

An aerial photograph of London, England, showing the River Thames, several bridges including the Tower Bridge, and a dense urban landscape with numerous buildings. A large blue diagonal shape is overlaid on the right side of the image, containing the title text.

BANKING  
STANDARDS  
BOARD

ANNUAL REVIEW  
2017/2018

## TABLE OF CONTENTS

Chairman’s Foreword	3
Chief Executive’s Report	5
Executive Summary	7
<b>Assessment findings</b>	<b>10</b>
The BSB Assessment	10
Analysing and interpreting the data	11
The 2017 Survey results	16
BSB Work Theme 1: The perceived mismatch between a firm's stated values and the way in which some employees see business being done	26
BSB Work Theme 2: Developing a culture of accountability and responsibility rather than of blame	37
BSB Work Theme 3: Promoting personal resilience and wellbeing among employees	50
<b>Consumer outcomes</b>	<b>63</b>
Learning from consumer and civil society organisations	63
Developing a BSB Consumer Framework	63
Learning directly from consumers	64
<b>The Professionalism Forum</b>	<b>65</b>
What is professionalism?	65
A variety of approaches, within and across firms	65
Next steps for the BSB	66
<b>BSB Statement of Principles for Strengthening Professionalism</b>	<b>68</b>
<b>Individual Accountability: The Certification Regime Working Group</b>	<b>71</b>
The BSB Certification Regime Working Group	71
Developing approaches to dealing with certification risks and issues	71
Regulatory references	73
The experiences of member firms, two years on	73
<b>New approaches and techniques</b>	<b>76</b>
New approaches introduced in 2017	76
New directions for 2018 and 2019	77
<b>Annex A: What is the BSB?</b>	<b>79</b>
<b>Annex B: Assessment methodology</b>	<b>84</b>
<b>Annex C: 2017 BSB Survey questions</b>	<b>93</b>
<b>Annex D: Supplementary material</b>	<b>96</b>



## CHAIRMAN'S FOREWORD

People talk a lot about trust; who deserves it and who doesn't, and why it is hard to regain once lost.

And institutions of all kinds, public and private, and in all sorts of sectors, worry about whether they are trusted and, if not, what they can do about it.

The Banking Standards Board (BSB) was born at a time of a widespread failure of public trust in the banking sector, following the financial crisis.

The focus of our work is on trustworthiness: not on whether trust is given, but on whether it is deserved. And while trust can take a long time to earn, trustworthiness is in the hands of firms themselves. A firm cannot decide to be trusted: but it can decide to aim to be worthy of trust.

The banks that have come together on this project have committed themselves to understanding better what drives the combination of incentives, other influencers of conduct and overall culture that together can determine trustworthiness.

The banks that are members of the BSB are drawn from right across the sector: from large global banks that have major activities in the UK through to long-established UK based banks and building societies through to new start-ups with different business models.

And this is the second of our fully worked-up reports on the ground-breaking work of the BSB.

The main messages emerging from this most recent work are:

1. the clear importance of leading by example. When it comes to the alignment between a firm's stated values and the way that its own employees see the firm doing business, it is not what leaders in the organisation say that makes a difference, but how they are seen to behave;
2. the health and wellbeing of employees remains a key area of concern and in consequent need of improvement. Overall, the percentage of employees who said that working at their firm had a negative impact on their health was the same in 2017 as in 2016. Perceptions of respect and of organisational fairness or justice also emerge as important influences on individuals' wellbeing; and
3. a reluctance to speak out on issues certainly reflects, in part, fear of the consequences of doing so; but it also, and to a roughly equal extent, reflects the perception that nothing is likely to happen even if something is said. Fear and futility, in other words, are equally influential in constraining challenge. Firms need to think about not only how they encourage feedback, but also how they respond to it when it is received.

All of this is expanded on in the detailed report that follows.

The work that has led to the production of this report has involved many people, including the more than 36,000 people working in the sector who took part in our Survey.

We are grateful to them all.

And I would like to thank in particular the chairmen of the boards of the BSB's member firms, with whom I have had many discussions over the past year. These discussions have made clear both the seriousness with which boards are addressing the challenge of managing their culture, and the importance of the kind of evidence we are assembling to help prioritise efforts and assess progress.

I would also like to thank the BSB's Board members for their strong and constructive contributions to shaping the work of the BSB.

I am most grateful to Antonio Simoes of HSBC and Craig Donaldson of Metro Bank who have been Board members from the start, and who have this year stood down from the Board.

We are delighted to welcome Janet Pope of Lloyds Banking Group and Mikael Sorensen of Handelsbanken to the BSB Board.

One of our non-practitioner board members, Baroness Onora O'Neill, has also decided to step down from the Board in the spring of 2018. She has made a strong and distinctive contribution to our work from day one, and I am very pleased to say that she has agreed to continue as a senior adviser to the Board, allowing us to continue to benefit from her challenges and insights.



Dame Colette Bowe, Chairman



## CHIEF EXECUTIVE'S REPORT

The BSB exists to help raise standards of behaviour and competence across the UK banking sector, to the benefit of customers, clients, the economy and society as a whole.

Each element of this matters, and none more than the last. Higher standards of behaviour and competence are important because of (and should be judged by) their impact on those that the banking sector serves. This includes most directly, customers, clients and building society members, but extends also to the hundreds of thousands of people who work in the sector, and to the broader society that grants banking its 'social licence'.

The BSB Assessment Framework is built around a set of characteristics that we would expect to be associated with good outcomes for customers and clients. Our annual Assessment exercise asks how far these characteristics are demonstrated within a firm, drawing primarily on employee perspectives (though as our work develops we will also consider whether and how other types of information might usefully be incorporated, or inform the analysis).

Last year's Annual Review set out the findings of the 2016 Assessment; a snapshot and a baseline, given that this was the first such exercise. The 2017 results described in this Review allow us for the first time to see where change has occurred – subject, of course, to some very large caveats. Two data points do not make a trend. Either may prove in retrospect to have been an aberration, and the causes of any change may lie in actions or events that happened well before our baseline year. The results of the forthcoming 2018 Assessment will clearly constitute an important next step in the development of the evidence base.

This second data set provides, nevertheless, a unique and valuable source of information on organisational culture in banking. That it is being collected at all, reflects also a willingness on the part of the firms and boards involved to invite external challenge and to ask themselves questions that may produce uncomfortable answers. Far easier would be to avoid asking such questions in the first place.

Analysis of the Assessment results across individual firms allows the BSB to begin identifying factors that may be associated with positive (or negative) scores or changes. This, in turn, informs our work with member firms collectively to develop and share good practice, thereby raising standards across the UK banking sector. The value of the BSB's facilitative role has been evident in the active sharing of knowledge and experience within our Certification Regime Working Group, and the consequent (and ongoing) development of a body of guidance on implementing the Certification Regime. We hope that this guidance will benefit firms and customers not only in banking but also, as the regime is extended, elsewhere in the UK financial services sector.

Good practice guidance is relevant to raising standards of both behaviour and competence. Having the right skills but the wrong intentions is clearly unacceptable on the part of anyone working in banking; so too, is being well-meaning but lacking the capability to do the job. The BSB's Professionalism Forum, chaired by Sir Brendan Barber, has seen firms, professional bodies, qualification providers, regulators, trades unions and others from within and outside the sector coming together to consider what professionalism in banking means for all those involved. The role of firms in promoting and encouraging professionalism is the subject of a new BSB Statement of Principles, published in this Review and drawing on the work of the Professionalism Forum and its supporting Working Group.

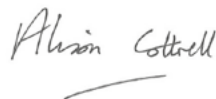
Thank you to everyone who we have worked with and learned from over the past year. Within our member firms, this includes not only boards and executive teams for their ongoing commitment and engagement, but also the many thousands of people who shared their thoughts and views in the Assessment exercise. We are grateful also to the many individuals and organisations (both within and outside the UK banking sector) who have contributed to working groups and forums, participated in events, responded to consultations, shared their knowledge and helped us develop our own capacity and capability.

We look forward to continuing to work with both member firms and a wide range of partners and organisations over the coming year. The 2018 Assessment will enable us to broaden and deepen our evidence base, and we will extend our analytical capacity and reach through the creation of a new BSB Insights team. We will also continue to explore issues of practical relevance to firms within each of our three ongoing thematic areas, i.e. the alignment between a firm's stated values and its behaviour, creating a culture of accountability and responsibility rather than of blame, and the personal resilience and wellbeing of employees.

The BSB's Assessment approach looks at organisational characteristics that we would expect to be associated with good outcomes for a firm's customers, members or clients. We are interested, however, in understanding better the links between organisational culture and outcomes. Following our recent consultation on what good outcomes look like to consumers, and informed by engagement with a wide range of consumer and civil society bodies, we will be taking the next steps in developing this aspect of our work.

An approach such as the BSB's can work only if firms themselves are committed to making it work. The BSB cannot itself raise standards of behaviour and competence across the banking sector. Only firms can do this. The BSB, can, however, help those firms that wish to do this, through the provision of independent, impartial and informed support and challenge.

The challenges involved in creating and maintaining a good organisational culture are not unique to banking. Given, however, the sector's size, role and inter-connectedness, the consequences of failing to do so can be particularly far-reaching. Banking is a service sector, and all of those that it serves, and everyone who works in it, should be able to feel proud of it. Ensuring that the UK banking sector is deserving of pride – and worthy of trust – is in the hands of banks and building societies themselves.



Alison Cottrell, Chief Executive

## EXECUTIVE SUMMARY

### The BSB

The BSB exists to help raise standards of behaviour and competence across the UK banking sector, to the benefit of customers, clients, the economy and society as a whole. It is a private sector body funded by membership subscriptions and open to all banks and building societies operating in the UK.

Through its annual Assessment exercise, policy work, events programme and collaboration with a wide range of organisations in the UK and internationally, the BSB provides challenge, support and scrutiny for firms committed to rebuilding the banking sector's reputation.

In 2017, the BSB conducted the largest ever survey of behaviour, competence and culture in UK banking. We received over 36,000 responses to our Survey, with a further 750 people participating in detailed focus groups. This research was conducted across different business lines and functions in 25 banks and building societies in locations around the UK. We also interviewed 71 senior executives and board members. Building on our 2016 Survey and assessment of 22 firms, this data allows us to observe the cultures of banks and building societies as seen from significant numbers of people who work there, together with what may be changing over time.

### Key findings from the 2017 Assessment

The 2017 Survey results showed improvements from 2016 on 25 of our 36 questions and a decline in none, with the most significant improvements being in employees' perceptions of their senior leaders, being treated with respect, and their sense of shared purpose. Improvements in employee perceptions were most evident in Retail and in Commercial Banking. While the 2017 results paint a picture of firms moving in the right direction, it is important to emphasise that two data points do not make a trend, and we cannot be certain that these improvements in employee perceptions have translated to improvements in customer and societal outcomes.

On the three themes the BSB set out for 2017/18 our research provides evidence to suggest that:

- **People are more likely to believe that their organisation lives its values if they observe their leaders doing the same, and where they see their firm acting in the interests of its customers or clients.** In 2017, on average 69% of employees saw no conflict between their organisation's values and the way in which business was done. While a 6 percentage point improvement from 2016, there was a significant range within and between firms on this question. It is what senior leaders do, and not just what they say, that makes a difference. In areas where employees observed close alignment between values and business practices, they said that their leaders did not just talk about their firm's values, but that they did so without cynicism and demonstrated them to guide their day-to-day actions. They observed consistent, practical and relatable communications from their leaders, coupled with a genuine desire to listen and respond to feedback. They also felt that their firm's values were reflected in the products offered to customers. In contrast, in areas of greater perceived conflict, people said that their leaders did not clearly explain decisions or how they fitted with the firm's overall strategy, and felt that the need to reduce costs or maximise short-term profits was prioritised over achieving good customer outcomes.
- **Employees' perceptions of whether they and their colleagues are treated fairly and with respect are strongly associated with their wellbeing.** In 2017, 26% of people felt that working in their organisation was having a negative impact on their health and wellbeing. As in 2016, this was one of the lowest-scoring areas of the BSB's Survey, across all areas of banking. People working in investment banking, were the least likely to see pressure in their roles as excessive, yet more likely to experience work having a negative impact on their wellbeing, suggesting their concept what is 'excessive' differs from other areas in banking. In areas of firms with the lowest scores for this question, employees commonly described what they saw as inconsistent and unfair treatment within their organisation of different departments, teams or geographic areas. People from most business areas gave examples of wellbeing support and services provided by their firm (helplines, health checks, gym membership, etc.), which suggests that this provision is not on its own enough to achieve good wellbeing outcomes. Equally, other initiatives such as flexible working were described in some areas as positive, and more negatively in others, with a key differentiating factor appearing to be the extent to which people felt trusted to do their jobs.

- **While some employees do not speak up because they fear negative consequences, a belief that nothing will be done to address their concerns is an equally important barrier.** 60% of employees reported that they would not be worried about negative consequences for themselves if they raised concerns, from 57% in 2016, with still over a quarter of people fearing such consequences. Employees in areas of firms with the lowest scores for questions related to speaking up consistently referred to a culture of fear and blame, and often spoke about their organisation as being hierarchical. Of the reasons given for not wanting to raise concerns, those most frequently given were fear that doing so would be held against them, or that it would not be kept confidential. Equally important, though, was the belief that nothing would be done to address the issue, with employees in lower-scoring areas highlighting working environments in which changes perceived as flawed were pushed through with little or no consultation of those affected.

### Our work in 2017

The BSB continues to work with its member firms, and others including regulators, investors, consumer bodies, professional bodies, trades unions and leading academics, to identify how to achieve high standards of behaviour and competence in banking. In 2017 this work included a range of projects and programmes.

- Consulting on a new Consumer Framework to identify what good banking outcomes look like to consumers. Developed in consultation with consumer and civil society organisations, we received over 80 responses.
- Publishing a set of guiding principles to help and challenge firms in seeking to raise standards of professionalism. Developed with the support of our Professionalism Forum, chaired by Sir Brendan Barber and attended by a broad range of interested stakeholders and subject matter experts, we propose that firms use these principles to inform their work.
- Publishing additional detailed statements of good practice to help make a success of the Certification Regime. Building on the good practice guidance published in 2017, our latest guidance – published in February – focuses on risks and issues that may call in to question an individual's fitness and/or propriety, and provides firms with a series of real-life case studies and examples drawn from our Certification Regime Working Group.
- Commissioning a comprehensive review of academic literature relating to wellbeing in the workplace, to better understand the theoretical and empirical work that has been done on this subject across different disciplines and sectors.
- An innovative events programme that brought to the banking industry insights from leaders in other industries such as healthcare and defence, and innovative techniques from academic experts in culture and behaviour. An example of the latter was our ethnography programme, which gave practitioners practical tools to allow them to observe behaviour in their respective organisations.



## 2018 and onwards

We will build on this work in a number of ways, including those described here:

- Launching an Insights Unit that will seek to identify and understand cultural factors that enable, promote or inhibit high standards in banking. Over time this unit will also seek to test the effectiveness of interventions designed to overcome such barriers.
- Running the Assessment for a third consecutive year with a greater number of firms.
- Creating a BSB Member Panel comprising senior practitioners from our member firms. The Panel will discuss ways to raise standards of professionalism, referencing the BSB's Professionalism Principles, supported by task-specific working groups.
- Continuing to develop the BSB's three themes of reducing the gap between values and how business is done; encouraging a culture of accountability and responsibility but not blame; and improving employee wellbeing in the interests of customers, society and employees themselves, including through our Assessment and Insights work.
- Publishing a response to our consultation on our Consumer Framework, including next steps for better understanding consumer outcomes more broadly.
- Expanding our events programme, focusing in particular on facilitating the exchange of ideas between our member firms, to allow them to learn from each other.
- Planning to run a second cohort of our ethnography programme, following the success of this initiative last year.

## 2017 ASSESSMENT FINDINGS

2017 marked the second year in which the BSB Assessment was conducted at member firms. The Assessment asks how far each of the nine characteristics illustrated below is demonstrated within a firm. We would expect a firm that strongly exhibits these characteristics to be better equipped and more likely to serve its customers, clients and members well, than one in which these characteristics are less evident; a hypothesis we will continue to test as we develop our work. We use both quantitative and qualitative data to assess firms against these characteristics.

### The BSB framework



This second annual exercise enabled us not only to extend our evidence base, but also to explore in greater depth the three themes that emerged from our 2016 Assessment (see <https://www.bankingstandardsboard.org.uk/annual-review-2016-2017/priorities/>), i.e.:

- the perceived mismatch in many firms between the values espoused by the firm and the way that some employees see business being done;
- helping to develop a culture within the banking sector of responsibility and accountability rather than of blame; and
- identifying practical steps to help promote personal resilience and wellbeing among firms' employees.

### The BSB Assessment

The quantitative element of the BSB Assessment consists of an employee Survey asking 37 core questions that allow comparison across and between firms and over time. These may be supplemented in any one year by occasional 'one-off', non-benchmarked questions on particular themes. In 2016, 28,122 people responded from the 22 participating firms; in 2017, 36,268 from 25 firms. Details of the Survey including the way in which it was constructed, how it is conducted at firms and our sampling approach can be found in Annex B. The questions asked in 2017 are in Annex C and an overview of demographic statistics collected can be found in the Assessment section of the BSB website.

The qualitative part of the Assessment incorporates views and perspectives from all levels and parts of the firm. These are obtained through a variety of means including (in 2017) written submissions by the firm’s board, interviews with non-executive directors and executives, and focus groups with junior and middle-ranking employees.

All Survey data and feedback gathered is presented to firms in a way that preserves the anonymity of Survey respondents and the confidentiality and non-attributable nature of all views expressed.

The Survey provides the BSB and its member firms with a unique dataset on organisational culture. As of now, this data relates to only two years, which clearly constrains the conclusions we can or should sensibly draw from it. Nevertheless, this first set of data, relative to the 2016 baseline, allows us to answer or begin exploring several questions. Do the results in 2017 differ from those in 2016, and if so, how? What can we learn about the three themes we identified in 2016? Are there differences that emerge on the basis of, for example, gender or tenure? Are results in some types of firm, or in some parts of the market, different to others? And if we look at the results in both 2016 and 2017, are there any patterns that appear to be emerging?

Before considering the results of the Assessment and the answers to these questions it may, however, be helpful to pause briefly and say something about how we have approached the analysis and presentation of the data this year. A more detailed technical explanation is provided on the Assessment section of the BSB website and in Annex B to this Review.

Following this, we will consider the 2017 Survey results and ask what has changed from 2016, and what we can say about the different ways in which different people respond to the Survey questions. Later sections of this Review will then draw on both the Survey and the qualitative findings to inform discussion both of our three key themes and other areas of BSB work during the past year such as consumer outcomes, professionalism and individual accountability.

## **Analysing and interpreting the data**

### *Quantitative (Survey) data*

The BSB Survey asks 37 questions. 36 are Likert scale questions, presented as a statement with which respondents are asked to strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree or strongly disagree. The final question is a ‘free text’ question. The questions used in the 2017 Survey can be found in Annex C.

The responses to questions can be analysed over time (in this case, 2017 relative to 2016) and with respect to certain demographic attributes and factors, including:

- gender;
- business area;
- tenure;
- role type;
- location; and
- firm.

The primary type of analysis we run is an ‘ordered logit regression’<sup>1</sup>. This allows us to explore how important one attribute is relative to another (the ‘base attribute’) in the way that different questions are answered across the respondent population. Do, for example, women systematically answer a question differently to men once all other factors are controlled for? Do people who are new to a firm respond differently to those who have been with it for several years? The list of attributes that we use in our analysis, and the base attribute against which each is compared, is shown in Figure 1:

Fig 1. Base for explanatory variables

Variable <sup>2</sup>	Base
2017	2016
Female	Male
Commercial Banking	Retail
Functions	
Investment Banking	
Tenure up to 1 year	Tenure 3 up to 7 years
Tenure 1 up to 3 years	
Tenure 7 up to 15 years	
Tenure over 15 years	
Professional body	Not a member of a professional body
Line manager	Not a line manager
Customer facing	Non-customer facing
Channel Islands	London
East Midlands	
East of England	
North East	
North West	
Northern Ireland	
Scotland	
South East	
South West	
Wales	
West Midlands	
Yorkshire	

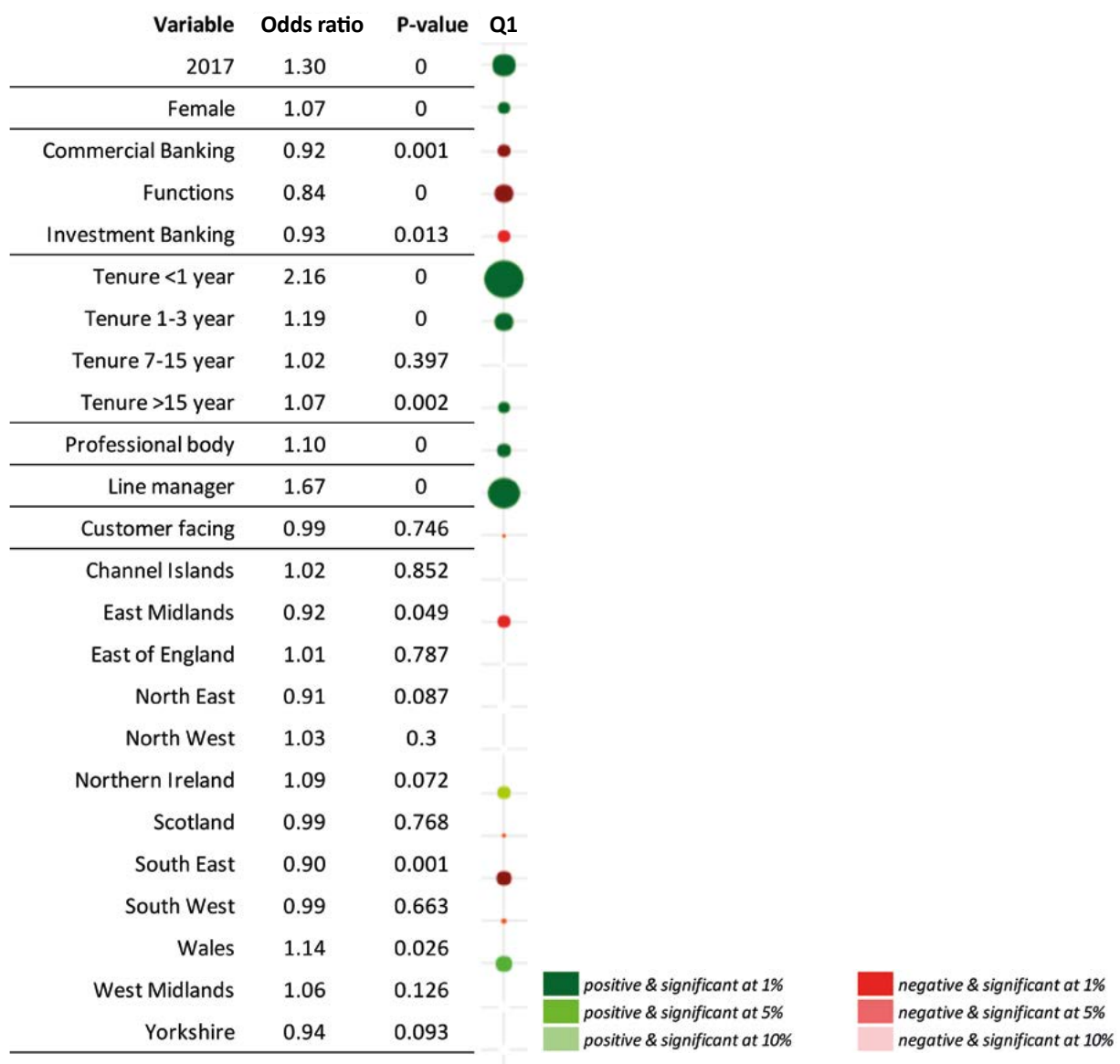
As in our last Annual Review, this report illustrates the findings from the Assessment in a number of ways. It provides charts showing the distribution of responses to each of the 36 core ‘Likert scale’ questions. These are available on the Assessment section of the BSB website.

1 An ordered logit model is a regression model suitable when the dependent variable is an ordinal scale, i.e. one where responses can be sorted by a rank order. This is true for our Survey data where questions are answered on a five-point Likert scale from strongly agree to strongly disagree.  
2 We also include in our regressions variables identifying the firm that a respondent is from, with a large firm as the base. This allows us to control for firm-specific effects. We do not, however, report results for these firm variables.

This year, these results are shown for both 2016 and 2017. We also present an analysis of how the demographic attributes described in Figure 1 influence responses. This is done by pictorial representation of the ‘odds ratio’. If, for example, being female rather than being male makes it likely – after controlling for all other factors, such as tenure etc - that a question will be answered more positively, the odds ratio is more than one. If, allowing for all other characteristics, women are likely to respond more negatively to a question than are men, the odds ratio is less than one.

We have depicted these odds ratios using circles of different sizes and colours. Green circles indicate that possessing a particular attribute (e.g. being a line manager) positively influences answers to that question in a statistically significant way, relative to someone characterised by the base attribute (in this example, not being a line manager). Red circles indicate that having that attribute negatively influences the response to the question, relative to having the base attribute. The size of the circle, meanwhile, indicates the strength of the influence of the attribute concerned on the answer.

Fig 2. Regression display



Note: The size of the circles reflect the size of the impact of the variable (the difference of the odds ratio from 1); the colour reflects whether the variable is statistically significant or not, and in which direction.

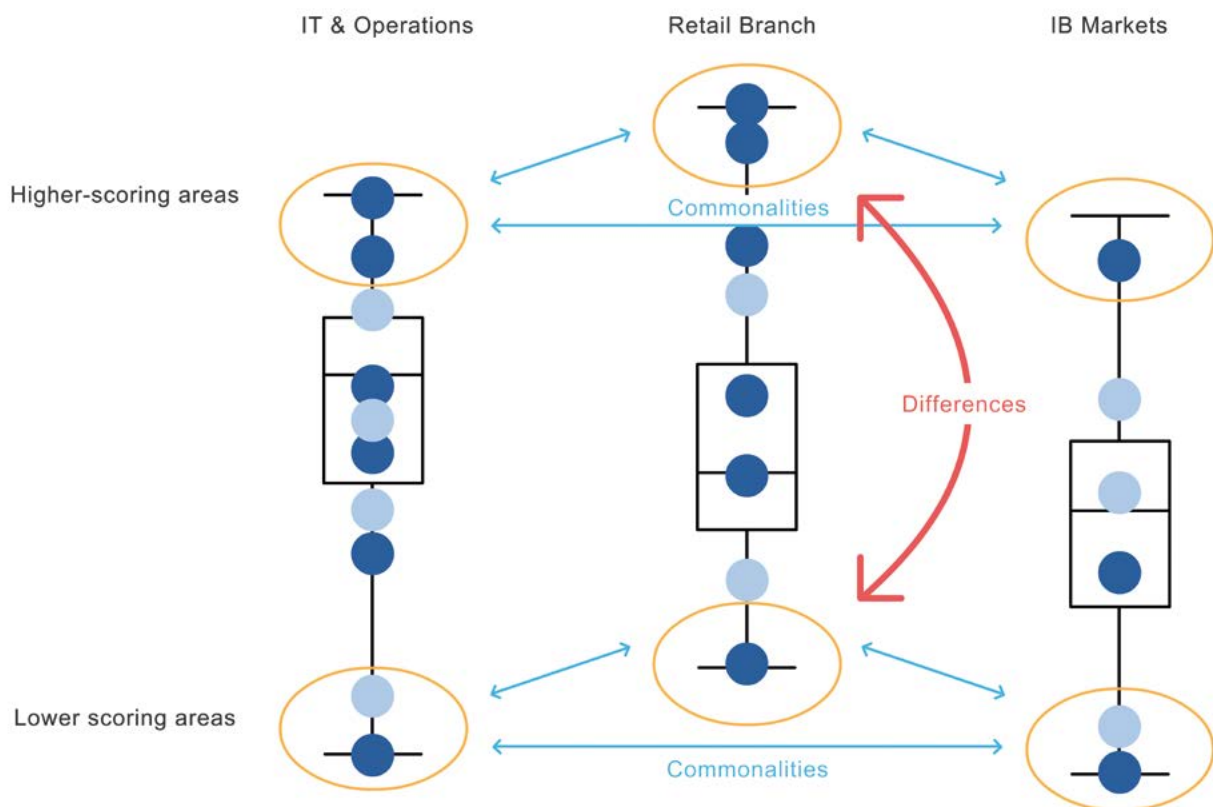
Note: This illustration displays the actual ordered logit regression results for Q1.

*Qualitative (focus group) data*

Analysing qualitative data in a rigorous and consistent way, brings its own challenges. We were, however, keen to see what — if anything — the data from focus groups could tell us about the reasons for the differences between higher-scoring and lower-scoring firms or business areas, on questions relating to our three themes. To help us do this we deployed a technique known as ‘grounded theory’.

Our starting point in this approach was the individual focus group (of which we ran 87 in total in 2017). Each focus group consisted of participants from a single business area of a single firm (e.g. Risk and Compliance in Firm A). We looked at which business areas of firms had, in the Survey, registered the most and least positive responses to particular Survey questions (i.e. ‘higher-scoring business areas’ and ‘lower-scoring business areas’), and where there was a wide divergence of scores, identified the focus groups drawn from these higher and lower-scoring business areas. We then identified the focus groups drawn from the same areas in different firms that were lowest scoring (‘lower-scoring business areas’) and compared the feedback and comments from focus groups drawn from the same areas of different firms at either end of the spectrum.

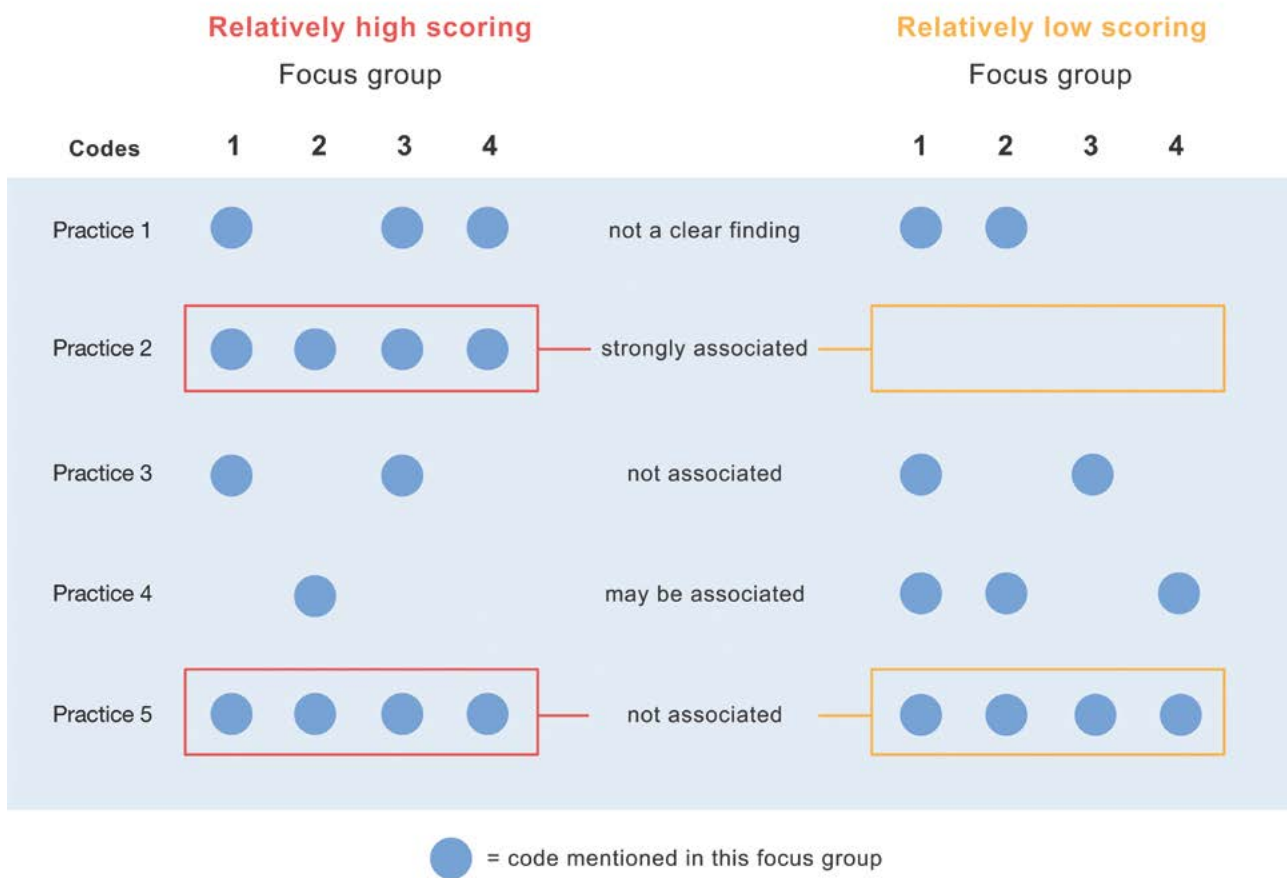
*Fig 3. Qualitative analysis: choosing focus groups based on Survey scores*



*Note: We use box and whisker plots in this illustration, where higher scoring firms on relevant aspects of our Survey sit near the top of the charts, and lower scoring firms at the bottom. Each dot’s position reflects the score for one firm’s business area. The different colours of the dots represent whether or not there was a focus group available for that firm’s business area that we could use in our qualitative analysis.*

By noting the frequency with which characteristics or practices were mentioned in focus groups from both higher and lower-scoring business areas, we were able to see whether any given practice was strongly associated, associated or not associated with higher Survey scores on a particular question and therefore potentially with good or bad outcomes. Figure 3 illustrates how we chose focus groups from higher and lower-scoring business areas. If, for example, a practice is mentioned by participants in all focus groups from higher-scoring business areas, but not in any focus groups from lower-scoring business areas, this practice may be strongly associated with more positive employee perceptions, and relevant when considering good or effective business practice. Where, however, a practice is mentioned in focus groups from both higher and lower-scoring business areas, it is unlikely to be associated with the difference in the scores (although the practice itself may nevertheless be important, and potentially necessary but not sufficient for a good outcome). Figure 4 illustrates the application of this approach.

Fig 4. Identifying practices associated with good environments



In presenting the results of this analysis in this Review and on the BSB website, we have listed the practices mentioned in focus groups and, by each practice, displayed the number of focus groups in which it was mentioned by participants from both higher-scoring business areas and lower-scoring business areas. Higher-scoring firm area focus groups are shown within one circle and lower-scoring within another; each segment in each circle represents a single focus group, with the segment shaded where the practice was mentioned.

It is important to note that this is a sampling approach; it only considers focus groups from the firm business areas with relatively high and low scores on each Survey question relating to our three themes. More detailed information about this approach can be found at Annex B and on the Assessment section of the BSB website.

**The 2017 Survey results**

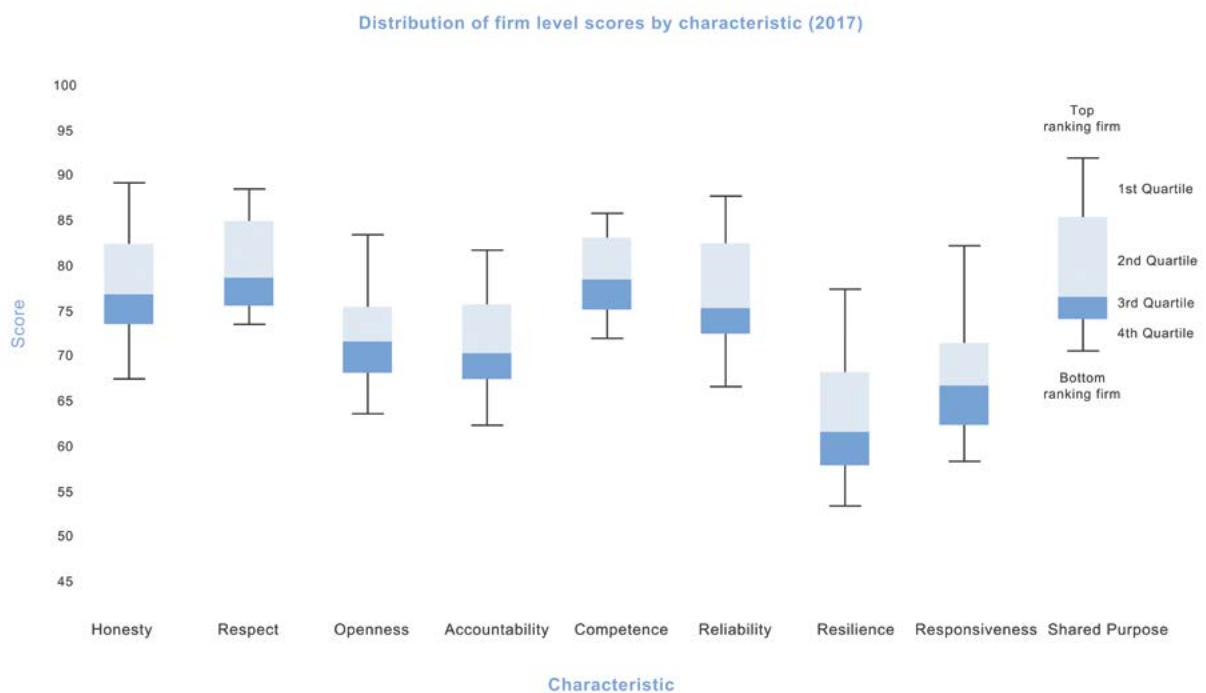
*Overview*

The responses to each question of the 36 Likert scale questions of the Survey were used to calculate a score (ranging from 0 to 100) against each of the characteristics of our Assessment framework for the firm and for different business areas within it. A description of the Survey and scoring methodology can be found on the Assessment section of the BSB website.

As in 2016, the 2017 Assessment found considerable variation in the range of scores across all participating firms for each characteristic. The distribution of the scores within each range also varied. The complete Survey results for 2017 can be found on the Assessment section of the BSB website.

Turning to our analysis of the Survey results, Figure 6 illustrates the results of our ordered logit regressions, which seek to explain how important different attributes are to the way in which questions are answered. The first row of the table shows the 2017 results relative to the base case of 2016. A green circle shows that the score in 2017 is more positive than in 2016, with the size of the circle representing the scale of the change.

*Fig. 5. Distribution of firm level scores by characteristic*

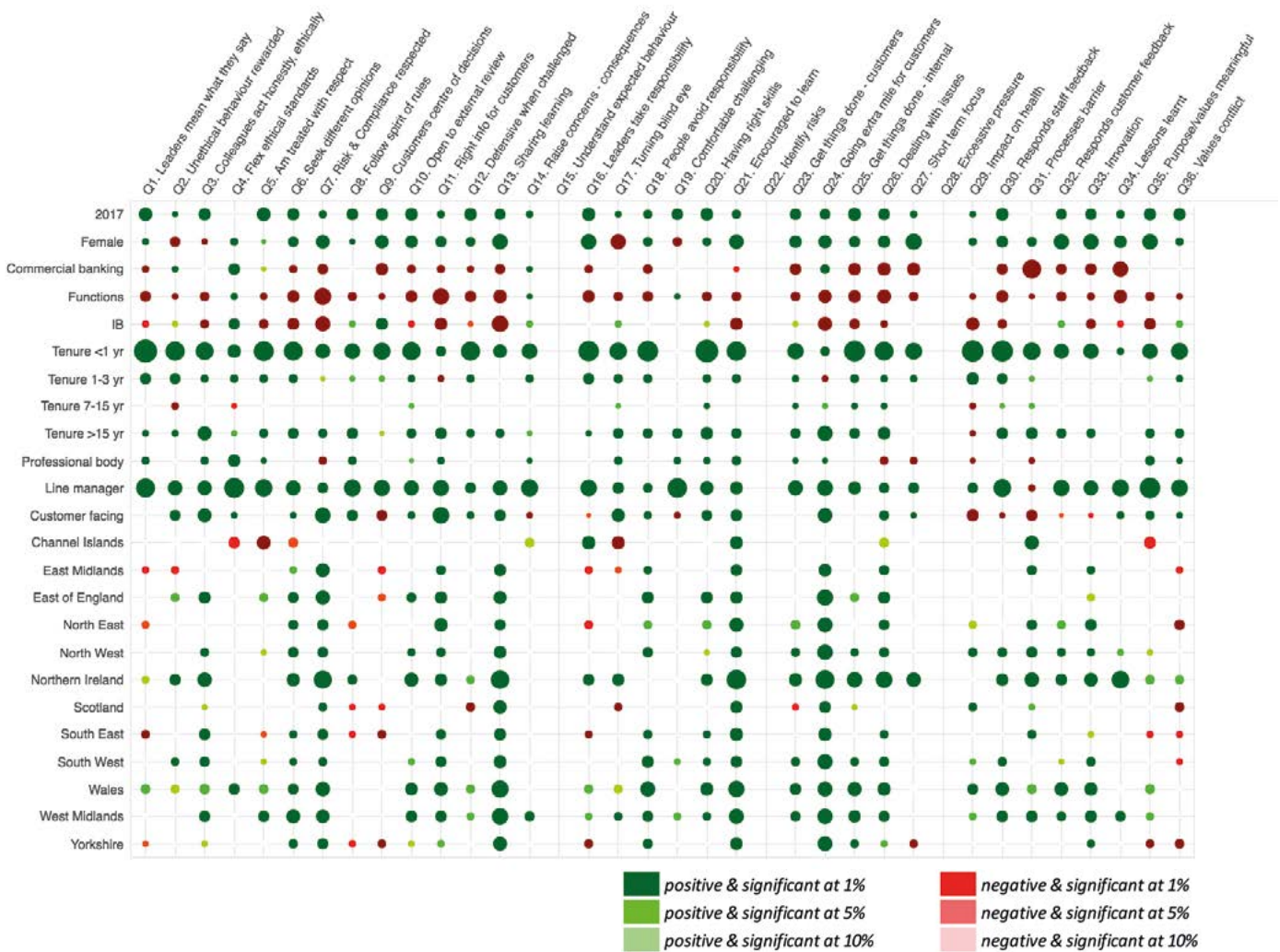




The second and subsequent rows then look across both the 2016 and 2017 data to illustrate the impact that different demographic attributes (such as being female, being new to a firm, working in a particular part of the UK etc) have on the way in which questions are answered. Again, a green circle indicates that possession of a particular attribute is associated with a more positive response than one given by someone with the relevant base attribute with a larger circle indicating a greater difference.

The results shown in Figure 6 are for all of the responses to the BSB Survey, i.e. across all firms and business areas. Banking is, however, a diverse sector in terms of the nature of its activities. Even within a firm, different parts of the business may feel very different to each other, and employees have different perceptions of the organisation as whole. Figures 39 – 42 in Annex D set out data in the same way as in Figure 6, but for different business areas (Retail, Commercial, Investment Banking and Functions).

Fig. 6. 2016 and 2017 ordered logit regression for all respondents



Note: number of observations is equal to 64,381  
Firm-specific effects are controlled for but not reported here

We now consider in more detail the analytical findings shown in Figure 6; first, the changes over time, and then the influence on responses of different demographic characteristics.

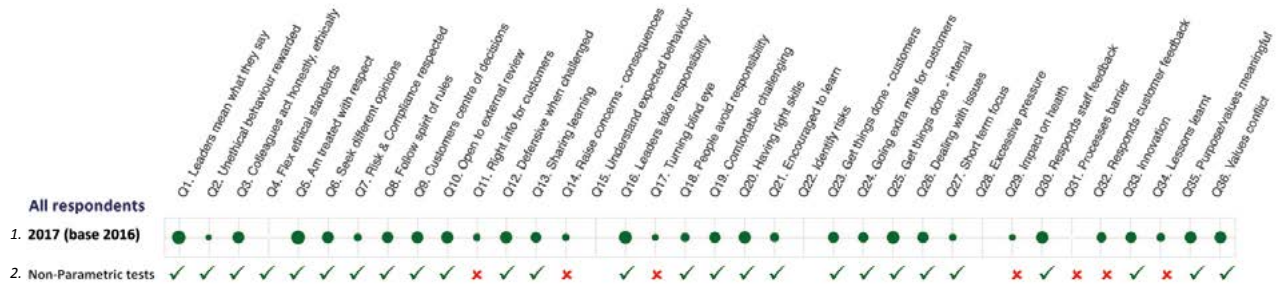
Changes from 2016 to 2017

In our last Annual Review, we set out the results from our first Assessment; a unique data set, but a static one — a snapshot of firms at a point in 2016. With the results of this second Assessment, we have for the first time not only a cross-firm comparison but also a time dimension, and can begin to explore what has (and has not) changed, and in either direction.

Of the 33 Survey questions that are comparable in 2016 and 2017 (see Annex C or the Assessment section of the BSB website) our analysis suggests that, across firms, there has been an improvement in the scores on 25 questions and a decline in none. This result is virtually the same when we exclude from our analysis any firm that did not take part in the Survey in both years.

While for most questions the size of the improvement is small (even where it is statistically significant), there are some questions where the change is more sizeable. These are particularly so on questions relating to leadership, shared purpose, aspects of respect and perceptions of the competence and reliability of colleagues.

Fig. 7. Regressions and tests for 2017 differences from 2016 (all respondents)



1. This line extracts just the results for the 2017 variable from the overall ordinal logit regressions for 2016 and 2017
2. This line reports the results of Mann-Whitney and Chi-squared tests for differences in the distribution of 2016 and 2017 responses

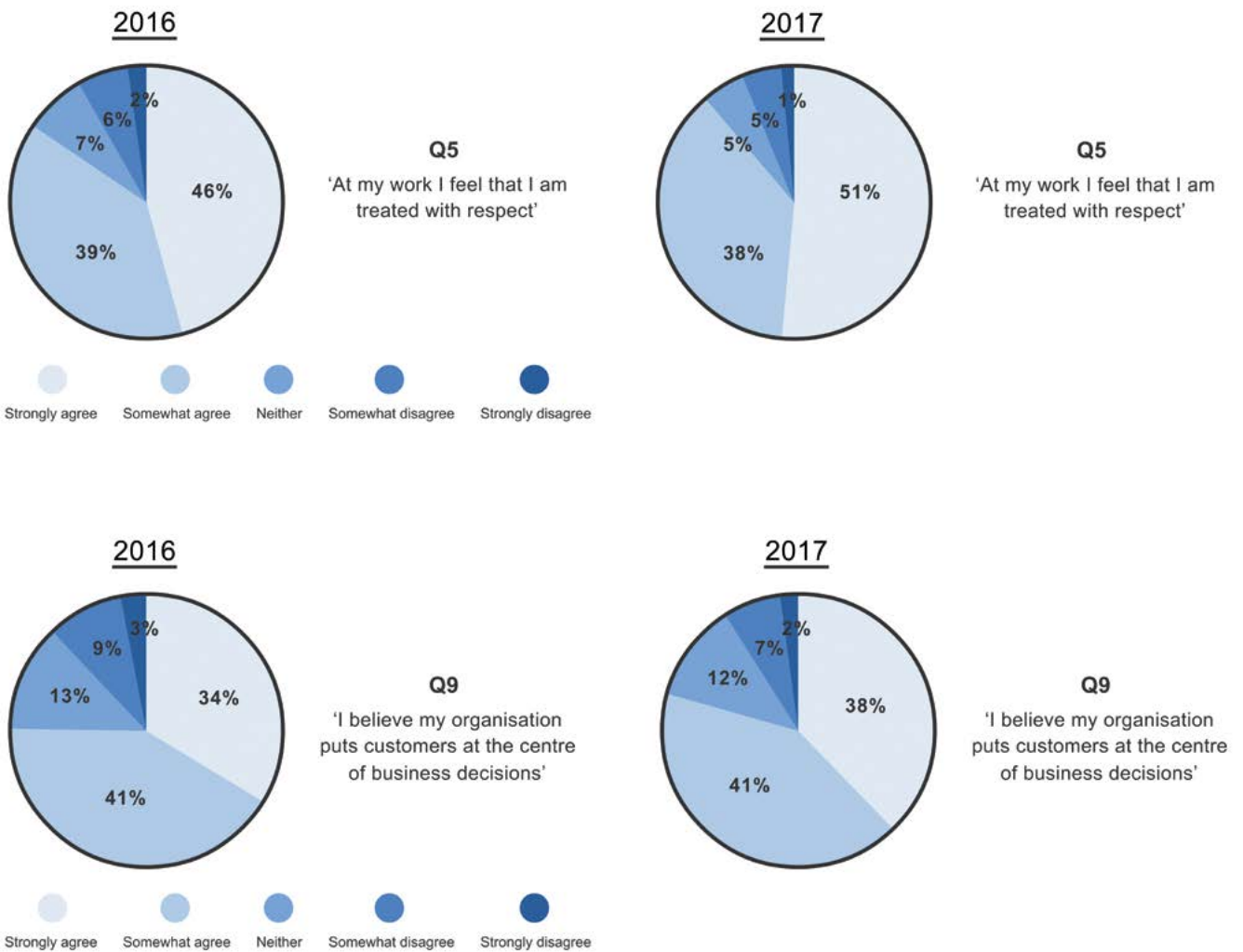
Survey scores are calculated from the percentages of employees who agreed, disagreed or were neutral on each question, and the strength of that agreement or disagreement. Looking at the underlying responses to the questions relating to leadership and shared purpose where improvement was most evident:

- 70% of employees believed in 2017 that senior leaders in their organisation meant what they said, compared with 62% in 2016 — Question 1 ('Q1');
- 65% thought that senior leaders took responsibility, especially when things went wrong, compared with 58% in 2016 — Q16; and
- 69% saw no conflict between their firm's values and the way that business was done, compared with 64% in 2016. The 11% that did see such a conflict was down from 14% the previous year — Q36.

Fig 8. Leadership 2016 and 2017



Fig 9. Aspects of respect 2016 and 2017



Alongside the improved perception of leaders and a stronger sense of shared purpose, greater proportions of employees said in 2017 that:

- they felt treated with respect (89% compared to 84% in 2016) – Q5;
- their organisation put customers at the centre of business decisions (79% compared to 75% in 2016) – Q9;
- people did not get defensive when their views were challenged (50% compared to 45% in 2016) – Q12;
- people had the skills and knowledge to do their jobs well (84% compared to 80% in 2016) – Q20; and
- their organisation responded effectively to staff feedback (63% compared to 57% in 2016) – Q30.

Improvements in employee perceptions were most evident in Retail and in Commercial Banking. Less sizeable improvements were observable in Functions, while there was almost no year-on-year change in Investment Banking (see Annex D or the Annual Review Annex on the BSB website)<sup>3</sup>. This does not, it should be emphasised, mean that the scores in Investment Banking were generally lower than in other areas (on some questions, Investment Banking scores more highly as shown in Figure 6). Nor does it mean that scores of or within the Investment Banking areas of individual firms showed no change over the year. All that we are saying here is that there was in general no overall change in results between 2016 and 2017, from respondents working in Investment Banking.

Overall, the 2017 Survey paints a picture of firms moving in the right direction from a starting point of 2016. We need of course to be clear about the limitations of what we can infer from the information that we have. As it is important to emphasise throughout, two data points do not make a trend. We do not yet know how volatile employee perceptions may be on some of the issues addressed by our questions, and therefore what degree of movement reflects real and sustained change. With only two time periods, we cannot say whether an improvement relative to 2016 is evident also relative to 2015 or earlier years; a particular question score might have been erratically low or high in 2016, with 2017 simply reverting to type. Finally and importantly, changes in the scores reflect changes in the perceptions of banking employees. We cannot be certain that this translates to improvements in customer and societal outcomes, or whether these changes are going far or fast enough.

#### *Observations across business areas*

In general, controlling for all other factors, we observe responses in Retail to be more positive than in other business areas, and in Functions to be less positive than elsewhere (Figure 6). Within Retail the perceptions of branch employees are often significantly more positive than respondents from Business Banking, Private Banking or other areas within Retail (see Figure 39 in Annex D). Within Functions, meanwhile, the responses of employees in IT & Operations are particularly negative compared to those of Risk and Compliance or of other functions (see Figure 42 in Annex D).

Specific questions where Retail responses are most markedly positive relative to other business areas include respect for Risk and Compliance (Q7), provision of information to customers (Q11), and sharing learning and good practices with others (Q13). The one question where there are significantly more negative responses in Retail than in all other areas relates to whether it is difficult to make career progression without flexing one's ethical standards (Q4).

While responses in Investment Banking are less positive than in Retail on several questions, in particular Q7 and Q13 (as mentioned) and on work having a negative impact on health and wellbeing (Q29). On some other questions, however, they are more positive, such as customers being at the centre of business decisions (Q9).

Respondents from Commercial Banking meanwhile express relatively negative perceptions around aspects of responsiveness and reliability, and particularly so on internal processes and practices being a concern (Q31). That this is an issue in Commercial Banking throughout tenures at firms, much more so than in other business areas, is apparent in Figure 43 in Annex D.

<sup>3</sup> The two questions where our models and tests suggest improvement across each of the four business areas are around senior leaders meaning what they say (Q1) and people not getting defensive when their views are challenged (Q12).

We explore and comment on the differences and similarities by business area through both our investigation of demographic factors e.g. gender, which we consider next, and in the detailed discussion of themes that then follows.

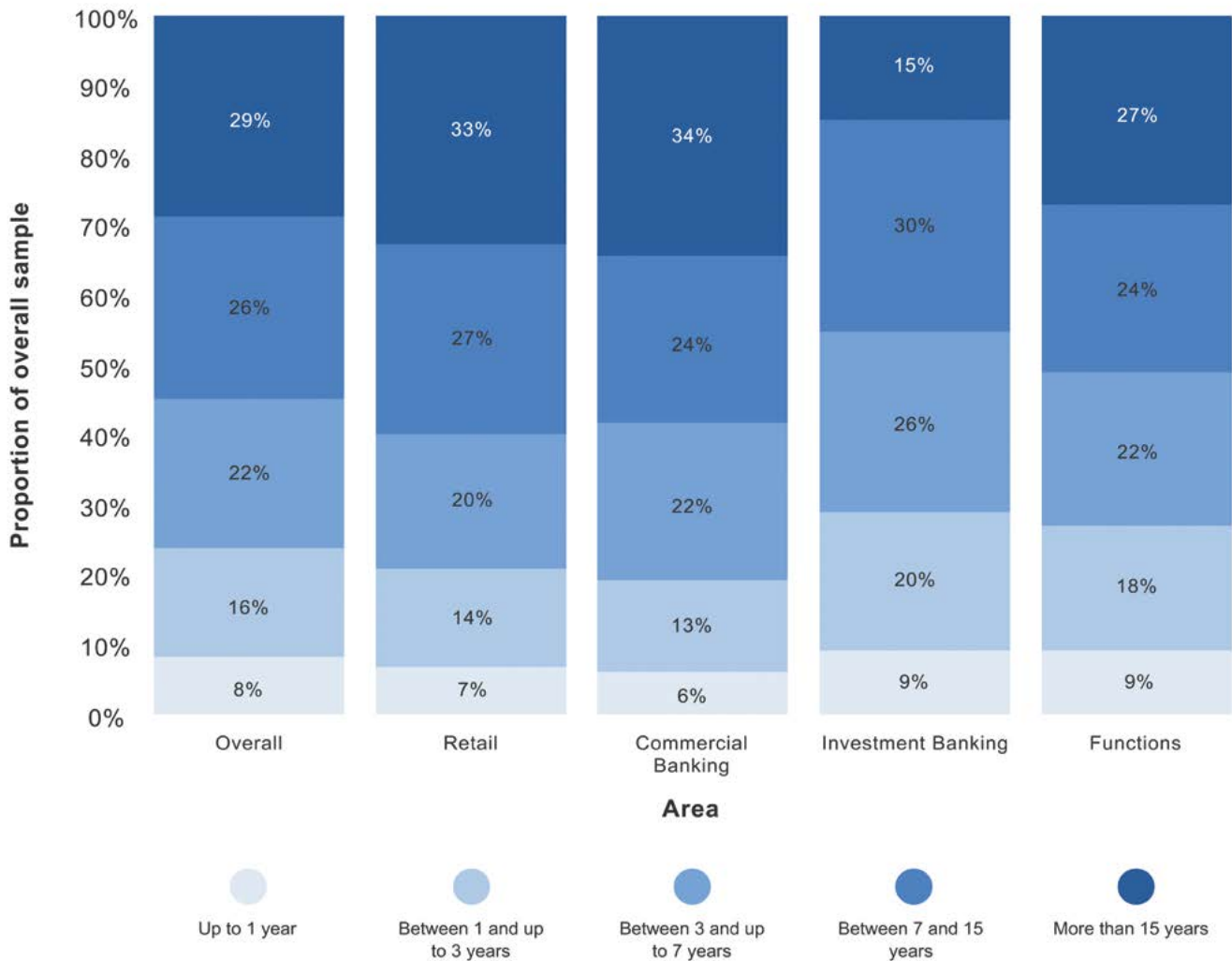
### *Demographic observations*

Returning now to the demographic information set out in Figure 6, some interesting observations can be made as to whether and how responses differ by demographic attribute. As described earlier, the colour of each circle shows whether someone with a particular attribute (e.g. working in an area other than London) is in general more or less positive than someone with the relevant base attribute (in this case, working in London), once all other attributes collected are controlled for. The size of the circle then reflects how pronounced this difference is.

**Gender** For most of the Survey questions, women were more positive about their firm than men. This was the case in Retail, Commercial Banking and Functions, but not in Investment Banking. Across almost all questions there was no difference in perceptions by gender in Investment Banking. The exception was Q17, with women more likely than men to see people turn a blind eye to inappropriate behaviour. We return to this finding later in the Review (see BSB Work Theme 2: Helping to develop a culture of accountability and responsibility rather than of blame).

**Time employed by the firm** The second of the demographic attributes shown in Figure 6 and one that appears to influence responses, is the time a respondent has been with their firm. As context, the distribution of firm tenure among survey respondents is shown in Figure 10. Just over half (55%) of respondents had been at their firm for more than seven years, with tenures longest in Retail Banking.

Fig. 10. Tenure distribution by business area 2017



On all questions but one, people in their first year of working at their firm tended to respond more positively than those who had been at their firm for longer. The greatest differences were around believing senior leaders mean what they say (Q1), seeing senior leaders taking responsibility (Q16), being treated with respect (Q5), seeing people try to avoid responsibility in case something goes wrong (Q18), people having the skills and knowledge to do their jobs well (Q20), people delivering on promises (Q25), work having a negative impact on wellbeing (Q29), and firms responding effectively to staff feedback (Q30).

The exception to the pattern was Q19, where people who had been working in their firm for less than a year felt as comfortable challenging a decision made by their line manager as those who had been at their firms longer.

On many questions we observe a pattern where perceptions are most positive at joining a firm (respondents who have a tenure of less than one year), but then fall significantly and remain largely flat, before rising among respondents who had been with their firm for more than 15 years. This uptick among those with the longest tenures is particularly marked in Investment Banking. Figure 41 in Annex D illustrates this point.

A similar pattern has been observed in studies of engagement surveys across a number of sectors, in the UK and elsewhere<sup>4</sup>. The BSB Survey is not an engagement Survey, and the questions asked are not directly comparable. Our results, are, however, consistent with what the existing body of evidence would suggest about changes in employee engagement over time.

**Membership of a professional body** Responses from people who said that they were a member of a professional body were in general similar to responses from those who said that they were not.

**Having line management responsibility** Line management responsibility was one of the two demographic attributes linked to the largest overall differences in Survey responses (the other being tenure at the firm). Those who said that they had line-management responsibility were, for almost all questions, more positive about their organisation than those who did not (again, a tendency that will be familiar to analysts of engagement surveys). This difference was often quite marked, most notably with respect to leadership, shared purpose and speaking up. Line managers were marginally more negative on only one question (Q31 'Our internal processes and practices are a barrier to our continuous improvement').

**Being in a customer-facing role** Respondents who said that they worked in customer-facing roles were more positive than those who said that they did not on Q11 ('In my organisation people are encouraged to provide customers with information in a way that helps them to make the right decisions') and Q24 ('I see the people I work with go the extra mile in order to meet the needs of our customers'). They were, however, marginally more negative on Q9 ('I believe my organisation puts customers at the centre of business decisions').

**Location** Respondents in Northern Ireland, Wales and the West Midlands were in general more positive than those working in London. Respondents in the Channel Islands were by contrast generally more negative in their perceptions. Marked differences by location were observable on four questions, with respondents in London considerably more negative than respondents in just about every other location. These questions were Q7 'In my organisation Risk and Compliance are both respected functions', Q13 'In my organisation I am encouraged to share learnings and good practices with others', Q21 'In my role, I am encouraged to continually learn new skills and improve my role-specific knowledge, Q24 'I see the people I work with go the extra mile in order to meet the needs of our customers'.

<sup>4</sup> See e.g.: Mind Gym, Sept 2011, The engaged employee: How to keep your people flourishing whatever the weather, Engage for Success Working Paper; Gemma Robertson-Smith and Carl Markwick, 2009, Employee Engagement: A review of current thinking, Institute for Employment Studies Report 469; and, Dan Harris, Nov 2017, The Tenure Curve: How Tenure impacts Employee Engagement, Quantum Workplace



*Informing the BSB's wider work*

Overall, a picture emerges from the 2017 Survey of firms moving in the right direction. The forthcoming 2018 Assessment will help establish the extent to which this change is real and sustained. We are also able to identify differences in perceptions between employees with different demographic characteristics; potentially important for firms when determining how findings are prioritised and acted on.

The results from both the 2016 and 2017 Assessments — both the quantitative findings of the Survey, and the qualitative evidence from focus groups, interviews and boards — are informing the BSB's work on the three key themes it set out for 2017/18 (the mismatch in some firms between stated values and the way business is done; creating a culture of responsibility and accountability rather than of blame; and the personal resilience and wellbeing of employees), and on consumer outcomes, professionalism and certification. Each of these areas is explored in the sections that follow, drawing on the 2017 Assessment findings as well as on the BSB's wider work.

## **BSB Work Theme 1: The perceived mismatch between a firm's stated values and the way in which some employees see business being done**

The 2016 Survey results highlighted a disconnect in some firms between the values espoused by the firm and the way in which some employees saw business actually being done. Understanding this mismatch has been one of the BSB's work themes over the past year, and one that we took the opportunity to explore further in the 2017 Assessment (both in the Survey and with focus groups).

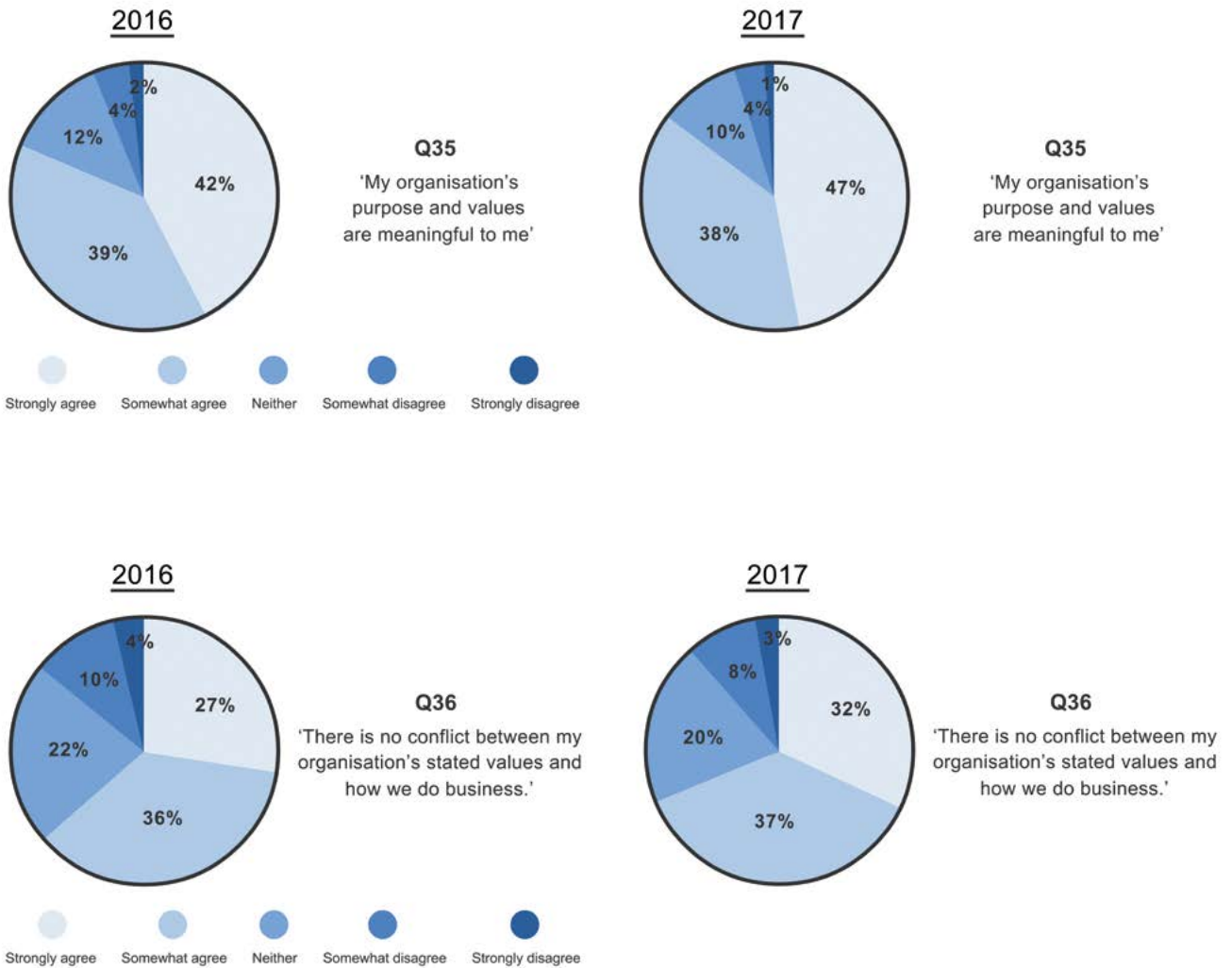
This section brings together the findings of our work to date; evidence that reinforces the importance of leadership — and, in particular, of leading by example. In every firm, whether or not employees see behaviour and the firm's values as being aligned, leaders are described as talking about and referring to values. The difference comes when employees see those values played out in leaders' actions, and when feedback is listened to as well as encouraged. When it comes to setting the 'tone from the top', actions speak louder than words.

### *What the Survey evidence tells us on this theme*

The BSB Survey contains two questions that related to the Assessment characteristic of 'Shared Purpose': Q35, that asks whether the organisation's purpose and values are meaningful to the respondent; and Q36, that asks whether the respondent agrees that there is no conflict between their organisation's stated values and the way in which business is done.

Shared Purpose was one of the areas where improvement was most evident in 2017. 85% of employees found their organisation's purpose and values meaningful in 2017, from 81% in 2016 (Q35); and when asked if they saw no conflict between their organisation's stated values and how business was done, 69% agreed, from 63% in 2016 (Q36). 11% of employees did see a conflict (down from 14% in 2016), with the remainder neither agreeing nor disagreeing.

Fig 11. Shared purpose 2016 and 2017



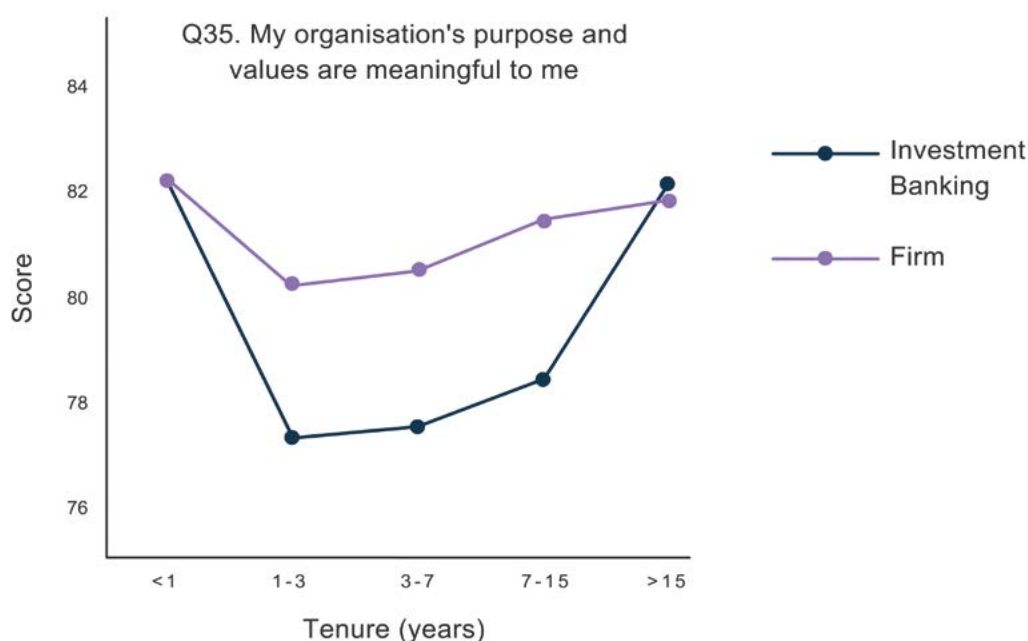
**By business area**, our models and tests suggest improvements in both questions within Retail and Commercial Banking, and on Q36 within Functions also. We are less certain of the statistical significance of improvements within Investment Banking.

87% of employees in Retail Banking found their firms' purpose and values to be meaningful (Q35); a higher proportion than in other business areas. Within Retail, branch employees were especially positive about their sense of shared purpose. Investment Banking employees were less likely to find their firms' values meaningful (though the proportion was nevertheless high, at 81%), but the most likely to see values and business practices as aligned (71% in 2017, similar to 2016).

Looking at **gender**, the responses of women to the two questions on Shared Purpose (Q35 and Q36) are significantly more positive than those of men. While women’s responses (controlling for other factors) tend to be more positive than those of men across the Survey questions in general, the difference on Q35 is among the largest in the Survey. This is also one of the few questions where a material gender difference is evident in Investment Banking.

On **tenure**, employees are notably less positive about shared purpose at their firm after they have been there for a year, as is the case with many other Survey questions. Controlling for other variables, perceptions do not subsequently differ substantially as tenure increases. The exception to this is, however, Investment Banking, where perceptions improve among the longest-serving employees (i.e. those at their firms for more than 15 years), who find the values just as meaningful as do new starters (Q35). Figure 12 illustrates perceptions among employees in Investment Banking compared with those of Survey respondents as a whole.

Fig. 12. Q35 by tenure 2017



**Line managers** are more likely than other employees to find their firm’s values meaningful and to see them as aligned with business practices. More positive perceptions among line managers were evident across the survey questions in general, but the effect is larger on Q35 than on any other question. The line manager effect is marked across all business areas, but especially so in Retail.

We asked an additional question in the 2017 Survey (Q38) that was given only to respondents who said that they saw a conflict between their organisation’s stated values and the way that business was done (Q36), or were neutral. This question showed the respondent the stated values of their own firm, and asked which value (or values) they felt this conflict applied to. Responses were reported to each firm but cannot sensibly be aggregated and are therefore not reported in this Review.

*What the qualitative evidence (focus groups) tells us on this theme*

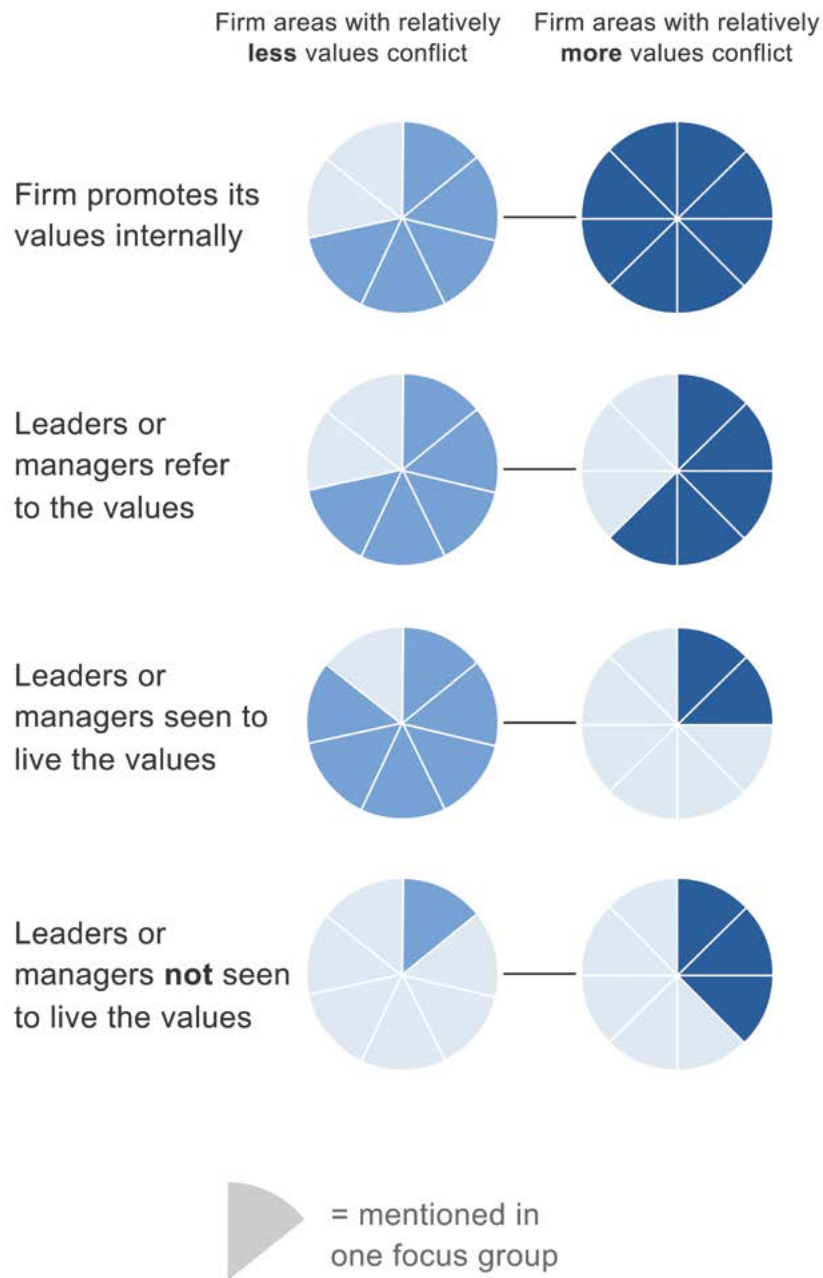
Using the grounded theory approach described in the previous section (and see Annex B for more detail), we analysed evidence from focus group discussions to try to identify what might distinguish business areas in firms where values were seen as highly aligned with the way the firm did business (Q36 in the Survey), from those where such alignment was less evident. Identifying such factors may help in the collective formulation of good practice, enabling firms better to manage and maintain their organisational cultures. The results of this analysis are set out here, with the most clearly differentiating practices set out first. For each of the practices identified, summary tables are included to show the relative frequency with which they were referred to among focus groups with participants from both higher and lower-scoring business areas.

*Leading by example*

The ‘tone from the top’ stems not only from what leaders say, but also — and perhaps even more importantly — from what they do. In firms where Survey respondents saw alignment between the way they worked and the firm’s stated values, focus group participants were much more likely to say that they saw leaders and managers living the values than in firms characterised by a lack of alignment. Demonstrating the values, rather than simply talking about them, is what appears to make the difference. Focus group participants from areas of firms both where behaviour was seen as aligned with the firm’s values and where it was not, spoke of their leaders promoting or referring to the values. This does not mean that speaking about the values is not important or necessary; it does, however, suggest that it is not enough. Survey Q1, ‘I believe senior leaders in my organisation mean what they say’ has the second highest correlation of any question with Q36, ‘There is no conflict between my organisation’s values and how we do business’.

Figure 13 shows the frequency with which participants in different focus groups referred to aspects of leadership. The focus groups analysed were from business areas of firms that had relatively high or low Survey scores for Q36 and are clustered accordingly in the chart as being from ‘higher-scoring business areas’ or ‘lower-scoring business areas’. For each ‘high’ and ‘low’ pair of circles, the number of segments in each circle represents the number of focus groups analysed. The number of focus groups in which a practice was mentioned by different focus groups, is indicated by the number of segments that are shaded.

Fig. 13. Behaving consistently with the values as leaders or managers

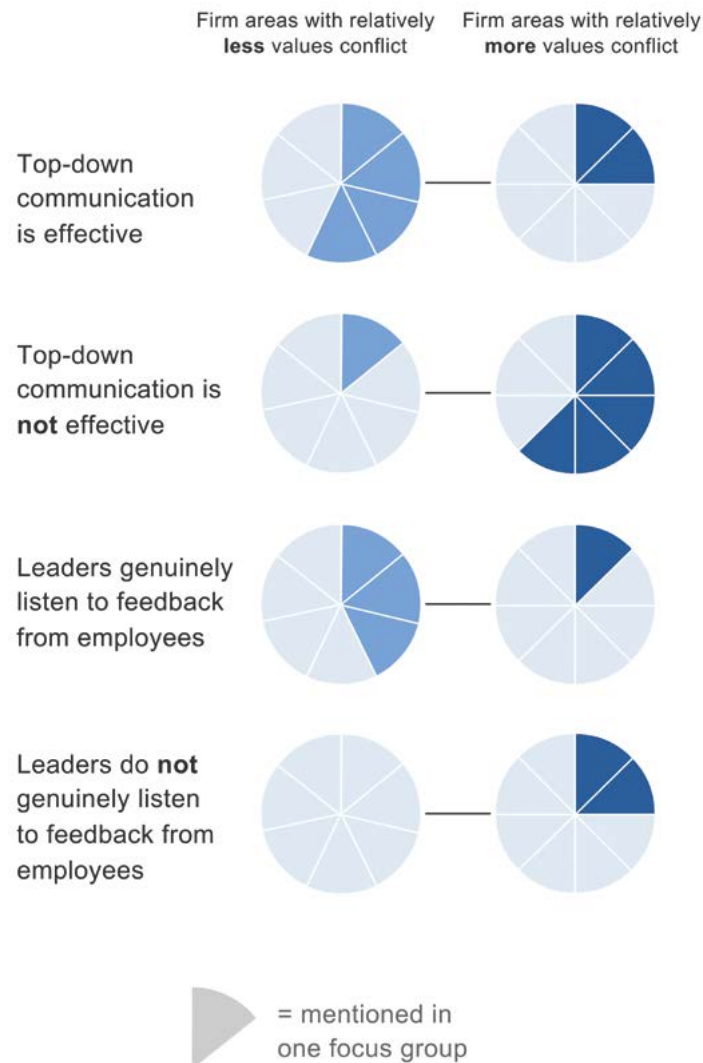


- Employees from both higher and lower-scoring business areas frequently mentioned ways that their firm promoted its values internally, such as via leadership communications and prominent office displays. The lack of differentiation between higher and lower-scoring business areas on this point suggests however that, while promoting and referring to the firm's values may be a necessary condition for ensuring that behaviour is aligned with values, it is not of itself sufficient.
- What did clearly distinguish higher from lower-scoring business areas was the extent to which employees believed that their leaders or managers lived the values. Employees from higher-scoring business areas said that their leaders or managers genuinely believed in the firm's values, discussed them without cynicism and demonstrated them in their day-to-day actions. In some lower-scoring business areas employees felt that, while their leaders or managers spoke about the values, they did not truly behave in line with them.

*Effective two-way communication*

Focus group participants from firms with more positive perceptions on the alignment of values and behaviour, said that their leaders communicated consistently and comprehensively, and that they actively listened to feedback from employees.

Fig 14. Opening two-way flows of communication



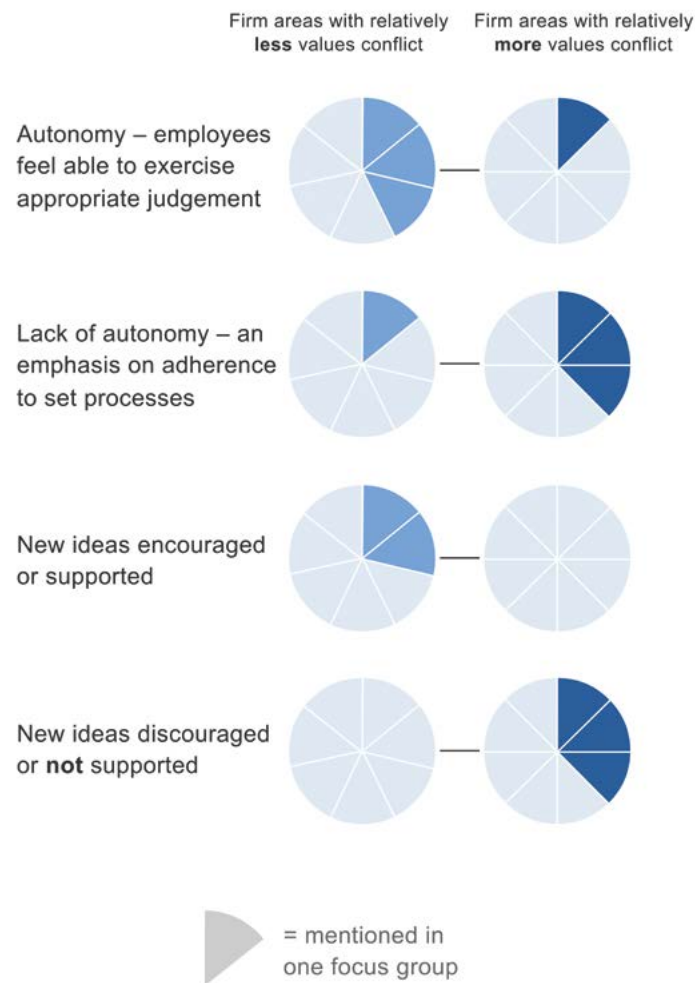
- Employees from higher-scoring business areas more commonly said that their leaders' communications were consistent, frequent or reached all parts of the organisation. They said that large proportions of the workforce heard leaders' messages, and that they found these to be accessible, practical or relatable.
- Employees from lower-scoring business areas more commonly said that their leaders did not explain decisions or set out how these fitted into the firm's overall strategy. Some employees felt that clear messages did not reach their level of the organisation; others found that issues were repeatedly discussed with no real outcome.
- Employees from higher-scoring business areas spoke more positively about the way that senior leaders listened to employees and responded to their input. They gave examples of structured interactions, such as sessions where employees gave feedback on their day-to-day working practices. Employees from lower-scoring firms said that they did not have opportunities to ask questions at town hall meetings, or felt that requests for feedback were not genuine.



*Appropriate autonomy*

Giving employees appropriate space and support to exercise their own judgement may allow them to feel more able to behave in line with the values. Focus group participants from business areas that saw less conflict between values and how business was done, were more likely to describe working in an environment where they were given a degree of autonomy, or where new ideas to bring about changes were encouraged and supported.

*Fig. 15 Allowing employees appropriate autonomy*



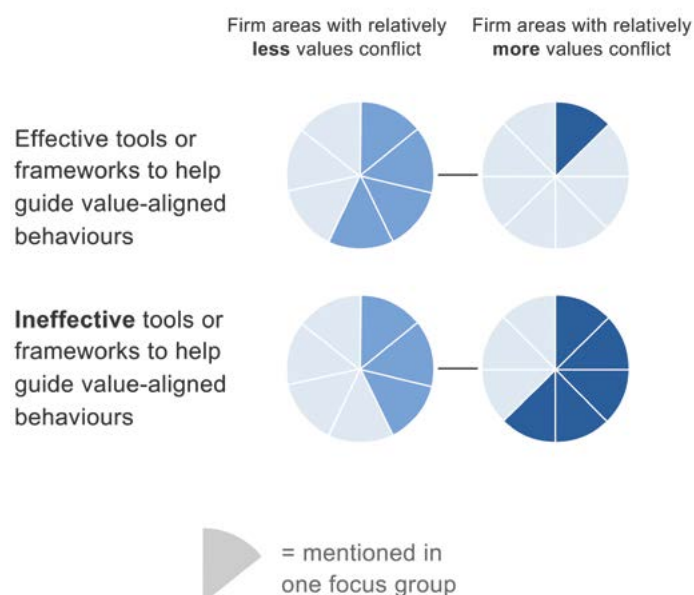
- Employees from higher-scoring business areas more commonly described a working environment in which they were given the autonomy to behave in ways that they saw as being aligned with the firm’s values. They felt guided by principles rather than instructed to follow standard checklists, and said that they had the freedom to exercise common sense to find the best solution to problems without fear of retribution if the end result was not as hoped.
- Employees in higher-scoring business areas also more commonly referred to their firm as having a culture of innovation. They were encouraged to suggest new ideas to bring about improvements, and given the support to implement these.

- In lower-scoring business areas, employees more commonly described layered decision-making structures and a culture overly adherent to process. This was seen as stifling new ideas and problem-solving. Some felt that they were not empowered by their firm to try to find solutions to customer problems, or that there was a tendency for employees to hide behind processes rather than actively seek out solutions. In some cases, employees felt that the firm's risk appetite led to low levels of innovation in customer initiatives.

### Effective tools and frameworks

Focus groups participants frequently discussed the tools and frameworks used by firms to help employees understand and put into practice their values. In the focus groups selected for our grounded theory analysis of this theme, participants from both higher and lower-scoring business areas spoke about ineffective tools. The key difference appears to be not that higher-scoring firms have no ineffective tools, but that effective tools are much less apparent among lower-scoring firms' business areas.

Fig. 16. Using tools and frameworks to guide behaviour

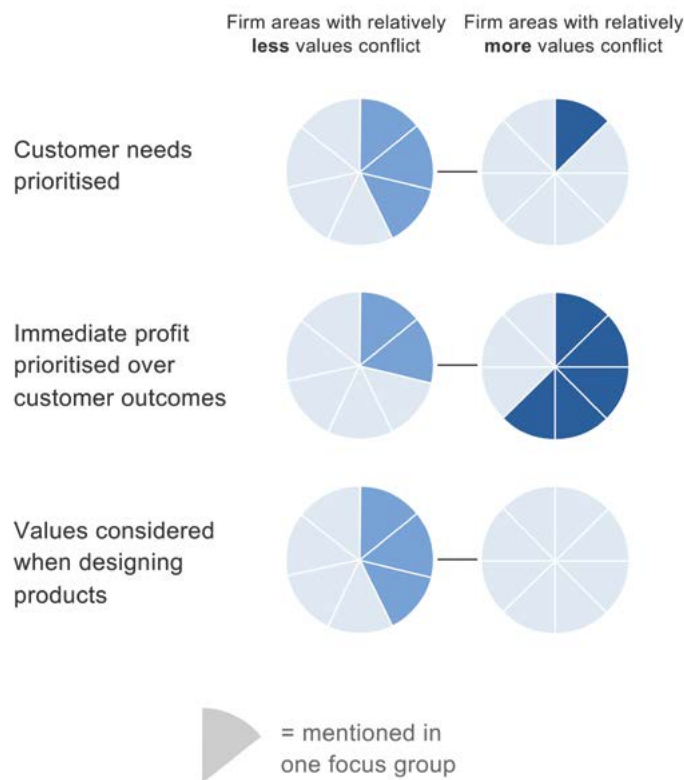


- Employees in focus groups from both higher and lower-scoring business areas frequently said that their firm provided tools or practical frameworks relating to their firms' values. In both sets of focus groups, ineffective tools and frameworks were noted.
- In higher-scoring business areas, however, employees more commonly also described structures that did help them to implement their firms' values on a day-to-day basis. These included simple, practical tools to aid ethical decision-making and processes to report anything that conflicted with the values.
- In lower-scoring business areas, focus group participants were slightly more likely to describe a tendency for the values to be over-explained, or referred to frameworks that actually led to confusion. Some also felt that overly rigid or lengthy processes inhibited employees from acting in accordance with the firm's values.

*Prioritising customer outcomes*

Focus group participants frequently linked their firm’s values with doing what was in the best interest of customers. In the Survey, Q9, ‘I believe my organisation puts customers at the centre of business decisions’, is the question most highly correlated to Q36. Employees in higher-scoring business areas more commonly felt that the values of their firm were reflected in its products and its dealings with customers; those in firms with less positive perceptions more commonly noted a conflict between meeting customer needs and commercial considerations.

Fig. 17. Prioritising customer outcomes over immediate profit

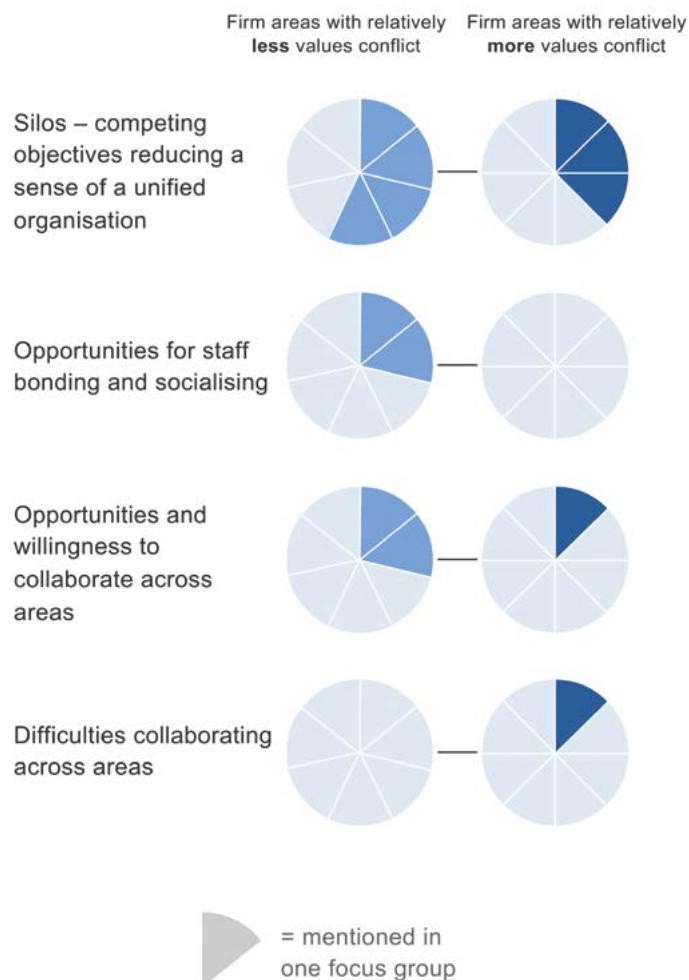


- When asked about how well aligned their firms’ values were with the way in which business was done, employees in focus groups frequently saw this through the lens of doing what was in the best interest of customers.
- In higher-scoring business areas there was a greater sense from employees that the values of their firm were reflected in the products offered to customers and that a conscious effort had been made to focus on customer service. Examples of this included ensuring services (such as branches) remained widely accessible and placing a greater emphasis on meeting customer needs than on explicit targets e.g. the number of interactions with customers. In some cases, employees felt that the firm had taken a long-term view despite this having led to an increase in costs or a fall in profits in the short term.
- In lower-scoring business areas, employees more commonly felt that the need to reduce costs or maximise profits in the short term was prioritised over customer outcomes. Employees in some business areas noted a conflict between customer-orientated targets or performance measures and commercial considerations, with the latter felt to win in practice.

*Encouraging integration across business areas*

The extent to which employees communicate and work together across business areas may have an impact on their sense of shared purpose. Examples of cross-team collaboration and inclusive attitudes were offered slightly more frequently among focus groups from business areas that saw less conflict between their firms' stated values and how it did business.

Fig 18. Encouraging collaboration across business areas



- Employees from both higher and lower-scoring business areas said that silos were a feature of their organisations. They differed slightly, however, on opportunities to integrate across and within teams.
- Employees from some higher-scoring business areas described an inclusive and team-orientated environment in which people were open and honest. They found it easy to talk to colleagues across the firm, and found them ready to collaborate. This was supported by programmes that brought people from different business areas together and allowed them to get to know each other. Approaches referred to included innovation projects, charity work, team-building and simply socialising.
- In one lower-scoring business area, by contrast, employees said that they did not understand the work of other business areas or found it hard to get information from other areas. The low frequency with which 'silo busting' initiatives were referred to across all of the focus groups analysed suggests that even higher-scoring firms could benefit from doing more to integrate their employees across business areas.

## **BSB Work Theme 2: Helping to develop a culture of accountability and responsibility rather than of blame**

The BSB's second work theme, developing a culture of accountability and responsibility rather than of blame, addresses something that is a priority and a challenge not only for banks and building societies, but for firms and organisations across a wide range of industries and sectors<sup>5</sup>. Learning from other sectors (such as health and defence) has been an important aspect of the BSB's work, whether through member events or in our research and engagement. We hope that these findings, drawn from the banking sector, will be of value in turn to other industries and sectors.

Collaboration within and across teams – relevant also to the alignment of values and behaviour in the previous section – emerges as a prominent influence on accountability and responsibility. The extent to which leaders are seen as accessible and responsive is also important, along with clarity as to what individuals' responsibilities actually are. Fear, blame and hierarchy were also referenced more frequently in focus groups from lower-scoring business areas.

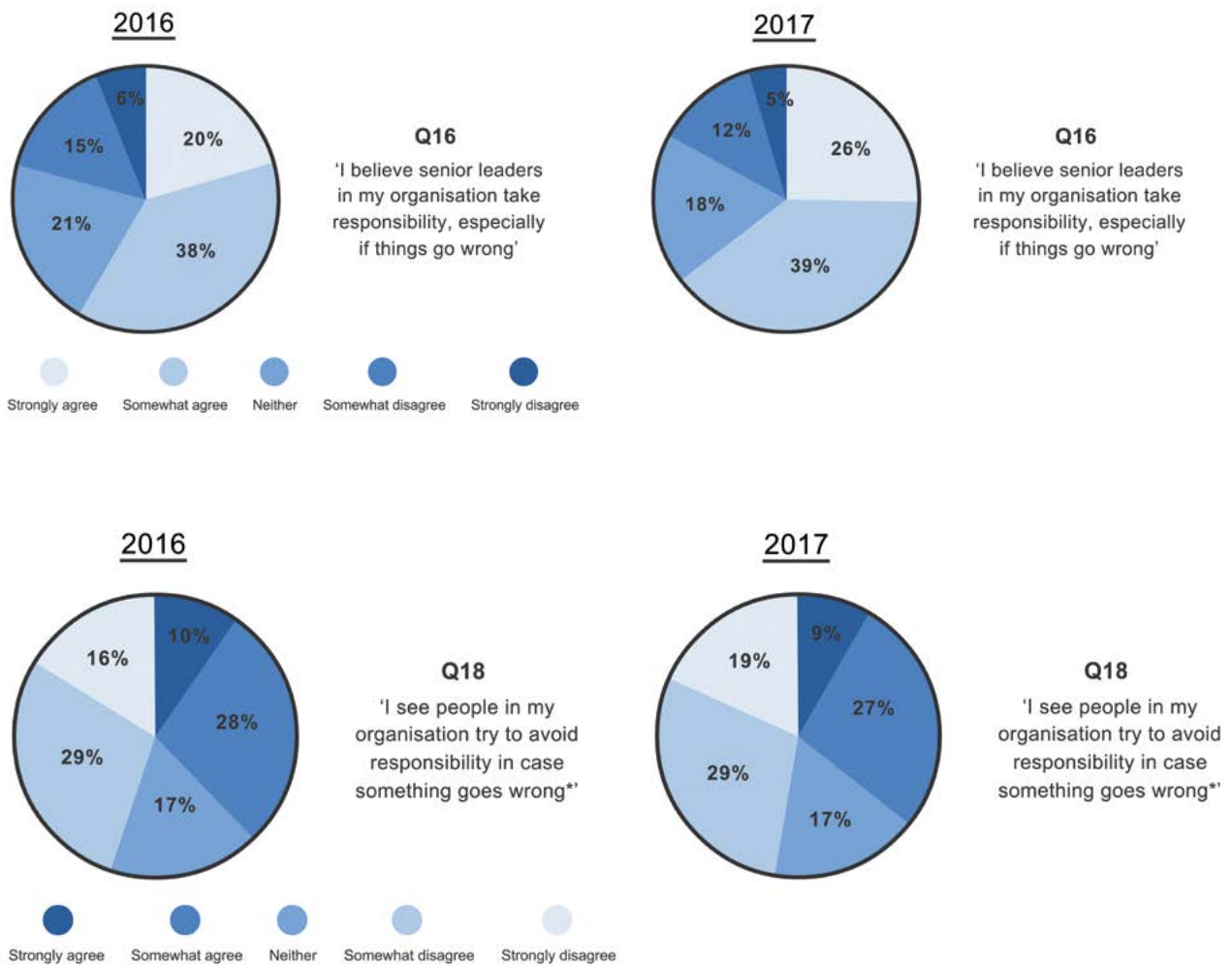
### *What the Survey evidence tells us on this theme*

There are two overlapping concepts that we explore in the Survey that are relevant to this work theme: accountability and speaking up.

'Accountability' is one of the nine characteristics of the BSB Assessment framework. Employee perceptions improved in 2017 on two of the three comparable accountability questions - Q16 'I believe senior leaders in my organisation take responsibility, especially when things go wrong' and Q18 'I see people in my organisation try to pass responsibility to others in case things go wrong'. (The wording of Q18 was altered slightly from 2016, but not to an extent that we consider precludes comparability - see Annex C). The improvement was most evident for Q16, with 65% of employees believing that senior leaders in their organisation took responsibility, especially when things went wrong (from 58% in 2016). Improvements on Q18 were smaller, but still significant. Controlling for other factors, there was no year-on-year change in responses to Q17 ('I see people in my organisation turn a blind eye to inappropriate behaviour').

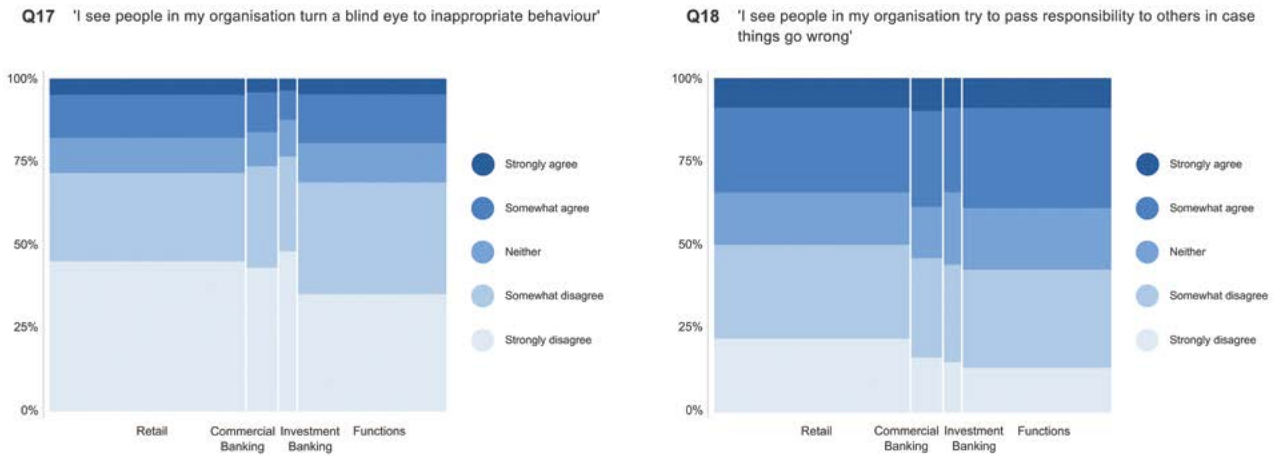
<sup>5</sup> Including in new areas such as Artificial Intelligence; see e.g. Ch 4 in Brundage M et al, "The Malicious Use of Artificial Intelligence: Forecasting, Prevention and Mitigation", Future of Humanity Institute, Oxford University, Feb 2018

Fig. 19. Aspects of accountability



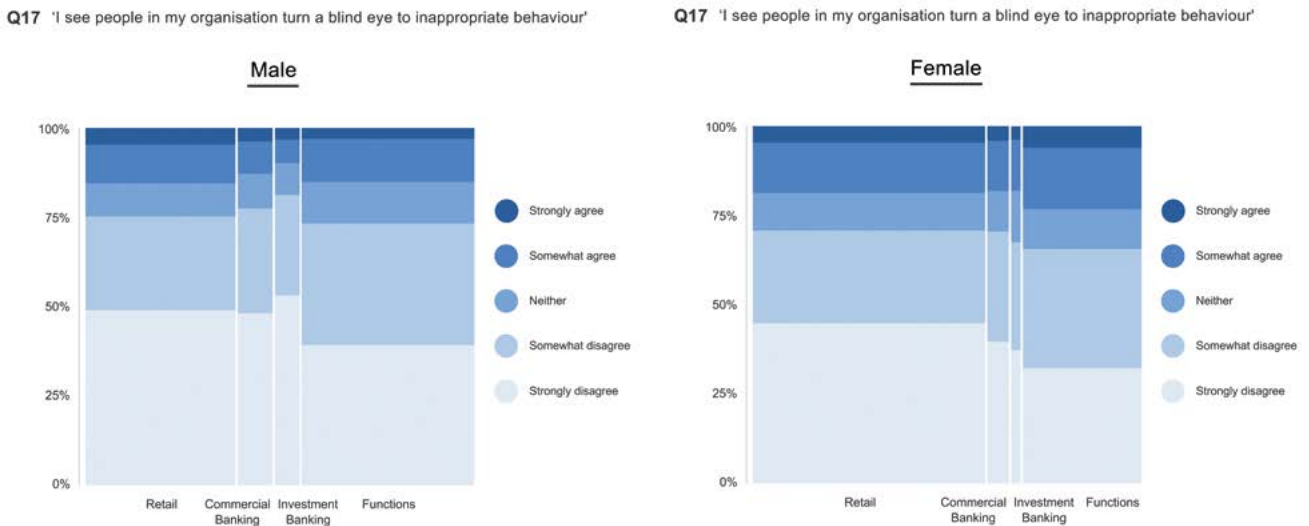
By business area, as on most characteristics, Retail Banking showed the greatest improvement in scores on Accountability. Employees in Functions were least positive business area overall, with a greater proportion than in other business areas seeing people turning a blind eye to inappropriate behaviour (Q17), or trying to pass responsibility to others in case things went wrong (Q18). Within Functions, the picture is mixed, with employees in Risk & Compliance markedly more positive than those in IT & Operations. One in five employees in IT & Operations, for example, said in 2017 that they saw people turn a blind eye to inappropriate behaviour; in Risk & Compliance the proportion was smaller, at one in seven.

Fig. 20. Accountability by business area in 2017



Looking at the Survey results relating to accountability by gender, women were more likely than men to see people turning a blind eye to inappropriate behaviour (Q17). While this difference was evident across all business areas, it was most marked in Investment Banking. This was not, however, primarily because women in this area were more negative than women elsewhere; female survey respondents in Investment Banking were just as positive as those in Retail and Commercial Banking (and more so than in Functions). The wider gap between male and female perceptions on this question in Investment Banking reflected, rather, the more positive perceptions of men in this area compared to men in other business areas. Men in Investment Banking were less likely to say that they had seen inappropriate behaviour than were men in other business areas.

Fig. 21. Q17 responses by gender in 2017

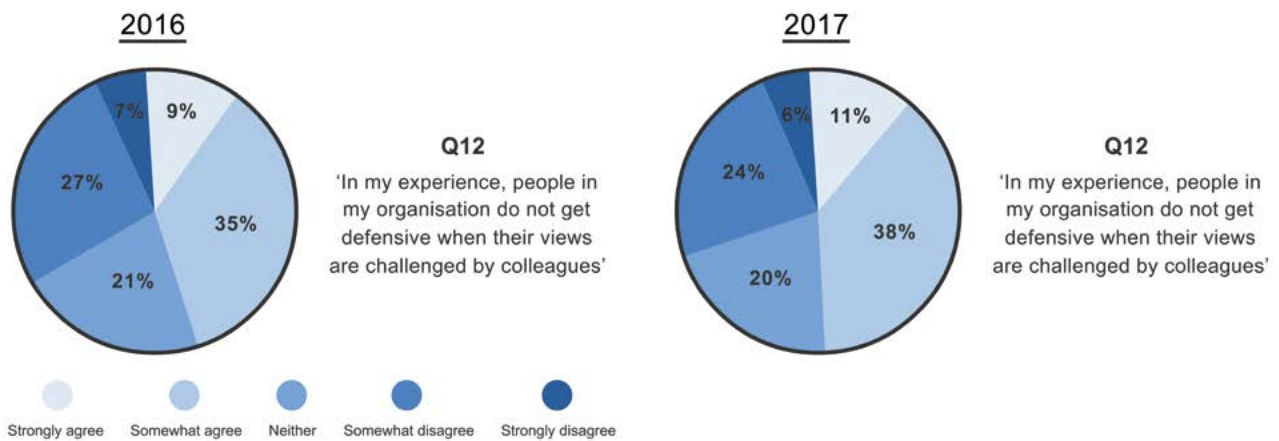


'Speaking up' is not a characteristic of the BSB Assessment framework. There are, however, a number of Survey questions spread across different Assessment characteristics, that together have relevance to this issue. The results for this speaking up cluster of questions improved in 2017.

In 2017, 49% of employees felt that people in their organisation did not get defensive when their views were challenged (compared with 44% in 2016); 30% said their colleagues did get defensive (down from 34% in 2016). When employees were asked whether they would be worried about negative consequences if they raised concerns about the way their organisation worked (Q14), 60% said they would not be worried about negative consequences (57% in 2016). This compared with 27% who would be worried (from 29% in 2016).

Improvements on speaking up questions were found in all business areas, with the greatest occurring in Retail (and, in particular, among Retail Branch employees). Scores in Investment Banking, which for most questions registered little change, saw improvements on aspects of speaking up.

Fig. 22. Speaking up Q12 in 2016 and 2017



We also asked two additional questions in the 2017 Survey relating to Accountability and Responsibility; one (Q39) on whether particular types of behaviour had been observed over the previous 12 months, and one of the reasons someone might have for being reluctant to raise concerns (Q40). The results of the first were provided to individual firms to help provide further context around the 'core' Survey question relating to people turning a blind eye to inappropriate behaviour (Q17). The results of Q39 are not aggregated for presentation in this Review, given the lack of comparability of the answers and their limited information content (e.g. the question does not discriminate between an incidence of inappropriate or unethical behaviour that was seen by 10 people, or 10 separate incidents and does not explore whether the incident was challenged and/or dealt with satisfactorily). The responses to Q40 do, however, provide some potentially valid insight at an aggregated level, and are described in Box A.



**Box A - Additional question in 2017 (Q40)**

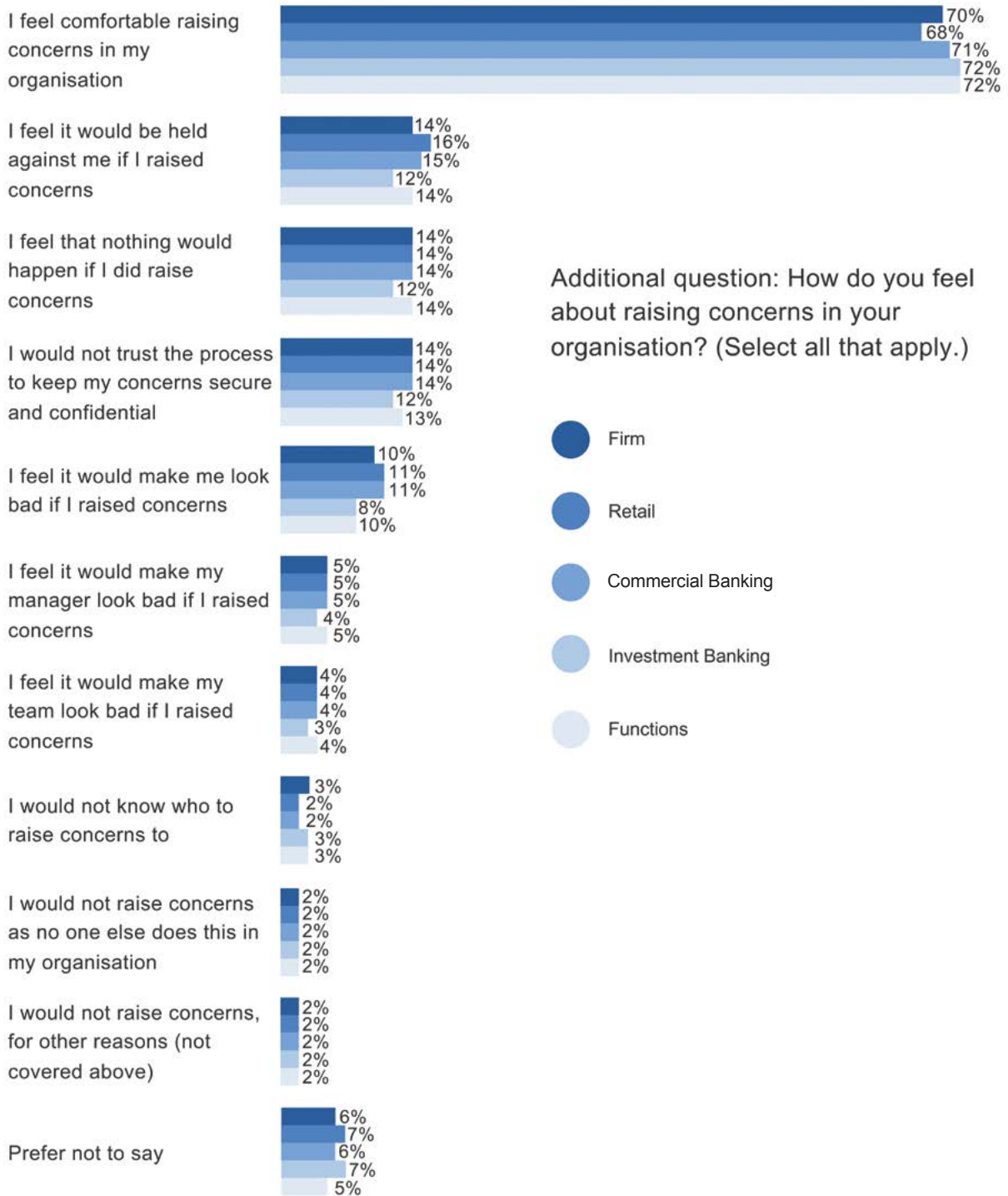
We introduced an additional question in 2017 (Q40) to ask how people felt about raising concerns in their organisation and, for those who were reluctant to do so, why. 70% of respondents said that they would feel comfortable raising concerns. This result is likely to be much higher than would be the case in reality; behavioural experiments suggest that people greatly overestimate how likely they are to speak up when put in a difficult position.<sup>6</sup> The absolute results indicated by this question are unlikely, therefore, to reflect accurately the actual propensity to speak up.

Putting the absolute percentages to one side, however, the ranking of the reasons given by those who said they were reluctant to speak up for this may help us prioritise and address them. Tackling the right inhibitor, is key. Improving an HR process around speaking up, for example, may be good of itself, but will not result in more challenge if the primary inhibitor is that nothing is seen to happen even when someone does say something.

In response to Q40, 14% of respondents gave fear as a reason for not speaking up; they did not trust the process to keep their concerns confidential or they felt it would be held against them if they did raise concerns. A similar 14% thought that speaking up was futile; it would have no effect. These proportions were broadly similar across different business areas.

<sup>6</sup> See Piero Bocchiaro, Philip G. Zimbardo & Paul A. M. Van Lange, 2012, To defy or not to defy: An experimental study of the dynamics of disobedience and whistleblowing, *Social Influence* Vol. 7, Issue 1; and Woodzicka, Julie & Lafrance, Marianne, 2002, Real Versus Imagined Gender Harassment, *Journal of Social Issues*, 57.

Fig. 23. Speaking up in 2017

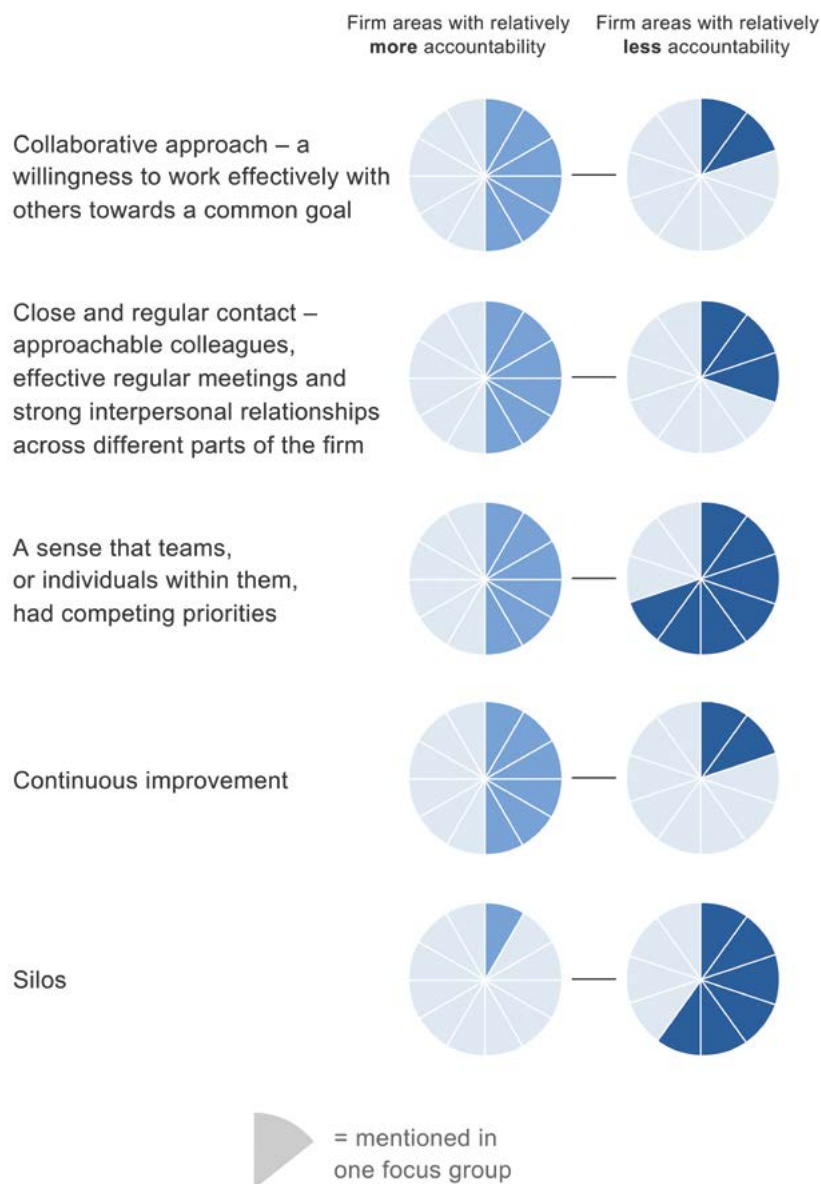


*What the qualitative evidence (focus groups) suggests is relevant to this theme*

*Collaboration within and across teams*

Focus group participants from business areas that scored highly on Accountability and Speaking Up, more commonly spoke of collaborating across and within teams, and of being supported by systems and structures that supported close, regular contact and strong interpersonal relationships with others. Those from lower-scoring business areas more commonly spoke of operating in silos with competing priorities.

*Fig. 24. Collaboration in and across teams*

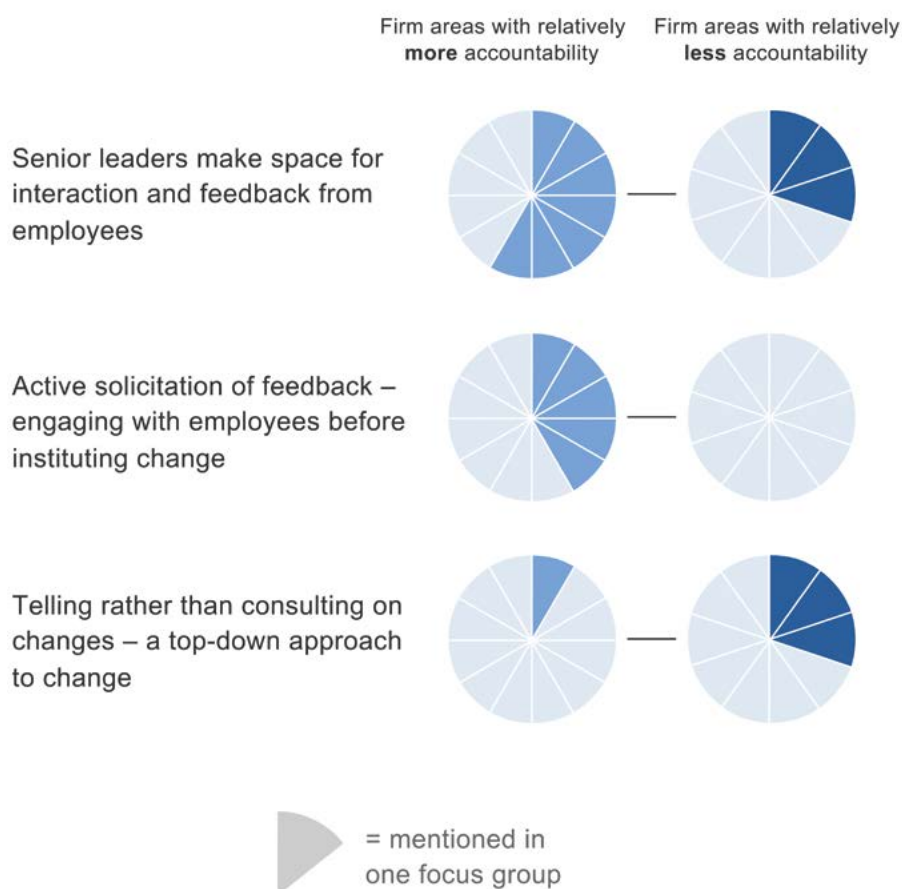


- In both higher and lower-scoring business areas, employees cited a spirit of mutual support and reliance within teams. Employees in higher-scoring business areas, however, also described how they were encouraged to work together and share responsibility where appropriate across teams. One example given of active steps to promote collaboration was the move to co-locate business and control functions, said by employees to have led to greater clarity over respective roles, better approachability and the quicker resolution of issues.
- Employees in higher-scoring business areas more commonly referenced the close and regular contact that they had with others, assisted by varied and reliable methods of communication that allowed them to challenge others or suggest improvements more easily. Some said that their firm promoted informal networks and relationships (e.g. a mentoring scheme, or trades union membership) that provided support outside the formal line management structure for speaking up.
- Employees in higher-scoring business areas also more commonly spoke of how their firm actively encouraged continuous improvement in the way they worked. Some described routine meetings aimed solely at soliciting suggestions for process improvements.
- Over half of the focus groups from lower-scoring business areas said that their firms, or areas within them, operated in silos. Responsibility for a task was seen to be quickly passed over to other departments without regard for the outcome.
- A sense of competing priorities across teams or departments was also slightly more common among focus groups from lower-scoring business areas. It was attributed to a lack of understanding of others' responsibilities and pressures, and to misaligned performance management metrics (e.g. call centre teams being assessed on quickly resolving or escalating issues, which was felt when not done appropriately to result in a lower quality of service for customers, and pressures on other teams).

#### *Accessible and responsive leaders*

Focus group participants from business areas with more positive perceptions of Accountability and Speaking Up, tended to describe accessible senior leaders who openly sought feedback from employees. Conversely, remote, unresponsive leaders and a culture based on 'telling' rather than 'asking' were more likely to be referenced by participants from business areas with more negative perceptions.

Fig. 25. Leaders talking with employees

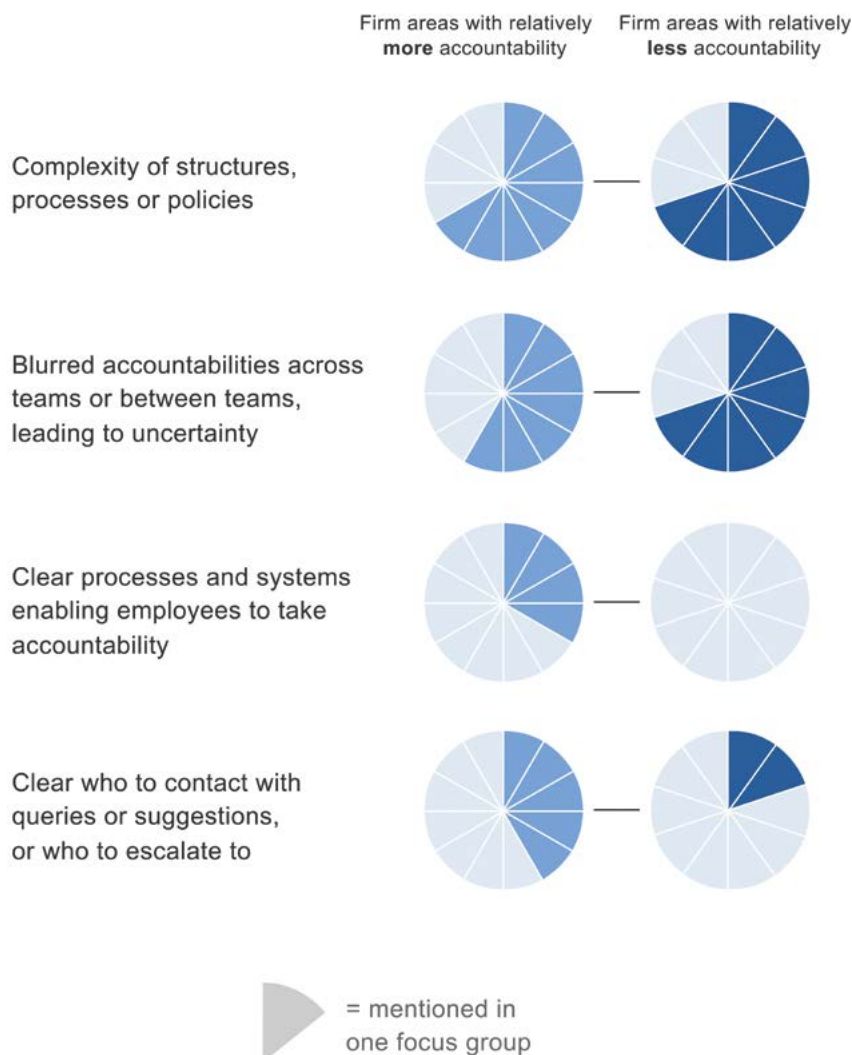


- A greater proportion of higher-scoring business areas highlighted various ways in which employees could interact with senior leaders; these included ‘town hall’ events, blogs, and formal and informal Q&A sessions. Such initiatives were said to provide effective forums for challenge and feedback, and to help make the organisation feel more human.
- Employees in higher-scoring business areas also more commonly discussed how leaders in their firms actively consulted before embarking on any changes with those who would be affected. Examples given ranged from large-scale engagement exercises on the design of a new strategy, to locally crowd-sourced suggestions for how to improve a particular process in a particular area. Such initiatives, in turn, were said to encourage employees voluntarily to offer feedback and suggestions.
- Focus group participants from lower-scoring business areas more commonly highlighted working environments in which changes perceived as flawed were pushed through with little to no consultation of those affected. Some also said that they had little input on the direction of strategy.

#### Clarity of responsibilities

Focus group participants from both higher and lower-scoring business areas spoke of the complexity of their firms and the sense that accountabilities were unclear. This was seen to be mitigated in higher-scoring areas by clear systems or tools that helped in the identification and allocation of responsibility. Employees from lower-scoring areas, by comparison, mentioned poor or out of date shared tools.

Fig. 26. Clarity of responsibilities

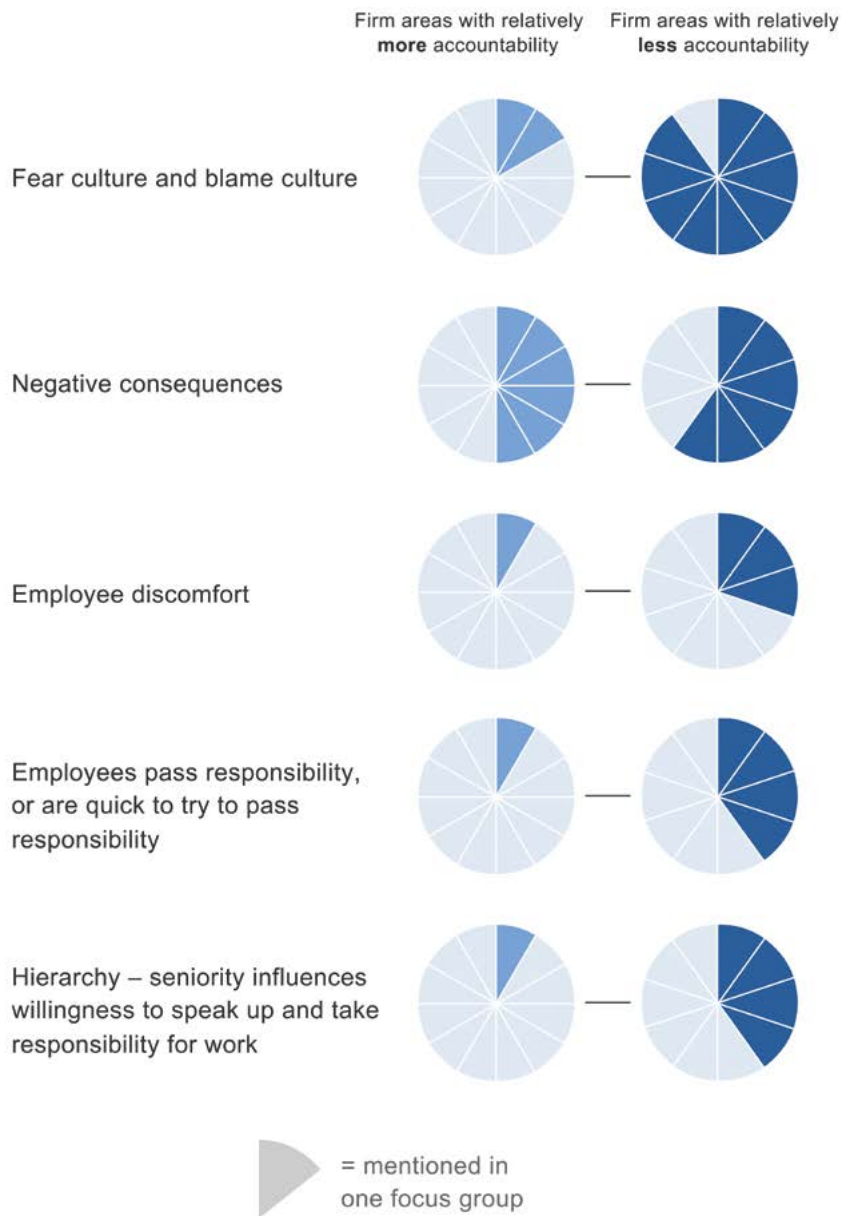


- A high proportion of focus group participants from both higher and lower-scoring areas said that the complexity of their firms' organisational structure, processes and policies obscured accountability. Responsibilities and accountabilities were often poorly defined or unclear, particularly in transitional periods such as restructuring, bringing someone new into a role or project handovers. Undocumented processes, the variable quality of technical training and a rapid rate of change were said to exacerbate this.
- Employees from higher-scoring business areas, however, more commonly referenced systems or processes that helped in the identification and allocation of responsibility. These included physical cues (such as stickers on desks with the phone numbers and job responsibilities of key contacts), and clear and well publicised information on junior and senior job roles, responsibilities and how they related to each other.
- Some focus group participants from lower-scoring business areas, in contrast, said that they were unclear where to go to get help, or were given generic inboxes as points of contact. Other examples of factors contributing to a lack of clarity on accountability and responsibility were roles and responsibilities on digital tools such as Outlook being out of date or incomplete, especially for more junior roles; job descriptions rarely being updated for intra-firm moves or promotions, and hence not reflecting current accountabilities, and the lack of a central database within a department of what was being worked on or addressed, leading to duplication of work.

*Fear, blame and hierarchy*

Almost all of the focus groups from lower-scoring business areas referenced a culture of fear or blame. Compared with employees from higher-scoring business areas, a larger proportion also described a hierarchical culture that made employees, especially at junior levels, less willing to speak up.

Fig. 27 Fear and blame



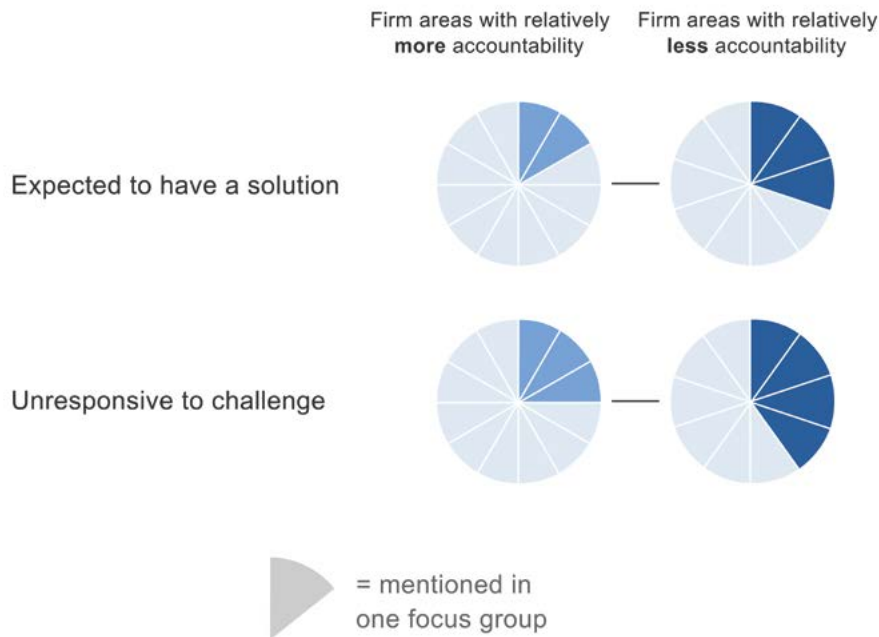
- The perceived negative consequences of speaking up were mentioned in a similar proportion of focus groups across both higher and lower-scoring business areas.
- Some employees from higher-scoring business areas described a disproportionate focus on mistakes in performance management meetings, though many said that this depended very much on the individual line manager. Others said that they would not use formal processes to raise grievances, as doing so risked gaining a reputation.
- In lower-scoring business areas, employees spoke more commonly of being worried about the consequences of speaking up. Examples were given of an employee being moved to a different part of the firm after challenging a manager, and of someone raising a concern in an open forum designed for that purpose, only to find that this had adversely affected their performance review.
- In almost all of the lower-scoring business areas selected for analysis under this theme, focus group participants spoke of an organisational culture of fear and/or blame. Speaking up was felt to have adverse consequences at performance review time, especially when a firm was going through redundancy processes.
- Concerns over job security were more commonly raised by participants from lower-scoring business areas. They said that, in the context of redundancies, people were more anxious and less likely to take responsibility for projects in case they failed.
- Focus group participants from lower-scoring business areas discussed a hierarchical culture as a constraint on speaking up, more often than did employees in higher-scoring firms. Some said that disconnected senior staff made it difficult for juniors especially to provide challenge; others, that people were unwilling to take direct responsibility because of long and complex sign-off processes, seeing themselves as a single task-focused link in a longer process.



*Responsiveness to challenge*

Analysis of the comments made by focus group participants from both higher and lower-scoring firms confirms the importance of whether and how firms respond to feedback. Some employees in both higher and lower-scoring business areas said they were expected to have solutions to issues they raised, and that their firms were unresponsive to challenge. The similarity in frequency suggests that both higher and lower-scoring firms can face these difficulties.

Fig 28. Responsiveness to challenge



- Employees across both sets of focus groups said that lack of a response to challenge when offered discouraged them from speaking up. Examples were given of firms seeking feedback on projects, but implementing these without giving any consideration to the comments; of resourcing and costs being used as reasons for the lack of any response; or of employees feeling able to speak up to their manager, but their manager not feeling able to escalate the comments any further.
- Employees in some higher and lower-scoring business areas felt that, when they challenged or raised an issue, it was pushed back to them to find the solution. Speaking up was discouraged by the risk of being given more work in return for having done so, especially where employees felt that they were already juggling numerous competing priorities.

### BSB Work Theme 3: Promoting personal resilience and wellbeing among employees

The 2016 Assessment highlighted concerns about the personal resilience and wellbeing of employees in the banking sector. Notwithstanding the increased focus on this issue in the interim both within the sector and more widely (and in particular with respect to mental health), it shows no sign in our 2017 exercise of having receded. Just over a quarter of Survey respondents said in 2017 that working in their organisation had a negative impact on their health and wellbeing; the same proportion as in 2016. It would be interesting to explore how far this picture is replicated in sectors other than banking.

The wellbeing of employees is important to organisations, both because employee care is the right thing to do as an employer, and because — as a growing body of evidence shows<sup>7</sup> — it appears to be linked to better business outcomes such as:

- improved customer service;
- lower employee turnover;
- reduced costs in terms of days lost to sick leave and long-term absence; and
- improvements in individual performance<sup>8</sup> and wider productivity.<sup>9</sup>

We took the opportunity of the 2017 Assessment to explore this topic further, selecting it as a theme for our focus group discussions and interviews, and undertaking more detailed and systematic analysis of the relevant quantitative data obtained in the 2016 and 2017 Survey data. We also held additional roundtable discussions with member firms that had not taken part in the qualitative part of the Assessment (i.e. where we had not held focus groups with employees).<sup>10</sup> These roundtables both supplemented our qualitative data, and facilitated the sharing of good practice and discussion of challenges between member firms.

In late 2017 we began to review the available literature on employee wellbeing, focusing particularly on evidence relevant to banking. Employee wellbeing is a wide-ranging subject covering many elements and issues. Our own review has focused on those factors that firms might reasonably expect to be able to influence in the workplace or are responsible for, including:

- the impact of workload on wellbeing, including factors that could potentially moderate negative impacts;
- perceptions of autonomy and control within a job;
- perceptions of job insecurity;
- relationships at work; and
- the interface between home and work.

Many of these factors are reflected in the themes coming out of our analysis of the 2017 Assessment, described below.

Employee wellbeing and resilience remains a key theme for the BSB in 2018/19, and is an issue that has been gaining momentum more widely. The *Thriving at Work* report — to take just one example, published in October 2017 — looked at how employers can better support the mental health of all people currently in employment.<sup>11</sup> This report proposed mental health ‘core standards’ which all employers could implement, as well as enhanced standards for those ambitious to do more. It also called on industry bodies to support organisations in their sectors to implement these core standards.

7 See, for example, <https://www.whatworkswellbeing.org/product/why-invest-in-employee-wellbeing/>

8 *Does worker wellbeing affect workplace performance?*, Bryson *et al.*, October 2014:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/366637/bis-14-1120-does-worker-wellbeing-affect-workplace-performance-final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/366637/bis-14-1120-does-worker-wellbeing-affect-workplace-performance-final.pdf)

9 Dame Carol Black’s Review of the health of Britain’s working age population: *Working for a healthier tomorrow*, March 2008:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/209782/hwwb-working-for-a-healthier-tomorrow.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209782/hwwb-working-for-a-healthier-tomorrow.pdf)

10 The list of participating member firms can be found in Annex B.

11 *Thriving at work: The Stephenson/Farmer review of mental health and employers*:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/658145/thriving-at-work-stevenson-farmer-review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658145/thriving-at-work-stevenson-farmer-review.pdf)

While focusing on mental health, these core standards<sup>12</sup> echo the findings of our own work in terms of factors that appear important to overall employee wellbeing, e.g.:

- organisation-wide planning to support employee health;
- a good physical working environment;
- providing healthy work life balance and opportunities for development;
- effective people management through line manager and supervisors;
- an open culture that allows employees to speak up when they are struggling or need additional support; and
- developing organisation-level understanding of employee wellbeing and mental health.

As the *Thriving at Work* report notes, more evidence is needed about what constitutes good practice in this area, and our own engagement with member firms and other organisations with an interest in wellbeing has underlined the appetite for better information on what works in improving employee wellbeing, in banking as elsewhere.

Many firms are already devoting significant resources to the wellbeing of their employees. The question is whether these are being deployed as effectively as possible, and addressing the causes of the problem as well as the symptoms. To facilitate the identification and sharing of good practice across the sector, we plan to hold a series of events for member firms over the coming year that will enable participants to learn from others (both within and outside the banking sector) and to share their own experience (see <https://www.bankingstandardsboard.org.uk/events-programme/>).

Over the longer term, and as the new BSB Insights team develops (see section on New Approaches for the BSB) we hope to be able to help member firms test the impact of the interventions they are making to support employee wellbeing, so that efforts and resources are focused in the most effective way. We plan to begin discussing this approach with member firms later in 2018, identifying in the first instance where the BSB's own efforts can most usefully be applied, and informed by the findings of the 2018 Assessment.

#### *What the Survey evidence tells us on this theme*

Our analysis of the Survey results suggests that there has been very little change between 2016 and 2017 on questions relating to wellbeing and personal resilience.

In 2016, we asked respondents whether they agree with the statement, 'I often feel under considerable pressure to perform in my work'. 59% of employees said that they did agree with this statement; 24%, that they did not. For the reasons described in Box B, however, we amended this question in 2017 to read 'I often feel under excessive pressure to perform in my work' (wording that will remain unchanged in 2018). As would be expected, the balance of responses changed as a result; 44% of employees agreed with the amended statement, and 37% disagreed.

<sup>12</sup> Ibid. p.6: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/658145/thriving-at-work-stevenson-farmer-review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658145/thriving-at-work-stevenson-farmer-review.pdf)

Box B - Changes to the wording of Survey questions in 2017

Question in 2016 Survey	Reason for change	Revised question in 2017 Survey
Q15. I clearly understand the behaviour that is expected of me	Possible illusory superiority bias (i.e. individuals overestimating their own qualities and abilities)	Q15. In my experience people in my area clearly understand the behaviour expected of them
Q18. I see people in my organisation try to pass responsibility to others in case things go wrong	Clarity	Q18. I see people in my organisation try to avoid responsibility in case something goes wrong
Q22. I feel confident in my ability to identify risks in my area	Possible illusory superiority bias	Q22. I am confident in the ability of people in my area to identify risks
Q28. I often feel under considerable pressure to perform in my work	Recognition that 'considerable' can be interpreted too widely, and seen as both good and bad	Q28. I often feel under excessive pressure to perform in my work

While changes in scores for these questions in 2017 may stem from changes in the perceptions and observations of respondents, they will also reflect the modified framing of these questions. We would expect the latter impact to be small for the change made to Q18 and have therefore in this Review presented the responses to this question as comparable across 2016 and 2017.

Given the more substantive changes to the wording of Q15, Q22 and Q28, we have not treated the 2017 results for these questions as comparable with 2016. Comparisons will, however, be available in 2018 and future Surveys.

We cannot say whether this change in responses is due entirely or only partly to the change in the question wording, so do not treat the results for this question in 2017 as comparable to those of 2016. Even as a snapshot, however, that more than 2 in 5 employees consider themselves to be under 'excessive' pressure is not a picture that many firms would consider satisfactory.

While the change in Q28 from asking about 'considerable' to asking about 'excessive' pressure contributed to a reduction in responses agreeing with the statement, there was no change in the proportion of people saying that their work was having a negative impact on their health and wellbeing (Q29). In both 2016 and 2017, 26% of employees said that work did have a negative impact, and fewer than in 3 in 5 that it did not.

As noted in our last Annual Review, respondents could have a number of things in mind when answering this question; the nature, management, pressures and location of work could all be factors, as well as the challenges of balancing work with everything else going on in their lives. We also do not know how the figure of over a quarter of employees saying that work is adversely affecting their health and wellbeing compares with other sectors (though it is reasonable to envisage that banking has neither the highest nor lowest proportion in this regard). As with Q28 on pressure, however, the absence of comparative data — here, with other sectors rather than over time — should not detract from the reality of a quarter of employees saying over the course of two years, that working at their organisation has a negative impact on their health and wellbeing.

Fig. 29. Personal resilience and wellbeing in 2016 and 2017



Looking at the results by **business area**, a particularly high proportion of employees in both Investment Banking and Commercial Banking said that they felt under ‘considerable’ pressure in 2016. The subsequent fall in respondents saying that they were under ‘excessive’ pressure in 2017 was especially marked in Investment Banking. In 2016 more employees in Investment Banking said that they felt under considerable pressure than those in other business areas; the opposite was true in 2017 with respect to excessive pressure.

Fig. 30. Q28 (pressure) by business area in 2016 and 2017

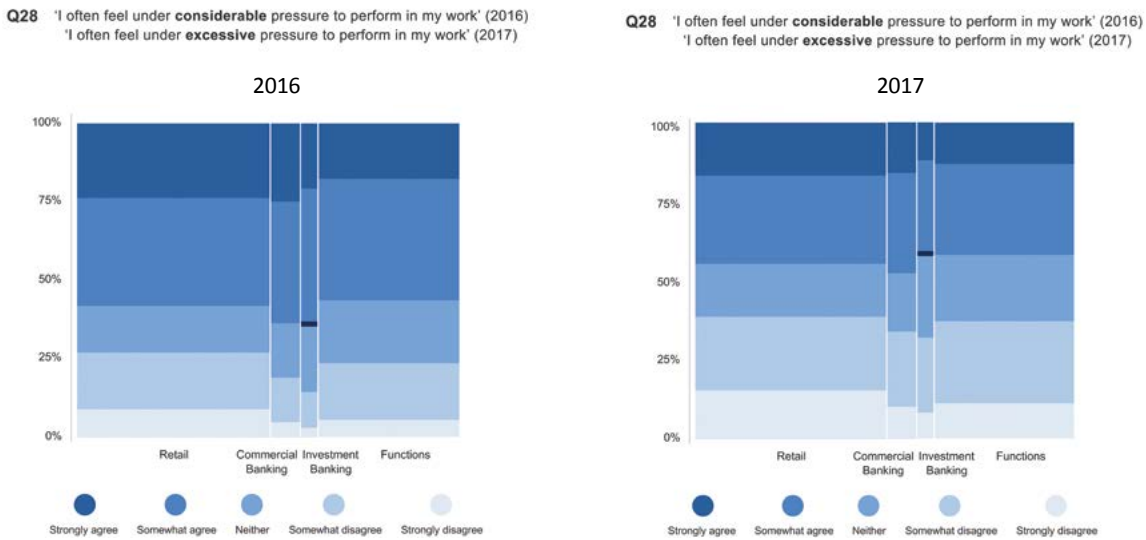
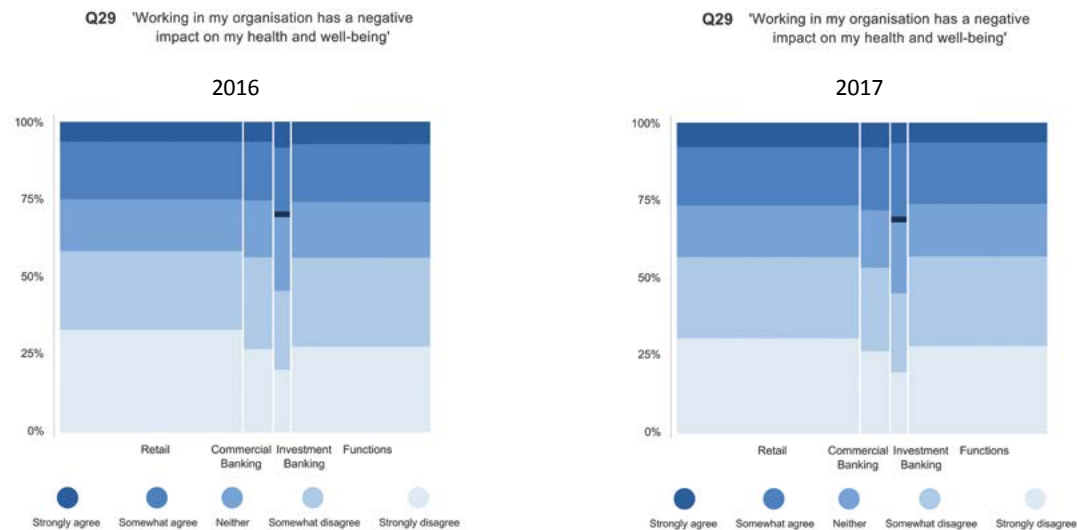


Fig. 31. Q29 (impact on health) by business area in 2016 and 2017



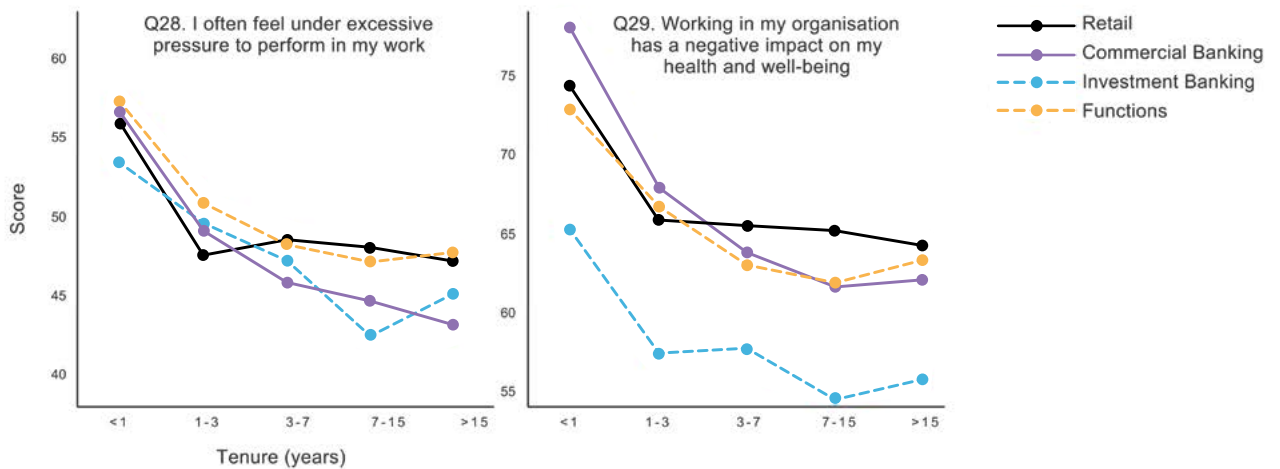
Despite the large change in the balance of responses to Q28, the proportion of employees in Investment Banking who said that work had a negative impact on their health and wellbeing (Q29) remained higher at 29% than in other business areas. This may reflect a wide range of factors, whether individual, firm-specific, sectoral or general. To the extent that excessive pressure detracts from health and wellbeing, it may also be the case that employees working in Investment Banking do not necessarily feel less pressure, but that their concept of what is 'excessive' differs from that used elsewhere in the sector.

Turning to our demographic indicators, a somewhat similar pattern in responses over the two years is evident among line managers. Controlling for other variables, line managers reported significantly greater 'considerable' pressure in 2016 than did those without line management responsibilities, but significantly less 'excessive' pressure than those without line management responsibilities in 2017. As in 2016, line managers were less likely than those without line management responsibilities to say that work had a negative impact on their health and wellbeing.

Analysis by tenure also reveals some differences. All of our Survey questions are answered more positively by employees who have been at their firm for less than one year. The decline in positivity between new joiners and employees who have been at the firm for a few years is, however, particularly marked for Q29 on the impact of work on health and wellbeing. This drop is particularly pronounced among employees in Retail and Commercial Banking.

The question most highly correlated with Q29 is Q28 ('I often feel under excessive pressure to perform in my work'). The question that has the second highest correlation to Q29 is Q5 ('At work I feel that I am treated with respect').

Fig. 32. Personal resilience (Q28 and Q29) by tenure in 2017

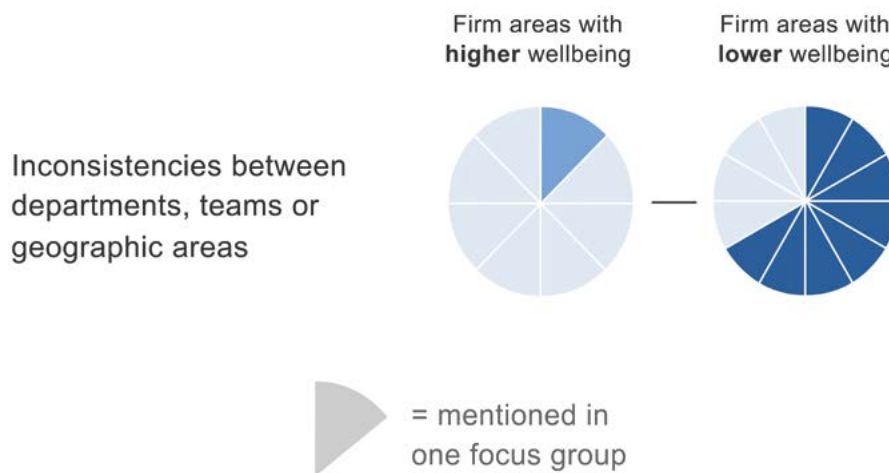


*What the qualitative evidence (focus groups) suggests is relevant to this theme*

*Consistency of approach across the firm*

Perceived unfairness of treatment across different parts of a firm, featured prominently among focus group participants working in areas that scored poorly in the Survey on wellbeing and personal resilience. Organisational justice emerges from our findings as an important potential influence on individuals' wellbeing.

*Fig. 33. Treating different parts of the firm consistently*



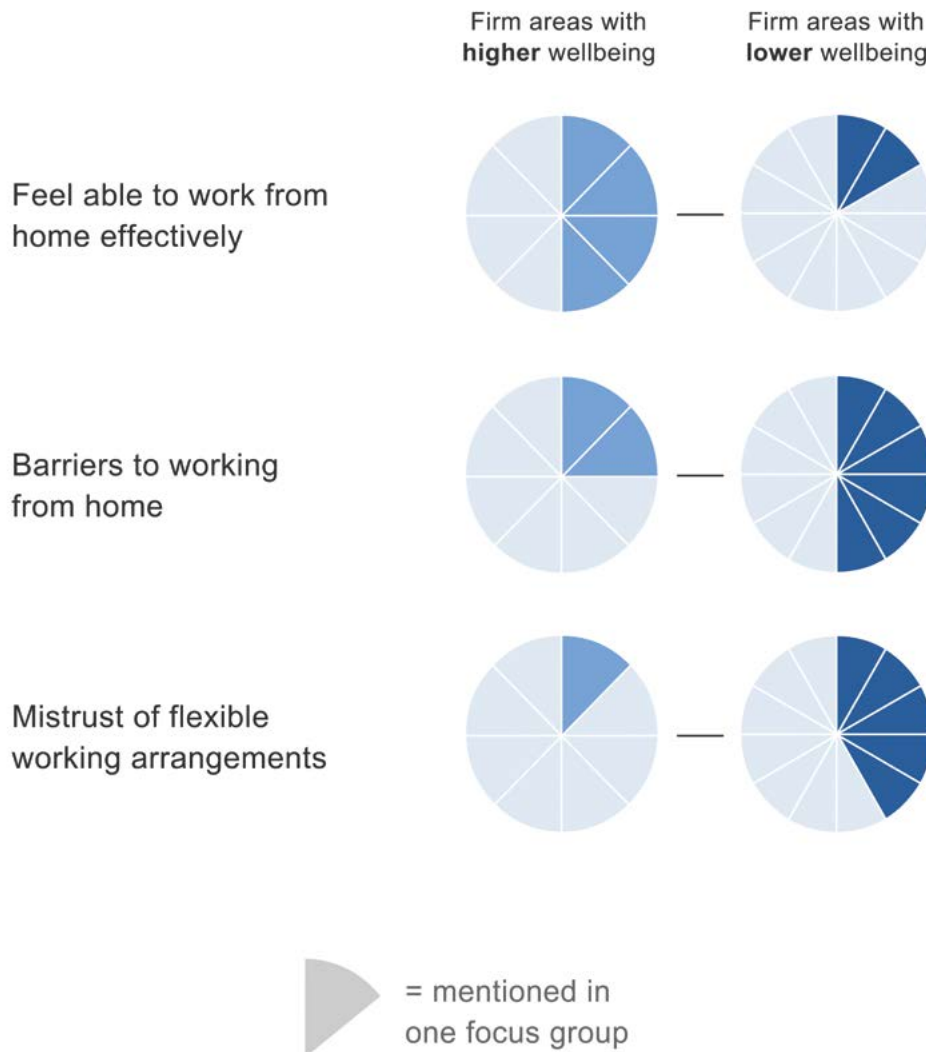
- Employees from lower-scoring business areas more commonly described what they saw as inconsistent and therefore unfair treatment within their firm of different departments, teams or geographic areas.
- These comments related not only to participants' own teams or locations, but also to where people in other areas and locations were seen as having been disadvantaged.
- Examples given of inconsistent treatment included:
  - differential access to support services between regional branches and urban hubs;
  - colleagues in different location having different workloads;
  - the availability of IT support varying between departments; and
  - policies designed to promote wellbeing, being followed more diligently in some teams than in others.



*Trust*

Focus group participants from both higher and lower-scoring firms said that options were available for working flexible hours or working from home. The way in which such policies were implemented and perceived, however, differed between higher and lower-scoring business areas with trust emerging as a key factor.

*Fig. 34. Fostering trust in how working practices are managed*



Employees from higher-scoring business areas discussed the benefits of flexibility, such as enabling a positive work-life balance and a healthy lifestyle. Focus group participants from lower-scoring business areas more commonly voiced concerns about the way policies designed to enhance flexibility were implemented in practice (e.g. difficulties with IT getting in the way of working from home).

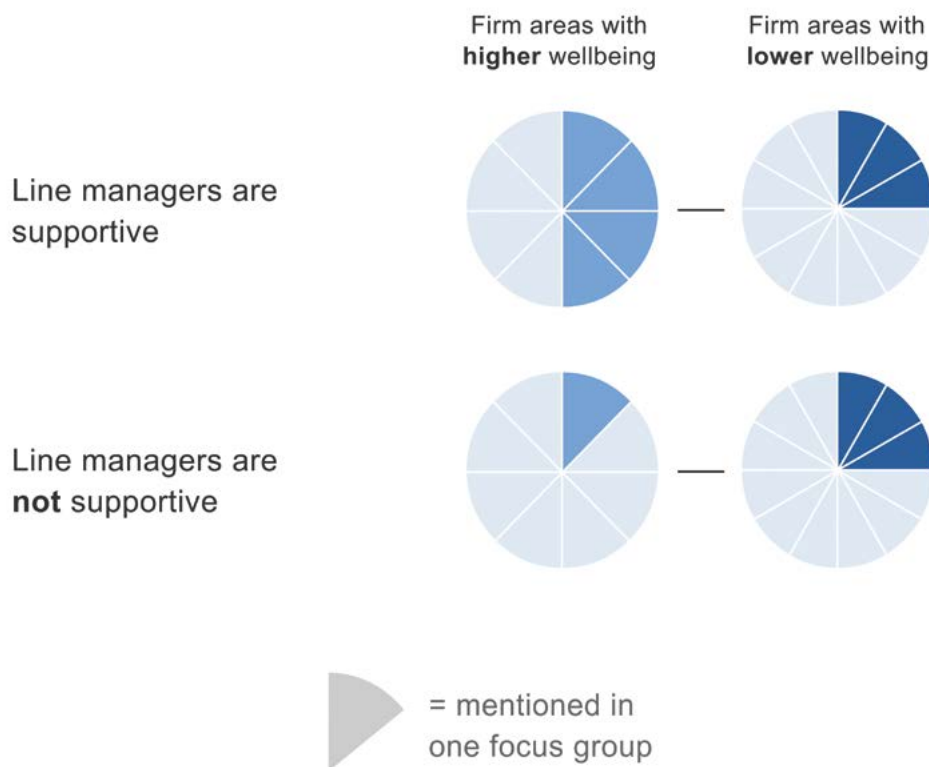
Among focus group participants from lower-scoring business areas, examples used to illustrate how a lack of trust manifested itself included the following:

- Some indicated a mistrust of colleagues working from home, in the sense that they were seen as likely to be less productive.
- Others felt that those doing traditional hours had to do more work to compensate for those working flexible hours, or said that they would feel uncomfortable if they were the only team member working this way.
- Some believed that their managers did not trust them, and as a result did not support flexible arrangements.
- Some business areas did not trust the motives of senior leaders. They felt that their firms did not genuinely care about employees' wellbeing, but pursued flexible policies solely for other business reasons such as reducing the cost of office space.

### Line management

The quality of line management featured in focus group discussions across both higher and lower-scoring firms, and was generally recognised as a critical determinant of any employee's wellbeing<sup>13</sup>. Across firms, the findings suggest that improving managers' awareness of their firms' policies and the services available would be of benefit to the wellbeing of those they manage.

Fig. 35. Ensuring line managers are supportive



13 See, for example, <https://www.whatworkswellbeing.org/product/why-invest-in-employee-wellbeing/>

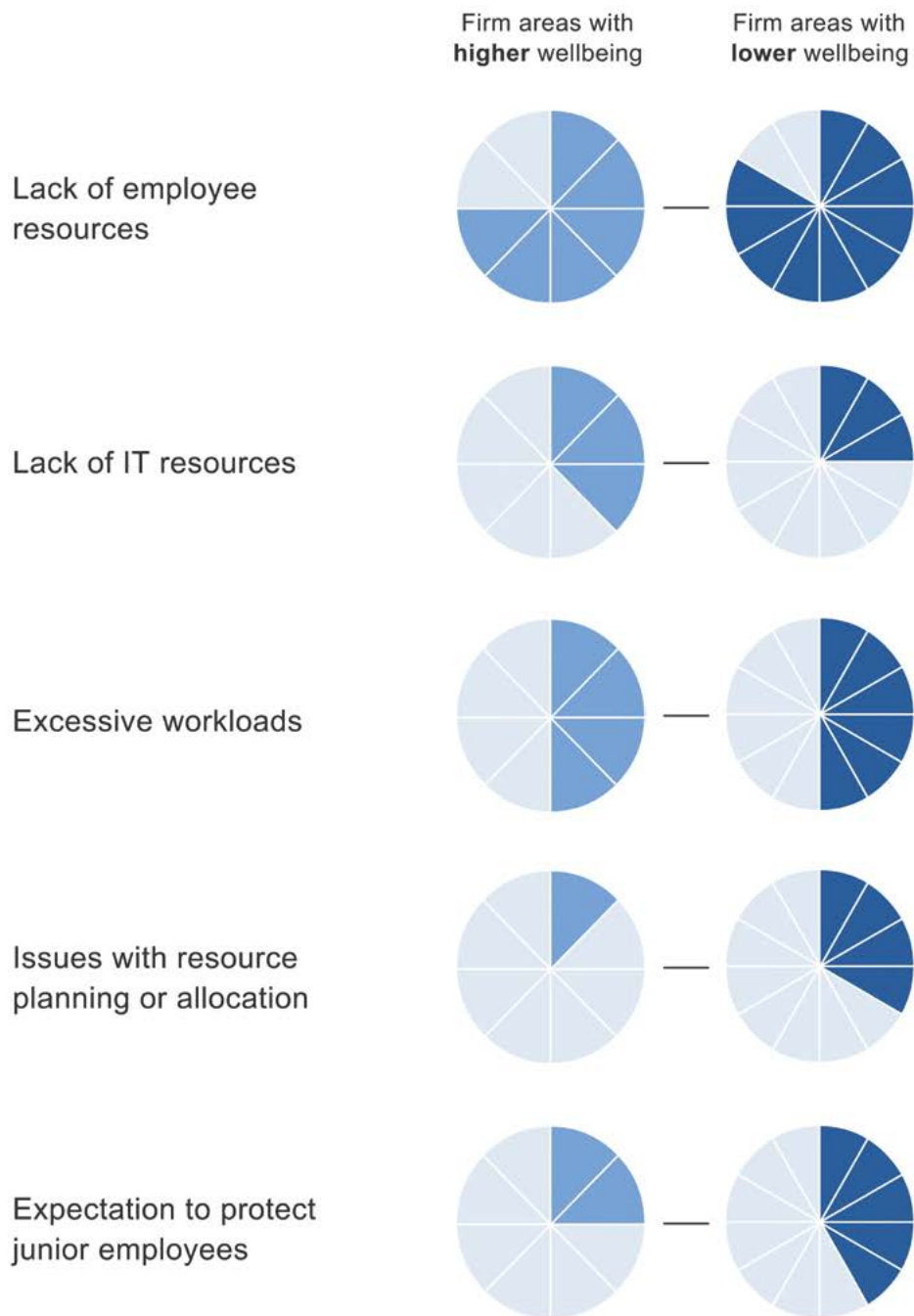
Focus group participants from higher-scoring business areas more commonly described good line management support in relation to wellbeing, drawing both on their own experience and on their perception of managers throughout the firm. Examples included line managers clearing time in their diary to check in with employees, giving employees opportunities to share feelings of personal stress, enabling flexible working, and relieving pressure by relaxing deadlines where possible. Some employees also gave examples of small gestures from their managers that had been appreciated, such as — when working late — ordering food or personally thanking the employee.


Employees from lower-scoring business areas were less likely to offer positive line management examples and slightly more likely to raise concerns about the support they received. One such concern was that of managers being promoted for their technical skill, rather than because of their aptitude for or interest in leading people.

#### *Resource planning and allocation*

Resource constraints were a common theme across the focus group selected for analysis under this theme. Perceived poor planning, however, emerged as more of an issue among participants from lower-scoring business areas, exacerbating the resource pressures and the impact on wellbeing. Many of the points made in the context of resource planning may also have implications for perceptions of fairness - noted earlier as an important differentiator between higher and lower-scoring firms on this theme.

Fig. 36. Managing resources effectively



 = mentioned in one focus group

Participants in focus groups from both higher and lower-scoring business areas discussed a lack of employee resources, having to ‘do more with less’, excessive workloads and insufficient investment in IT.

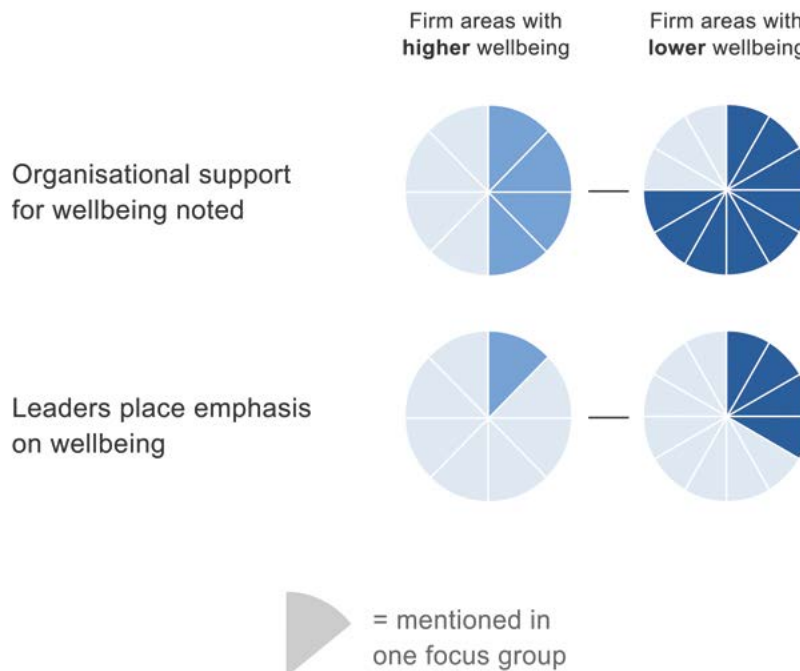
Small differences did, however, emerge between business areas when it came to the way in which firms responded to constrained resources. Employees from lower-scoring business areas were more likely to offer examples of poor resource planning, such as workloads not being shared evenly across teams or a perceived lack of support for teams facing shortages. Others felt that their firms did not fully consider the resource implications of major changes (e.g. the equipment needed after a relocation, or the time required for employees to adapt to new technology).

Participants in some focus groups discussed policies intended to ease pressure on junior employees. Employees from lower-scoring business areas said that these policies had been implemented with little concern for middle managers, who as a consequence were left with higher workloads and put under greater pressure.

*Support services and wellbeing facilities*

Focus group participants from both higher and lower-scoring firms discussed facilities and support services intended to promote employee wellbeing. Such support was, if anything, mentioned more frequently by employees from lower-scoring firms. This may be a function of lower-scoring firms putting greater emphasis on the provision or promotion of support services, because of the greater scale of the challenge they are designed to address. There may also be a time lag between services being provided, and their having an impact and there is certainly no suggestion here that the provision and promotion of support services is not important or does not have an impact. How effective those support services are in practice, may, however, depend also on other factors, such as those mentioned previously in this section.

Fig. 37. Going beyond offering support services



Focus group participants from both higher and lower-scoring business areas gave examples of wellbeing support services and facilities, including telephone helplines, office health checks, access to a gym, access to counselling, and training on stress and resilience. Many employees also referred to initiatives undertaken within their firms to raise awareness of mental health.

Overall, employees from lower-scoring business areas mentioned their firm's support services more frequently than those from higher-scoring business areas. They were also more likely to refer to their leaders emphasising wellbeing in communications with employees.

Some employees said that, while services were technically available, they either found them difficult to access or felt discouraged from using them. Others thought that their firms' wellbeing initiatives were reacting to a problem without addressing its underlying causes.

#### *What the roundtables told us on this theme*

Following the 2017 Assessment we conducted four roundtables for firms that had not taken part in the qualitative components of that exercise (primarily, our smaller member firms). The roundtables were held in London, Birmingham and Edinburgh, and involved senior HR managers and business managers from eleven firms. These sessions were designed to help us gain a more comprehensive understanding of the wellbeing challenges faced by firms of all types and sizes, and to facilitate the exchange between firms of good practice in this area.

Roundtable participants reflected on the extent to which the challenges around promoting wellbeing may take different forms in firms of different sizes. The ability of smaller firms to provide facilities and support services may be less than in larger. At the same time, however, leaders in smaller organisations can be more visible and have greater personal contact with employees, facilitating consistency and open communication. This can be a greater challenge in a larger organisation with employees in different divisions and geographic locations. For smaller firms looking to grow, one important challenge lies in scaling up their wellbeing programmes and initiatives consistently and fairly as their business expands.

While the implementation and leadership challenges around wellbeing may differ between smaller and larger firms, the themes emerging from the roundtable discussions suggested, however, that there are many common issues:

- Flexible working was seen as contributing to employee wellbeing. The challenge, however, was ensuring that flexible working policies were applied fairly across the organisation; customer-facing (e.g. in call centres) and non-customer facing roles, for example, tended to have different policies on this issue.
- Line managers were seen as having a central role in identifying when those they managed needed support. Examples were given of efforts to develop and provide more effective training for line managers on identifying and addressing mental health issues in particular.
- Openness and communication were seen as fundamental to the effectiveness of organisational initiatives that promote employee wellbeing. Leaders played an important role in promoting wellbeing throughout their organisations, in particular through being open and in the empathy and understanding they showed for employees. Participants also felt that leaders could sometimes do more to promote the importance of wellbeing interventions in their firms by sharing their own vulnerabilities and problems more widely.

## CONSUMER OUTCOMES: DEVELOPING A FRAMEWORK

The BSB Assessment focuses on the characteristics of a firm that we would expect to be associated with any good culture in banking (with ‘good’ defined in terms of the outcomes for customers, clients and society as a whole). While the Assessment draws primarily on what employees see, assume or believe, we have also been considering in parallel how to identify more directly the links between firms’ cultures and customer and client outcomes. As part of this, we are continuing to explore whether and how to take into account — as part of the Assessment itself, or alongside it — other types of data and information. This data may be produced and held internally by firms themselves, provided by external sources or gathered by the BSB.

We have also, during 2017 and as flagged in our last Annual Review, been exploring how the customer perspective can help inform, improve and challenge our work. A sector as diverse as banking has, of course, a very wide customer base. The majority of people in the UK are banking sector customers, and many will bank with more than one firm or type of firm, or in more than one capacity (not just as individuals, but as businesses, organisations or societies). UK banking also, of course, has a very wide client base. We have begun this work by focusing on one part of this customer base; that of consumers. Over time, and as the work and the BSB itself develops, we plan to extend this engagement also to other types of customers and clients to help ensure that what we are doing is as relevant as possible to all our member firms and those they serve.

### Learning from consumer and civil society organisations

To develop this first phase of our work on customer outcomes, we have been engaging extensively with a range of consumer and civil society organisations (as well as our retail banking member firms) to help us understand the needs, wants and experiences of consumers. In doing this we have also tailored our approach to take into account the many different demands placed on such organisations, and the time and capacity they are able to spare for us.

We have, to date, presented and/or run workshops in partnership with the Essential Services Access Network, Money Advice Liaison Group Northern Ireland Discussion Forum, Consumer Council of Northern Ireland, and Money Advice Scotland.

We have also spoken directly with many organisations and are grateful for the support and advice of all. They include (but are not limited to) Advice NI, Age UK, Bristol University Personal Finance Research Centre, Carnegie UK Trust, Christians Against Poverty, Citizens Advice, Citizens Advice Scotland, Consumer Council NI, Fair Banking Foundation, Fairer Finance, Financial Services Consumer Panel, Friends Provident Foundation, International Longevity Centre, Macmillan Cancer Support, Money Advice Scotland, Money Advice Trust, Money and Mental Health Policy Institute, Money Saving Expert, National Consumer Federation, Queen Margaret University Consumer Dispute Resolution Centre, Scope, Scot Cash, StepChange, Toynebee Hall, Unite the Union, Unlock, Which? and Young Scot.

### Developing a BSB Consumer Framework

Informed by our discussions with consumer and civil society organisations, we developed and, in late 2017, consulted on what we have called our Consumer Framework.<sup>14</sup> This framework is designed to:

- facilitate our understanding of consumer issues and concerns as they relate to the BSB’s work;
- provide a basis for the creation of good practice guidelines for firms that serve consumers, along with a common language for both firms and consumer organisations; and
- enable consumer and civil society organisations to engage more readily with relevant aspects of our work.

<sup>14</sup> <https://www.bankingstandardsboard.org.uk/bsb-consultation-what-do-good-banking-outcomes-look-like-to-consumers/>

As with the BSB's work more generally, the UK regulatory framework and the stated position of the regulators on the issues concerned provide an important starting point. The Consumer Framework is intended to help and encourage firms to build on regulatory minimum requirements rather than be satisfied solely with meeting them.

The Framework has been written from a consumer perspective. We have taken into account the core principles that many consumer organisations and regulatory panels already use for understanding consumers' needs or analysing how a market is meeting those needs. The Framework is accordingly based around access, choice, clarity and transparency, safety and security, redress and being listened to, value for money and fairness. It focuses on outcomes, and includes illustrative 'real-life' examples suggested from our informal engagement with consumer organisations and our review of existing research.

Our consultation on the draft Consumer Framework closed on 26 January 2018. We received over 80 responses, including four workshop-facilitated responses. Informed by both these and our ongoing engagement work, we will over the coming months publish a further version of our Consumer Framework, as well as a non-attributable summary of all the responses we received.

Following this, we will talk with member firms and others about how the outcomes identified and the Framework can help in the development of standards of good practice. Such standards should both benefit consumers and be relevant and applicable to retail firms of all business models, sizes and structures. They should also, as far as possible, take into account not only the current context, but ongoing changes in technology, the sector and society more broadly.

### **Learning directly from consumers**

As noted, our Consumer Framework consultation was aimed primarily at consumer and civil society organisations. While we also of course welcomed (and received) responses from individuals themselves, we were conscious of the need to do more to encourage direct engagement at the consumer level. We therefore designed, in parallel, a separate questionnaire tailored to individual respondents. This was distributed by a number of organisations including Money Saving Expert, Money Advice Scotland and Young Scot.

The questionnaire ran over a period of three months in late 2017 and early 2018, and received 2600 responses. We will publish the (non-attributable) results later this year, as part of our overall response to the Consumer Framework consultation.



## THE PROFESSIONALISM FORUM

Professionalism – integral to serving the interests of customers, clients and wider society – has been a particular focus of the BSB over the past year. In April 2017 we launched the Professionalism Forum, chaired by Sir Brendan Barber and established to help firms strengthen professionalism in banking.

The Forum brings together BSB member firms, professional bodies and qualification providers, other voluntary standards organisations, trade bodies, academics, regulators, trades unions and other relevant organisations from both within and outside the banking sector. This diversity of participation allows ideas to be aired, challenged and improved from a variety of perspectives. The Forum itself has met three times since its inception, and will convene for a final time in May 2018. It has been supported throughout by a Working Group drawn from both member firms and professional bodies and academics. We are grateful to the individuals and organisations noted in Box C for their participation in and contribution to the Professionalism Forum's work:

### Box C - Contributors to the Professionalism Forum's work

Advance Union, Aegis Union, Alliance for Finance, The Association of Corporate Treasurers, Association for Financial Markets in Europe, Atom Bank, Audacity Associates, Bank of England, Barclays\*, Buckinghamshire Building Society, Building Societies Association, Citi\*, City HR, City of London Corporation, CFA UK, Chartered Institute of Credit Management, Chartered Institute of Internal Auditors, Chartered Institute of Personnel Development, Chartered Banker\*, Chartered Banker Professional Standards Board\*, Chartered Institute for Securities & Investment\*, Chartered Institute of Taxation, C. Hoare & Co., CYBG\*, The Co-operative Bank, Financial Conduct Authority, Finance for Europe, Financial Services Compensation Scheme, Global Association of Risk Professionals, General Medical Council, HSBC\*, Institute of Banking of Ireland, Institute of Business Ethics, Ipswich Building Society, The Institute of Banking, Institute of Chartered and Accountants in England and Wales, Institute of Chartered Accountants of Scotland, Institute and Faculty of Actuaries, Institute of Leadership and Management, Institute of Risk Management, International Compliance Association, Law Society of England and Wales, Linklaters, Lloyds Banking Group\*, The London Institute of Banking & Finance\*, Masthaven, Morgan Stanley\*, Nationwide Building Society\*, Nationwide Group Staff Union, National Skills Academy for Financial Services, OneSavings Bank & Kent Reliance, Professional Associations Research Network, Professional Risk Managers International Association, Retail Banking Academy, Royal Bank of Scotland\*, Santander\*, Shawbrook, Standard Chartered, UK Finance, University of Leeds IDEA CETL\*, University of Oxford, Unity Trust Bank, Unite the Union, Young Banker of the Year Finalist.

*\* Part of the Professionalism Working Group*

### What is 'professionalism'?

One of the early challenges for Forum and Working Group members was to define 'professionalism' in a sector not generally thought of as comprising a single or traditional profession. Members agreed, in the context of this work, that professionalism comprises 'the attitudes, judgement and high standards of behaviour, knowledge and skill expected of individuals working in banking'. They also agreed that greater professionalism in banking would help create a sector that, now and in the future, better met the needs and expectations of its customers, clients, members, employees<sup>15</sup>, the economy and wider society. Professionalism was seen as strengthening both the trustworthiness of the sector and the sense of pride and purpose among those working in it.

<sup>15</sup> The term employees refers to all individuals working in the banking sector.

### **A variety of approaches, within and across firms**

Our engagement with firms underlined the variety of approaches being used to promote professionalism, both with respect to competence and behaviour. Formal qualifications and training are clearly a central element in this, but informal and on-the-job learning, mentoring, and opportunities to discuss and share thinking with peers are also widely used.

Interventions during the early stages of an individual's career are considered particularly important by firms. Recruitment processes, induction, onboarding programmes and apprenticeships are used to set the tone and provide a frame of reference for new (and prospective) employees. Some firms engage closely and extensively with professional bodies to set standards and qualification pathways for new employees in particular; others develop their programmes internally, sometimes with accreditation by professional bodies<sup>16</sup>.

Working Group members also identified a range of factors that they saw as important in supporting an organisational culture that reinforced professionalism. These included the alignment between a firm's approach and its goals; its expectations of and engagement with its employees; its stated values and the way that employees and senior leaders in particular demonstrated these; and internal and external communications, especially from senior leaders.

### **Next steps for the BSB**

Each organisation that has taken part in the Professionalism Forum is committed to promoting professionalism, and will be continuing in its efforts after the Forum concludes in May. For the BSB itself, three ideas in particular have already emerged from the discussions that are informing and shaping our ongoing work.

Given the different routes that different firms are taking to strengthen professionalism, and given also the rapidly changing nature of the banking (and financial services) sector in the UK and globally, Forum members expressed support for:

- establishing a 'thought leadership' function that would help the sector strengthen competence and behaviour, both now and in the banking sector of the future;
- facilitating dialogue, debate and the sharing of good practice across firms; and
- setting out 'what good looks like' in a way that recognised the diversity of potential approaches.

On the first of these, we are creating a new BSB Insights unit that we hope will contribute to the development of the professionalism agenda and to better outcomes across the sector. Details of this new initiative can be found in the New Approaches section later in this Review.

To help facilitate dialogue, debate and the sharing of good practice, we will establish a BSB Member Panel with a rotating membership drawn from among our member firms. This Panel will both inform and challenge the BSB's own work, and help us ensure that we disseminate this work to and communicate as effectively as possible with all our member firms. We would also look to Panel members to bring perspectives from across their own firms and to share ideas and experience, in order to help identify and develop good practice across the sector.

<sup>16</sup> Many banking sector employees are also of course members of cross-sector professions (e.g. law, accountancy, HR), with associated requirements in terms of qualifications and continuing professional development.

On the third point — setting out ‘what good looks like’ — we have, with Forum and Working Group members, developed a BSB Statement of Principles to help firms strengthen professionalism.

These principles are deliberately high-level and aspirational. They do not describe the minimum a firm needs to do, but what we would expect of a firm intent on serving its customers well. They are also, as noted, principles for the firm. Many parties involved in promoting professionalism; most importantly, of course, the employee themselves, but also professional bodies, qualification providers and others.

Professionalism is, however, unlikely to be a priority for an employee if it is not one for their employer also. The BSB principles are therefore addressed to firms, and are intended to complement and support the principles or codes for individuals drawn up by professional bodies or, of course, the regulator.

Firms may find these principles useful in testing the breadth and nature of their efforts to strengthen or maintain professionalism, and managers in helping structure conversations with their teams. We are considering whether and what additional guidance, including examples or case studies, would be helpful, and will consider this with the new Member Panel, following the formal conclusion of the Forum.

## **BSB Statement of Principles for Strengthening Professionalism**

### **The role of the firm**

#### **Principle 1: Customers, clients and wider society**

**Firms should ensure that every individual is motivated and equipped to act in the interests of customers, clients and wider society. This may be achieved by:**

- Communicating to all employees that the long-term sustainability of the firm and serving the interests of customers, clients and wider society are mutually dependent;
- Ensuring that individuals know how their role contributes to the purpose of the organisation, and to the wider purpose of banking;
- Considering how social, economic and technological change is likely to affect the provision of banking services and what will be required for professionalism in the future;
- Making effective use, as appropriate, of apprenticeship schemes, graduate programmes, professional standards, professional qualifications, induction processes and the like to ensure that new recruits understand the social purpose of banking, have a strong ethical awareness and are encouraged to form attitudes that are conducive to continuous learning;
- Discussing with staff mistakes or instances of poor behaviour within the firm or the sector and implementing lessons learnt.

#### **Principle 2: Coverage**

**Activities aimed at strengthening professionalism should include all individuals whatever the stage of their career, including those moving between firms or into or out of the banking sector. This may be achieved by:**

- Ensuring that efforts to strengthen professionalism go beyond traditional banking roles and are relevant to all those within scope of the Individual Conduct Rules (ICRs), across all business lines and functions;
- Providing enhanced support for, and oversight of, individuals covered by the Senior Managers and Certification Regime (SMCR).

#### **Principle 3: Regulatory context**

**Activities aimed at strengthening professionalism should build on relevant regulatory frameworks, in particular the SMCR and ICRs. This may be achieved by:**

- Implementing the SMCR and ICRs consistently, proportionately and fairly and in ways that best support the letter and spirit of these regulations;
- Working with other firms to achieve consistency of implementation of the SMCR and ICRs across the sector;
- Ensuring that, where individuals' behaviour falls short of expectations, there is a fair and transparent process for investigating the circumstances and, where necessary, taking appropriate action;
- Encouraging individuals to learn from mistakes and share experiences;
- Sharing appropriate and required information in a timely way with organisations fulfilling roles prescribed by regulation e.g. with professional bodies that issue Statements of Professional Standing.

**Principle 4: Learning**

**Learning and development should meet and go beyond regulatory requirements, encompassing the ongoing strengthening (by a variety of means) of technical knowledge, ethical judgement and people skills. This may be achieved by:**

- Ensuring that leaders at all levels are role models in their behaviour and demonstrate a personal commitment to developing their own technical knowledge, judgement and people skills, and help others do the same;
- Developing, rewarding and celebrating technical knowledge and skills, good behaviour, ethical judgement and people skills such as leadership, empathy and
- Equipping individuals with the skills to serve their customers and clients well in a rapidly changing sector and technological environment;
- Establishing and maintaining strong relationships with relevant external bodies (e.g. professional bodies, standards setters and qualifications providers) to ensure that learning frameworks and standards meet current and future needs at the level of the individual practitioner, the firm and the sector;
- Making effective use, as appropriate, of formal training (such as initial and continuing professional development, including professional qualifications and standards), and other learning opportunities such as mentoring, professional body membership, reflective practice (e.g. through 360° and self-review), peer-group discussions, shadowing etc.;
- Supporting those individuals with specific CPD requirements set by a professional body;
- Maintaining up-to-date information across the firm on employees' skills, qualifications and development needs;
- Ensuring that individuals have the time and encouragement to learn as part of working life, not as an extra-curricular activity on top of a working day.

**Principle 5: A culture of openness, honesty, challenge and support**

**Firms should foster a culture of openness, honesty, challenge and support. This may be achieved by:**

- Cultivating an environment in which individuals are confident to speak honestly and are supported when challenging the behaviour of colleagues;
- Ensuring that senior staff lead by example in seeking challenge, speaking honestly and fostering a culture of openness and support;
- Developing appropriate procedures to encourage individuals to speak up in a timely manner, and supporting them when they do;
- Promoting both diversity and inclusion within the firm, using the drive towards this to ensure that the firm reflects the values of society and supports a culture of openness, honesty, challenge and support;
- Allowing individuals to exercise appropriate autonomy and to deploy the judgement they have developed;
- Prioritising the wellbeing of staff to ensure that they feel confident in performing their roles and in exercising their judgement.

**Principle 6: Coherence, efficiency and effectiveness**

**Initiatives aimed at strengthening professionalism should be coherent, efficient and effective, not only at the level of the firm but across the sector. This may be achieved by:**

- Establishing sponsorship at a board and senior executive level for professionalism activities within the firm;
- Ensuring consistency between such initiatives and a firm's purpose and values;
- Collaborating with other firms to overcome common obstacles to raising standards of professionalism, recognising that different approaches are likely to be suitable for different firms;
- Contributing to efforts to understand the effectiveness of initiatives aimed at strengthening professionalism, e.g. assessing the links between training/learning inputs and performance outputs and outcomes for customers and clients;
- Sharing good practice and experience with other firms and encouraging and contributing to cross-sector initiatives to identify good practice, understand future requirements and promote professionalism.

## INDIVIDUAL ACCOUNTABILITY: THE CERTIFICATION REGIME WORKING GROUP

The challenge of developing a culture of accountability and responsibility rather than of blame, has been one of the BSB's three work themes over the past year, as described earlier in this review. Creating such a culture is also central to the Senior Managers and Certification Regime (SMCR), which aims 'to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence.'<sup>17</sup>

While the Senior Managers Regime seeks to ensure that the most senior managers within firms have clear responsibilities and are accountable to the regulators, the Certification Regime gives firms the responsibility of certifying that employees in other high-risk roles are fit and proper to perform those functions. Working with firms to help them implement the Certification Regime in an effective and positive way, has been an important area of the BSB's work and will remain so in 2018.

### The BSB Certification Regime Working Group

The Certification Regime not only places new responsibilities on firms; it also provides them with an opportunity to raise standards across the sector and promote good outcomes for customers, members, clients and wider society. In our Annual Review 2016/2017<sup>18</sup>, we described the Certification Regime Working Group (Working Group) that the BSB had established to help firms realise that opportunity. In February 2017, and informed by the Working Group's discussions and a public consultation, the BSB published its first Statement of Good Practice on assessing fitness and propriety (F&P) alongside more detailed supporting guidance. This good practice guidance pooled the experience of BSB member firms and provided a reference point for firms when considering their own practices.<sup>19</sup>

Participation in the Working Group allows member firms to share their experience of implementing the Certification Regime. This can include the regime's interaction in practice with both existing internal processes (such as disciplinary and recruitment processes, professional development and appraisals) and external responsibilities (including regulatory references, regulatory interactions, and — for international groups — communication between jurisdictions). The Working Group also enables discussion of some of the issues encountered by firms when assessing the F&P of those individuals performing high risk roles and determining whether to certify them as fit and proper. Membership has grown from 13 firms at the time of the Working Group's establishment to 24 in March 2018, and members have told us that they have found it valuable in helping them implement both the letter and the spirit of the Certification Regime as effectively as possible.

### Developing approaches to dealing with certification risks and issues

Over the course of developing our first Statement of Good Practice on assessing the F&P of certified staff, many member firms and others told us that they would find it helpful to consider the decision-making process in more detail. Working Group members have said that, to date, the majority of F&P decisions have been straightforward. There will, however, always be a small number of cases which are not, and member firms also told us that they would find it helpful to have a common lexicon of what might constitute good practice for making decisions about whether to issue a certificate following an F&P assessment.

<sup>17</sup> See, for example: <https://www.fca.org.uk/firms/senior-managers-certification-regime>

<sup>18</sup> Policy Section of Annual Review 2016/2017: <https://www.bankingstandardsboard.org.uk/annual-review-2016-2017/policy>

<sup>19</sup> Statement of Good Practice 1: <https://www.bankingstandardsboard.org.uk/pdf/Assessing-F&P-Statement-of-Good-Practice.pdf>

Responding to this, and to help firms in cases where they need to consider F&P more frequently than annually, we published further Supporting Guidance in February 2018, available at <https://www.bankingstandardsboard.org.uk/supporting-guidance-to-the-bsbs-fitness-and-propriety-assessment-principles/>. This guidance relates to the 2017 Statement of Good Practice, and to the specific principles within this about establishing pass/fail criteria and evidencing the F&P assessment. It focuses on the decision-making process that firms undertake in assessing F&P, especially in case that are not straightforward.

This latest guidance develops the concepts of certification risks and certification issues. A certification risk is defined as a situation that, should it materialise, could call into question an individual's F&P. A certification issue, on the other hand, is a situation that has materialised and is calling into question an individual's F&P.

By highlighting risks as well as issues, firms are encouraged to consider whether there are any broader factors that may have an impact on an individual's F&P. Should an issue call into question an individual's F&P, firms should also consider the organisational context in which this arose, and whether this suggests broader risks or issues that the firm needs to address.

This guidance also encourages firms as far as possible to:

- determine how best an individual can maintain their F&P between assessments;
- identify, as part of the regular F&P assessment cycle, any risks that might call into question an individual's F&P and seek to mitigate them; and
- consider how to remediate issues that do call into question an individual's F&P, however these arise.

This approach is important in encouraging firms and individuals to think about their F&P on a continuing basis (potentially contributing to promoting professionalism - see previous section of this Review). F&P assessment must be conducted at least annually and for many people the annual assessment may be sufficient. Certified individuals, however, need to remain conscious of their F&P on an ongoing basis, and firms may need to assess individuals more frequently if necessary.



## Regulatory references

A further aspect of the regulatory regime is the requirement to provide regulatory references for employees going into certified roles. Regulatory references are connected with a number of practical issues around implementing the Certification Regime<sup>20</sup> as it is the point at which a firm needs to pass on information about an individual's F&P to another firm. Member firms have therefore said that they would like to explore some of the challenges this presents.

Firms perform two roles in respect of regulatory references. They provide regulatory references, passing on information about individuals to other firms (information that would be unlikely to be obtained elsewhere), and they receive regulatory references as part of the assessment of an individual's F&P when that person joins a firm or is new to a role. Irrespective of whether a firm is a provider or receiver of regulator references in any given situation, it may face challenges relating to:

- consistency – ensuring that references are consistent both in terms of the quality and types of information provided across the firm, and between firms, so that receiving firms can have confidence that the appropriate range of information has been considered for inclusion by the providing firm;
- fairness – what is it fair to the individual to include or exclude? When, for example, a disciplinary process has not been completed, how much information should be included in a reference by the providing firm? Fairness is also relevant in the context of firms receiving regulatory references for use as part of a recruitment process as the information needs to be interpreted in a way that is fair to the individual, rather than used simply to screen out applicants; and
- proportionality – acting proportionately when fulfilling the requirements of the regime, especially in terms of taking reasonable steps to identify and verify relevant information, and when considering issues raised by regulatory references and updates.

We are working with members of the Certification Regime Working Group to develop a set of principles for firms on providing and using regulatory references, as well as scenarios to illustrate the kinds of threshold that firms might apply to information to be included in a reference. We expect to consult on these principles over the course of 2018.

## The experiences of member firms, two years on

March 2018 marks the second year in which firms regulated by the FCA and PRA must attest that all their certified staff are fit and proper to perform their roles. Through its Working Group, the BSB has during this time been developing its own knowledge and understanding of the experiences of member firms in implementing the Certification Regime and maintaining their regulatory obligations.

The proposed extension of the regime to all firms authorised under the Financial Services and Markets Act<sup>21</sup> will increase the size of the certified population significantly. This provides the financial services sector with the chance to take the initiative, individually and collectively, to raise standards. One means of facilitating and, where appropriate, encouraging consistency of approach, is the identification of good practice. We have therefore provided in Box D an overview of some of the issues that member firms have identified and been addressing in implementing the Certification Regime, and hope that others will be able to draw helpful lessons from this work.

<sup>20</sup> The requirements around regulatory references also apply to those approved under the Senior Managers Regime.

<sup>21</sup> CP17/25 *Individual accountability – extending the Senior Managers and Certification Regime to all FCA firms*: <https://www.fca.org.uk/publications/consultation-papers/cp17-25-individual-accountability-extending-smcr>

**Box D - Experience of implementing the Certification Regime; general observations of BSB member firms**

- Firms find F&P decisions easier to make where there is clear evidence available; credit reference checks, for example, are routinely used to provide evidence of financial soundness. While not of itself surprising, this can potentially raise questions of fairness, e.g. if an individual's F&P is more likely to be called into question on a less serious issue for which the evidence is relatively straightforward, than on a more serious issue for which the evidence is less clear-cut or harder to obtain.
- The regulatory regime has, in many firms been aligned with existing processes to help integrate F&P assessments into business as usual. The disciplinary process is for many firms central to implementing the Certification Regime, because it is a well-understood process that provides clear decisions and avenues for appeal. There are, however, issues that can arise outside the disciplinary process that may not be captured and relying on disciplinary processes can cause considerable uncertainty if they are left incomplete. Firms are also increasingly considering how to ensure that the appeals process functions appropriately, especially when there are both disciplinary and F&P decisions that could be appealed.
- Firms use a range of approaches to manage and remediate F&P issues, ranging in gravity from assessing F&P more frequently than annually, to dismissal. Firms are using a variety of options in these circumstances, including imposing additional supervision, putting in place a further review of an individual's F&P during the year, or reducing the scope of an individual's role.
- A particularly challenging situation for many firms is when an individual is not considered fit and proper, but the action taken in response would normally fall short of dismissal. Two (in theory, straightforward) options in this context would be to demote the individual or to place them in another, different, role. These may not, however, be realistic for smaller firms; and even in larger firms, reallocating someone in this way – given the likely severity of the issue – may not be in line with the firm's internal redeployment policies. Firms are tending therefore to be more inclined either to try to remediate an issue while the individual is retained within the same role (albeit potentially reduced in scope or with additional controls built around it), or to resort to dismissal.

**The particular challenges faced by international firms**

The BSB's discussions about the international challenges of implementing the Certification Regime have allowed member firms to work collectively on issues, including those that may not be fully resolvable in the short term. These discussions have also informed our engagement with the Financial Stability Board in its work on governance, as well as our wider engagement internationally.

One of the principles in our 2017 Statement of Good Practice concerned assessing F&P as part of a global group. The particular challenges faced by international firms relate primarily to the complexity of sharing information required for regulatory purposes across different jurisdictions, but include also other practical implications of applying the regulatory regime to employees outside the UK.

Again, the work of the Certification Regime Working Group has generated a number of observations and insights that other financial services firms may find helpful: these are contained in Box E.

**Box E - Experience of implementing the Certification Regime; additional observations of international BSB member firms**

- Due diligence and availability of information vary considerably across jurisdictions, depending on what may be legally obtained or used in any given jurisdiction. The five most common areas of variation relate to criminal records checks, credit reference checks, self-declarations, the legal basis for third-party suppliers to collect information, and the culture of disclosure.
- Some firms that have identified individuals outside the UK as being in scope of the SMCR, have also found in this an opportunity to review existing reporting structures. (This mirrors developments following the introduction of the Senior Managers Regime, where the responsibilities mapping requirement encouraged firms to think about whether, for example, individuals with a large number of direct reports could reasonably provide the level of oversight required by the regime.)
- Some member firms have found that linking F&P requirements to the standards of conduct and competence that the firm would expect of any employee, has helped communicate understanding of the requirements of the SMCR in general but particularly to those affected while in other jurisdictions.

## NEW APPROACHES AND TECHNIQUES

The BSB's Assessment data, alongside findings from other aspects of the BSB's work, can help us understand better some of the factors that may promote or stand in the way of raising standards of behaviour and competence in banking. In considering how firms can deploy and address these factors effectively and efficiently (and also gauge the impact of what they do) we are continually exploring new and innovative approaches, working on this with firms themselves, academic partners and others. We are also learning, as we develop this work, from approaches that have been successful in other sectors or countries, and indeed that may be being used in parts of the banking sector itself but are not widely known or applied.

### New approaches introduced in 2017

#### *Observational techniques (Ethnography)*

Observing individuals' everyday behaviour can be an effective means of understanding a group or a society's culture. Ethnography, as this approach is called, can also be used within an organisation, providing the members (and leaders) of that organisation with detailed, descriptive feedback about group behaviour, habits or norms.

In order to test the value of this approach to BSB members we piloted a series of four ethnography workshops with member firms in the first half of 2017. Run in collaboration with the London School of Economics and Political Science (LSE), the modules covered the theoretical underpinnings of ethnography, practical skills in participant observation, and how to learn from these observations, enabling participants then to apply this approach within their own organisations. Participants were asked to observe behaviour around the LSE buildings, in order to help them do so at their own organisations, focusing on what people actually do (rather than what they may say or think they do).

Feedback from participants has been very positive on the value of the techniques learned. Members of the cohort reconvened six months after the course had finished to share their observations and experiences. They said that they were now able to see dynamics within their own firms that they (and their firm) had previously been unaware of.

Given the value of this exercise to those who participated, we are planning to run a second series of workshops for member firms in 2018. We will consider whether and what further work in this area may be helpful and appropriate.

#### *Sharing learning across firms*

Banks and building societies should both compete to provide the best products and services for customers at the best prices, and collaborate to ensure that the sector identifies and upholds high standards of behaviour and competence. Our Assessment work has shown that many banks and building societies, whatever their size, location and business areas, are grappling with similar issues. Collective effort and learning can help to overcome some of the barriers to raising standards, and improve firms' ability to achieve good outcomes for their customers and clients and for society more generally.

Our ethnography workshops, as well as our work on implementing the Certification Regime, demonstrated in a very concrete way in 2017 the value of sharing learning between organisations; an exchange we are continuing to facilitate through our policy work and events programme. The focus of the latter has, over most of the past year, been on learning from speakers and discussants from sectors other than banking. It also included also an exploration of the relationship between law, regulation and culture, and the shared priorities and objectives on issues of organisational culture across banks, regulators and the judiciary. Of particular note was our event in March 2017 with the Governor of the Bank of England, the President of the New York Federal Reserve Bank and the Lord Chief Justice of England and Wales on 'Worthy of Trust; Law, ethics and culture in banking'. We look forward in this context to a BSB lecture on 20 March 2018 by Sir Geoffrey Vos, Chancellor of the High Court of England and Wales.

While hearing and learning from other sectors will remain an important part of the BSB events calendar, we are also now beginning — as both we and our work have developed — to facilitate forums in which banks and building societies can share their own knowledge and experience. Our first such seminar, in November 2017, focused on the role of internal audit in managing culture, and was led by senior audit and compliance practitioners from two of our member firms. In our second, in February 2018, the CEOs of two of our member firms spoke about how they made practical use of the information provided in their BSB Assessment Reports. Further such knowledge-sharing seminars are planned over the coming year.

## New directions in 2018 and 2019

### *The creation of 'BSB Insights'*

The BSB is collecting and is responsible for a large, unique and growing data set relating to culture in UK banking. While we have drawn extensively on this information already, there is the potential to do much more with it, especially as it develops over time. A number of participants at our Professionalism Forum supported efforts to develop a 'thought leadership' role for the BSB, drawing in particular on information gained through the Assessment.

To help us do this in the most effective and efficient manner — keeping in mind always our aim of helping raise standards across the sector to the benefit of customers, clients, and the economy and society as a whole — we are creating a new unit within the BSB, called 'BSB Insights'.

BSB Insights will work flexibly and collaboratively with other BSB teams. It will focus on:

- **identifying cultural or behavioural factors that enable, promote or inhibit high standards in banking.** We will use the data from the Assessment, alongside other relevant information, to try to identify such factors and highlight potential relationships and dependencies.
- **understanding the causes.** This will entail working with subject matter experts and member firms, and may involve reviewing existing literature on an issue (both relating to the UK banking sector, and to other sectors and jurisdictions) or undertaking or commissioning new research.
- **helping to test the effectiveness of interventions.** As we develop the capacity of BSB Insights, we would like to work with member firms (and with other organisations as appropriate), to explore testing the effectiveness of interventions aimed at raising standards of behaviour and competence, and identifying how they can be designed (or redesigned) to have greater impact.

The new BSB Insights unit will clearly take time to develop in terms of both capacity and capability. The decision to establish it, however, reflects the BSB's ongoing commitment to work that is evidence-based, innovative and collaborative, and we look forward as the year progresses to discussing this new initiative further with member firms.

*Developing and extending the Assessment exercise*

As we begin our third Assessment cycle and look ahead to 2019, we will continue to explore how we can make the BSB Assessment ever more useful for all our member firms. This may include making different uses of existing data sources, exploring new ones, or applying different analytical techniques to the data already collected.

Our new Survey platform and dashboard, introduced in 2017, facilitate the running of a large-scale Survey and enable firms to analyse their own data more quickly and more easily. For firms that are part of global groups, meanwhile, the platform and dashboard also mean that we are now able to run the Survey at their overseas operation. This allows an international bank to compare its results across geographies, as well as within its UK business.

We would also be interested to explore how the Survey (and potentially also the qualitative parts of the Assessment) could be applied outside the banking sector and in different types of organisations. While the Assessment was designed with the UK banking sector in mind, the issues it explores are not unique to any particular sector or location. We would be happy to discuss this with any interested firms or organisations over the course of the coming year.

## ANNEX A

### What is the BSB?

The Banking Standards Board (BSB) was established in April 2015 with the aim of helping to raise standards of behaviour and competence across the UK banking sector. It is a non-statutory, voluntary membership body open to all banks and building societies operating in the UK.

The BSB was set up following the report by the UK Parliamentary Commission on Banking Standards<sup>22</sup> into the events that precipitated and exacerbated the financial crisis. Its Chairman, Dame Colette Bowe, was appointed by Bank of England Governor Mark Carney in November 2014 and its Board announced in April 2015. The new organisation opened its doors to membership from across the sector in January 2016. It is the boards of banks and building societies, with their primary responsibility for culture, that take the decision about whether to join the BSB.

The composition of the BSB's Board reflects its remit and its focus on customer and societal outcomes. The organisation is funded by its members not to represent them, but to inform and challenge them; it speaks with and about, but never for, its member firms. A majority of BSB Board members are, accordingly, appointed from outside the sector. These non-practitioner members (who include the Chairman and Deputy Chairman, Sir Brendan Barber) bring expertise and authority to the Board and ensure its independence and impartiality. Practitioner members, meanwhile, are drawn from across the banking as well as the investor spectrum and bring both a professional and personal commitment to the role.

Given the diversity of a sector that spans banks and building societies, foreign branches and subsidiaries, and retail and investment firms, the BSB engages with a wider range of both firms and partner organisations. We have worked with professional bodies, training providers, industry bodies, other industry organisations (e.g. the Fixed Income, Currencies and Commodities Markets Standards Board), academic institutions, think tanks, regulators, policy makers and professional networks, both in the UK and globally. We aim to work creatively, effectively and efficiently. This includes avoiding duplication of what is already being well, and stepping in to inform, facilitate, innovate and challenge, and (equally importantly) stepping back again as appropriate to avoid fragmentation or complexity.

To find out more about the BSB Board, please see <https://www.bankingstandardsboard.org.uk/meet-the-board/>

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<sup>22</sup> <http://www.parliament.uk/business/committees/committees-a-z/joint-select/professional-standards-in-the-banking-industry/news/changing-banking-for-good-report/>

## Trustworthiness and culture

The BSB does not exist to encourage trust in the banking sector, but to help raise the trustworthiness of the sector; a very different proposition. The onus is not on customers, members and clients to trust the firm, but on banks and building societies themselves to demonstrate through their actions that they are worth of being trusted. These actions need to encompass the broad spectrum of competence, behaviour and culture.

When we talk about culture in this context, we mean the way that things get done within an organisation; the assumptions, values and expectations that shape the way in which people behave in a group (and which may be very different to how they behave in other groups, or on their own). These assumptions, values and expectations will influence the way in which people identify, communicate and respond to incentives. Similar objectives, strategies, business models, responsibility maps and reward structure may produce different results in firms with different cultures. Understanding and managing the culture of the firm it leads is therefore a core responsibility of any board. It is one that cannot be delegated to regulators, policy makers or a specific function within the firm such as compliance, risk or human resources.

The responsibility that boards of banks and building societies have for managing culture is, given the size and inter-connectedness of the UK banking sector and its centrality to the economy and society, particularly important. A successful, dynamic UK economy needs a secure, reliable and trustworthy banking sector. Higher standards of behaviour and competence matter also for the wellbeing and fulfilment of the many people who work in banks and building societies across every part of the UK. A banking sector that neither demonstrates nor aspires to high standards lets down its customers, members, investors and all who give the sector its 'social license' to operate.

While every firm shares responsibility for the trustworthiness of the sector of which it is a part, the starting point for each individual firm and the challenges it faces will, of course, be different. For some, the challenge may be about changing and improving their culture; for others, maintaining that culture in a context of changing technology, markets, customer preferences, demographics, competition or other external factors; and for others, aligning local, national and global cultures, or creating the 'right' culture in a newly established firm (or not losing it as the firm expands or restructures). The particular combination of challenges facing each board and executive team will be as individual as the firm, and will itself change over time.

## The BSB approach

Work to raise standards and demonstrate trustworthiness requires not only determination but also information. Boards and executive teams need evidence that can help them to identify what needs to be done, prioritise competing demands, determine actions and timescales, and establish a baseline against which progress can be measured.



While every firm is different, some of the issues each faces will nevertheless be shared. Banks and building societies can learn from each other, as well as from firms in other sectors, about how to address such issues in the most effective and efficient way; challenging themselves, and building better business models for their customers, members and clients.

The BSB’s assessment and policy work are intended to provide member firms with the evidence, support and challenge, to help them achieve and maintain high standards of behaviour and competence, individually and collectively. Underpinning this dual approach is a framework of nine characteristics, both ethical and professional, that we would expect to lead to good outcomes for customers, members, clients, employees or investors and the economy and society as a whole; characteristics that we would therefore expect to be associated with any good culture in banking.

Our Assessment does not assess firms against a template of what a ‘good’ culture looks like. There is no uniquely good (or bad) organisational culture against which all others can be measured. Firms with very different cultures can produce equally good or bad outcomes for customers and clients and more broadly.

We do not, therefore, set out to measure or rank culture directly. Rather, we ask how far each of our nine characteristics is demonstrated by the firm and relative to other firms. We would expect a firm that strongly exhibited our nine characteristics to be better equipped and more likely to service its customers, members and clients well, than one in which these elements were lacking.

**The nine characteristics against which firms are assessed are honesty, respect, openness, accountability, competence, reliability, responsiveness, personal and organisational resilience, and shared purpose.**

**The BSB framework**



If these characteristics appear obvious and fundamental, that is precisely as it should be. They are characteristics that customers, members or clients should be able to take for granted as being not only present, but present to a very high degree in any bank or building society that they entrust their money to or deal with, irrespective of the firm's size, business model, market segment, age, ownership structure or location. Furthermore, given the importance of the banking sector to the economy and the systemic nature of the sector, the public as a whole also has the right to expect the same of every bank or building society operating in the UK, whether or not they engage with it personally and directly.

Assessing firms against our nine characteristics and exploring areas of both strength and weakness, reveals issues relevant to both individual firms and to firms collectively. At the individual firm level, the results of the Assessment are given to each board and discussed with the firm. The BSB does not publish firms' Assessment reports. It is the responsibility of each board and executive team to decide how to act on and share (e.g. with employees and regulators) the contents of their report.

Members firms join the BSB and engage in the Assessment in order to learn and continuously improve. Participation in the Assessment, with its cross-firm benchmarking and detailed reporting, demands a readiness on the part of board members and the executives to be self-critical and to ask questions of themselves and their employees that may elicit unexpected and unwelcome answers. A far more comfortable option would be to avoid asking such questions in the first place. BSB membership is voluntary; it is also challenging.

While individual firm reports are owned by the firms concerned, the BSB is committed to publishing evidence of what it finds at the cross-firm level, and identifying the issues and themes that in turn inform its policy work.

The Assessment is, by its nature, undertaken with firms individually. The BSB's policy work, in contrast, focuses on collective challenges that may not necessarily be shared by all firms but will be common to many.

Drawing on evidence from the Assessment and elsewhere, the BSB works with firms to understand better the issues identified and to develop appropriate policy responses, including developing good practice guidance. Good practice guidance, it should be noted, does not impose any legal or regulatory obligation and is not a standard that sets a minimum requirement nor does the BSB operate on a 'comply or explain' basis. Rather, good practice guidance allows member firms and others in the sector to reference their own policies and procedures against a statement of what 'good' looks like. Guidance is developed in partnership with BSB members and represents a pooling of knowledge and experience. This is an approach that, to be effective, requires firms to be genuinely committed to a culture of continuous improvement; a commitment consistent with the voluntary nature of BSB membership.

In developing its policy work the BSB aims to be innovative, challenging, objective and collaborative, making full use of the flexibility afforded to it by its non-regulatory status. We work not only with firms but a broad range of stakeholders from across industries, consumer organisations, civil society, non-profits, the public sector and academia.

Over time, we would look for the benefits of the establishment and spread of good practice to be reflected in the Assessment results and the extent to which the nine characteristics of our framework are demonstrated collectively by participating firms. The BSB framework therefore both underpins our Assessment and informs and provides a longer-term success measure for our policy work.

## Overview of the BSB Assessment

The Assessment exercise asks how far the nine characteristics of the BSB framework are demonstrated within a firm. Repeated annually, it provides boards with an impartial, evidence-based picture of the culture of their firm; not only over time and across different business areas, but also relative to other firms. These multiple perspectives, combined with other internal and external data used by firms, equip boards and executive teams better to gauge progress, set priorities and learn from good practice both within the firm and (including through our policy work) across firms.

The Assessment approach was developed by the BSB, working with leading academics in the fields of organisational psychology and ethnography from the London Business School and the London School of Economics and with strategy consultants. It comprises both a quantitative element (generated from an employee Survey) and a qualitative dimension (including e.g. focus groups, interviews and board questions) that allows the Survey results and any broader themes to be explored in more detail. All participating firms engage in the Survey, the data from which provides benchmarked results by firm and business area.

Each firm receives its own Survey results, including (assuming that response rates were high enough to be statistically representative of the relevant populations, and, where at least seven firms could be compared) a comparison of its scores on each characteristic and question, with the range of scores of all participating firms. These comparisons are provided not only at firm level, but also (where relevant to the firm) for retail banking, investment banking and functions, and at the next level down (e.g. within retail banking, for retail branch, private banking, commercial banking etc).

Comparisons in each case include a range and quartile against the equivalent category across all relevant firms, though without revealing the identity of any individual firm. The results for retail banking at Firm A, for example, were compared with those for retail banking at all assessed firms with a retail banking business.

Firms that take part in both the Survey and the qualitative elements of the full Assessment receive a more extensive report containing fuller findings and analysis.

The consistency of the Survey questions (and the nine characteristics of the underlying framework) is central to enabling a dynamic picture to be built up over time, both at and within individual firms and across firms. The qualitative aspect of the Assessment may, in contrast, vary from year to year depending on the themes explored and the most appropriate way of approaching these.

In 2017, we amended a very small number of questions to reflect our learning from the first year of having run the Survey. Where questions are amended, this is always made clear to avoid incorrect comparisons being drawn. We also asked, in 2017, an additional three questions exploring specific themes (shown in Annex C).

We continue to explore new measurement techniques, as well as whether and how to incorporate firm or third-party information into the Assessment, to ensure that the exercise remains valuable for firms and for their customers, members, clients and employees.

## ANNEX B

### Assessment methodology

In 2017 the BSB conducted its second annual Assessment. This exercise asks how far the nine characteristics of the BSB framework are demonstrated within a firm, and uses both quantitative and qualitative evidence to inform the answer. Quantitative evidence is gathered through an Employee Survey, the results of which provide firms with comparative results both over time and against other firms; qualitative evidence was drawn in 2017, from written submissions by firms' boards, interviews with Non-Executive Directors and executives, and focus groups with employees.

25 member firms took part in 2017, from 22 in 2016. Of these 25, 11 participated in the full Assessment (both quantitative and qualitative), and 14 in the Survey element only. The firms that took part in 2017 are shown below, with those that participated in the full Assessment highlighted in bold.

Aldermore, Bank of Ireland, **Barclays**, Buckinghamshire Building Society, Cambridge and Counties Bank, Charity Bank, **Citi**, **Co-op**, CYBG, Ecology, Handelsbanken, **HSBC**, Ipswich Building Society, **Lloyds Banking Group**, **Morgan Stanley**, **Nationwide**, OneSavings Bank, Paragon Bank, Penrith Building Society, **RBS**, **Santander**, **Standard Chartered**, **State Bank of India**, Tesco Bank, Unity Trust Bank.

#### *The BSB Employee Survey*

The BSB Employee Survey consists of 37 core questions (see Annex C). Questions 1-36 each correspond to one of the nine characteristics of the Assessment framework. Question 37 invites respondents to enter three words describing their firm in a free text box.

The questions explore employees' perceptions, observations and beliefs about their firm's culture, drawing on personal experience. Questions 1-36 are both positively and negatively framed to reduce the risk of acquiescence bias (the tendency of survey participants to agree with questions) and, apart from the first and last few questions, are presented in a randomised order.

The Survey is run in each firm in the same way, to reduce as far as possible any firm-specific framing effects that might bias answers. It is not carried out as part of or in conjunction with any other survey or exercise, and has a set appearance and format that positions it clearly as an externally-run BSB survey. Employees completing the Survey do so completely anonymously, the BSB does not know respondents' individual identities, and results are presented to firms in a way that avoids any risk of attribution.

In developing and refining the survey we conducted cognitive testing with a number of employees across business lines at a diverse set of firms.

Questions 1-36 of the survey use a five-point Likert scale, i.e.: Strongly Agree, Somewhat Agree, Neither Agree nor Disagree, Somewhat Disagree, Strongly Disagree. The answers to each question are then converted into a score on a scale of 0 to 100, (with 100 representing a situation in which all respondents strongly agreed with a positively framed statement, or strongly disagree with one that was negatively phrased)<sup>23</sup>. The scores for the individual questions relevant to each of the nine Assessment characteristics are then combined (giving equal weight to each of the relevant questions), to give a score of 0-100 for each characteristic.

<sup>23</sup> The scores on a scale of 0 to 100 are calculated after applying weights evenly from 0 to 1 to each of the five possible Likert scale responses, i.e. 0, 0.25, 0.5, 0.75, 1. The weighting is reversed for negatively framed questions. This means that a higher score in the results presented always means a more positive outcome irrespective of whether the question is positively or negatively framed

The Survey can be run on either a census basis (i.e. sent to everyone in the firm) or on a sample basis. In practical terms, the latter approach is used only in larger firms (as the sample required in a smaller firm would be close to the entire population of that firm), and some larger firms that began in 2016 with a sampling approach have subsequently decided to send the Survey to all of their employees.

Where a sample approach is used, the number of respondents needed is determined by what is required to provide statistically representative results and comparisons to firms at the level of individual business lines and functions (i.e. not just at the level of the firm as a whole).

In 2017 the Survey was sent to 106,092 people at 25 firms and received 36,268 responses. This level of responses means our results for individual firms have relatively small margins of errors, i.e. we can be confident the views expressed by responding samples are unlikely to be different to the views of the populations they are meant to represent<sup>24</sup>. In 2016 the Survey was sent to 82,139 people at 22 firms, and received 28,122 responses (again, leading to high confidence in the results).

Each firm receives its own Survey results across different parts of its organisation, and is able to compare its scores for each characteristic and question with those of all other participating firms. Other firms are not identified in a firm's own report.

The Survey results are provided on an interactive dashboard. Firms can see the Survey score for their whole organisation, with a rank and quartile position compared to other participating firms. They can also see the question and characteristic scores for each of their business areas, benchmarked against all other firms with comparable business areas. Firms are also able to analyse the data by some demographic characteristics, though the dashboard prevents the data being cut in any way that would create a risk of attribution of respondents.

With their results displayed in this way, boards and executive teams can see where specifically they are performing well against their peers, and where there is room for progress. Repeating this annually, using the same methodology, allows them also to gauge progress over time.

In any one year we may include additional Survey questions to gather more information on a particular theme. In 2017 we included three such questions, all of which were presented to respondents after Questions 1-37 had been asked. Additional questions do not feed into the scores of firms or affect comparative rankings.

<sup>24</sup> For the results we provide to individual firms at the firm level and for business areas within a firm we aim for sample sizes sufficient to achieve a confidence level of 95% and a confidence interval (margin of error) of +5%. In practice, the response rates achieved in 2017 means these desired levels for most firms are met. For the smallest firms or for smaller business areas, margins of errors can be larger unless almost all employees respond.

### *Gathering qualitative evidence*

For firms that take part in the full Assessment, we gather additional, qualitative evidence. This evidence is combined with that derived from the Survey results to produce a fuller report for the boards of these firms.

11 firms took part in the full Assessment in 2017, and qualitative evidence was gathered in three ways: board questionnaires, interviews with Non-Executive Directors and Executives, and employee focus groups.

#### *Board questionnaires*

The BSB Chairman wrote to the Chairs of each of the 11 firms in 2017, asking the following questions.

- What are your priorities on culture, behaviour and competence over the coming twelve months, and which do you expect to be the most difficult to achieve? Have these changed since 2016, and if so, why?
- How will you be judging progress against your objectives?
- Is there any additional contextual information which you feel is relevant in the assessment of culture, behaviour and competence at your firm?

The board's responses provided firm-specific context to inform our interpretation of the wider evidence received.

#### *Interviews with Non-Executive Directors and Executives*

As part of our qualitative information gathering exercise we also interviewed in 2017 11 Non-Executive Directors (NEDs) and 60 executives from across the 11 participating firms. Interviews were semi-structured and covered:

- culture change at the firm during the previous 12 months;
- priorities for the coming 12 months;
- questions relating to the BSB's three key themes in 2017 (i.e. the alignment between a firm's stated values and the way business is done; creating a culture of responsibility and accountability, not blame; and personal resilience and wellbeing) and
- any other cultural or behavioural topics that the interviewee wished to discuss.

These interviews at a senior level help us to understand the perspectives of individual NEDs and executives, including what they felt was going well and anything that they considered needed to change.

#### *Focus groups*

The third and very important aspect of the qualitative Assessment in 2017 (as in 2016) was hearing from employees about their firm's culture through focus group discussions. In 2017, these focus groups also enabled us to explore the three key themes noted above.

Focus groups included employees from a mixture of junior and middle levels of seniority at the same firm (i.e. each focus group was firm-specific, not drawn from across firms), and we asked in each case that no participant's line manager was part of the same focus group. We conducted 87 focus groups in 2017, involving more than 750 employees from different business areas across the 11 firms taking part in the full Assessment. The focus groups themselves are facilitated by a third party, and the BSB itself does not receive or hold information on the identities of the individuals who participate (other than the business area(s) or part(s) of the firm that each focus group is drawn from).

## Methodology behind the analysis presented in the Annual Review

### *Quantitative analysis*

We use a series of regression analyses and additional tests to analyse the quantitative data obtained from the Survey.

### *The regressions*

The 36 questions that form our core Survey are answered on a five-point Likert scale (strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, strongly disagree). This is an ordinal scale, i.e. one where responses can be sorted by a rank order. The primary regression model we apply to the data is therefore an ordered logit model.

Regressions are run for every question separately (so there are 36 different regressions for the 36 Survey questions), and at the level of the individual respondent. Using data from both 2016 and 2017, we ran our models across a total of 64,390 lines of data.

The left-hand side variable for each regression is the outcome that we are trying to explain, i.e. the five-point scale response to the question concerned. We also gather from Survey respondents demographic and institutional data relating to gender, tenure, location, role type, business type, and firm. We use these factors as the right-hand side explanatory variables in our models.<sup>25</sup>

### *The outputs and their interpretation*

The coefficients for all variables are calculated and need to be interpreted relative to a base. The results for the variable 'Line manager', for example, should be interpreted relative to not having line management duties. (See Figure 1) shows the explanatory variables in our models and the base in each case.

The coefficients for this type of model are expressed as odds ratios. If, for example, the odds ratio on Q1 for the variable of 'female' is 1.2, this means that – controlling for all the other factors in our model – being female raises the odds of agreeing with the statement in Q1, relative to being male. Odds ratios of greater than 1 imply a positive likelihood, and vice versa.

For ease of interpretation, we reverse the order of the Likert scale where a question is negatively phrased, so that higher odds ratios imply a more positive likelihood for all questions.

Our regressions give us two pieces of information; an odds ratio (the size of the coefficient) and a p-value (whether the variable is statistically significant in explaining the outcome). To be able to observe patterns more easily across all the ordered logit regressions for our survey questions, the results are presented in the visual format shown in Figure 2. The size of the circles denotes the size of the impact of the variable<sup>26</sup>, and the colour reflects whether the variable is statistically significant, and if so in which direction green for positive and red for negative). The results of the regressions across all of our Survey questions is presented in this format in Figure 6.

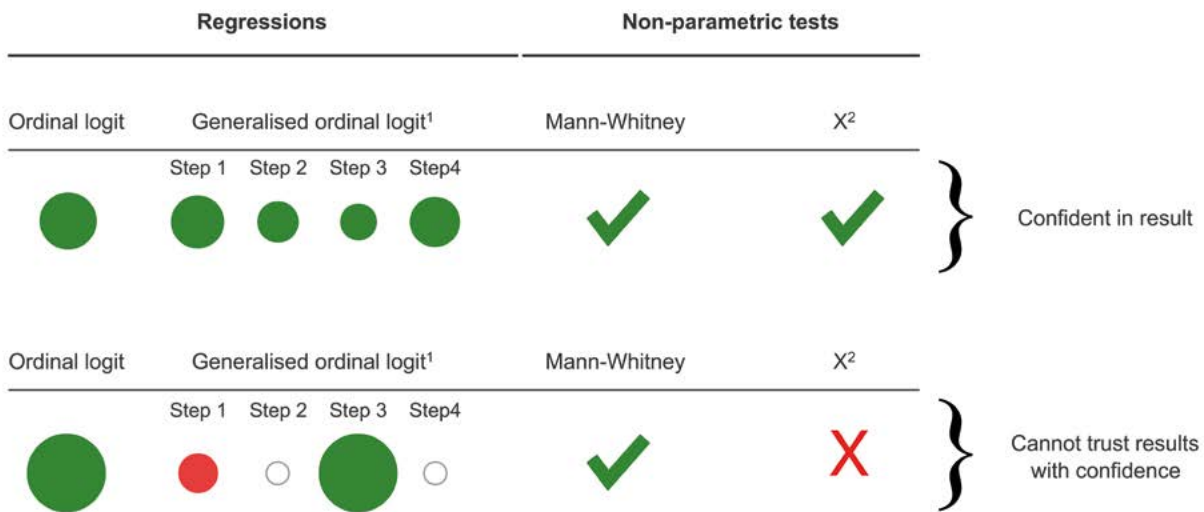
25 We control for firm specific effects in all our regression models through including (1,0) dummy variables which identify the firm a respondent is from. We do not, however, report the results of individual firm-specific results in this public report.

26 As the odds ratio increases above 1 the size of the circle increases (a positive relationship of the explanatory variable with the outcome). Correspondingly, as the odds ratio decreases from 1 towards 0 the size of the circle increases (a negative relationship of the explanatory variable with the outcome).

*Validating the results*

Our ordered logit regressions violate one of the assumptions of such models – the parallel lines assumption. We explain the nature of this and how this is dealt with in greater detail in the box below. To validate the results of our primary regression model, we conduct additional non-parametric test and run further generalised ordered logit regressions. If the results across all our regressions and tests are consistent, we can be reasonably confident of the direction of the relationship between an explanatory variable and the outcome of interest, as well as the broad size of the effect. In practice, we have found that, for most major cases we explore, the regressions and tests validate each other.

Fig. 38. Series of regressions and tests



Note: The size of the circles reflects the size of the impact of the variable (the difference of the odds ratio from 1); the colour reflects whether the variable is statistically significant or not and in which direction. Each 'step' of a generalised ordinal logit is a decomposed element of an equivalent ordinal logit odds ratio and can be interpreted as a series of binary logit regressions. Step 1 e.g. tests the lowest category (strongly disagree, for a positively phrased questions) versus all higher categories; step 2 the lowest two categories (strongly and somewhat disagree) against all higher categories, etc.

In presenting our analysis in this Annual Review we report primarily the results of our main (ordered logit) model. Where these results are contradicted through other tests, however, we report this as well.



#### *Regression and tests for validation*

- An important assumption of ordered logit models is that the relationship between an explanatory variable and the dependent variable should not change for the different categories (in this case, the steps of the Likert scale). In other words, the odds of being in the lowest category (strongly disagree, for a positively phrased questions) versus all higher categories of the response variable are the same as the odds between the second lowest category (somewhat disagree) and all higher categories, etc. This is known as the proportional odds or parallel lines assumption.
- Brant tests show that, in our regressions, this assumption is violated. Some literature does, however, suggest that tests of the proportional odds assumption are 'anti-conservative'; they almost always result in the assumption being rejected, particularly when the number of explanatory variables or the size of the sample is large. To gain greater certainty in our results we conduct two further sorts of analysis.
- First, we run non-parametric tests (Mann-Whitney and  $\chi^2$ ) to test for differences between distributions. As an example, we test for each survey question whether the shift in the ordinal distribution from 2016 to 2017 is statistically significant or not.
- Second, we run generalised ordered logit regressions. This method has the advantage of freeing up the variables from the proportional odds assumption, and is therefore more statistically correct. It also allows us to see how the odds ratio vary at the different thresholds (the steps of the Likert scale). This type of model does, however, introduce greater complexity by generating four sets of coefficients for each regression, making it difficult to present results across our 36 Survey questions in a way that allows the easy identification of patterns.
- We compare the results of all our regressions and tests. Where these are consistent, we can be reasonably confident of the direction and size of the relationship between an explanatory variable and the outcome of interest. Where they are not, we report on this inconsistency.

#### *Qualitative analysis*

Analysing qualitative information in a rigorous and consistent manner presents its own challenges. It was, however, a challenge that we were keen to meet, given the potential value of information from focus groups in particular about what distinguished firms or business areas that appeared to be doing something well. To help us identify differences and similarities between organisational environments associated with relatively high or low Survey results, we worked with academics from the London School of Economics to apply a technique known as 'grounded theory'.

Grounded theory is a qualitative research methodology that allows the systematic discovery of novel propositions from a data set. It does this through making comparisons between cases that differ on some observed dimension.

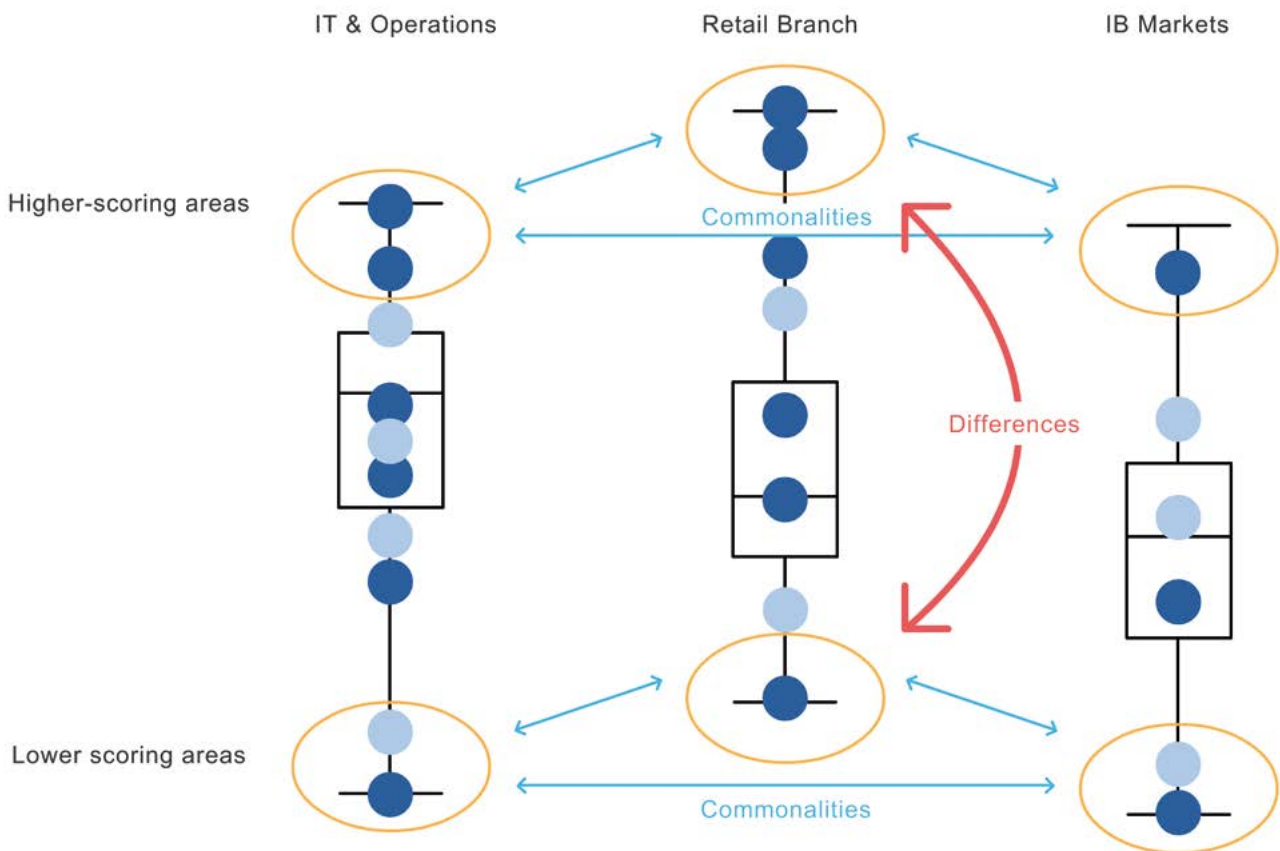
We applied this technique to the Assessment evidence, focused on our three themes. We began by looking across the different business areas of participating firms as a whole, to identify those business areas that had either relatively high or low Survey scores on questions relating to our themes. We then selected (where available) the focus groups that comprised participants drawn from these business areas. We therefore put aside, for the purpose of this analysis, focus groups, putting aside all of the other focus groups from business areas that did not have relatively high or low scores, or were excluded for other reasons (e.g. because participants were drawn from a mixture of business areas within a firm). This is a sampling method that maximises the differences between cases; it does not attempt to represent the full spectrum of material available.

For the purpose of our analysis we then concentrated only on these two sets of focus groups, putting aside all of the other focus groups from business areas that did not have relatively high or low scores, or were excluded for other reasons (e.g. because participants were drawn from a mixture of business areas within a firm). This is a sampling method that maximises the differences between cases; it does not attempt to represent the full spectrum of material available.

This allowed us to identify codes (i.e. words, issues, observations) that were commonly used among focus groups drawn from the set of higher-scoring business areas and markedly different from those drawn from the set of lower-scoring business areas, as well as codes that were equally common across both sets of focus groups.

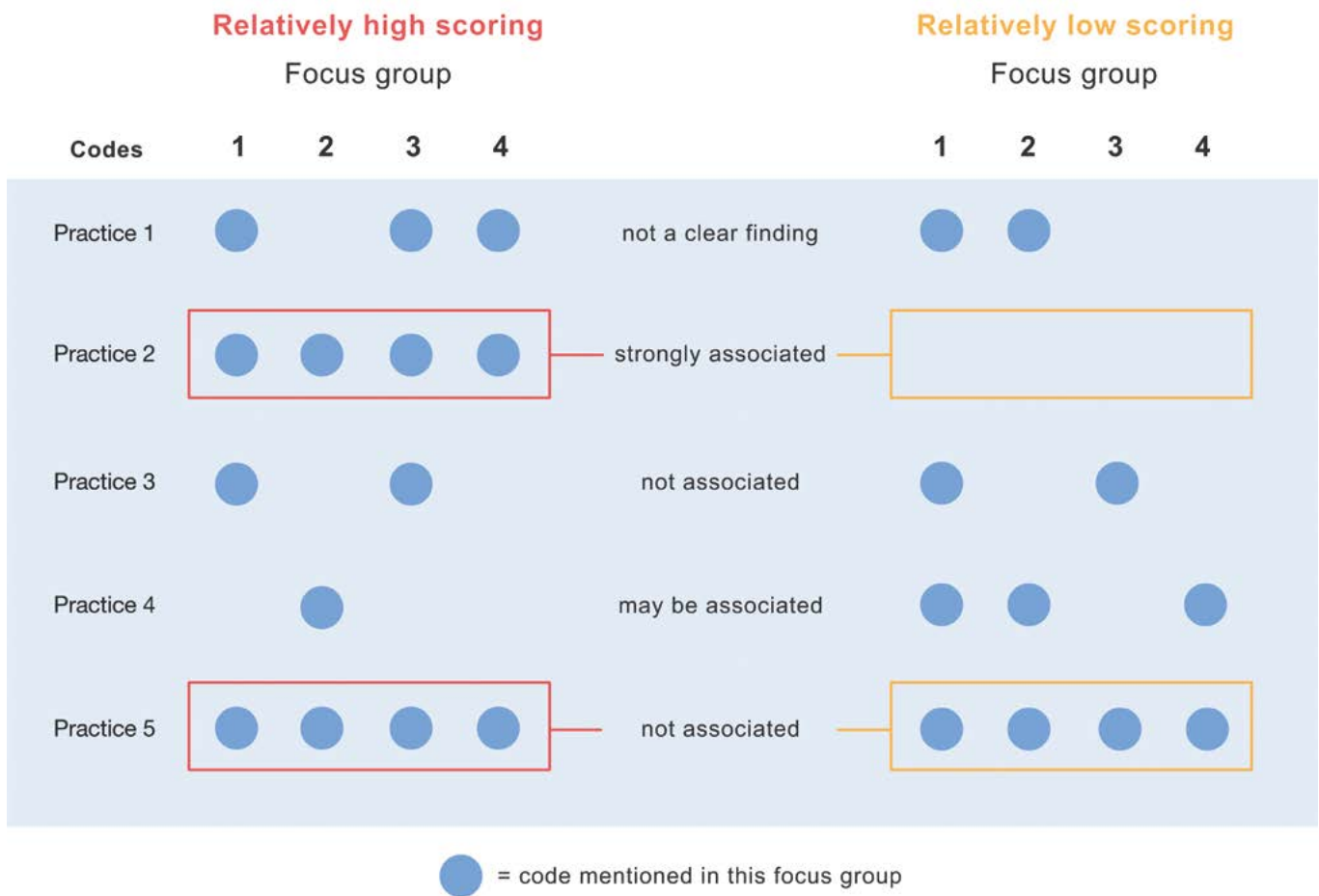
To ensure that we were as far as possible focusing on differences stemming from the organisational environment and culture rather than from the business area itself, a focus group was only included in the analysis if we could also include one or more focus groups from similar business areas that had very different scores. Coding from a focus group drawn from a relatively high scoring Risk & Compliance area, for example, would only be included in our analysis if we could also include focus groups with one or more relatively low scoring Risk & Compliance areas.

Fig. 3. Qualitative analysis: choosing focus groups based on Survey scores



As the sample of focus groups chosen is not built to be representative, further testing would of course be required to establish causal relationships. Nevertheless, by helping identify differences and similarities between sets of business areas with very different Survey scores, the results of this analysis will we hope contribute to our (and firms') understanding and interpretation of the BSB Employee Survey results.

Fig. 4. Identifying practices associated with good environments



## ANNEX C — 2017 BSB SURVEY QUESTIONS

Honesty	Respect	Openness	Accountability
<p>1. I believe senior leaders in my organisation mean what they say.</p> <p>2. In my organisation I see instances where unethical behaviour is rewarded.</p> <p>3. My colleagues act in an honest and ethical way.</p> <p>4. It is difficult to make career progression in my organisation without flexing my ethical standards.</p>	<p>5. At my work I feel that I am treated with respect.</p> <p>6. At my work people seek and respect different opinions when making decisions.</p> <p>7. In my organisation Risk and Compliance are both respected functions.</p> <p>8. In my organisation we are encouraged to follow the spirit of the rules (what they mean, not just the words).</p> <p>9. I believe my organisation puts customers at the centre of business decisions.</p>	<p>10. In my experience, people in my organisation are truly open to review and feedback from external sources.</p> <p>11. In my organisation people are encouraged to provide customers with information in a way that helps them make the right decisions.</p> <p>12. In my experience, people in my organisation do not get defensive when their views are challenged by colleagues.</p> <p>13. In my organisation I am encouraged to share learnings and good practices with others.</p> <p>14. If I raised concerns about the way we work, I would be worried about the negative consequences for me.</p>	<p>15. In my experience, people in my area clearly understand the behaviour that is expected of them.<sup>27</sup></p> <p>16. I believe senior leaders in my organisation take responsibility, especially if things go wrong.</p> <p>17. I see people in my organisation turn a blind eye to inappropriate behaviour.</p> <p>18. I see people in my organisation try to avoid responsibility in case something goes wrong.<sup>28</sup></p> <p>19. I feel comfortable challenging a decision made by my manager.</p>

<sup>27</sup> In the 2016 Survey, Q15 read 'I clearly understand the behaviour that is expected of me'

<sup>28</sup> In the 2016 Survey, Q18 read 'I see people in my organisation try to pass responsibility to others in case things go wrong'

Competence	Reliability	Resilience	Responsiveness
<p>20. In my experience, people in my organisation have the skills and knowledge to do their jobs well.</p> <p>21. In my role, I am encouraged to continually learn new skills and improve my role-specific knowledge.</p> <p>22. I am confident in the ability of people in my area to identify risks.<sup>29</sup></p>	<p>23. When my organisation says it will do something for customers, it gets done.</p> <p>24. I see the people I work with go the extra mile in order to meet the needs of our customers.</p> <p>25. When people in my organisation say they will do something, I can rely on them getting it done.</p>	<p>26. In my experience, people in my organisation are good at dealing with issues before they become major problems.</p> <p>27. My organisation focuses primarily on short term results.</p> <p>28. I often feel under excessive pressure to perform in my work.<sup>30</sup></p> <p>29. Working in my organisation has a negative impact on my health and wellbeing.</p>	<p>30. I believe that my organisation responds effectively to staff feedback.</p> <p>31. Our internal processes and practices are a barrier to our continuous improvement.</p> <p>32. I believe that my organisation responds effectively to customer feedback.</p> <p>33. I believe that my organisation encourages innovation in the best interests of our customers.</p> <p>34. I have observed improvements in the way we do things based on lessons learnt.</p>

**Shared Purpose**

35. My organisation's purpose and values are meaningful to me.  
36. There is no conflict between my organisation's stated values and how we do business.

**Free text question**

37. **What 3 words would you use to describe your organisation?**

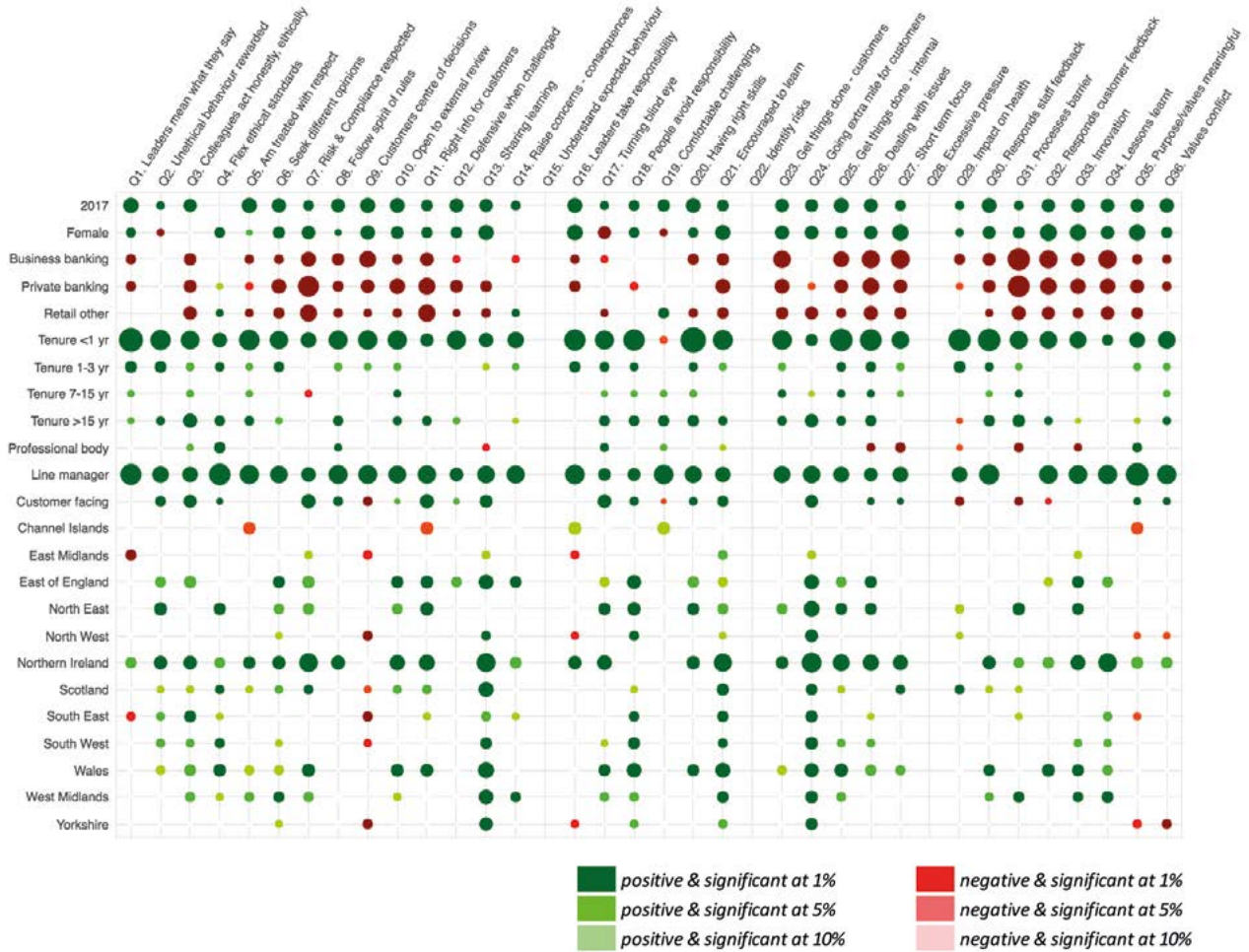
<sup>29</sup> In the 2016 Survey, Q22 read 'I feel confident in my ability to identify risks in my area'

<sup>30</sup> In the 2016 Survey, Q28 read 'I often feel under considerable pressure to perform in my work'

Additional questions for 2017		
<p>38. Only participants who disagreed or were neutral on Q36 ('There is no conflict between my organisation's stated values and how we do business') saw this question.</p> <p>In an earlier question you said that you saw a conflict between your organisation's stated values and how business is done (or did not disagree with this as a statement).</p> <p>Thinking about the last 12 months, which value (or values) has this applied to? Please select any or all that are relevant.</p> <ul style="list-style-type: none"> <li>• Value 1 of your firm;</li> <li>• Value 2 of your firm;</li> <li>• Value 3 of your firm; or</li> <li>• None of the above.</li> </ul>	<p>39. Have you observed any of the following behaviour in the past 12 months in your organisation? (Select any or all that apply.)</p> <ul style="list-style-type: none"> <li>• Actions not in the best interests of customers, clients or members;</li> <li>• Actions that damage market integrity;</li> <li>• Ignoring internal policies and procedures;</li> <li>• Sexual harassment;</li> <li>• Bullying;</li> <li>• Discrimination;</li> <li>• Other inappropriate or unethical behaviour;</li> <li>• No, I have not observed any inappropriate or unethical behaviour;</li> <li>• Prefer not to say.</li> </ul>	<p>40. How do you feel about raising concerns in your organisation? (Please select one or more of the statements below.)</p> <ul style="list-style-type: none"> <li>• I feel comfortable raising concerns in my organisation;</li> <li>• I would not know who to raise concerns to;</li> <li>• I would not trust the process to keep my concerns secure and confidential;</li> <li>• I feel that nothing would happen if I did raise concerns;</li> <li>• I feel it would be held against me if I raised concerns;</li> <li>• I feel it would make my manager look bad if I raised concerns;</li> <li>• I feel it would make my team look bad if I raised concerns;</li> <li>• I feel it would make me look bad if I raised concerns;</li> <li>• I would not raise concerns as no one else does this in my organisation;</li> <li>• I would not raise concerns, for other reasons (not covered above);</li> <li>• Prefer not to say.</li> </ul>

## ANNEX D – SUPPLEMENTARY MATERIAL

Fig 39. 2016 and 2017 ordered logit regression for Retail



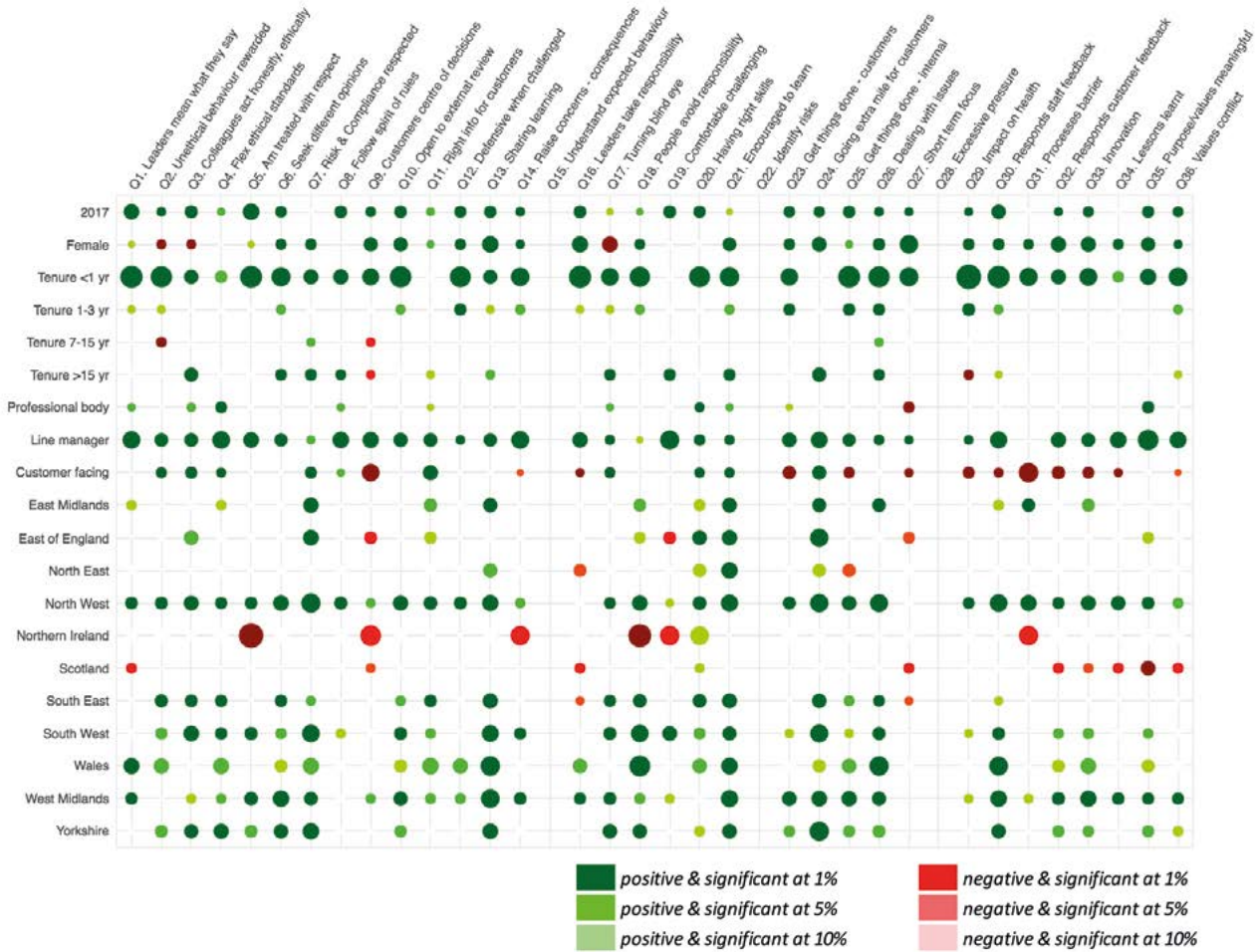
Firm-specific effects are controlled for but not reported here

Number of observations is equal to 23,364

The base for business areas within Retail (Business Banking, Private Banking, Retail Other) is Retail Branches

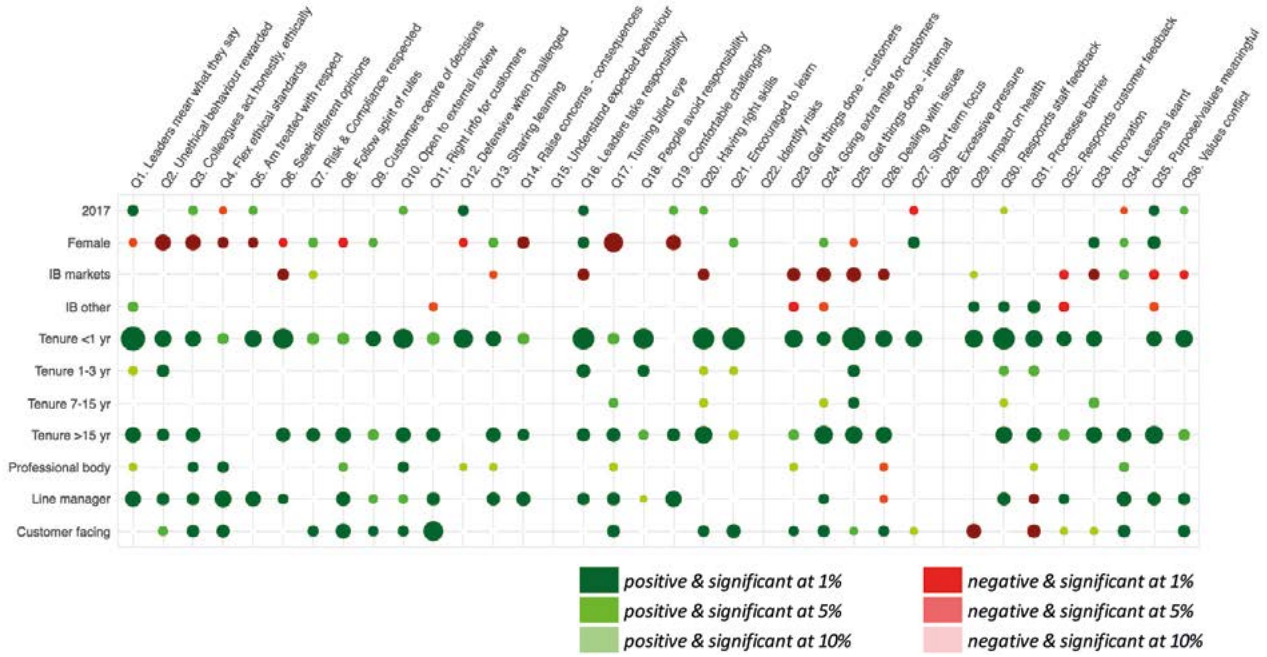


Fig. 40. 2016 and 2017 ordered logit regression for Commercial Banking



Firm-specific effects are controlled for but not reported here  
Number of observations is equal to 8,803

Fig. 41. 2016 and 2017 ordered logit regression for Investment Banking

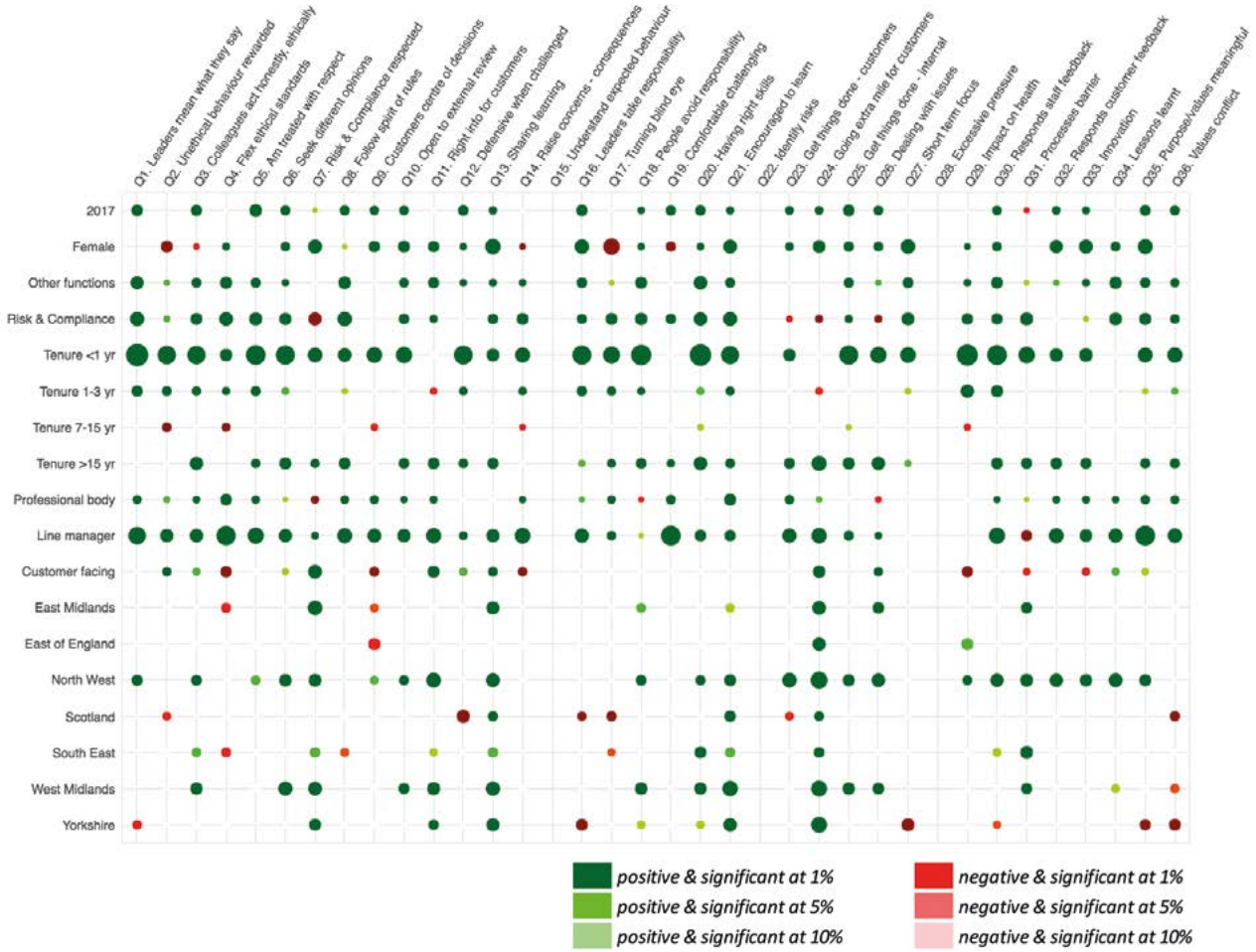


Firm-specific effects are controlled for but not reported here

Number of observations is equal to 6,131

The base for business areas within Investment Banking (IB Markets, IB Other) is IB Global Banking

Fig. 42. 2016 and 2017 ordered logit regression for Functions



Firm-specific effects are controlled for but not reported here

Number of observations is equal to 26,083

The base for business areas within Functions (Risk & Compliance, Other Functions) is IT & Operations

Fig. 43. Scores by tenure in 2017

