaping culture and creating behavioural change at scale.

Using social network analysis and dialogues at all levels of the organization is the best way to locate the informal leaders and key influencers. A word of caution here. They are not always on HR's list of high potentials and it often takes some investigation to discover them. The easiest way is to start asking people questions like; "who do you talk with to find out what's really going on in the company?", or "who knows the most around here about how to really get things done?". These questions will create a list of a few names that keep coming up as key influencers.

The next important step is to enlist them in helping reshape the culture. Often these individuals have been disenfranchised by the behaviour of prior bosses or upper management, yet in many cases they still believe strongly in the Purpose of the company. They are not destroyers, just resentful and angry.

"*Scratch any cynic and you will find a disappointed idealist.*"

~ George Carlin

By sincerely asking for their help in building a healthy corporate culture and appropriate risk conduct, then engaging them in helping define the specific risk and conduct behaviours required, they will begin to influence those around them and you will see the beginning of a viral change in attitudes and behaviours taking place across the organization. Another action to take to engage these informal leaders in reshaping the culture is to invite them onto a "Conduct and Culture Council" that meets with senior management regularly to provide feedback and insights into the
culture change process. In his landmark book, *Viral Change*, Dr. Leandro Hererro has written extensively about the power of informal leaders and behaviour change.

One of the ways we helped to build a sustainable culture of safety following the Three Mile Island Nuclear Plant accident was to locate those few well respected and trusted supervisors and train them to help lead and facilitate special workshops around culture and safety. While not polished facilitators or slick presenters, they were incredibly passionate about safety and with their deep knowledge of the company and the business were respected and listened to by the union employees attending the workshop. They became the leaders for a profound and sustainable culture shift.

**Lever 4** is all about locating and changing those internal business policies and practices that inadvertently promote the wrong behaviours. Policies and practices over time will create habitual ways of responding and set in place habits of behaviour. In many cases those who establish internal policies do so with the intention of efficiency, quality control, good governance, and other business reasons. Yet rarely do they look to see if the policies are creating the intended behaviours or whether they may produce unintended consequences and actions of the part of employees and professional staff.

A simple example is a cost reduction policy to eliminate an internal canteen. The cost savings may be achieved, but what was once a place for open communication across functions and departments is no longer available, further reducing healthy communications and relationship building necessary for helping facilitate problem solving and a common culture. Another example concerns call centres where customer service staff are pressured with targets and rewarded on how many calls they handle per hour and how quickly they conclude the transaction, as opposed to the quality of the advice, successful resolution and customer satisfaction.

As mentioned earlier, one of the key drivers of employee behaviour in banking are bonuses and incentive compensation. It's not a surprise that Traffic Wardens on a number of tickets bonus system write more tickets.

While sales targets and incentive systems may motivate employees to work harder and achieve more for themselves and the bank, they may also drive risky and sometimes even unethical behaviour. The 2 million fake bank accounts and credit card applications filed by employees at Wells Fargo Bank was not a case of a few rogue employees, but included more than 5,000 employees and their managers over a period of 4 years, all for the purpose of meeting aggressive sales targets and collecting bonuses based on the number of accounts opened. And practices of huge bonuses and incentives for individuals, along with internal recognition, perks and prestige for big deals, have driven numerous individuals to attempt excessive and dangerous levels of risk. Where there is excessive reward, there must also be additional governance and stewardship on the part of the bank and immediate management.

Hiring profiles are also a contributor to either a healthy or unhealthy risk culture. Hiring should not be based solely on skills and previous work experience alone, without determining the behaviour traits required for each job position.

We suggest strongly that senior executives look very carefully at reshaping those internal policies and practices that may promote risky and unethical behaviour and either modify them, or add greater governance and management attention to them.

We also recommend the use of team based discussions and “after-action” reports on a regular basis. This technique is successfully used by many project management companies as a means for continuous improvement and the identification of problem areas that need attention.
Reshaping risk culture and conduct is not something you can attack half-heartedly or in a piecemeal fashion. The four levers described here must be implemented simultaneously and with 100% commitment. Along with internal and external compliance and regulatory efforts, implementing the four levers (customized to fit your organization) offers the highest probability of rebuilding a culture of prudent risk and conduct, which are the keys to rebuilding the image and fortunes of modern financial services.

Risk and Conduct in Other Industries

Currently there are few, if any, successful reshaping risk culture activities in banking to use as direct examples. However, an analogy can be made within industries where "safety behaviour" is critical to company performance and people's lives. In the offshore oil and gas industry, strong, macho subcultures exist among pipefitters, welders, drill crews, and other operationally intensive functions. Line managers often have strong personalities with years of experience and they oversee younger crews, all eager to make a name for themselves and "be the best". (The analogy to trading rooms is not too far off).

In a testimony before the US Senate Committee on Energy and Natural Resources, MIT Professor Nancy Leveson identified corporate culture as the most critical element of safety in the Oil and Gas industry. (Leveson, 2011). A successful approach to culture change on oilrig platforms using peer group dynamics and sustainable behaviour change methodologies is detailed in an interesting paper by two Stanford and Harvard Business School professors (Meyerson and Ely, 2010).

Recently, I spoke at length with Dr. Scott Geller and Dr. Steve Roberts of Safety Performance Solutions and Virginia Tech University, the recognized experts in behaviour-based safety change in the oil and gas industry. Both are adamant that the behaviour change principles so effectively used in oil and gas for decades are transferable into other industries where strong subcultures exist and behaviour can be linked to positive and negative outcomes (Geller, 2012).

The Opportunity for Banking and Financial Services:

Now is a timely opportunity for banking and financial services leadership to manage risk culture and conduct with an effective intervention where employees at all levels feel confident and empowered and take personal accountability for the behaviours and effectiveness of the business and their colleagues.

Such an intervention should result in positive peer pressures, more open dialogue within peer groups and management concerning risk, behaviours and values, plus greater compliance and professionalism. Such shifts will lead to a significant reduction in excessively risky and unethical activities. Employees at all levels will begin to accept greater personal responsibility for the culture and the overall spirit and pride in the organization will substantially increase.

Corporate Culture Advisory

**John R Childress**, is one of the most experienced practitioners in corporate culture and culture change and has over 35 years of hands-on experience advising senior executive teams on culture change and strategy execution. John's recent book, *LEVERAGE: The CEO's Guide to Corporate Culture* is considered a must read by senior executives.

Mr. Childress is available as an Independent Senior Advisor to banks, financial services organizations and regulatory bodies to advise and support on culture change and business transformation.
References:


