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## **News release**

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### **Creating winning culture essential if financial services firms are to flourish, says PwC**

**London, 29 Jan 2015** - Cultural change in the financial services sector globally is destined to fail if players continue to focus on it primarily as a compliance requirement, according to a paper just published by PwC.

The paper, '**Forging a winning culture**', which advocates a new take on culture, says this current focus positions cultural change as a bureaucratic distraction within businesses and could prove detrimental by impeding agility and enterprise within financial services firms globally, and growth in the wider economy.

Regulators in many parts of the world want financial services organisations to tackle what they see as a dysfunctional culture, which has had its most extreme manifestation in recent scandals such as LIBOR and Forex manipulation. However, the paper points out that **behaviour is proving difficult to adjust** and whilst institutions around the world have invested heavily in cultivating a culture that promotes risk awareness and ethical behaviour, **regulatory challenges and allegations of misconduct persist**.

Analysis by PwC shows **a strong culture is more correlated with sustainable high performance than strategy, operating model or product coverage**. PwC points out that in a global financial services sector facing major transformation, culture is a crucial source of competitive advantage and is set to play an even more important role in the ability of financial services firms globally sustaining profitability and growth. This includes strengthening reputation, innovation, customer-centricity and willingness to embrace change.

PwC highlights that **established business models in the financial services sectors are being challenged by accelerating technological change and shifts in customer expectations**. Therefore, **creating a winning culture is going to be crucial to fostering innovation and willingness to embrace the changes needed to compete** in a marketplace being transformed by digital technology, fast-shifting customer expectation and an influx of disruptive new entrants.

Christopher Box, UK partner with PwC's financial services HR consulting practice said:



“Consumers have become accustomed to the ease, intuition and intimacy of their experience with digital technology. The fact these expectations are being set by businesses with highly agile, innovative and customer-centric cultures make it even more **important for financial services firms globally to think about what aspects of their culture might need to be reshaped, and establish how willing their employees are in embracing the new ways of working needed to compete.**”

**The key to effective change says PwC, is in being able to hone in on and adjust the specific critical behaviours that need reinforcing within respective financial services firm.** This will help set the right tone and direction and build momentum for broader change.

The paper sets out the different starting points and objectives for specific financial services sectors. For example, one of the key cultural challenges for **hedge funds** and other **alternative investors** is how to retain the entrepreneurial spirit in what are becoming less intimate and more regulated businesses, as they continue to expand.

**Asset managers**, meanwhile, have largely been spared the culture spotlight to date. However, the need for more transparency on cost and comparative returns is starting to drive more focus, especially for those expanding into new markets.

Within **investment banking**, there remains the urgency to ‘win’ by exploiting the benefits of informational arbitrage which must now be balanced with more challenge and collaboration to bring a broader perspective and avoid one dimensional decision making.

Each territory likewise has different starting points. In **Japan**, where banks have made a series of acquisitions in a bid to strengthen their foothold in South East Asia, it is vital to retain and motivate local talent which can become disillusioned if all the key decisions are made centrally, or, they cannot see a long-term future for themselves within the wider group.

Christopher Box concluded:

“It is clearly important for financial services firms globally to be able to demonstrate to regulators they are seeking to enforce appropriate and sustainable behaviours. However, **if your culture is viewed as a ‘problem’ to be fixed, then it is also likely to be treated as a compliance rather than competitive opportunity**, with functions like internal audit taking the lead rather than the board and business.”

#### **Notes to Editors:**

To download a copy of PwC's paper, '**Forging a winning culture**', please visit [www.pwc.com/financialservices](http://www.pwc.com/financialservices)

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