

# Financial sector leaders must break out of the bubble to change culture

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In recent years, high employee engagement has become synonymous with having a good culture. However, with ever-increasing pressure on business' reputation, focusing purely on engagement will have unintended negative consequences.

To take an extreme example, imagine if the leaders of an international terrorist organisation such as al-Qa'ida decided to use employee engagement surveys. They would probably return a high score from their members, maybe 80 per cent plus, a figure close to that of many top businesses today.

Their people have purposeful roles, inspiring leaders and are well rewarded with the promise of more to come. They operate within an effective system which, from the perspective of those on the inside, is logical and motivating.

The way they behave is based on a set of values and beliefs that those of us outside the terrorist organisation find shocking and intolerable. They believe it is justified to kill people who do not share their code of beliefs. They believe there are great rewards in the afterlife for those martyrs who make the ultimate sacrifice, and they make heroes of those people. The high engagement exists only inside of the bubble within which the terrorist organisation operates. Outside that bubble, the world is horrified by their beliefs and behaviours.

That bubble is the culture. Every organisation, in every industry — including multinational terrorist groups — operates with specific patterns of behaviour that are encouraged and tolerated over time. Which behaviours get encouraged or tolerated will be determined by the unspoken set of beliefs that the leaders of an organisation share: ways of thinking, assumptions about how the world works, about what is right or wrong, and the identity of the organisation. Such beliefs are built up over the years, and so become unconscious.

Most people stop questioning or even seeing them, and will gradually fall in line to fit in. Those who do not will either leave, be pushed out, or won't join the organisation in the first place. In many cases, the beliefs are shared by a whole industry, and because most people spend their entire career in one sector, the walls of the bubble become even stronger.

This is what I believe has occurred in the financial services industry. Individual leaders, who thought they were doing what was best for their organisation and teams, stopped questioning their beliefs and values.

Many boards and executives have believed that by measuring and improving their engagement scores, they could rest assured that their organisations — and their cultures — were in good shape.

Wrong. Engagement is an indicator that people are motivated by working for you. However, high engagement is not an indicator that you have a culture which supports the type of behaviour that will enhance your reputation. There is no evidence that employees at Wells Fargo or Volkswagen or BP were not engaged, and yet their cultures encouraged behaviour that destroyed the value of their organisations.

A large group of people in the financial services industry have lived in a bubble for a long time. They have become so unconscious of their beliefs that it is difficult for them to see and acknowledge them. Elements of the culture have become invisible to them.

I see them as mostly good people operating within a particular system. Within that system, they have learned how to become better leaders, created meaningful jobs for their people, paid them well, mentored and encouraged them. They have built effective processes to support the beliefs and values they lived by and measured the results of this leadership through an engagement score. All the while promoting and re-enforcing values and behaviours that would later make headlines.

What will it take to burst the bubble? Here are some suggestions for industry leaders:

Find and take responsibility for the beliefs that have got you to where you are today.

Financial services organisations are becoming much better at acknowledging mistakes they have made and promising to fix them. However, I believe they are not yet at the point of genuinely owning the underlying beliefs and values that caused their people to behave in such an inappropriate way in the first place. Until the root cause is tackled, we will continue to see ongoing flares of unacceptable behaviour.

In the process of examining such root causes, be prepared to be challenged on the beliefs you hold so firmly that you consider them to be absolute truths. Find people who can and will challenge you. Those outside of your usual bubble of advisers and outside your industry offer the most impartial support. Yours may not be the organisation in the spotlight at the moment, but that doesn't mean you do not share some of the cultural features of the ones that are. This is not a rational business issue requiring excellent crisis management techniques. It requires a personal admission that you have been caught up in a bubble of beliefs and behaviours as an industry for decades.

It should feel uncomfortable; as if a rug is being pulled from under your feet. From this position of humility and not-knowing, learning comes and forms the basis of transformation. Only when you as leaders show this level of self-inquiry will your people start to speak up. Many employees share a core belief that by questioning the behaviour of others, they are disloyal. For this reason, people will need to see you, the leader, questioning your past behaviour before they are willing to step forward and do the same.

Set aside worrying about employee engagement. It's the wrong measure right now because not everyone is going to like the changes you need to lead.

To effectively transform the culture, some of your people may need to feel somewhat less engaged for a time. Once you have built the right culture, you'll attract and keep the people who fit that culture, and those people will be engaged.

Engagement is one of the rewards you receive after you get the culture right. Until that moment arrives, focus on measuring how the core beliefs that have driven bad behaviour change over time. They will be different for each organisation, so measuring yourselves against other organisations may not work. Your customers will tell you whether you hold the right beliefs, and you can build tailored internal measures, too.

Is it possible to change beliefs and culture? Yes, it is. However, it is not a tick-box exercise to be undertaken as a response to the demands of regulators. It is not even about being especially competent at fixing mistakes. It is about transformation. Transformation is a change which, once implemented, means the subject cannot revert to its original state.

In the case of Australia's financial institutions, the pressure is real. Regulator demands are making it much harder for these companies to go about their daily business, but these demands will only reduce when a transformation occurs in the industry.

Are our financial services leaders willing to embrace that pressure by opening themselves up to the type of personal transformation — of thinking, of beliefs, of behaviours, of lifestyle, of structures, of systems — that will allow them to emerge as a new industry with new norms?

The ones that do may join the ranks of those outside the current paradigm who see opportunities to fulfil customer needs in entirely different ways from what has existed up until now. The group that Steve Jobs called "the misfits, the rebels, the troublemakers, the round pegs in the square holes, the ones who see things differently".

I believe it...these diamonds will be the future winners of the financial industry.