Culture Dashboard

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Faculty Viewpoints

Did Culture Cause the Financial Crisis?

Nobel Laureate Robert J. Shiller says that an event on the magnitude of the 2008-2009 financial crisis has to have many causes, but he sees "the spirit of the times" as a driving force behind many of them. In a lecture at Yale SOM, he described how he sees this spirit acting in everything from Fed policy to the growth in casinos.

NEWS

Asset owners, managers recommended to develop 'culture dashboards'

BY SUSANNA RUST | 6 JULY 2020

Thinking Ahead Institute says investment industry has further to go to implement cultural change

https://www.ipe.com/

1 BOARD LEADERSHIP AND COMPANY PURPOSE

Principles

A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Source: The UK Corporate Governance Code, July 2018

"The board should establish the company's **purpose, values** and **strategy,** and **satisfy itself that these and its culture are aligned.** All directors must act with integrity, lead by example and **promote the desired culture**".

Culture-related provision

2. The board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy, it should seek assurance that management has taken corrective action. The annual report should explain the board's activities and any action taken. In addition, it should include an explanation of the company's approach to investing in and rewarding its workforce.

Source: The UK Corporate Governance Code, July 2018

HOW CAN BOARDS ASSESS, MEASURE AND MONITOR CULTURE?

Chairmen's top tips

- Listen to the internal grapevine and pick up quiet messages
- Host town halls – operations/frontline staff usually welcome the opportunity to engage
- Become a customer/mystery shopper
- Talk to frontline staff and the first line of supervision
- Talk to external stakeholders
- Ask the simple questions – generally employees know if there is something wrong
- Increase visibility, for example, expose new people to the board
- Meet with future leaders without their bosses

- Focus on culture during induction meetings
- Assess the talent pool coming up through the organisation
- Conduct deep dives into business units and engage with local management
- Engage with a wide range of executive directors from different business functions, who can cascade the message back into their business units
- Encourage NEDs to mentor middle managers
- Listen for anecdotes and personal observations
- Review customer complaints and follow up

Source: FRC, Corporate Culture and the Role of Boards, 2016

HR sources of insights into culture

- Responses to employee surveys, especially those shedding light on middle and senior management attitudes
- Succession plans
- Staff turnover and absenteeism rates
- Workforce diversity
- Staff training data
- Recruitment policies and practices
- Promotion decisions
- Exit interviews
- Remuneration policies and practices, particularly the structure of financial and non-financial incentives
- Grievance data

Compliance and control indicators of culture

- Health and safety record, including near-miss reporting
- Whistleblowing/speak up incidents
- Promptness of payments to suppliers
- Control failures and instances of poor compliance
- Fines/regulatory breaches
- Expense claims
- Breaches of the code of ethics/conduct

External sources of insights into culture

- Customer complaints
- Customer satisfaction data
- Supplier feedback
- Social media, for example, Glassdoor
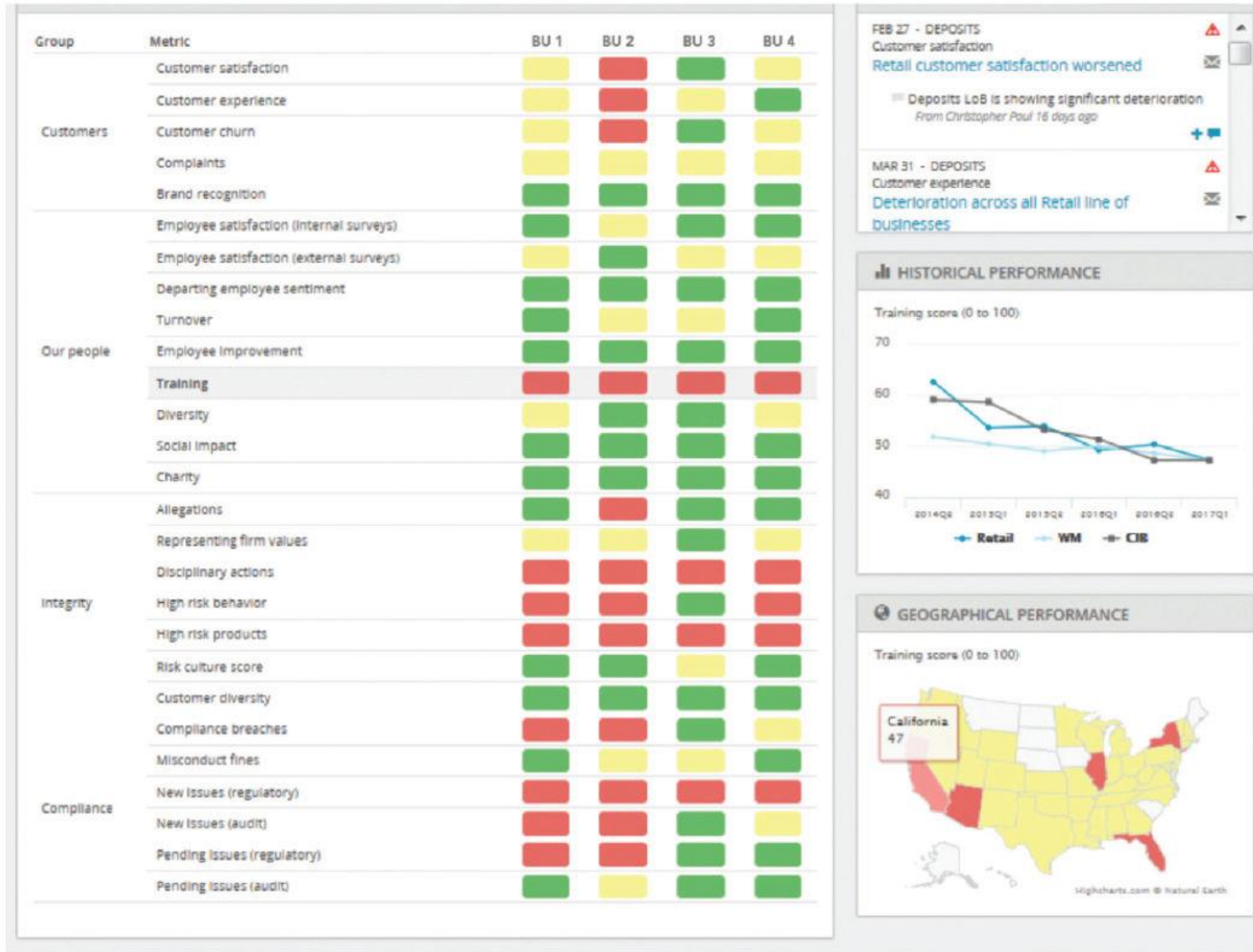
Behavioural indicators of culture

- Attitudes to regulators
- Senior management attitudes to employees
- How management responds to IA recommendations
- Action taken to deal with poor behaviour/instances of non-adherence to values

Source: FRC, Corporate Culture and the Role of Boards, 2016

Example of a culture-measurement dashboard

HOW CAN BOARDS ASSESS, MEASURE AND MONITOR CULTURE?

Source: NACD, Report of the Blue Ribbon Commission on Culture as a Corporate Asset, 2017

LSEG

A leading financial markets infrastructure and data provider

The Board also reviewed the Company's Culture Dashboard during the year. The dashboard tracks metrics around:

- recruitment and onboarding;
- performance and development;
- talent and mobility;
- diversity and inclusion; and
- leavers.

The Board recognises that improving the Group's diversity data has a crucial part to play in setting appropriate goals for improvement and to track progress over time.

The table below shows our performance in 2020 against one of the indicators from each area from the Group Culture Dashboard for LSEG standalone in 2020.

Focus area	Indicator	2020	2019	2018
Recruitment & On-Boarding	% of new joiners who understand LSEG's values	98%	99%	97%
Performance & Development	Hours spent on training	82,993	74,770	63,150
Talent & Mobility	% of roles filled internally	33%	25%	23%
Diversity & Inclusion	% of respondents that agree regardless of background, everyone has an equal opportunity to succeed	68%	N/A	N/A
Leavers	% of leavers that cited work-life balance as primary reason for leaving	3%	7%	5%

500+

Mentoring partnerships in 2020

Roles filled internally

2020	33%
2019	25%
2018	23%

Training hours

2020	82,993
2019	74,770
2018	63,150
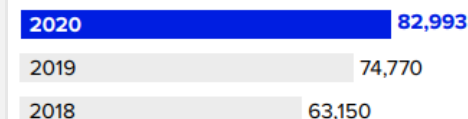
Lloyd's of London outlines Culture Dashboard

by Terry Gangcuangco
31 Jul 2020

SHARE

Lloyd's of London, which last year announced a series of signature actions aimed at driving cultural change, has now published its Culture Dashboard which is designed to transparently track the marketplace's collective journey towards a much more inclusive environment.

Informed by market participant data, as well as findings from the largest culture survey undertaken in the insurance sector in 2019, the Culture Dashboard will be updated annually to serve as an evolving representation of the market's progress across key culture indicators.

https://www.insurancebusinessmag.com/

Priority Areas

Gender Balance

↑14pp

65% | 2019: 51% | 2020: 65%

65% of women were positive about how inappropriate behaviour is dealt with in their organisation, an increase from 51%.

↑4pp

2019: 72% | 2020: 76%

76% of respondents thought people had equal opportunities in their organisation regardless of gender, up from 72%.

Speaking Up

↑5pp

2019: 45% | 2020: 50%

50% of respondents said that they would feel comfortable raising concerns about behaviour in the Lloyd's market, up from 45%.

↓7pp

2019: 22% | 2020: 15%

15% of respondents said people in their organisation turned a blind eye to inappropriate behaviour, an improvement from 22%.

Wellbeing

↑10pp

2019: 57% | 2020: 67%

67% of respondents said that their organisation did not negatively impact on their health & wellbeing, an increase from 57%.

↓8pp

2019: 23% | 2020: 15%

15% of Lloyd's market said that working for Lloyd's has a negative impact on health & wellbeing, a decrease from 23%.

Leadership

↑10pp

2019: 72% | 2020: 82%

82% of Lloyd's market believed senior leaders mean what they say, compared to 72% in 2019.

↑10pp

2019: 67% | 2020: 77%

77% of Lloyd's market believed leaders take responsibility, especially if something goes wrong, an improvement from 67%.

pp = percentage points.

Our Commitments

Gender Balance

– We are committed to achieving gender parity within the decade across the Lloyd's market.

– We will continue our progress to improve the experiences of women in the market.

Ethnicity

– We will set ethnicity targets for the market for Q2 of 2021.

– We will develop a long term action plan to improve the experiences of Black and Minority Ethnic colleagues in the market.

Speaking Up

– We will place additional focus on improving experiences amongst ethnic minorities.

Wellbeing

– We will continue to drive awareness around Wellbeing as we build our new normal.

Leadership

– We will continue to increase the focus on Leadership to create positive change at all levels.

– Our refreshed Culture Dashboard will transparently track Lloyd's collective progress towards a more inclusive environment.

The results of the survey are impacted by the new virtual working environment driven by COVID-19 restrictions. The effect this has had on the results of the survey is difficult to ascertain in the short term. However, this does not change the importance attributed to the findings.

Lloyd's Culture Survey 2020 infographic.

BACK-UP
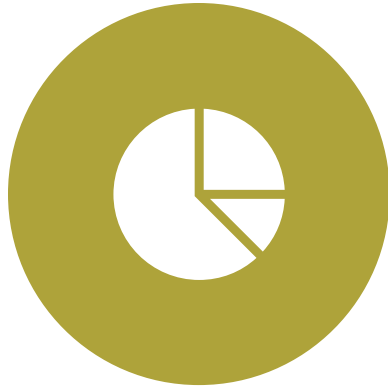
Questions for boards

Values and behaviours

How are we demonstrating the board's behaviour reflects the behaviour we expect throughout the company? Are we leading by example?

Are we clear about the values and behaviours we expect when recruiting new executives?

Do we hold the chief executive to account where we see misalignment?

Are we discussing culture in sufficient depth at board meetings?

How are we taking account of culture in our board effectiveness reviews?

How can we ensure we consider the impact on culture in all the decisions we take?

Do the committees support the board on culture?

Is there a need for a specific conduct, ethics or culture committee?

What is the company telling the outside world about what it stands for and how it conducts business?

Has the company made a public commitment to the values?

What behaviours are being driven when setting strategy and financial targets?

What percentage of board time is spent on financial performance management against targets? And on behavioural performance management? Is the balance right?

Is company tax policy consistent with stated values?

How are we challenging 'group think' and testing key decisions for cultural alignment?

Are we seeing evidence of sub-cultures or pockets of autonomy in the business that could undermine the overall culture?

Mergers and acquisitions

How confident are we that we can achieve a cultural fit within a reasonable timeframe and what could be the cost to the business of a cultural misalignment?

What is our strategy for addressing culture if we proceed?

Questions for the board to ask

Aligning HR processes and reward

How well are our values and expected behaviours embedded in all our HR processes from recruitment to exit interviews?

How is corporate reputational risk considered in the setting of incentives?

Does the balance between financial and non-financial incentives support the desired culture?

Are behavioural objectives included in leadership and employee goals and are behaviours formally assessed as part of performance review activity?

Have we considered whether top tier executive pay awards and those of other employees could undermine culture?

Ethics and compliance

Is our code of ethics/conduct up to date and clearly communicated to all employees?

How do we measure that the code of ethics/conduct is adequately communicated and understood by all employees?

Is our ethics training programme up to date and have all employees completed it?

Risk[32]

Are we clear about the company's risk appetite and is it communicated effectively?

What risks does our current corporate culture create for the organisation?

How do we acknowledge and live our stated corporate values when addressing and resolving risk dilemmas?

How do we actively seek out information on risk events and near misses – both ours and those of others – and ensure key lessons are learnt?

How do we reward and encourage appropriate risk taking behaviours and challenge unbalanced risk behaviours (either overly risk averse or risk seeking)?