Is your culture helping or hindering your journey?
Making cultural change perform for you
Are you ready for a real conversation about culture?

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Introduction

Financial services are facing an increasingly volatile, uncertain, complex and ambiguous environment in which organizations have to adapt the way they operate and connect with their stakeholders. An afterthought for far too long, cultural change is now widely recognized as essential to tackle transformational challenges.

Organizations cannot afford to accept the default culture that has formed over years, but must actively shape and manage it. Experience has consistently proven that culture is a critical component of effective strategic change – more so than ever in times of upheaval. For example, being more customer-centric may be central to your strategy, but no amount of market intelligence or systems development is going to get you closer to your customers if your employees’ attitudes toward, and interactions with, them do not change. Similarly, no matter how good your risk policies and procedures are, if the people in your control environment aren’t motivated or equipped to make the right decisions, that environment will always be weak and fragile.

Indeed, a more agile, risk-conscious and customer-centric culture is set to be the competitive advantage. If you want to achieve real change and deliver true value, look at how your people operate. Moreover, while regulators were once reluctant to impinge on culture, it is now at the top of their agenda. Internal audit teams are increasingly asked to demonstrate a blend of qualitative and quantitative evidence on employees’ risk behaviors to help restore customer trust.

Looking ahead, the pace of change is set to accelerate further. Delivering the necessary changes at the heart of an organization is a significant challenge. Very few leaders know where to start, and even fewer do it well.

EY has in-depth experience in delivering transformational change programs. In this publication, we are pleased to share our insights into tackling the challenge of cultural change.

Jörg Thews
Partner, Ernst & Young AG
What is culture, and why does it matter?

Culture and its creation

Although many different definitions of culture exist, we define it simply as a set of shared assumptions and values that guide individuals’ actions and decisions. The tangible manifestation of culture is people’s behavior, which ultimately is what creates value in an organization.

Culture is created from the explicit and inferred messages people receive on how they are expected to behave. At EY, we believe these messages are derived not only from inside an organization, but from outside as well. In addition to internal cultural levers, such as leadership and structure, culture is also influenced by how the firm interacts with its environment and external stakeholders: customers, investors and regulators. A misaligned organizational culture will affect everything, from the decisions your people make, to how your brand is perceived.

Figure 1. The external and internal influencers of culture

Rising external pressures to manage culture

The accelerating pace of change in organizations’ external environments is forcing them to rethink how their people make decisions and behave internally. For example, regulatory changes and heightened customer expectations require organizational tasks and interactions to be conducted differently. However, if your culture doesn’t change to match the external environment, it is not fit for purpose, resulting in undesired outcomes. Although you can’t alter your external environment, you can ensure you don’t fall victim to it; the internal cultural levers are directly within your control.
Culture enables you to align strategy with execution

An effective culture aligns the strategy-operations spectrum

Leading organizations actively manage their cultures in order to stay competitive and achieve their vision. An organization’s culture plays a critical role in linking its strategy with operational decisions and behaviors. Leadership and relevant organizational enablers, such as structure, performance management and communications, need to support the vision’s execution.

Businesses achieve their highest performance when the cultural levers across the strategy-operations spectrum are aligned. Your people, driven by a clear vision and strong values, operate in a fit-for-purpose organizational structure. Crucially, the decisions they make and behaviors they exhibit are guided by your strategic direction.

Culture drives business performance

Shaping a culture is, of course, not an end in itself. The overriding objective is to improve business performance. While winning cultures will vary depending on different corporate ambitions and strategies, they are likely to share common characteristics. These include customer-centricity, risk awareness, agility and innovation.

Culture links strategy to operational performance, aligning how things should be with how things are.

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Your employees’ decisions and behavior in the “moments that matter” affect perception and loyalty more than any other interaction.

Making cultural change tangible: focusing on the “moments that matter”

Changing culture by influencing decision-making and behavioral patterns

Culture’s intangible nature is always going to make changing it less straightforward and linear than putting a new system or process in place. EY’s extensive experience has shown that the path to implementable and sustainable cultural change starts with understanding people’s decision-making patterns and behavioral habits. Actively managing these will result in an informed, engaged and high-performing culture that is aligned to strategy and produces sustainable business outcomes.

The messages your people receive, both explicit and inferred, reinforce particular decision-making patterns and predictable routines. These habits, driven by organizational cues and rewards, have a powerful influence on the way your people conduct their business.

The resulting culture affects the entire organization, from the way people interact with customers, colleagues and other key stakeholders, to the risks they take.

Zooming in on the moments that matter

In order to target cultural change effectively, EY focuses on changing behaviors and decisions in specific situations. Our methodology addresses a set of behavioral interactions that have a disproportionally high impact on business performance. People encounter these moments that matter on a daily basis and typically must apply their own judgment in making decisions. For example, one moment that matters in insurance is how employees react to the first notification of loss. The decisions and behaviors your employees make in that moment will affect customer perception and loyalty more than any other interaction.

Creating specific interventions to embed and sustain desired decisions and behaviors

By focusing on behaviors in these moments, we can work to create specific interventions, such as training or decision aids and, through them, deliver better business decisions. By supporting these new behaviors with the right enablers and reinforcers, such as communications, structures, incentives and the physical environment, they become powerful and hardwired habits. These habits guide your people to make decisions intrinsically and conduct themselves in line with the values and strategy of the business, achieving better business results.

Figure 3. EY’s culture framework

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Delivering cultural change: the EY approach

Identifying
Where are we going?

► Define your vision and values
► Identify the cultural elements required to enable your vision (see simplified assessment below)
► Determine the moments that matter based on industry best practice analysis and proxies, such as culture self-assessment, process maps and organizational interfaces

Identifying
Where are we now, and how do we achieve our vision?

► Measure current state to identify gap to target state and main areas for improvement
► Analyze trade-offs and habits for each moment that matters
► Identify key stakeholders
► Define the cultural change journey
► Fieldwork and analysis:
  ► Question-based approaches
  ► Qualitative and quantitative process approaches
  ► Customer experience

Starting the journey
Embedding the changes

► Target change toward decisions and behaviors in the moments that matter with appropriate education, training, decision aids and checklists
► Embed the right combination of culture enablers, such as:
  ► Structure
  ► Leadership
  ► Communications
  ► Incentives and performance management

Verifying
Are we still on track?

► Perform ongoing culture assessment, measurement, benchmarking and reporting
► Identify measurable data points in decision-making and behaviors
► Monitor triggers for action through predictive analytics
► Measure actual vs. desired behaviors and their outcomes

Where do you want to be?

Where are you now?

Actions

Outputs

Easy-to-reach decisions
Coordinated across the organization
Open to change
Enterprise cultural transformation

Clear vision
Clear values
Empowered employees

Individualistic
Diverse

Risky-conscious
Innovative
Customer-focused
Entrepreneurial

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Are you ready to start the culture conversation?

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