

Culture as a strategic asset

Revealing hidden truths (and power) in superannuation organisations

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Superannuation leaders risk allowing their cultural situation to hold their organisations back. Now is the time for leaders to convert culture into a strategic asset to fuel their strategic agenda.

The COVID-19 pandemic may have forced colleagues to separate from one another physically, but superannuation organisations still need to bring people together in other ways. In the absence of many normal operational mechanisms that allow us to interact, connection can be enabled through culture and behaviours.

Understandably, the positive potential of culture was not widely reported during the Royal Commission last year. Attention focused instead on negative behaviours and poor member outcomes. But culture is more than just a remedial issue.

Leaders can harness the cultural qualities inherent in their organisations to steer through and out the other side of this current period of uncertainty. And by demonstrating clear, consistent and palpable behaviours, leaders and other influential individuals can maintain a sense of confidence and assurance.

To see culture in a fresh light, this paper explores the following points about culture:

1 Culture can be the key to unlock the urgent and substantial challenges that superannuation organisations presently face, including greater member expectations (some of which will be enforced through regulation, competition, regulatory changes, and cost pressure). On the flipside, culture can hamper attempts to unlock these. Therefore, a proactive and rigorous cultural strategy is required.

2 The organisations who own their cultures have discovered that the real value comes through understanding and harnessing the inherent positives in their culture.

3 Culture doesn't change very much or very quickly. Rather than seeking to drastically alter culture, superannuation leaders will achieve better member outcomes when they work with and within their existing cultural situation.



4 Member outcomes are shaped by how your people behave. So too are operational, financial, people and risk outcomes. Superannuation leaders should identify a small number of high-impact behaviours – and nurture these – to efficiently achieve the best possible outcomes.

5 To steer behaviour in the right direction, superannuation leaders need to systematically combine traditional levers (e.g. incentives, training) with other levers that promote organic spreading of helpful behaviours. Some levers will have a disproportionately high impact over others, and in an environment where resources are constrained, finding these levers will ensure rapid, sustainable and also efficient impact.

6 When it comes to culture, what gets measured gets managed. It is vital to clarify where you most need cultural progress, and to set clear behavioural indicators, then consistently track and report on progress. (Tracking not only behavioural adoption, but also the return on investment with regard to the member and organisational outcomes you're seeking to impact.)



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A person is walking on a rocky cliff edge overlooking a body of water. The cliff is made of dark, jagged rocks with some green moss and small plants. The water is dark blue and calm. The sky is overcast and grey.

01

For better or worse culture always affects performance

Amidst the Royal Commission revelations, media clamour and public outcry, superannuation leaders may have overlooked some vital truths about organisational culture.



Whatever the current state of your organisation's culture – and whichever type of super fund you are – culture can be a powerful strategic asset. Culture is so much more than just a remedial issue. When culture is harnessed for good, it can activate strategic agendas, inspire your people and deliver on intent.

The Royal Commission has focused everyone's attention on the distress and damage that poor culture can wreak upon organisations and their customers. Understandably, the positive potential of culture hasn't been widely discussed in the financial services industry; compounded by a long-trodden tendency for organisations to 'blame' culture.

But while the negative aspects of culture do require attention, there are positive elements in every organisation's culture too. These (often hidden) strengths can assist superannuation leaders in rising to strategic challenges such as higher member expectations, tougher regulatory requirements, and the need to build trust with stakeholders. They can also help reveal competitive advantages and identify opportunities for greater operational efficiency.



Culture affects everything you do

'Culture' refers to the self-sustaining patterns of behaving, feeling, thinking, and believing that determine 'how we do things around here'. For superannuation leaders, culture is the key that can unlock several urgent challenges:

- The way your people **behave** will directly affect your ability to deliver a reliable service that builds trust with your members.
- The way your people **respond** will make or break any attempts to become more agile and member-centric.
- The way your people **adapt** will define how much more innovative and productive you can be.
- If you have outsourced models, the way your **partners** behave will dictate how consistent your member experience can be.

Figure 1: Four key challenges and cultural implications



Higher member expectations

Relying on default arrangements and system growth is not a sustainable business strategy. Improved transparency and flexibility has now put members in the driving seat. Trustees must understand their members' needs and create an experience, product and service to meet (or exceed) these. Greater agility is required to develop new capabilities and offerings and deliver to members quickly. This, in turn, requires your teams to change decision-making processes, and your people to rewire behaviours and adapt the ways they work.



Industry complexity and competitive pressure

Along with additional regulation, compliance, and remediation, organisations must also respond to more complex competitive pressure. At the same time, they must integrate new technology and transform operating models. Productivity-boosting initiatives are therefore essential, including simplifying products and processes, enabling technology, and improving efficiency. The success of all these initiatives could rest upon the inherent cultural qualities within the organisation.



Low public trust in super funds

Mercer may have rated our nation's retirement system as the third-best in the world¹, but Australians' trust in super funds remains low. According to a survey by Qantas Super and CSBA, only 60% of Australians trust their super funds to act in their best interests² (only marginally better than banks, which are trusted by 54%). This matters because members vote with their feet. Churn rates show a more adverse impact in super funds than banks. To gain and secure public trust, super funds need to show reliable, consistent and demonstrable delivery on promises. A focus on culture can help nurture the behaviours that will make that happen.

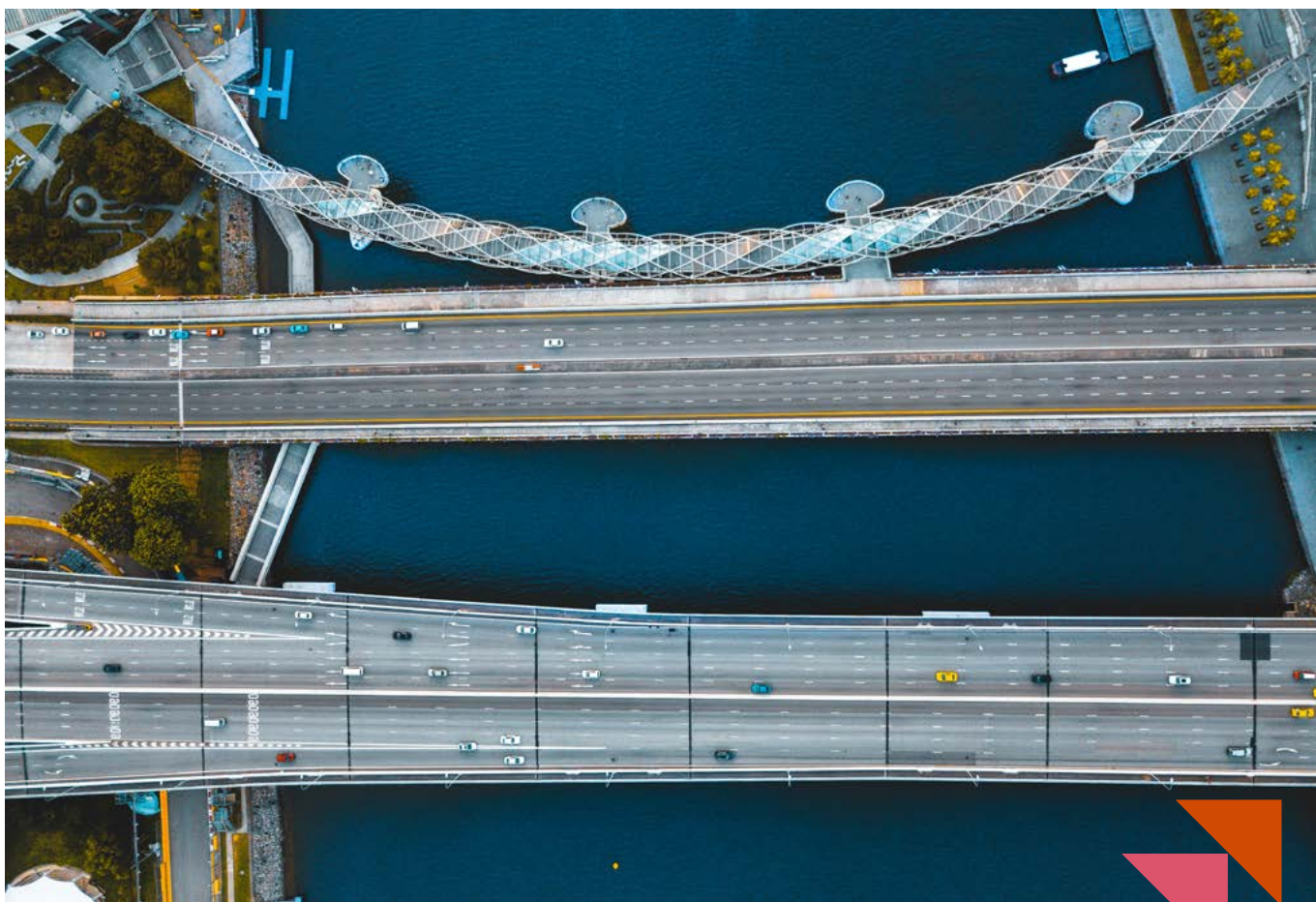


Industry consolidation

The superannuation sector is in a state of flux and that's set to continue, with various organisations subject to consolidation and/or steep growth. To consolidate and grow effectively, leaders have fundamental decisions to make about their operating models – including structures, procedures, outsourcing partners, scaling up efficiently, and new ways to govern and interact within their organisations. Cultural strengths can be harnessed to help build and sustain such new operating models.

1 Melbourne Mercer Global Pension Index, 2019

2 Qantas Super CSBA Retirement Confidence Index, 2019



Regulators are monitoring your culture

With regulatory oversight set to increase, now is the time for superannuation organisations to take the initiative on culture. In the wake of the Royal Commission, the Australian Prudential Regulation Authority (APRA) will soon step up its supervision of culture. Recommendation 5.7 from the Royal Commission report³ states:

‘In conducting its prudential supervision of APRA-regulated institutions and in revising its prudential standards and guidance, APRA should:

- Build a supervisory program focused on building culture that will mitigate the risk of misconduct.

- Use a risk-based approach to its reviews
- Assess the cultural drivers of misconduct in entities, and
- Encourage entities to give proper attention to sound management of conduct risk and improving entity governance.’

APRA is also making it easier for stakeholders to compare the performance and member outcomes delivered by super funds. The MySuper Product Heatmap assesses every MySuper superannuation product and publicly identifies under performance – highlighting where improvement is required.

³ APRA’s response to the Royal Commission recommendations, 2019

An aerial photograph of a ship on a vibrant, multi-colored ocean surface. The water is a mix of deep blues, greens, and yellows, suggesting a shallow reef or a specific oceanographic feature. The ship is a large vessel, possibly a research or supply ship, with a white hull and a dark superstructure. It is positioned in the lower right quadrant of the image. The overall scene is dynamic and visually striking.

02

Own your culture - or it will own you

Much like a personality, every organisation's cultural situation comes with strengths and flaws.

In today's financial services environment, there is a danger that superannuation leaders could become immobilised by fear over their cultural situation. Culture may be viewed solely as an inhibitor to transformation and growth. But such a narrow perspective on culture threatens to overlook inherent strengths.

A similar logic applies to leaders who may consider their cultural situation as strong and healthy right now. Even positive cultural traits can, through drift and changing environment, lead to negative outcomes.

The truth is, whatever your superannuation organisation's cultural status, it cannot be exclusively bad or exclusively good. So, we recommend an alternative path: Own your cultural situation by addressing any perceived flaws, and also finding ways to mobilise inherent strengths.

Culture is a lot like a personality. We all have personality traits that define us. The question is, how can we use our personality traits to achieve positive things? For example, if you are inclined to become highly emotional, how might you channel your passionate nature to help others? How might someone who is prone to daydreaming channel that to generate new solutions to problems?

In the same way that you can own your personality, you can own your organisational culture too.

For example, a retail super fund might seek to redirect its drive for profit towards an inherent focus on members. Or a fund that already has an existing passion to serve members might apply those interpersonal strengths to build more effective and productive internal working relationships. Or the answer may lie in a superannuation organisation's history, founding principles or cultural influencers – where these can be translated into key critical behaviours that can be role-modelled to steer culture.

Superannuation leaders who own their cultural situation have discovered that the real value of understanding their cultural situation is through harnessing such inherent positives. In this way, their cultural qualities help achieve better outcomes for their organisations and their members. They have refocused their culture to enable success and differentiation.

36%

Only about a third of industry leaders say their organisation fully owns its culture, according to a poll taken at the Association of Superannuation Funds of Australia 2019 conference.

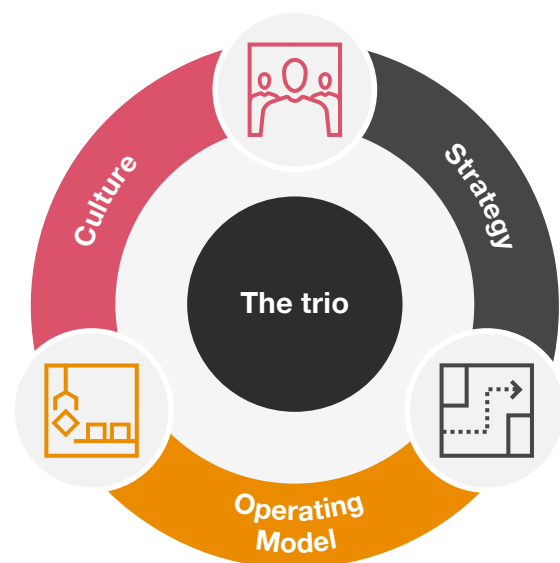


Culture can make or break your strategy

While Peter Drucker famously said that 'culture eats strategy for breakfast', a poll of superannuation leaders suggests that culture could also eat your operating model for lunch. When we asked the audience at the Association of Superannuation Funds of Australia 2019 conference why they are thinking more about culture, the top answers were 'strategy alignment' and 'operating model changes'.

This underlines that culture is every bit as critical to success as your strategy and operating model – and all three must be in sync. For example, if a superannuation organisation's strategy is focused on achieving efficiency and productivity, this will only be effective if it has frugal behaviours across the organisation.

Figure 2: The trio



03

Use the culture you have

Rather than seeking to drastically alter culture, superannuation leaders will achieve better member outcomes when they work with and within their existing cultural situation.

To channel the cultural strengths within your organisation, you need to start with very deep insights about your current cultural situation – and those insights need to be understood by your executives, board and wider organisation.

During the Royal Commission, Kenneth Hayne AC QC pointed out that every organisation has its own unique culture. Extrapolating upon this, it can be helpful to think of your current cultural situation as a thumbprint.

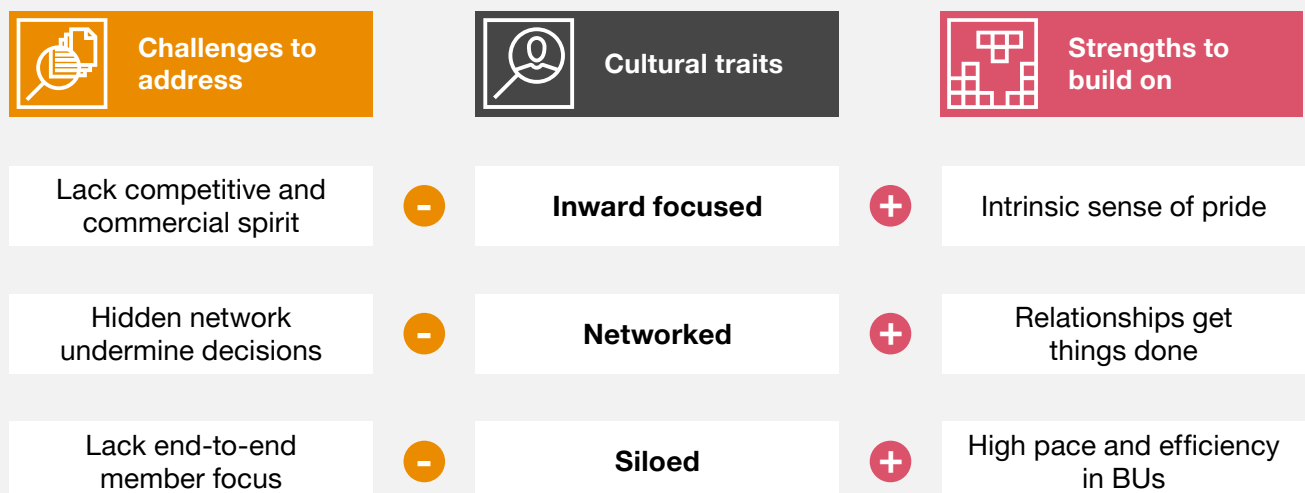
The thumbprint encapsulates the cross-cutting and enduring cultural traits within your organisation, including the strengths and challenges that come with each trait. Mapping your thumbprint helps diagnose the root causes for behaviours. (Remember, no culture is simply good, or simply bad. Rather, different cultures show up well in some circumstances and not so well in others.)

For example, a superannuation organisation might have a highly ‘networked’ culture, where relationships within the organisation help get things done.


The upside of this might be that well-connected individuals can circumvent convoluted processes to deliver good member outcomes. The downside might be that people no longer trust espoused decision rights and governance processes, and instead rely upon calling in favours from colleagues who they know personally.

To reveal your cultural thumbprint, a comprehensive approach is required to gather data, real stories and root causes about how and why work gets done the way it does. This will give you cultural insights that are actionable. You’ll know where you’re going to face resistance and – importantly – where you’ll find a glide path to support your strategy execution, your operating model intent and any transformation or change effort you’re undertaking.

Figure 3: Cultural thumbprint illustration



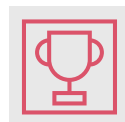
Focus on the critical few behaviours



In any superannuation organisation, you will observe an array of behaviours that are signs of your underlying cultural situation. There are so many that it's impossible to change them all at once. Instead, identify and nurture a small number of high-potential behaviours that can make the biggest impact.

In any superannuation organisation, there will always be a very long list of behaviours that leaders want to adapt or alter. But such changes take time, money and perseverance. Rather than trying to change everything on the list, it is more realistic, more efficient and more effective to prioritise the critical few behaviours that will have the greatest impact on the outcomes you're aiming for.

Leaders should identify three or four behaviours that directly drive the organisation towards the strategic results it seeks. Useful criteria to aid the identification of a few behaviours includes:



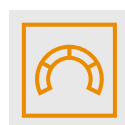
Signalling

They must signal that something new or fresh is occurring.



Multiplying

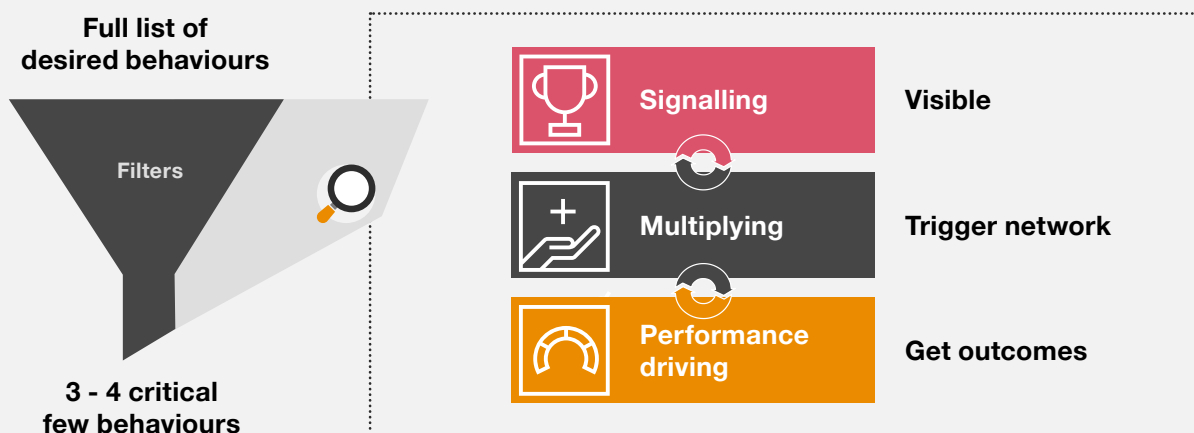
They must be able to be spread organically throughout the organisation.



Performance driving

They must also directly drive outcomes.

Figure 4: Focus on a critical few



The critical behaviours will spread more easily through your organisation when:

- They are aligned to inherent cultural traits you have already identified within the organisation
- Your people are encouraged to localise and tailor the behaviours to their working circumstances
- The most influential people in your organisation are briefed and encouraged to role model these.

On the latter point, care should be taken when selecting the most influential colleagues in your organisation. They may not be the people you necessarily expect. Identifying the informal influencers within your organisation requires a structured approach, summarised in the next section.

05

Pull a combination of traditional and unorthodox cultural levers

To activate deep and lasting behavioural change, leaders need to use a combination of levers – some less obvious than others.

Leaders can enforce rational compliance among their people through traditional levers such as remuneration, governance, accountability maps and the upcoming Financial Accountability Regime (an extension of the Banking Executive Accountability Regime). Other such levers include organisational structure, team/personal key performance indicators (KPIs), and training. Collectively, we call these 'formal levers'. See Figure 5.

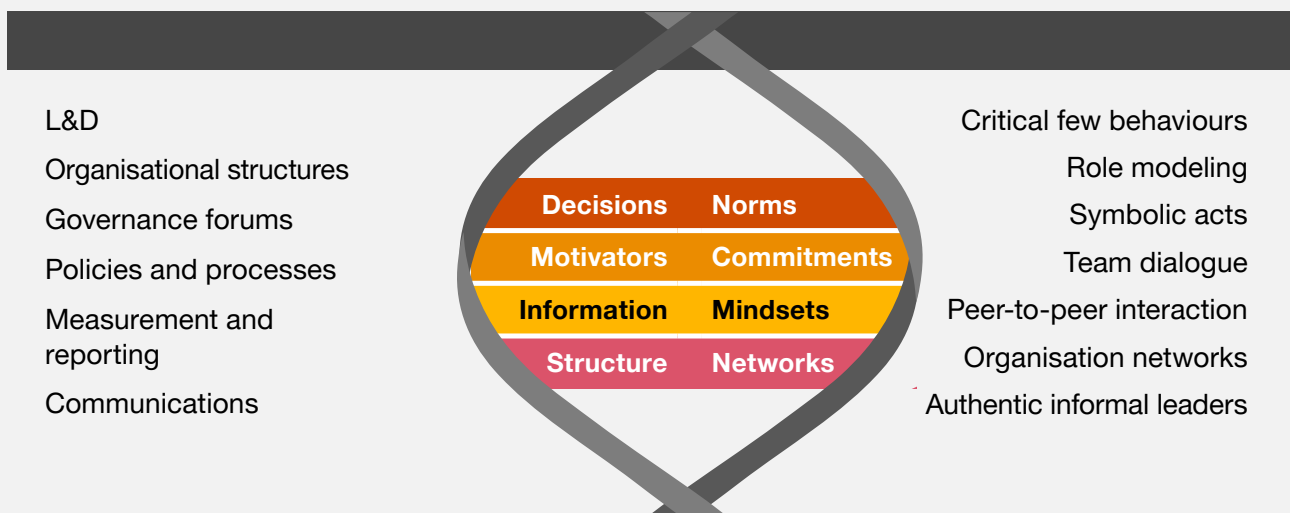
Those formal tactics are the go-to levers for any organisational change, not just cultural evolution. But even with those in place, your people won't necessarily commit emotionally. And they may not voluntarily demonstrate the critical few behaviours you seek from them.

To secure that deeper, more sustainable commitment, you must take a less orthodox approach to tap into what informally influences people.

A big step towards that is to identify the authentically influential leaders within your organisation. Find out who is talking to who, who trusts who, and who people seek advice from.

A systematic approach is required for this because these informal leaders may not, in fact, be the obvious high-performing all-stars you expect. In the hands of these informal leaders, the critical behaviours can spread organically through your organisation.

Figure 5: Formal and informal levers



Organisational network analysis

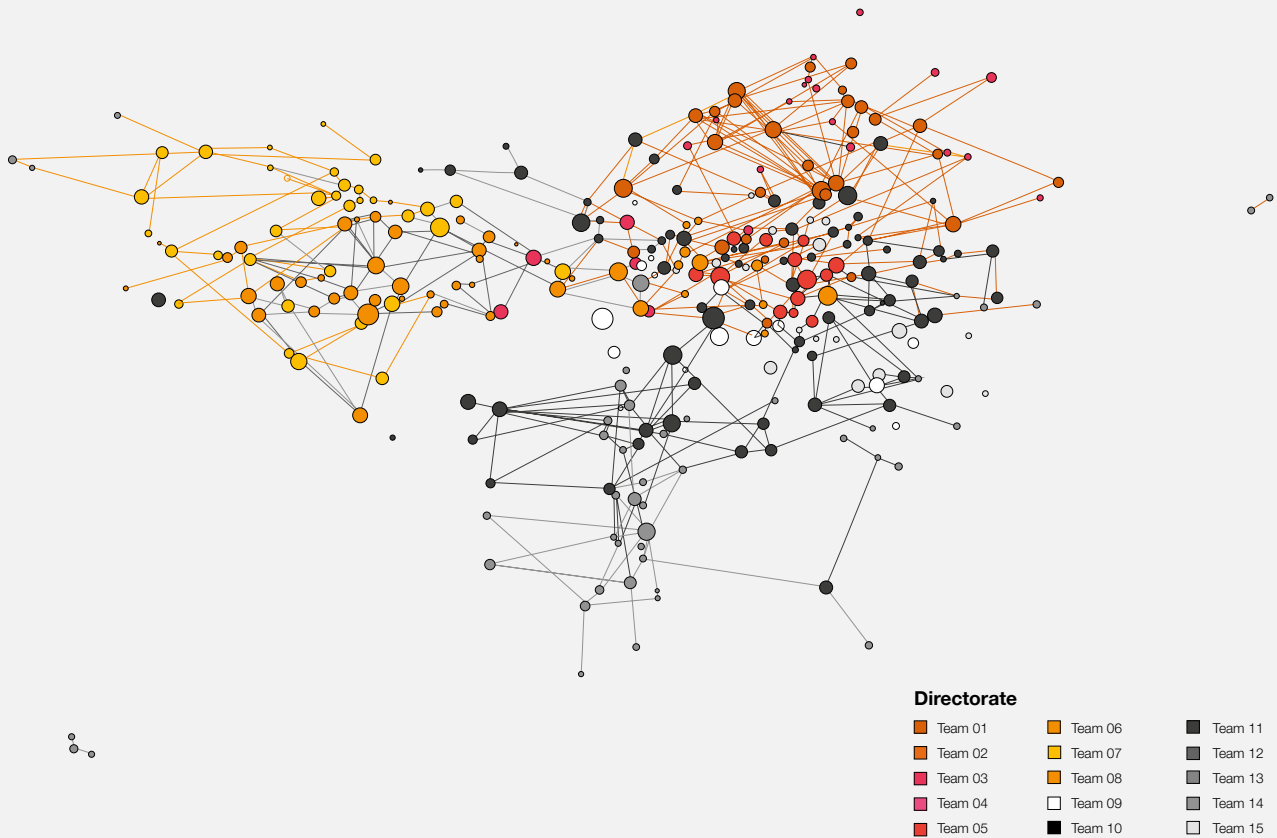
Figure 6 shows a structured way to visualise the informal relationships within an organisation, and how work gets delivered as a result. It reveals who is connecting the organisation together.

Each circle is an individual and the size of the dot is how widely connected each individual is – the thickness of the line is the strength of the relationship between one person and another. The location of the dots shows how people are clustered too.

This model can be adapted to analyse by geographic location, level of seniority, individual tenure, and so on. That allows leaders to target the people or areas of the organisation that are slowing work down, either within or outside their team. And it can do the reverse, highlighting the people or teams that can accelerate progress. These are the authentic influential informal leaders in the organisation.

Putting the critical few behaviours in the hands of these informal influencers can have a dramatic effect upon cultural and organisational outputs.

Figure 6: Organisational Network Analysis illustration



06

Set specific behavioural goals, then measure and report progress

When it comes to culture, what gets measured gets managed. That means tracking and reporting on progress, behavioural KPIs and return on investment.

Too often, organisations start with the best intentions to ground culture in strategic outcomes but then become distracted by competing everyday initiatives. In doing so, they defeat their own attempts to proactively manage and harness culture. Therefore, it's vital to remain focused on:

- Tactical cultural progress to date
- Adoption of your critical few behaviours
- Business outcomes you want to achieve.

Culture measurement framework

Measuring and reporting on these is not only possible but also essential if you want to turn your cultural situation into a strategic asset. Robust frameworks have three core elements that allow superannuation leaders to track cultural developments and take corrective action, where required.

1 Progress measures

Progress measures track the level of participation in cultural interventions, behaviour change and capability uplift. As we have explored, every organisation's cultural thumbprint is unique, so progress measures should be tailored to your circumstances.

Example metrics:

- The number of leaders who have established capability programs
- The number of authentic informal leaders mobilised
- The percentage improvement in your cultural drivers
- The number or frequency of symbolic acts
- The number of culture initiatives on your roadmap.

2 Behavioural KPIs

How will you know if your critical few behaviours are being adopted and demonstrated within your organisation? The answer can be found in behavioural KPIs. These are tactical lead measures that allow you to 'course correct' along the way.

Example metrics:

- Pulse surveys
- Critical few anecdotes
- Pilot test results and measures in your performance management systems. (Establishing a central dashboard for these measures allows everyone to track progress, access feedback and recalibrate their efforts accordingly.)

3 Return on investment

Ultimately, you're investing in culture to help deliver business outcomes. Therefore, it's vital to measure the wider impact of behavioural change in your organisation. At the outset, be clear and realistic about what outcomes your critical few behaviours can achieve. Think about what impacts you expect to see within business units and on the front line of the organisation.

Example metrics:

- Improved member net promoter score, effort score, acquisitions or reduction in member complaints
- Employee engagement or reduction in employee attrition
- Productivity uplift
- Economies of scale achieved
- Better outcomes for members.



The silent treatment

Behavioural KPIs should be tailored to your individual organisation. For example, one financial organisation measures the silence on call centre inbound and outbound calls. Why? Because big data analytics showed that the more silence there was during calls, the more customers perceived they were being forced to exert extra effort – which resulted in a lower net promoter score and, ultimately, greater churn. In this instance, silence affected the retention of customers and behavioural KPIs were set to minimise this.



07

Ten questions

every superannuation

leader should ask

Ten critical questions

This report has identified how culture holds the key to unlock the sizeable opportunities and urgent challenges that superannuation leaders face today. To assist in getting started, we suggest asking the following 10 questions.

1

Do we have a deep and genuine understanding of our current cultural situation and how member outcomes are achieved within our organisation?

6

Are we clear on how regulators will be monitoring our cultural progress and have we prepared sufficiently for this?

2

Are we fixating on our cultural flaws and risks, at the expense of harnessing our cultural strengths?

7

Beyond the obvious traditional levers of behavioural change (such as remuneration and governance), do we know what the hidden levers are and how to activate them?

3

Where are the disconnects between our current cultural situation, our strategy and our operating model?

8

Do we know who the truly authentic influencers are within our organisation, and have we taken a systematic approach to identify and mobilise them?

4

Culture is slow and hard to change. So, how can we nurture the critical behaviours that will improve business and member outcomes?

9

How will we know if or when we stray off the path towards our desired behavioural changes?

5

Are we concentrating on too many cultural aspirations and desired behaviours?

10

What specific and measurable business outcomes do we aim to achieve, by focusing on culture?

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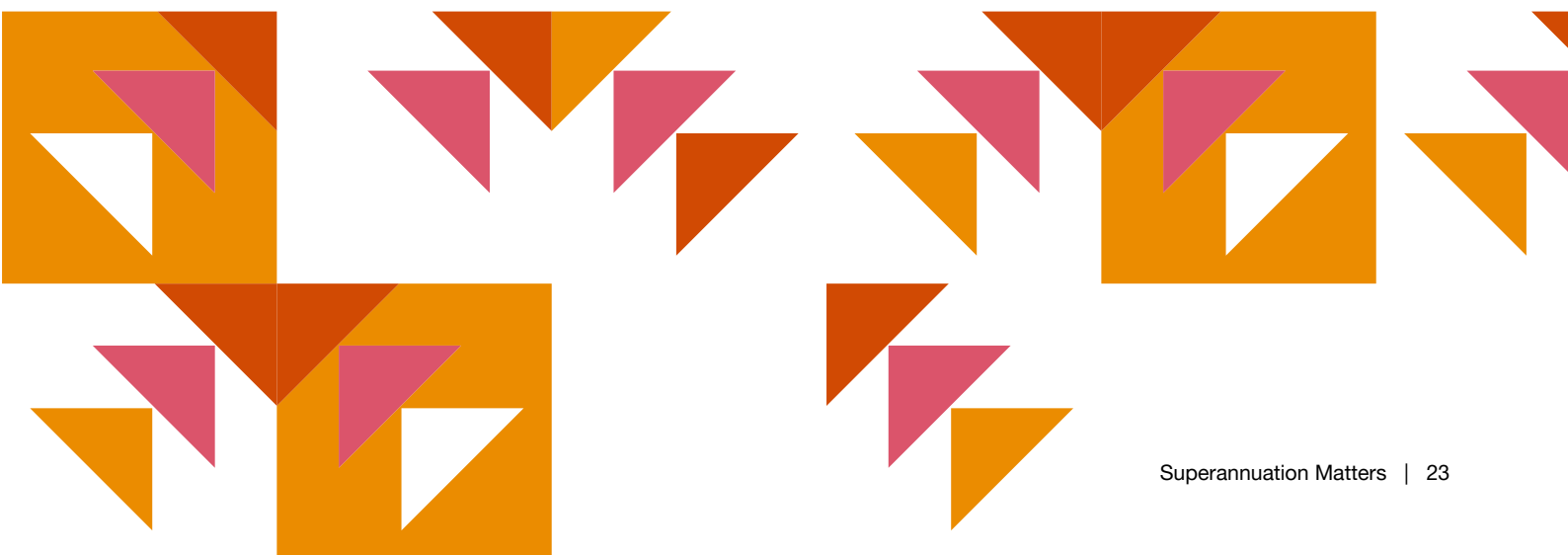
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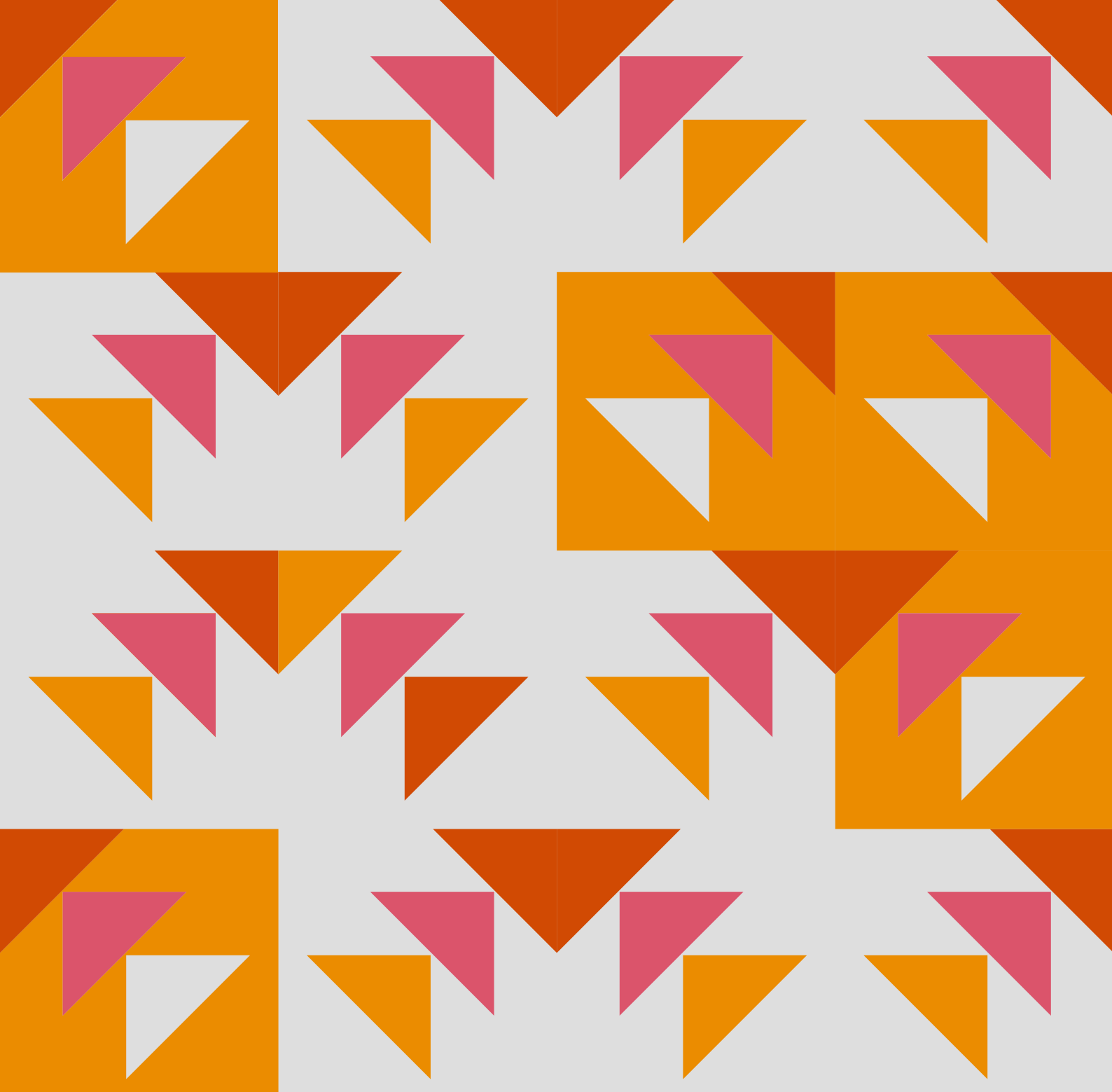
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