



**The future of banking**  
The employee experience (EX) imperative





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# Foreword

Since the Global Financial Crisis (GFC) bankers have been in fire-fighting mode, tackling one crisis – sometimes existential – after another, including liquidity, solvency, and alleged mis-selling, money laundering, benchmark manipulation and sanctions-busting.

Unsurprisingly, regulators and supervisors responded robustly. Banks now must contend with: liquidity regulation; higher, and higher-quality, regulatory capital requirements; structural reform; trading restrictions, and financial stability metrics and supervisory cultural oversight. While it has stood banks in good stead in the pandemic, it has made bankers' lives more difficult.

Further complexity has come from divergence in the regulatory detail which, as our "Financial markets regulatory outlook 2021" notes, "is increasingly the norm".<sup>1</sup> But while banks are finally emerging from the crisis and its regulatory response, they are not out of the woods yet.

During and after the GFC, central banks embarked on an unprecedented monetary expansion, including interest rate reductions (in some cases to negative levels) and quantitative easing. While this protected loans, it has compressed banks' net interest margins.

Meanwhile, new technologies and business models have emerged. These have had the combined effects of raising customer and employee expectations and reducing barriers to entry. Suddenly, as we outlined in "Banking disrupted", UK banks were vulnerable to disruption. This vulnerability was most acute in payments, as we examined in "Payments disrupted".<sup>2,3</sup>

UK policymakers, pressed ahead with further reform, which we explored in "How to flourish in an uncertain future: Open banking".<sup>4</sup>

Against this unpromising backdrop, European banks have not made their cost of equity on average since the GFC. Most large European bank shares trade at steep discounts to their book value, reflecting a lack of investor faith in their business model.

It is unsurprising that bankers have prioritised survival and regulatory repair. But, due to the structural shifts in technology mentioned above, they have found themselves outclassed on customer service and outmanoeuvred in the so-called war for talent. We analysed banks' customer experience (CX) challenge in "The future of retail banking, The hyper-personalisation imperative".<sup>5</sup> In this report, we consider EX the internal counterpart of, and arguably a leading indicator for, CX.<sup>1</sup>

Banks were knocked off their perch as business students' destination of choice as long ago as 2014, as we chronicled in successive annual global "Talent in banking" reports.<sup>6</sup>

<sup>1</sup> GEX is the set of deliberate actions to attract, recruit, develop, and retain those individuals who, individually or collectively, can make a significant impact on the firm's results.

The "2020 Universum UK employer survey" confirms this trajectory. It demonstrates a strikingly low level of popularity of banks, which account for just 14 of the top 100 most popular employer for business students in the UK.<sup>7</sup>

We undertook a survey of more than 2,000 UK financial services (FS) employees, exploring attitudes before and during COVID-19-mandated remote working, and hopes for new ways of work. The pandemic provides banks with both the imperative and the opportunity for change. These are the subject of this report.



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# Executive summary

Over the past decade, the expectation for personalised experiences has permeated beyond the customer sphere and entered the employee sphere, giving rise to EX. Delivering a best-in-class EX is a preeminent corporate priority for banks – and the pandemic is heightening its importance. This report addresses three questions: why is EX a challenge for banks, is banks' EX ripe for change and how can banks transition to a best-in-class EX?

## Findings

The survey of more than 2,000 UK FS employees that we commissioned from YouGov covered three stages: pre-pandemic, during the pandemic and hopes for new post-pandemic ways of working.<sup>iii</sup>

Our survey revealed some striking differences between Gen Z (i.e., under 25s) and Gen Jones (i.e., 55-65s) before the pandemic.

- Under a half (45 per cent) of Gen Z feel pride in their employer, in contrast to more than three-fifths (61 per cent) of Gen Jones.
- Slightly over one third (36 per cent) of Gen Z felt that their job provided them with “a sense of meaning and purpose” in contrast to almost three fifths (59 per cent) of Gen Jones.
- Gen Z feel much less freedom “to speak up about ideas, questions and concerns and/or to admit your mistakes” than Gen Jones (just 36 per cent vs 66 per cent).

During the pandemic, the survey has revealed another striking difference between Gen Z and Gen Jones: remote working has further weakened psychological safety – which is trust at the team level – for Gen Z.<sup>iv</sup> More than two-fifths (42 per cent) of Gen Z perceived their relationships with colleagues to be less deep and meaningful during remote working, in contrast to less than a third (29 per cent) of Gen Jones.

This poses two challenges for banks. Firstly, if employees don't trust their employer, eventually neither will customers, investors, and regulators trust that employer. Secondly, as with customer trust, once psychological safety is lost, it is hard to regain it.

Post-pandemic, the survey hints at potential solutions.

- Remote working has been an operational success, and, in many ways, a cultural triumph too. Two in three employees, and almost three quarters of those in investment banking, said their employers' culture had been more, or much more, supportive of new ways of working (e.g., working from home and flexible hours) than they had expected.
- Employees want flexible working patterns in terms of working hours and physical location. More than half (54 per cent) expressed a desire for employers to: “empower alternative working patterns”, while almost as many (52 per cent) wanted employers to: “enable employees to work wherever they like in the UK”.
- The desire to live anywhere in the UK showed striking differences by age group. Fewer than two-fifths (39 per cent) of Gen Z would like that flexibility. It is a preference for almost three-fifths of 25- to 34-year-olds (59 per cent) and 35- to 44-year-olds (57 per cent).

The findings will help banks to become more attractive as employers through small but significant changes to working conditions. Understanding how preferences vary by demographic, and by other factors such as job function and personality, should enable banks to craft a much more bespoke EX.

<sup>iii</sup> A short online survey of 2065 individuals working in FS (FS) in the UK conducted by YouGov. The sample was spread across all levels (non, junior, mid, high) of management. The survey was run from 23 December 2020 to 4 January 2021.

<sup>iv</sup> Psychological safety refers to a sense of confidence that the team will not embarrass, reject, or punish someone for speaking up.



### Recommendations

**Banks should become better at identifying the moments that matter to each employee.** Good employers understand the moments that matter to employees. Banks enjoy relatively mature O-data systems (i.e. telling the story of employees' engagement and performance) that are seamlessly integrated into the flow of employees' journeys. In contrast, X-data systems (i.e. telling the story of employees' feedback) are less mature and are often disruptive to the flow of employees' journey. Hence, more X-data, collected seamlessly throughout the employees' lifecycle, is needed.

**Banks should use moments that matter to deliver best-in-class EX.** Banks can adopt a set of questions to implement the right processes and trigger employees' positive emotional responses, as part of each moment that matters during an employee's lifecycle. They can also become better at detecting the moments that matter outside the workplace, as these too can have an impact on job satisfaction.

**Banks should create the safeguards that sustain a best-in-class EX and build employee trust.** These would allow employees to have a sense of purpose, feel valuable and experience psychological safety. These would activate employees' pride, loyalty and enthusiasm.

Employees want to work in ways that are personally rewarding. Pay rates and other tangible benefits are crucial. But they are not everything. Employees want to know about banks' corporate and social purpose because they want to feel proud, to identify with their firm, and form balanced emotional attachments.

Employees want to know that they, and their workplace achievements, are valued. A sense of value is shaped by an employee's own needs, preferences and goals and cannot be created by reliance on organisational structure, formal processes and annual assessments. Employee success depends on behavioural competencies, including self-invention, autonomy and self-direction.

Employees want to experience psychological safety in their workplace. Psychological safety is a reservoir of goodwill to help employees navigate through difficult events. And it is vital for making inclusion a reality.

Employees want to know about banks' corporate and social purpose because they want to feel proud, to identify with their firm, and form balanced emotional attachments.





# Introduction

Over the past decade, the focus on CX has redefined client expectations across business sectors. Customers are seeking hyper-personalised offerings that meet their precise needs at the right time and through the right channels. These expectations for personalised experiences have permeated beyond the customer sphere and entered the employee sphere, giving rise to EX.

EX is a preeminent corporate priority, and the pandemic is heightening its importance.<sup>8,9</sup> EX is a preeminent corporate priority because it is increasingly difficult for companies to attract and retain the right type of talent. There is no shortage of talented people, however, rather that there is a mismatch. Delivering a best-in-class EX can give companies a strong competitive edge. Among other benefits, by adopting a best-in-class EX, companies can increase their profit per employee by four times.<sup>10</sup>

For banks, the EX challenges are, to an extent, generational. Gen Z lacks pride in their work, worries about purpose in their jobs, and has concerns about psychological safety. This challenge is complicated by technological disruption and by societal demands that banks display a sense of purpose. As a result, banks' requirements, in terms of both hard (i.e. digital expertise) and soft (i.e. communication, innovation, empathy and leadership) skills, have changed. The pandemic has exacerbated the need for banks to deliver EX. It has further eroded psychological safety. It has widened the talent disconnect by accelerating digital transformation. And it has made comparison between industries' EX more transparent.

In this report we discuss the actions needed if banks are to meet current and future employees' expectations. But we recognise that the imperative of delivering best-in-class EX is by no means confined to banks: all FS sectors must. To evidence this, this report includes the results of a Deloitte-YouGov survey of 2,000 UK FS employees.

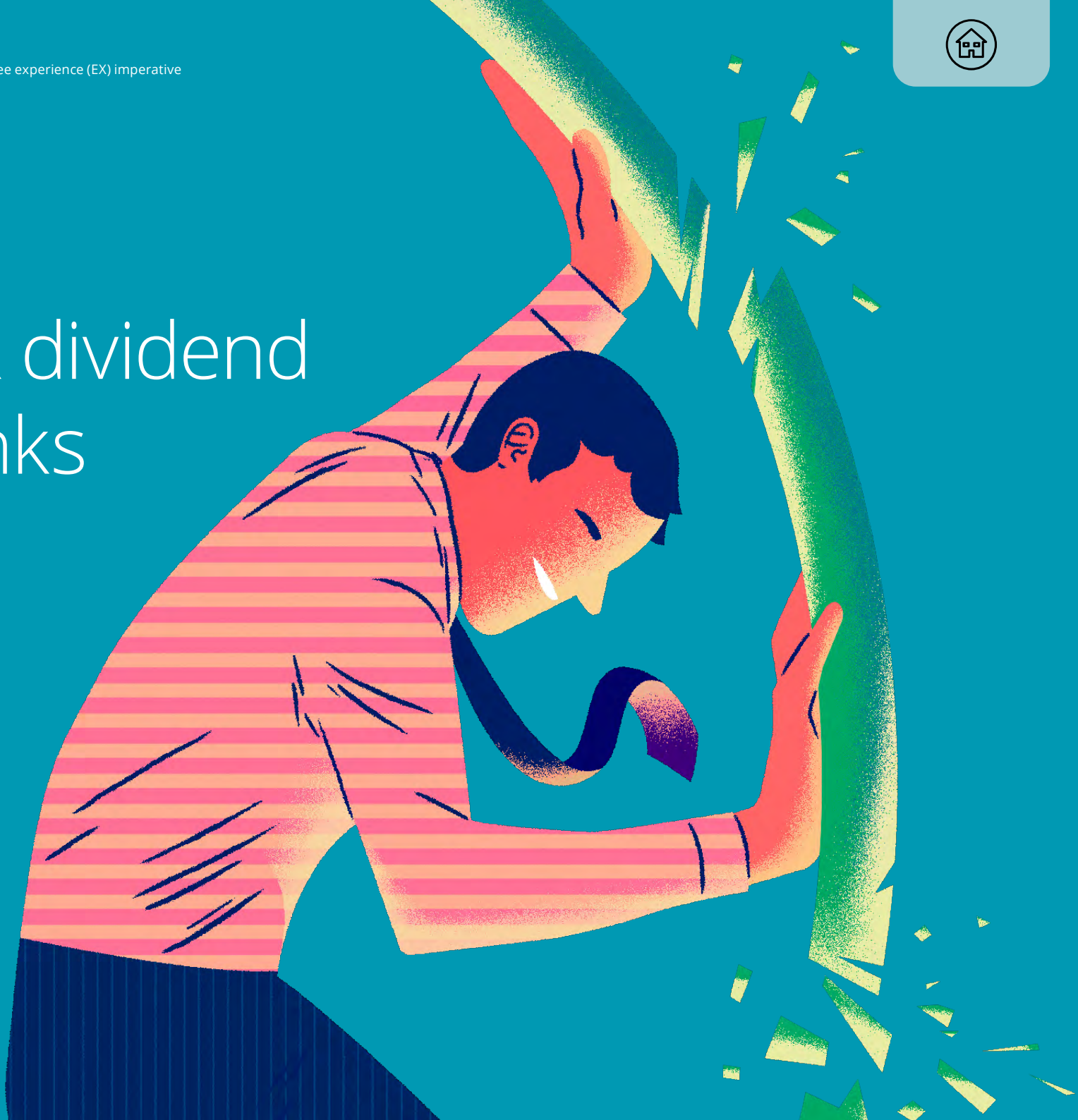
This report examines EX in banking from a behavioural science perspective. It is divided into three parts. Part 1 sets out why EX is a challenge for banks. Part 2 sets out that EX is ripe for change. Part 3 outlines Deloitte's recommendations to deliver a best-in-class EX. To do so, banks will need to: improve measurement of the moments that matter; turn moments that matter into a best-in-class EX; and foster the safeguards that sustain EX.

In this report we discuss the actions needed if banks are to meet current and future employees' expectations.





# The EX dividend for banks





# 1.1. The EX advantage

Those companies that invest in employee experience enjoy a substantial advantage, across several employee-level and firm-level metrics.<sup>11</sup> In particular, those companies that deliver a best-in-class EX can achieve four times the profit per employee than those that do not (see Graph 1).

**Graph 1: The employee experience pay-off**



Source: The employee experience advantage, by Jacob Morgan (Wiley, 2017)

**Graph 2: European banks' price-to-book value ratios by year, 2016 to 2020**



This is excellent news for European banks, which need all the help that they can get in the profitability stakes. European bank shares trade at a sharp discount to book value (see Graph 2).<sup>v</sup> This poor performance reflects a number of investor concerns, principally about their business model.

<sup>v</sup> The sample includes 12 European Globally Systemically Important Banks (G-SIBs).





## 1.2. Banks' pre-pandemic EX problem

Long before the pandemic struck, banks' EX was challenged on four key fronts. Firstly, the reputation of FS in general, and banks, in particular, took a beating around the time of the GFC.

While FS have recovered some ground over time, even by 2021 FS had barely a neutral score, at 53 per cent, as measured by the annual Edelman Trust Barometer.<sup>12</sup> Only social media, a new entrant to the barometer, ranked lower, at 46 per cent. Alongside this broad reputational decline for FS, banks fell from their perch as the top destination for business students globally. Secondly, and despite the massive disruption caused largely by technological changes, banks continued to attract individuals more suited to the old business model, rather than the innovative and creative types they now need. Thirdly, banks have historically relied too much on so-called extrinsic motivation, most notably pay, but also prestige and status, to attract and retain employees. Fourthly, our research reveals a lack of psychological safety among bank employees.

### Taking a reputational beating

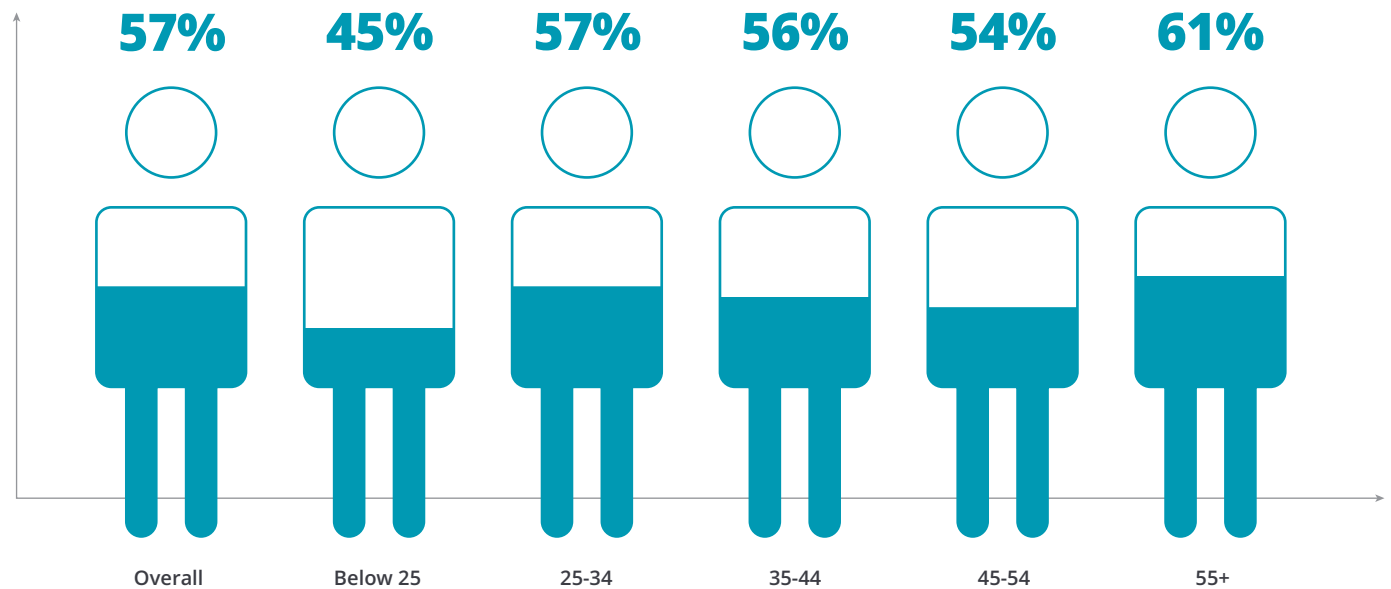
As banks were widely blamed for the GFC they were at the heart of the poor reputation suffered by FS. By 2012, FS' trust score on the annual Edelman Trust Barometer was bottom of the industry was after social media were linked to multiple scandals.<sup>13</sup>

FS' reputational woes also appear to have dented employee affiliation in the UK, especially for more recent recruits. According to a YouGov survey conducted on behalf of Deloitte, less than three-fifths of UK FS employees felt proud of their employer or industry pre-pandemic.

Worryingly, that proportion is lowest among Gen Z, where less than half feel proud of their employer or industry (see Graph 3).

This reputational beating that banks, in particular, took during and after the GFC appears to have had an impact on the degree to which banks are attractive employers. According to the "2020 Universum UK employer survey", commercial banks account for just 14 of the top 100 most popular employer for business students, and eleven of the top 100 employers for professionals, even though London is the world's leading international financial centre.<sup>14</sup>

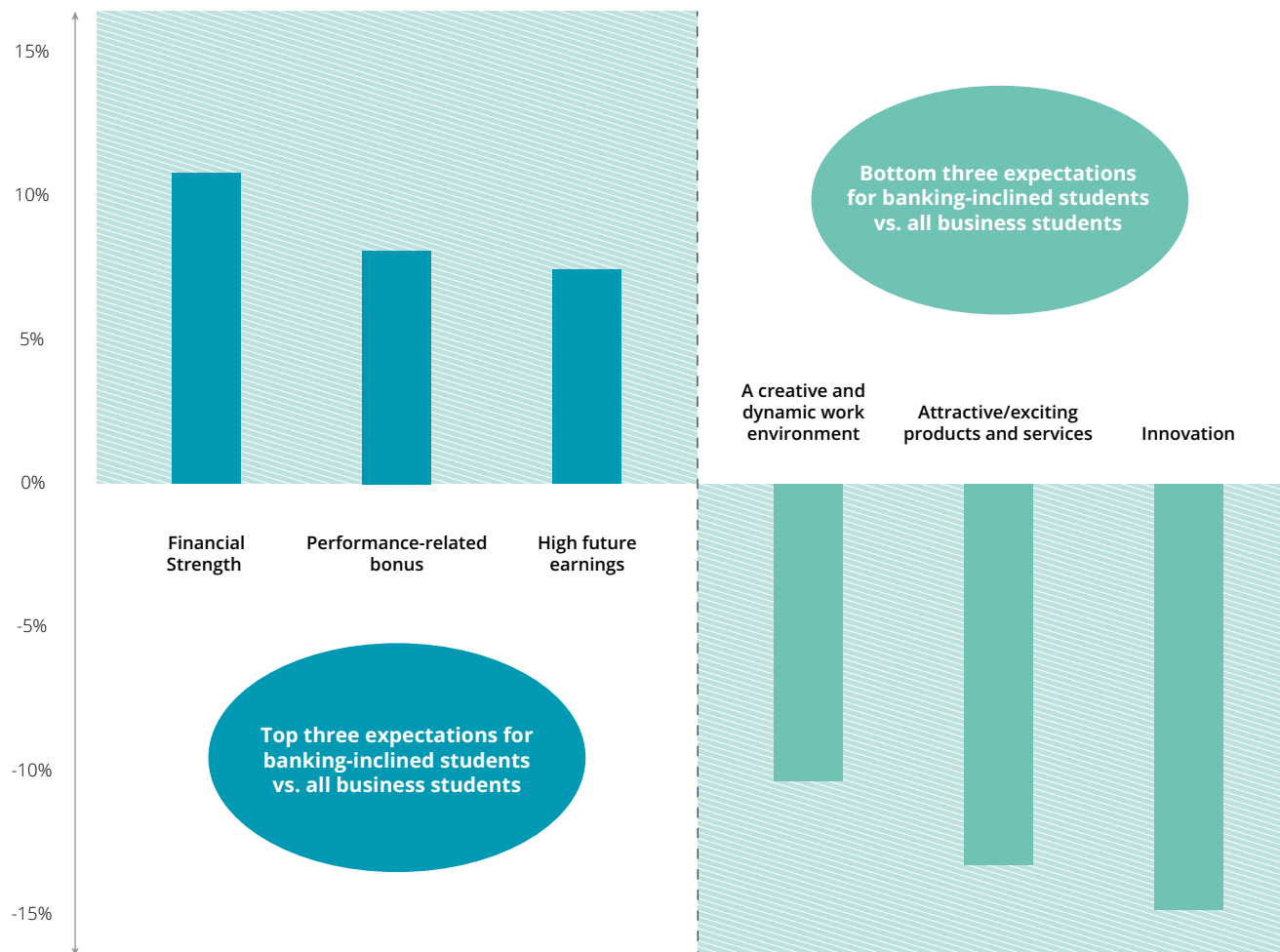
Graph 3: Pre-pandemic, were FS employees proud of their employer and/or industry, 2021?



Source: Deloitte-YouGov survey



**Graph 4: Banking-inclined students' expectations vs. all business students' expectations, globally, 2015**



**Hiring for the old business model**

In our most recent “Talent in banking survey”, which was based on a Universum survey of 211,000 business students in 30 markets, we identified that banks were attracting the wrong type of candidate.<sup>xvi</sup> Those students interested in banking favoured “financial strength”, a “performance-related bonus”, “high future earnings” and “prestige” far more than did the average business student. By contrast, and at a time when banks were already under assault from agile tech disruptors, banking-inclined students aspired to “a creative and dynamic work environment”, “attractive/exciting products and services” and “innovation” much less than the average student (see Graph 4).



### Relying on extrinsic motivation

One of the hottest topics in the banking sector continues to be remuneration. In our “Culture in banking survey”, we called out remuneration and its structure (especially the high proportion of variable pay) as a particular problem in banking.<sup>15</sup>

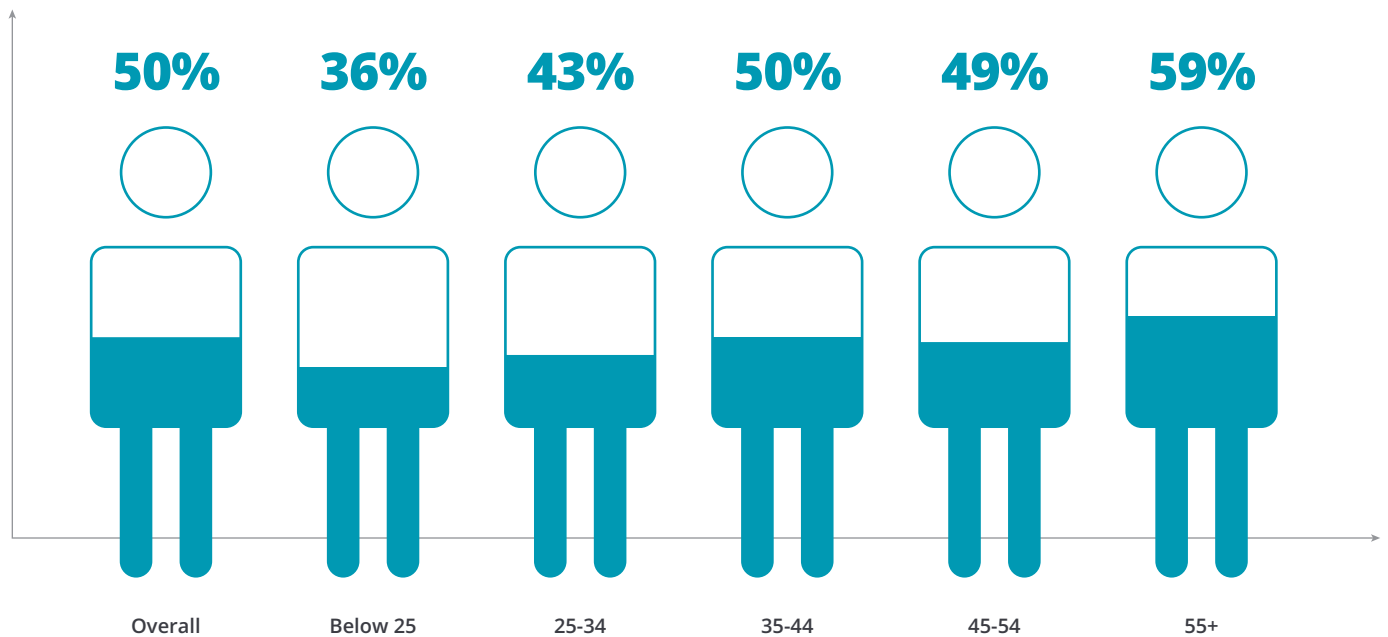
Regulators also had bank pay – and the malign effect of misaligned incentives – in their sights. They were concerned about the behaviours that some remuneration structures incentivised and also boards’ ability to claw back in the event of later losses – so-called ‘malus’, the opposite of ‘bonus’<sup>16</sup> Various initiatives were put in place, especially in the UK and the EU, to better align incentives between employee, bank and society. Despite these initiatives, between 2010 and 2018, across the European Union, the number of those earning more than €1 million in banks.<sup>17,18</sup>

Given the importance of purpose as a source of intrinsic motivation, it is deeply worrying that just a half of UK FS employees feels that their job is purposeful according to our survey.<sup>19</sup> Even more concerning is the distribution across age ranges. Gen Jones is much more likely to feel that their role is purposeful. This generation are likely to have started their careers in the late 1970s and early 1980s. They would have experienced the dramatic rise of London as a financial centre, sparked largely by the so-called 1986 “Big Bang” reforms of the City of London undertaken by Margaret Thatcher’s government.

They might also have enjoyed the dramatic relative rise in pay levels of FS employees versus their counterparts in other industries and in public service. But their own levels of purpose and pride may blind them to the fact that this relatively rosy view of FS is not shared by their Gen Z, for which only just over one third feels that their job is purposeful (see Graph 5).

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**Graph 5: Pre-pandemic, did UK FS employees think that their job is purposeful, 2021?**



Source: Deloitte-YouGov survey



### Lacking psychological safety

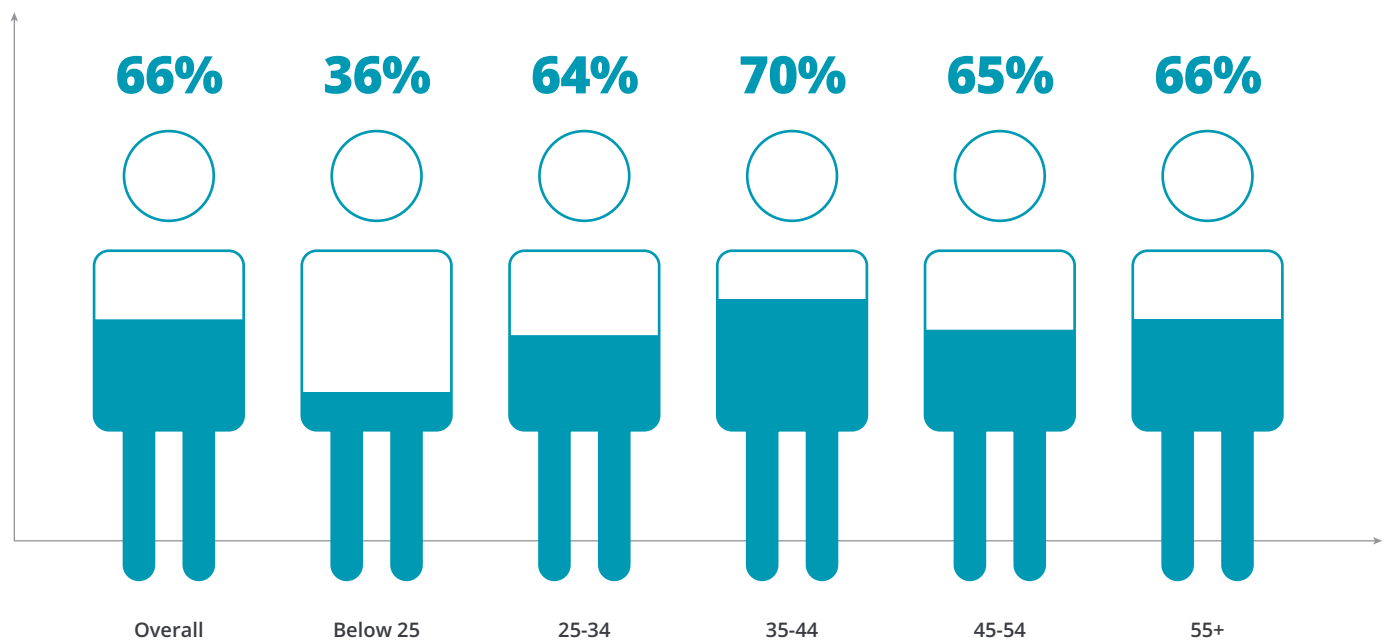
Psychological safety is vital to creating high-performance teams and for leveraging the benefits of diversity by making inclusion a reality.<sup>20</sup> In a study of 180 of its own teams, Google found that employees on teams with higher psychological safety were more likely to stay at Google, leverage diverse ideas, and increase revenue. They were also rated as twice as effective.<sup>21</sup>

According to two important post-GFC ethnographic studies, behaviour within banks tend exhibit two characteristics that are not conducive to the inculcation of psychological safety.<sup>22,23</sup> First, they are characterised by a mentality of “fire-fighting” (i.e. a more reactive than proactive mindset). This makes it difficult for executives to make longer-term investment plans. Secondly, banks are characterised by a “command-and-control” or hierarchical, rather than a collaborative culture.

According to Professor Amy Edmondson of the Harvard Business School, these cultural features can be particularly deleterious for fostering a sense of psychological safety.<sup>24</sup> The practical impact of banks’ culture on psychological safety that the academic literature predicts is validated by regulators, including the Financial Conduct Authority and the Federal Reserve, and is borne out by our survey.<sup>25,26</sup> One third of UK FS employees did not feel free to speak up. This is a worryingly high proportion given the large sums of money that FS firms look after for clients and given FS’ systemic importance in the economy.

Even more concerning – yet again – is the variation in psychological safety by generation. Two thirds of Gen Jones – those likely to be in senior positions – feel confident in speaking up. By contrast, only just over one third of Gen Z felt free to voice their ideas, questions, and concerns or to admit their mistakes (see Graph 6). This variation matters because it’s quite possible that senior leaders have no idea of quite how frightened their younger colleagues may be about speaking up, be that in contributing ideas, but also potentially about whistleblowing.

**Graph 6: Pre-pandemic, did UK FS employees feel free to speak up, 2021?**



Source: Deloitte-YouGov survey



## 1.3. The pandemic EX erosion

The pandemic proved in many ways to be an unexpected success for FS in general and for banks in particular, both operationally and culturally, as we discuss in section 2, below. Nonetheless, remote working, which was mandated for most employees at all FS firms, poses a risk of that it could erode banks' already-low reserves of psychological safety.

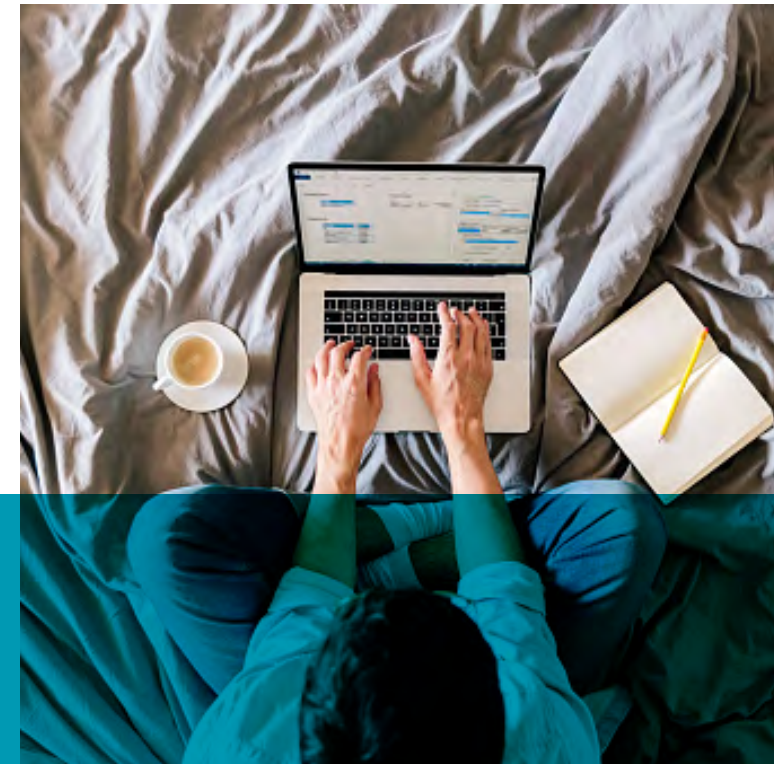
Psychological safety represents, at a group level, the equivalent of trust at an individual level. Remote working can increase the risk of weakening trust between individual employees and, therefore, psychological safety for employees collectively.

As Professor David De Cremer outlined in a 2015 Harvard Business Review article, trust is built on three distinct elements. These are ability (i.e. competence), integrity (i.e. honesty) and benevolence (i.e. caring about one's best interests).<sup>27</sup> Integrity and benevolence are highly correlated and contribute to a general sense of "warmth".<sup>28</sup> The lack of face-to-face interactions, despite of video-calls, eliminates a sizeable proportion of non-verbal communication gained from subtle facial expressions and body language, which, in turn, reduces the perception of "warmth".<sup>29</sup>

In addition, the risk of weakening trust could have a bigger adverse impact on women, for three reasons. First, women tend to be more observant of physical cues. Second, they tend to be better at decoding these cues. Thirdly, women tend to be more reliant on non-verbal communication for establishing an emotional connection.<sup>30</sup>

As the academic literature predicts, our survey did find a decrease in the depth and meaning of professional relationships because of remote working occasioned by the pandemic. It revealed that more than one third of UK FS employees felt that their relationships with colleagues were "less" and "much less" "deep and meaningful" "during the remote working brought about by the pandemic".

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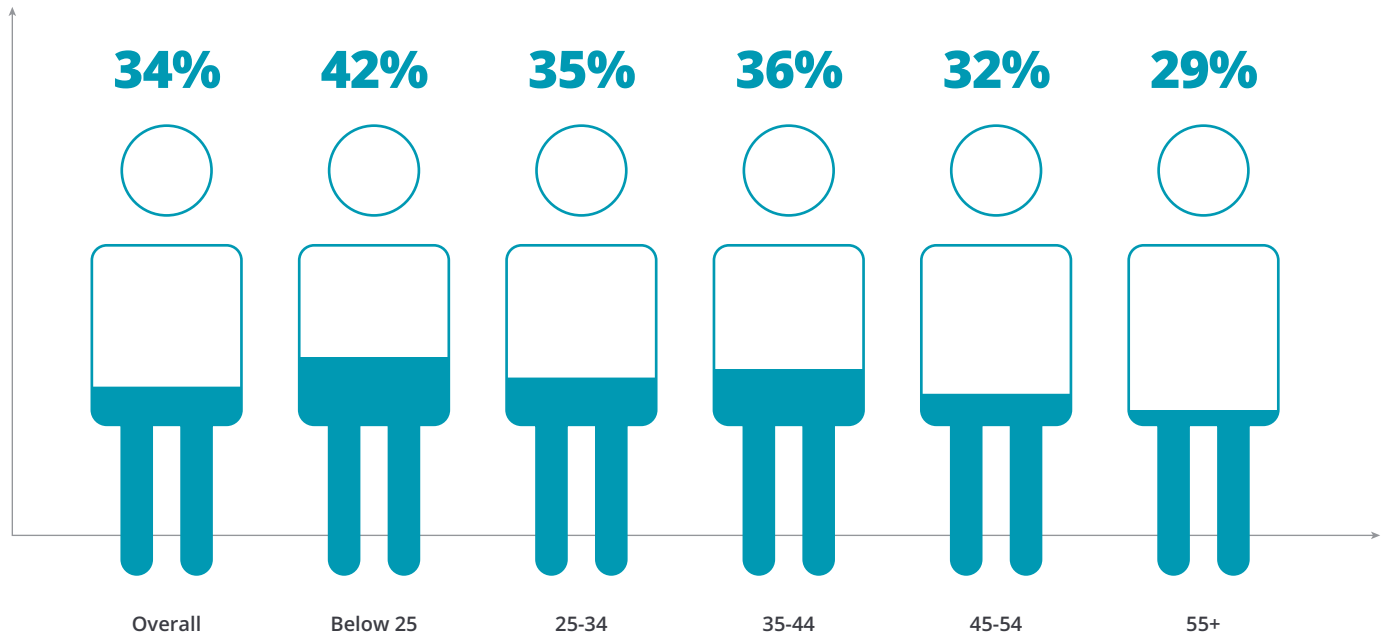


Yet again, there is a significant difference in experience across generations. Unsurprisingly, UK FS Gen Jones employees, with the benefit of three decades-plus in the workforce, were slightly less likely than average (at 29 per cent vs 34 per cent) to feel that remote working had made their relationships with colleagues less or much less deep and meaningful. By contrast, more than two in five UK FS Gen Z employees felt less connected to colleagues thanks to remote working (see Graph 7).

Remote working can also increase the risk of silo'ed working, where employees only communicate with those with whom they work. Psychologists have reported how the human need for affiliation and positive evaluation is heightened for most individuals during times of uncertainty.<sup>31</sup> To satisfy this need, individuals join groups with a high degree of cohesiveness and with clear group boundaries. The cohesiveness and boundaries of the group are maintained through moral emotions (e.g., shame, embarrassment, guilt) and when individuals transgress the norms of the group, they take the risk of being rejected.<sup>32</sup>

This helps explain why encouraging diversity and inclusion practices have been made more difficult during the pandemic – and why instances of toxic office culture are reported to have risen.<sup>33</sup> For example, the Behavox Enterprise Conduct and Risk survey, across 3,000 FS professionals in the US, UK and Canada, has revealed a prevalence of illegal misconduct (e.g., corporate theft and espionage) and harmful misconduct (e.g., racism, sexual harassment and bullying) because of remote working.<sup>34</sup>

**Graph 7: Do UK FS employees feel that remote working has affected the strength of their relationships with colleagues, 2021?**



Source: Deloitte-YouGov survey



# Is banks' EX ripe for change?





## 2.1. The collision of challenges

In addition to EX challenges, banks also face two key business challenges: business model disruption and the rise of societal expectations of purpose in banks. The combination of these challenges means that banks will need to attract and retain a new type of talent, characterised by both hard skills (e.g., digital expertise), and soft skills (e.g., communication, innovation, empathy and leadership).

As we chronicled in our “Banking disrupted” report,<sup>35</sup> banks’ vertically integrated business model faces disruption as, in its place, a digital banking ecosystem of bank and non-bank players is emerging. For now, this business model disruption highlights the talent disconnect, as many banks struggle to identify and install the talent needed to fully exploit digital transformation.<sup>36</sup>

Banks also need to ensure that their purpose meets the expectations of a range of stakeholders, well beyond shareholders who have held sway since the 1980s. That is, banks need to show that they can embed a deeper social and environmental purpose into their business model. Just as customers increasingly assess companies based on their ethics, so employees want to work for companies that put purpose as a top priority.<sup>37</sup> Hence, it should be of little surprise that all companies in Glassdoor’s “Best places to work” have a purpose-driven culture.<sup>38</sup>

The pandemic has further evidenced the power of purpose, as several companies have doubled down on their purpose. In banking, 52 per cent of customers feel that social responsibility has become more important since the pandemic.<sup>39</sup> Signs that banks have started to respond to the rise of purpose can be illustrated, among other examples, through the rise of financial wellness platforms and financial inclusion. However, more actions are needed on this front, as examples of purpose-driven banking are a small fraction of mainstream banking.<sup>40</sup>

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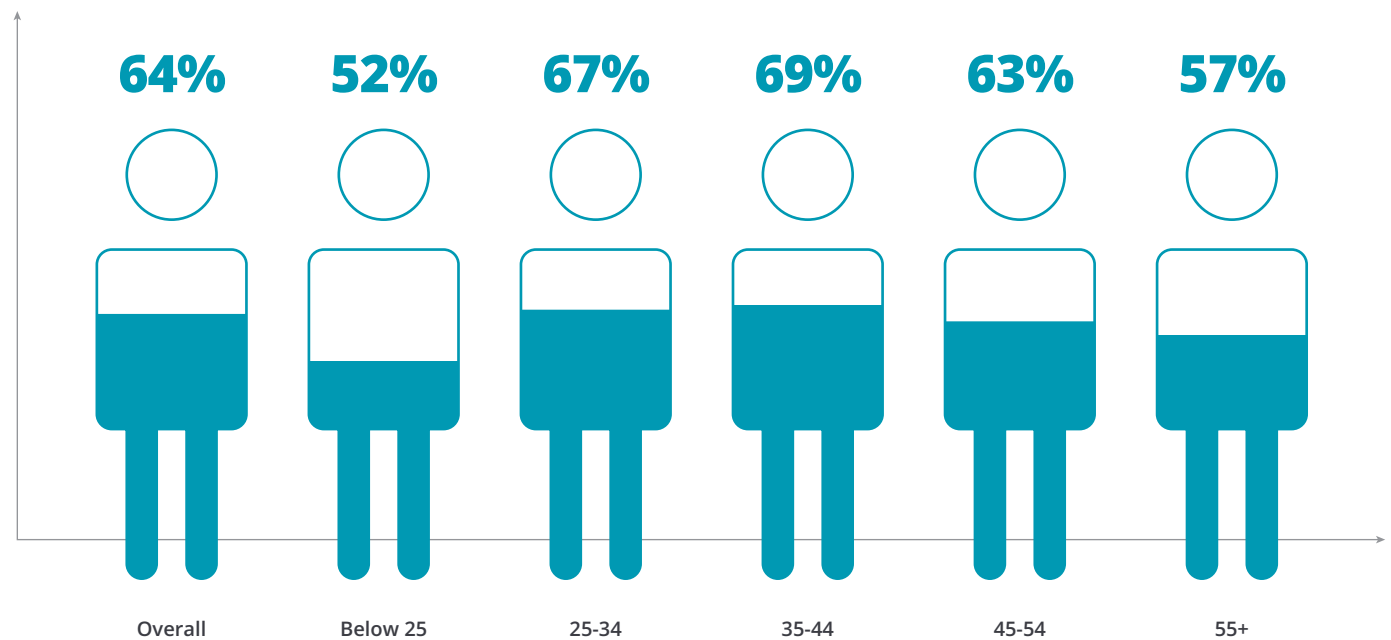




## 2.2. The pandemic wild card

While unexpected and unwelcome, the pandemic can help banks change their EX. It forced banks to implement new ways of working. In doing so, they have proven to be successful. Indeed, 64 per cent of UK FS employees that we surveyed think that their firm was well prepared to organisationally respond to the pandemic (see Graph 8). This has prompted employees to consider which of those new ways of working they would like their bank to keep post-pandemic.

**Graph 8: Do employees think that their companies were well-prepared to respond to the pandemic, 2021?**



Source: Deloitte-YouGov survey

The pandemic made comparison between various companies' ways of working more transparent, through the flow of news and rankings. Employers are already considering how to improve their EX by retaining and flexing some of these new ways of working.

One obvious element of working is workplace location. Advances in technology (e.g., broadband, 4G, video-conferencing software) had already loosened many of the location constraints on employees. But these capabilities had been exploited at the margins in FS, rather than in a wholesale way.

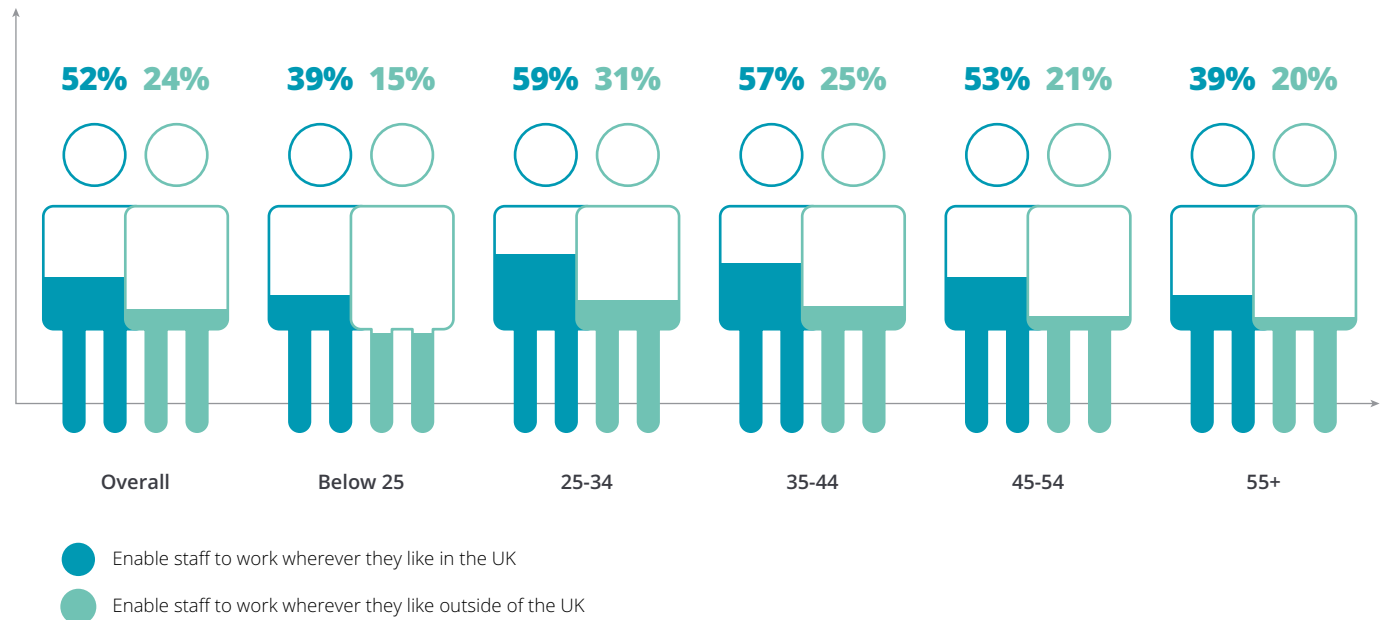


The pandemic remote-working experience appears to have permanently ruptured the assumed link between work and full-time attendance at the office.<sup>41</sup>

The UK FS employees that we surveyed expressed a desire for continued freedom of location. Those aged between 25 and 44 years of age expressed the highest aspiration for their employer to support freedom of location within the UK, at close to three-fifths. This could be because this cohort is at a stage in life where they are starting to settle down and start a family and, so, aspire to a bigger home than they might be able to afford in London (see Graph 9).

Some companies, including Spotify, have implemented a “work from anywhere” model.<sup>42</sup> There are many legal, immigration, insurance, and tax considerations when employees seek to work outside their employer’s home jurisdiction. These mean that many employers are likely to favour in-country mobility over international mobility for employees in the first instance. Fortunately for UK FS employers, our survey reveals that the desire for mobility within the UK FS employees, at 52 per cent, is more than twice the level (24 per cent) of staff that would like their employer to support international freedom of location.

**Graph 9: Post-pandemic, do UK FS employees want their employers to support greater freedom of workplace location, 2021?**



Source: Deloitte-YouGov survey



# How can banks transition to a best-in-class EX?





## 3.1. Banks should become better at identifying the moments that matter to each employee

There are five key moments that matter during an employee's lifecycle: recruitment, onboarding, development, retention, and separation. Within each of these moments, micro-moments (including personal life events, and personal and professional daily events), which are specific to each employee, can also be distinguished. Banks need to become better at measuring these five moments that matter.

There are five key moments that matter during an employee's lifecycle: recruitment, onboarding, development, retention, and separation. Within each of these moments, micro-moments (including personal life events, and personal and professional daily events), which are specific to each employee, can also be distinguished. Banks need to become better at measuring these five moments that matter.

Since EX is the inward analogue of CX, it is useful to explore what type of data is used in CX to understand how to determine the EX moments that matter. CX uses both the firm's side of the story, the operational data, or 'O-data' and the customer's side of the story, the 'X-data'. That is, O-data describes what happened, whilst X-data explains why it happened. Translating this into the EX context, O-data speaks to employee performance and engagement, while X-data reveals employee feedback.

Banks enjoy mature O-data systems. These collect a rich seam of real-time data (based on personal details, training, compensation, promotion, performance, etc.) that are seamlessly integrated into employees' journey through the organisation. By contrast, X-data systems are less mature. They tend to rely on very few data sources and are seldom seamlessly integrated into employees' journeys. Hence, more X-data, collected seamlessly throughout the employees' lifecycle, is needed.

Collecting more X-data can be achieved through several tools, including engagement surveys, pulse surveys, open feedback platforms, ongoing performance conversations and exit interviews, to gather real-time longitudinal data. To ensure that data is collected with as little friction or time as possible, these tools will need to allow employees to provide feedback when it is relevant and convenient for them and not just for the employer.

To avoid decision-making paralysis, the data must be embedded into the tools and systems that leaders are already using to make decisions.

Seamless integration is also relevant for the leaders tasked with improving EX. To avoid decision-making paralysis, the data must be embedded into the tools and systems that leaders are already using to make decisions.

By combining O-data with X-data, banks can build a better picture about which moments matter for different segments of employees, and what aspects of EX can be improved. For example, O-data may show that £5m have been spent on employees' team-socials while X-data could reveal that employees would have preferred something else, such as redirecting that money to training.



## 3.2. Banks should use moments that matter to deliver best-in-class EX

Once banks have become better at measuring the moments that matter, they need to translate these into best-in-class EX. To do so, banks can adopt a set of questions that can guide them to implement the right processes and trigger positive emotional responses within employees (see Table 1).

**Table 1: Identifying how banks can turn moments that matter into best-in-class EX**

What are the moments that matter?	Questions to help banks turn moments that matter into a positive EX?
<b>Recruitment</b>	<p><b>Process:</b> How do you ensure that your job adverts are well-defined and attractive enough to catch the attention and applications of the right candidates?</p> <p><b>Sought emotional impact:</b> Did your interview process engage and reassure the right candidates so that they quickly accept your job offer?</p>
<b>Onboarding</b>	<p><b>Process:</b> How do you design your onboarding process to turn the new employee's enthusiasm into a commitment to your organisation?</p> <p><b>Sought emotional impact:</b> How do you excite your new employee about their work? How can you help them trust the team they are in, thereby becoming more productive?</p>
<b>Development: Key promotions and career changes</b>	<p><b>Process:</b> As the employee develops within their role, how do you quantify their productivity and gauge their career aspirations?</p> <p><b>Sought emotional impact:</b> How do you make your employee feel valued and recognised by offering a career that is rewarding, through promotions and career changes as well as through reward?</p>
<b>Retention</b>	<p><b>Process:</b> How do you motivate employees to perform and contribute to your firm's success?</p> <p><b>Sought emotional impact:</b> How do you keep your employee connected to your firm's purpose, brand and culture?</p>
<b>Separation</b>	<p><b>Process:</b> How do you use this feedback data, once it is curated (including taking out bias), to improve and develop your EX for current and future employees?</p> <p><b>Sought emotional impact:</b> How do you ensure that the employee's feedback is radically candid through the exit interview?</p>



## 3.3. Banks should create the safeguards that sustain a best-in-class EX and build employee trust

Banks need to put in place three safeguards to sustain best-in-class EX. These safeguards should allow employees to: (i) have a sense of purpose (to respond to the reputational challenge); (ii) feel valuable (to respond to the extrinsic motivation reliance); and (iii) experience psychological safety (to respond to the psychological safety scarcity).

### Having a sense of purpose

A rich set of research drawn from the motivation theorists and humanistic psychologists provides evidence for the notion that individuals have an inherent need for purpose. This matters in the workplace because employees with a sense of purpose are more engaged.<sup>43</sup>

To understand how banks can deliver a sense of purpose among employees, it is useful to note that employees need a sense of purpose both at work (which stems from membership in the firm) and in work (which stems from the actual work one does) (see Table 2).<sup>44</sup> Employees need purpose at work because they want to feel proud to identify with their firm and to form an affective commitment or emotional attachment to it.

To understand how banks can deliver a sense of purpose among employees, it is useful to note that employees need a sense of purpose both at work and in work.

It is helpful for employers if employees feel a sense of purpose in work too. This is because those who find their work personally rewarding will be less reliant on extrinsic motivators, such as pay, status and other rewards and tangible benefits.





Research shows that purpose plays a key role in enabling individuals to stave off negative reactions to stress when confronted with negative experiences.

Purpose enables employees to better react to both negative and positive stressors. This is not just important in the current pandemic context but also given the broader need for banks to build psychological safety as part of their best-in-class EX.

Research shows that purpose plays a key role in enabling individuals to stave off negative reactions to stress when confronted with negative experiences. In addition, purpose also dampens individuals' responses to positive experiences. Paradoxically, this is good news, as it means that individuals are less reliant on others' positive opinions to maintain their self-esteem.<sup>46</sup>

**Table 2: Identifying how banks can deliver a sense of purpose**

Where can banks deliver a sense of purpose?	How can banks deliver a sense of purpose?
<b>At work</b>	<p><b>Sought impact:</b></p> <ul style="list-style-type: none"> <li>• By establishing a connection between employees and organisational values, socialised dynamics evolve, making employees part of something bigger than themselves through shared meaning and affective commitment or emotional attachment.</li> </ul> <p><b>Actions for employers:</b></p> <ul style="list-style-type: none"> <li>• Discover what creates meaning for your employees (through X-data) so that those attributes can be incorporated into your culture.</li> <li>• Be intentional about developing your authentic purpose and embed it in the culture.</li> <li>• Be explicit about the atmosphere and intrinsic rewards of being part of your organisation.</li> </ul>
<b>In work</b>	<p><b>Sought impact:</b></p> <ul style="list-style-type: none"> <li>• Enable employees to engage more of their whole selves at work.</li> </ul> <p><b>Actions for employers:</b></p> <ul style="list-style-type: none"> <li>• Create jobs that are meaningful for employees and communicate that meaning.</li> <li>• Seek out those employees who endorse the firm's mission and seek meaningful work that creates value for the firm and an impact for society</li> </ul>



### Feeling valuable

Feeling valuable matters because it is a primal and survival-based need from an evolutionary perspective. The more an individual feels that their value is not in question, the less consumed they are with defending and restoring it, and the more value they can generate.<sup>47</sup>

Banks are traditionally characterised by the career ladder model, which assumes that all employees aspire to take similar, sequential, steps upward. In contrast, best-in-class EX is underpinned by modularity (e.g., varied roles through unbundling of skills, frequent re-skilling, and up-skilling). Modularity enables employees to feel more valuable because it empowers them to define success in a highly individualised manner. Indeed, it is shaped by the employee’s own needs, goals, and values, rather than by organisational structures or received ideas of success. In such a model, an employee’s success will depend on behavioural competencies that include self-invention, autonomy, and self-direction.<sup>48</sup>

Despite falling in popularity, few banks suffer from a shortage of applicants. Nonetheless, as we discussed earlier, they often attract the wrong type of employee. By unbundling distinct roles, banks can extract the core skills necessary to perform various jobs across different business lines. Moreover, by encouraging the behavioural competencies – self-invention, autonomy, and self-direction – underlying the modular model, employers empower employees to choose the right jobs and companies for their career.

**Table 3: Identifying how banks can pivot towards a modular model**

What must banks do?	How can banks implement these?
<b>Nurture the mindset of employees conducive to the necessary behavioural competencies</b>	<ul style="list-style-type: none"> <li>• Embed a growth mindset in the organisational culture.</li> <li>• Cultivate employees’ self-awareness.</li> <li>• Provide employees with opportunities to grow their personal resilience by requiring them to take part in simulations of uncertainty.</li> <li>• Encourage employees to define and measure “success” for themselves.</li> </ul>
<b>Sustain this mindset by diversifying employees’ career capital</b>	<ul style="list-style-type: none"> <li>• Unbundle skills required for different jobs to allow employees to move across business lines and jobs within your organisation.</li> <li>• Encourage secondments to enable employees to gain new skills and knowledge.</li> </ul>

The pandemic has put innovation at the heart of companies’ ability to survive, while exacerbating volatility and unpredictability for employees.

A modular EX model helps to address the issues that the pandemic has thrown up for banks and their employees alike. A modular model requires employees to have the behavioural competencies that, increase their individual value for banks while also reassuring employees as to their own employability and value.

To successfully pivot towards a modular model, banks will need to both nurture the mindset of employees conducive to the necessary behavioural competencies and sustain this mindset by diversifying employees’ career capital (see Table 4).





**Table 4: Identifying how banks can nurture psychological safety in practice**

What must banks encourage?	Why must banks encourage these?	How can banks make these happen?
<b>Proactive learning</b>	Nurture the mindset of employees conducive to the necessary behavioural competencies	<ul style="list-style-type: none"> <li>• Develop standardised methods of investigation and documentation to provide insights about conditions that induce incidents and the types of incidents that result</li> <li>• Encourage, at the team level, ownership of failures, errors and issues and actively avoid blaming and shaming, at the individual level.</li> <li>• Adopt “second order” (i.e. root cause analysis) rather than “first order” (i.e. quick fix) problem solving.</li> </ul>
<b>Inclusive debates</b>	Promote critical examination	<ul style="list-style-type: none"> <li>• Value critical examination of work-related matters, irrespective of who the originator is.</li> <li>• Encourage the expression of dissenting views on work-related matters to exploit the diversity of viewpoints.</li> <li>• Discourage conformity and self-censoring on work-related matters.</li> </ul>
<b>Cognitive friction</b>	Promote disruptive thinking	<ul style="list-style-type: none"> <li>• Encourage cognitive friction (i.e. productive disagreement over the content of one’s ideas or decisions that leads to its deeper cognitive understanding).</li> <li>• Invite openness about showing team-level and individual-level vulnerability.</li> </ul>

**Experiencing psychological safety**

Banks, among other organisations, need to become more diverse across the different facets of diversity (gender, race, sexuality, and neurodiversity).<sup>49</sup> At the heart of these different facets of diversity lies the idea of promoting viewpoint diversity. Yet progress on viewpoint diversity is particularly difficult to assess.

In future, there is a risk that banks could see their capacity to harness employees’ viewpoint diversity challenged by the permeation of the so-called ‘call-out’ or ‘cancel’ culture into the workplace. According to free-speech advocate Greg Lukianoff and NYU Professor Jonathan Haidt, a ‘call-out’ culture incentivises individuals, by giving them status for finding errors in the speech of others.<sup>50</sup> They assert that it is not usually the argument that is being criticised but the use of a single word. This can lead to hypersensitivity to opposing views. Within the workplace, the “call-out” culture could act as a deterrent to viewpoint diversity, potentially maximising confirmation bias and discouraging cooperation and innovation because of a fear of being shamed.

Psychological safety is a necessary condition for banks to be inclusive and enable employees to carry their work effectively (see Table 3).



# Conclusion

Delivering EX is vital for banks' performance. Those banks that seize the challenge most rapidly and deliver a best-in-class EX will create a significant advantage over both their direct (e.g., other banks) and indirect (e.g., BigTechs, FinTechs) competitors.

In addition, these banks will also reap the profitability uplift that comes with delivering a best-in-class EX. Indeed, companies who get their EX right generate four times the profit per employee than those that don't.<sup>51</sup> To do so, banks will need to: improve measurement of the moments that matter; turn moments that matter into a best-in-class EX; and foster the safeguards that sustain EX.





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