



News release

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PwC: Culture of fear and punishment in global Financial Services conducive to bad behaviour

The financial services industry continues to be beset by scandal and foul play, whilst the emphasis of measures taken by firms and regulators, globally, in deterring employee bad behaviour, has, to date, largely centred on admonishing, penalising and punishing.

Few firms have sought to build and nurture cultural environments that are built around emphasising the right behaviours and, in so doing, sow the seeds that will yield more positive outcomes in the long term.

Evidence of the merits of this approach holds are borne out in a joint PwC/London Business School study of 2,341 managers from UK financial services organisations, representing banking, insurance and wealth management.

Findings from the report, '[Why you can't scare people into doing the right thing](#)', show that firms are likely to have greater success in changing behaviours by increasing the focus on the desired behaviours, as opposed to primarily focussing on the negative outcomes of bad behaviour.

It concludes that a get tough approach on poor behaviour, risks creating a climate of fear and breeding more, and not less, unethical conduct in financial services firms – the opposite of what regulators, businesses and the public want.

CEOs have been striving to reshape culture in the face of public disillusionment and continuing scandals within the industry. But the impact has been slower than most would have hoped.

This year, PwC interviewed 410 financial services CEOs in 62 countries for its 18th Annual Global CEO Survey, '[A new take on talent](#)'. It is telling that 62% of Financial Services CEOs said they see lack of trust as a threat to growth, even higher than last year.

Analysis by PwC, '[Forging a winning culture](#)' shows a strong culture has a greater correlation with sustainable high performance than strategy, operating model or product coverage.



The paper asserts that the key to effective change is in being able to hone in on, and adjust, the specific critical behaviours that need reinforcing. This will help set the right tone and direction and build momentum for broader change.

Jon Terry, PwC's Financial Services Human Resources Consulting Leader, comments:

“In a global financial services sector in the midst of 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, driving growth.

All recognise that creating a winning culture is essential if financial services firms around the world are to flourish. However, our research shows that cultural change is likely to fail if the focus is primarily driven as a compliance requirement.”

ENDS

Notes to Editors:

PwC/London Business School Study ‘Stand out for the right reasons: [‘Why you can’t scare people into doing the right thing’](#) investigates the role of emotions in determining when and why employees try to beat internal competitor using creativity versus resorting to unethical behaviours. It involved 2,431 managers from three UK financial services organisations representing insurance, retail banking, corporate banking and wealth management. The research consisted of two online self-completion surveys issued to participating employees in November and December 2014.

PwC’s report [‘A new take on talent’](#), is based on responses from 410 Financial Services in 62 countries. To see the full results of PwC’s 18th Annual Global Survey, please visit www.pwc.com/ceosurvey

PwC’s paper [‘Forging a winning culture’](#) looks at why it’s time for a new take on culture. Rather than simply responding to regulatory demands and fixing the failings of the past, the paper asserts the priority is building for the future. It examines how to make change manageable by honing in on specific behaviours rather than seeking to overhaul your entire culture.

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