

CULTURE

A PRACTICAL FRAMEWORK FOR SUSTAINABLE CHANGE



Culture remains high on the regulatory agenda; and indeed is likely to feature prominently for the foreseeable future. Similarly, investors, the wider public, the media and politicians alike continue to critically monitor the cultural trajectory of the investment, and wider financial services, industry.

The Investment Association and Latham & Watkins have developed a practical Culture Framework, which seeks to help bridge the theory / practice divide, by offering a practical ‘toolkit’, informed (amongst other things) by recent insights, trends and real-life case studies – from which firms can draw, informing their own approach to culture change.

The purpose of this Framework is not to add to the already extensive body of academic literature on cultural theory. **Rather, this Framework applies a concerted practical lens, through which firms can constructively approach this important subject in operational practice.** Ultimately it is for each firm to determine its own optimal approach to cultural change and oversight, but it is hoped that this Framework provides a helpful starting point and much ‘food for thought’.

While culture may be regarded as an inherently nebulous concept that does not readily lend itself to definition or measurement, **this Framework aims to demonstrate that there are indeed various ways through which a firm’s cultural trajectory can be monitored in practice.**

Every firm is different – whether from a structural, operational, product, client-base or scale perspective, and accordingly, there is no single ‘right’ approach to instituting positive and enduring cultural change. What suits one firm, may be inapt for another; and proportionality of approach will likely be a key consideration when using this framework.

Consequently, any consideration of culture, which has both reflective and aspirational elements, must be undertaken against a proper contextual backdrop. It is important to recognise that culture insights and learnings will continue to evolve over time. **Culture change is not a ‘one-off’ project – it is a continuous endeavour,** in respect of which all firm personnel have a degree of responsibility and a role to play. Culture within organisations can – and often does – vary across teams, divisions and jurisdictions.

The Framework therefore is not, and cannot be, prescriptive. It is intended as a helpful practical resource for those firms keen to understand how culture and its ‘direction of travel’ can be measured and monitored in a meaningful way.

The Investment Association (IA) is the trade body and industry voice for the UK’s leading investment managers. Our 250 members range from small, independent UK investment firms to Europe-wide and global players. Collectively, they manage over £7.7 trillion of assets on behalf of their clients in the UK and around the world, and they invest £1.7 trillion in the UK economy.

CULTURE FRAMEWORK OVERVIEW

Chapter 1

The **backdrop** to the Framework is outlined in Chapter 1, which covers: the interlinkage between culture, conduct and governance; the Framework's objectives; and the necessity of contextualisation.

Chapter 2

There is no universally accepted **definition** of organisational culture, but Chapter 2 identifies a set of institutional values that support the overall purpose and business strategy, and influence its desired conduct and behaviours. This is stressed as the necessary and fundamental starting point of a firm's culture journey.

Chapter 3

Regulatory expectations are explored in Chapter 3. The Framework highlights the FCA's position and expectations for all regulated firms, specifically touching on the role of the Senior Manager and Certification Regime (SM&CR), non-financial misconduct, and enforcement activity. Other influential international pronouncements, such as the Group of 30 and the Financial Stability Board, are also discussed.

Chapter 4

Key culture influencers are considered within Chapter 4, drawing on practical insights to navigate these key areas. These influences include: demonstrable and genuine Board/ ExCo focus and engagement; effective leadership; equity and consistency; incentives; psychological safety and whistleblowing; and diversity & inclusion.

Chapter 5

Chapter 5 outlines how aspects of culture can be **measured** at a given point in time, both qualitatively and quantitatively. Whilst culture norms and beliefs are not explicitly measurable, the Framework shows how it is possible to measure the behaviours and outcomes that culture drives.

Chapter 6

Chapter 6 considers how a firm's cultural trajectory can be **monitored** over time. This Chapter looks specifically at the use and role of staff surveys, quarterly sentiment assessments, periodic culture reviews, governance, internal audit, and how a firm addresses potential issues.

Chapter 7

Recognising that **culture and conduct** are intimately interconnected, Chapter 7 specifically addresses the topic of conduct risk management, by reference to prevailing regulatory expectations, such as those presented in the FCA's 5 Conduct Questions.

Chapter 8

Finally, Chapter 8 contains a **culture self-assessment framework** – a 'one-stop' practical guide intended to assist firms to benchmark their current cultural standing and conduct risk through presenting a number of key questions and considerations for firms to take through each stage of their cultural journey. The self-assessment framework can be utilised at enterprise, division, department or desk level – with such modification or tailoring as appropriate. Further elaboration on the various questions and comments can be found in the previous chapters.

This resource is in the form of an interactive PDF allowing it to act as a living document in which you can consistently input your own evidence as you see fit. Each section of the self-assessment framework also links back to the relevant chapter of the toolkit in order to efficiently provide you with additional support and practical insights where necessary.

The Culture Framework can be found on the IA's [Culture expert page](#)
