



**tisa**

Leading on Investments and Savings

**SM&CR**

**Culture Measurement Toolkit**

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## **1 Introduction**

### **Firms Culture**

A firms' culture is the collective behavior of humans who are part of a that firm and the meanings that the people attach to their actions. Culture includes the firms' values, visions, norms, working language, systems, symbols, beliefs and habits.

It is also the pattern of such collective behaviors and assumptions that are taught to new staff as a way of perceiving, and even thinking and feeling. A firms' culture affects the way people and groups interact with each other, with clients, and with stakeholders.

Although a company may have "own unique culture", in larger firms, there is a diverse and sometimes conflicting cultures that co-exist due to different characteristics of the management team and business focus or priorities.

### **Culture and the Senior Managers & Certification Regime**

Culture in financial services is widely accepted as a key root cause of the major conduct failings that have occurred within the industry in recent history. Given its impact, firms' culture is a priority for the FCA. They expect firms to foster cultures which support the spirit of regulation in preventing harm to consumers and markets.

The aim of the Senior Managers and Certification Regime (SM&CR) is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence.

As part of this, the SM&CR aims to:

- encourage a culture of staff at all levels taking personal responsibility for their actions
- make sure firms and staff clearly understand and can demonstrate where responsibility lies

Firms' senior managers have a crucial role in demonstrating that they are accountable and responsible for their part in delivering effective governance. This includes taking responsibility, being accountable for their decisions and exercising rigorous oversight of the business areas they lead.

Boards have a critical role in setting the 'tone from the top'. The FCA expects them to take responsibility for their firm's culture and its key drivers, ensure culture remains high on the agenda and that an appropriate culture is embedded throughout the firm at all levels. Senior managers need to ensure that their firm's business processes, people and drivers of culture support and reinforce the culture they want to embed.

This should, over time, result in improved culture and governance in the industry. It should also promote public confidence that firms have the right people in the right roles, working in the interests of consumers and markets.

## **2 Scope**

This Toolkit has been drafted to help firms consider and develop a process to measure and track culture in their organisation in relation to staff at all levels taking personal responsibility for their actions.

The Toolkit is not a definitive 'best approach' manual as TISA recognises that each firm has its own distinct characteristics and there is no 'one-size fits all', 'right' or 'perfect' solution. Firms should consider the relevance to them of the elements mentioned in the Toolkit and modify them, and possibly introduce other practices, as suitable for their own specific circumstances, particularly their size and structure.

### **Toolkit Purpose**

This Toolkit aims to provide firms with some tools to measure culture within their organisation to understand the current position and track progress towards any desired changes.

### 3 Cultural Drivers

Firms should seek to understand the key cultural drivers in their organisation in order to assess, influence and track their own unique culture. Once those drivers are understood, firms can identify and define their expectations, key risks, management approach and risk appetite to provide the basis of assessment.

In identifying their key cultural drivers, firms may start with a review of the significant impact areas listed below, in addition to any additional factors relevant to the individual firm. Those areas demonstrate to all staff what is valued, measured and important to the company, setting their expectations and influencing behaviour.

- Conduct Rules
- Leadership
- Business Practices
- Recruitment, Performance, Development and Reward
- Vision, Mission, Values and Behaviours

In the review process firms should set their expectations for staff at all levels, considering key risks and indicators / contra-indicators of compliance.

#### Conduct Rules

The conduct rules which are at the heart of the Senior Managers & Certification Regime set minimum standards for every individual's behaviours, they are:

- You must act with integrity
- You must act with due care, skill and diligence
- You must be open and cooperative with the FCA, the PRA and other regulators
- You must pay due regard to the interests of customers and treat them fairly
- You must observe proper standards of market conduct

Additional conduct rules apply to Senior Managers only, they are:

- You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.
- You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.
- You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
- You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

#### Leadership

All managers should make clear in their practices and communication that the conduct rules are fundamental to the firm's operation and it is the responsibility of all staff to ensure they follow them and escalate any contrary behaviours.

**Business Practices**

Strategies, decisions and business practices at all levels, should reflect the on the conduct rules. Feedback from staff, customers and other external sources should be used, where appropriate to inform business decisions.

**Recruitment, Performance, Development and Reward**

Staff selection should reflect the importance of the conduct rules to the firm. Management should then train and maintain staff knowledge, behaviour and values. Managers should also reward good staff performance in this regard and act on poor performance.

The firm's reward framework (such as incentives and bonuses) should be transparent, recognise good quality and support the conduct rules.

**Vision, Mission, Values and Behaviours**

Most firms use a combination of vision, mission and values to explain their ethos and purpose to customers and staff. Some firms also underpin their values with examples of desired behaviours to provide staff with a blueprint of their behavioural expectations and desired thought processes.

The vision is usually a short, succinct, inspirational statement that states the focus and goals of an organisation.

The mission is usually a more explanatory statement that describes how the company will meet its vision and provides a framework and context for company strategy.

Values usually define shared organisational values, drive company priorities and define individual priorities. In telling staff what the company values it also provides a framework for decision making.

Behaviours, where used bring the company values to life by providing examples of desired behaviours and indicating the desired thought process in decision making. They also give clear targets and goals for all staff.

## 4 Culture Matrix

The key cultural drivers, expectations for staff and key risks and indicators / contra-indicators of compliance can be used to create a culture matrix to form a basis of assessment.

For each individual culture driver, firms can consider what compliance and non-compliance looks like to provide a high/low or red/green assessment. A mid-point assessment is also useful as this provides a good track of progress and allows for a more accurate reflection of the cultural position.

Using a qualitative assessment, the statements for each point should be considered as a series of questions from 'red up' to determine the current position and fix a score.

In addition to an overall firm matrix, firms may wish to consider a departmental matrix and an individual matrix, possibly tailored to Senior Manager, Certified Staff and Conduct Rules Staff. It may be relevant to tailor those matrices to include the relevant key cultural drivers, for example a conduct rules staff matrix would not include any reference to leadership.

Firms should create an overall assessment method for each matrix, i.e. how many red/amber/green scores is needed to provide an overall green score.

### Overall Firm Cultural Drivers Matrix Example (used to determine an overall score)

Culture Driver	Score	Evidence
Leadership	Green	Staff survey results demonstrate belief in the leadership team valuing and measuring good conduct. Leadership objectives measure conduct performance.
Business Practices (Strategy)	Amber	Our TCF dashboard is currently returning an amber assessment reflecting there is still improvement to be made in our business strategy.
Business Practices (Controls)	Green	Our TCF dashboard and governance process provides an accurate assessment of fairness performance in the business.
Business Practices (Decision Making)	Amber	Relevant information is provided in the decision making process but there is no consistent documentation or control process to evidence this.
Recruitment	Red	Conduct rules are not yet incorporated in our recruitment process
Performance	Amber	Conduct rules have only recently been translated into objectives and are not yet measured.
Development	Green	All training and development programmes have been reviewed and conduct rules content incorporated with end of session testing in place. Results have provided a green assessment.
Reward	Green	The reward process is transparent with conduct rules having equal weighting to role performance in bonus and pay award assessments.
Vision, Mission, Values and Behaviours	Amber	Vision, Mission, Values and Behaviours link to conduct rules and provide examples of desired behaviours but they have only recently been translated into objectives and are not yet measured.

Examples of a firm level assessment matrices for individual key cultural drivers are shown below:

**Leadership Matrix**

<b>Red / High</b>	Leaders of the business talk about the conduct rules but staff doubt the extent to which they are a real priority for the business.
<b>Amber / Medium</b>	Leaders regularly emphasise and champion the conduct rules across the business, but it is not yet reflected in their expectations or people through their objectives, plans and actions.
<b>Green / Low</b>	Leaders place a heavy premium on promoting fairness and good conduct which is central to our strategy, values, objectives and goals. Staff believe and trust in our leaders' commitment to fairness.

**Business Practices Matrix (Strategy)**

<b>Red / High</b>	Fairness to customers does not feature in our strategy.
<b>Amber / Medium</b>	Fairness is reflected in our strategy but has not yet been fully translated into objectives, plans and actions that have real impact on customers.
<b>Green / Low</b>	Fairness is reflected in our strategy, we act on findings from customer research and there is evidence that our fairness objectives are being achieved across the product life-cycle.

**Business Practices Matrix (Controls)**

<b>Red / High</b>	We collect data but it is difficult to derive evidence from it that we are treating customers fairly.
<b>Amber / Medium</b>	Fairness related data is captured throughout the product life-cycle. We know what the data means but little or no action is taken to actively change outcomes or performance, or to promote fairness.
<b>Green / Low</b>	Customer insights, suitability and meeting customers' needs are core to the whole product life-cycle. Feedback, such as product failures, informs product design. Risk and performance are managed.

**Business Practices Matrix (Decision Making)**

<b>Red / High</b>	Decisions are taken without regard to customer information or insight. The appetite across the business to challenge unfair decisions is limited.
<b>Amber / Medium</b>	Whilst management information is available people do not consistently use it to take decisions that assure fair treatment of customers.
<b>Green / Low</b>	Decisions are taken using fairness related data. Those which affect fair treatment of customers are challenged and managers act on challenges when it is fair to do so.

**Performance Matrix**

<b>Red / High</b>	Individuals' objectives do not embrace the conduct rules and their performance with respect to conduct is neither measured nor managed.
<b>Amber / Medium</b>	Objectives reflect the conduct rules but there is not yet a consistent approach to measure and manage individual and collective performance against those conduct objectives.
<b>Green / Low</b>	The conduct rules are fully reflected in individuals' objectives, the extent to which people follow or deviate from the conduct rules is measured and their performance is actively managed.

**Recruitment Matrix**

<b>Red / High</b>	Conduct does not feature in our recruitment processes, materials or website.
<b>Amber / Medium</b>	Our recruitment processes and materials have been reviewed for conduct requirements but we do not require candidates for recruitment and promotion to demonstrate or provide examples of their integrity, commitment to the fair treatment of customers or relevant behaviours.
<b>Green / Low</b>	Our recruitment processes and materials fully reflect conduct and candidates for recruitment and promotion are assessed for demonstrating their integrity, commitment to fair treatment of customers and other relevant behaviours.

**Development Matrix**

<b>Red / High</b>	We do not assess the extent to which people have the skills and competence to perform their role in accordance with the conduct rules and training programmes do not reflect the conduct rules.
<b>Amber / Medium</b>	Product training and learning and development programmes include reference to the conduct rules within materials and trainers' noted but programme effectiveness is not measured.
<b>Green / Low</b>	The conduct rules are core to Training and Competence and Learning and Development programmes. The effectiveness of these programmes in embedding good conduct is routinely tested.

**Reward Matrix**

<b>Red / High</b>	People are rewarded regardless of the extent to which they meet the conduct rules. There are no consequences for poor conduct.
<b>Amber / Medium</b>	Reward programmes have been reviewed to re-enforce the conduct rules, but people can still be inadvertently rewarded for poor conduct.
<b>Green / Low</b>	Reward programmes re-enforce the conduct rules. They are linked to performance and hence to corporate strategies and goals. People experience the consequences of poor conduct.

**Vision, Mission, Values and Behaviours Matrix**

<b>Red / High</b>	We have no explanation of the purpose of the business in the context of conduct rules and customers and do not provide staff with details of behavioural expectations and desired thought processes.
<b>Amber / Medium</b>	We provide all staff with an explanation of the purpose of the business in the context of conduct rules and customers but do not provide examples of or measure desired behaviours.
<b>Green / Low</b>	We provide all staff with an explanation of the purpose of the business in the context of conduct rules and customers and provide staff with details of behavioural expectations and desired thought processes which are translated into business practices and objectives.

## 5 Staff Survey

A staff survey can be used to inform various culture drivers at a firm and departmental level along with the commitment and behaviours of managers.

The cultural drivers can be used to determine questions with the relevant matrix providing an assessment tool.

When using a staff survey firms should allow for staff to be open and honest and consider the information they are gathering. Asking for names may lead to more guarded response however asking for department, job level or location information may be needed to properly inform the assessment process.

It is important to use a consistent set of questions the to allow measurement over time, ensuring that scores (e.g. a scale of strongly agree to strongly disagree) are used along with open response.

The frequency of surveys should be considered along with a communication plan for the results to ensure staff are engaged throughout the process.

### Staff Survey - Example Questions (Conduct Rule 4)

<i>Question / Statement</i>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neither agree nor disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>
<i>I know what impact my job has on the customer</i>					
<i>Managers and the leadership team demonstrate a commitment to TCF</i>					
<i>My manager will listen to any concerns I have with how customers are treated</i>					
<i>It is more important for the customer to get the right outcome than for me to meet my targets</i>					

## 6 Self Assessment

Managers may wish to use relevant cultural drivers as a tool for self assessment and to demonstrate their leadership and personal accountability though anonymity should be carefully considered to ensure an honest response, particularly in a small team.

Managers may also find it useful to survey leaders and peers to identify any areas for improvement.

### Self Assessment - Example Questions (Conduct Rule 1)

<i>Question / Statement</i>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neither agree nor disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b><i>My manager...</i></b>					
<i>Does what they say they will do</i>					
<i>Always does the right thing</i>					
<i>Is easy to talk to about any concerns I have</i>					
<i>Feels it is more important for me to do the right thing than to meet my targets</i>					
<i>Thinks my behaviour and attitude are important</i>					

## 7 Performance Assessment

Managers should ensure their staff have behavioural targets that can be measured against the culture drivers and clearly identified in their performance assessment and review process.

Those assessments should be considered at an individual level but firms may also wish to collate results at the following levels to inform any cultural risks or issues:

- Departmental
- Manager
- Leadership level
- Issue specific (e.g. following announcement of upcoming redundancies)

## 8 Issue Assessment

Where an issue has occurred in the business, the culture drivers can be used to identify whether the is likely to reoccur due to the cultural drivers that created or allowed the issue to occur remaining unchanged.

For example, where customers have been sent incorrect information due to a lack of training, that issue could reoccur if the recruitment, training and performance review issues are not addressed.

Firms can use the indicators and contra-indicators of the cultural drivers as a high level tool to create an assessment method in line with their own policies.

It is possible that not all indicators will be relevant to each issue or additional indicators may be added to reflect company policies.

An example firms recruitment cultural issue assessment is shown below for reference:

### Recruitment Cultural Issue Assessment Indicators – Example

<b>Indicator 1</b>	Management have satisfied themselves that the individual is competent to undertake a role before allowing them to take up that role.
<b>Indicator 2</b>	The firm ensures that a regular review of an individual’s performance is undertaken to identify and rectify any weakness in the delivery of the conduct rules.
<b>Indicator 3</b>	Where management identify conduct rule breaches, they take the necessary action including, where necessary, the removal of an individual from their role.

Firms can then create an overall assessment method to provide a score against the resolution of the cultural issue.