walk the talk

integrity

leadership

professional

culture

Ethical culture:
A practical guide for small firms

If you don't manage culture, it will manage you

CII guidance series on ethical culture

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Contents

Disclaimer
The guidance set out within this paper is meant to support the thinking of individuals and their firms, and nothing in the guidance should be used by firms to achieve compliance with any statutory and/or regulatory obligations.

Part 1: Why ethical culture matters

Introduction

Every firm has a culture. It doesn't matter if you employ 10 or 10,000 people: culture influences how your firm goes about its business. It also helps shape how your firm develops and how it succeeds.

It's worth spending a little time thinking about your firm's culture because what you learn is very likely to help it be that bit more flexible, that bit more successful. You've probably been aware of the culture in different workplaces you've encountered; it's just that you haven't used that 'culture' label before.

What we want to do in this paper is guide you through one particular aspect of culture at work, because it's one that is going to become much more prominent over the next few years. Our focus here is on your firm's ethical culture: in other words, that part of its culture to do with how people behave at work. We want to show you how to steer your firm's ethical culture in a more productive and trustworthy direction.

> **Reflect on this...**
>
> Take a few minutes to think about some of the places you've worked in. Did some of them have a different feel to others? Were some more enjoyable experiences than others? What made some more fulfilling places to work than others? What you're largely recalling are the cultures in each of those firms and offices, and how those cultures influenced how you worked.
>
> At the time, you reacted to those different cultures by either being more committed in those you enjoyed, or detached from those you didn't. Now, however, if you're leading your own firm, the onus is on you. How can you use those experiences of the cultures of where you've worked, to make your own firm more adaptable, more successful?

After reading this paper, you'll know more about:

- how ethical culture links with professionalism, leadership and reputation;

- the influence your firm's ethical culture has on customers and employees;

- how to weigh up your firm's existing ethical culture; and

- how you might change it for the better.

Ethical culture and business

So what exactly does this thing called culture mean in a business context? In its simplest form, it's about 'how things get done round here'. Don't confuse that with the process manual; it's much broader and subtler than that. Culture is made up of shared assumptions held by a group of people working together, about how to work together, how to engage with customers, how to tackle problems, how to bring in business, and so on.

❝ *culture is all that stuff that holds organisations together* ❞

Ethics, dealing as it does with standards of behaviour at work, is clearly an important dimension of a firm's culture. If there's a shared assumption amongst your employees about clients' information being kept confidential, or about how products are recommended to clients, then this will make a big difference to the integrity of your firm and the trust people have in it. An ethical culture brings all those assumptions about 'how we should behave round here' together. Get a clear picture on your ethical culture and you start to understand how trust can be built, and lost, by your firm.

Earlier, we used the term 'shared assumptions' when talking about culture. It's actually a bit more complicated than that. Your firm's ethical culture will be operating on three distinct levels:

1. The first level is that of its visible statements and processes. These can include statements about what makes the firm distinctive, how it treats its customers and how the firm has organised itself to deliver this.

2. The second level involves the beliefs and values that your firm uses to explain how it achieves success. These will be what staff recognise as important to the firm and important to how they can get on in the firm.

3. The third level is that of the implicit assumptions that actually guide behaviour and that tell staff how to see, think about and respond to people and situations. They are so taken for granted that staff don't question what they mean or why they have to be followed.

Let's look at a quick example. If your firm likes to stress teamwork, but everyone involved in sales knows that their bonus is decided by where they stand in a revenue league table, then the culture of that firm will be more about rivalry than teamwork. This is not to say that competition amongst colleagues is bad; just that if you overtly tie what many people find important (remuneration) to a measure of individual performance (a league table), they will automatically downplay the importance of practising teamwork within your firm. That will be an issue when you need to rely on teamwork to deliver an important business change.

How ethical culture influences your firm

Your firm's ethical culture will be influencing everyone working there. And it will be influencing most of the work they do for you. This may sound rather scary, as if the firm you've invested so much time and money in is somehow outside of your control. In fact, while your ethical culture is both broad and deep, it is also stable: it doesn't change that easily.

At the same time, your firm's ethical culture is connected with yourself as its founder (or one of the key people in its success). It has been your beliefs, values and assumptions about how work should be done, and how people should behave, that have been most influential. Think of it this way – if those beliefs and values had been wrong for the market your business was launched into, it wouldn't have succeeded. It was through the influence of founders and early leaders in the success of their firm that certain behaviours became engrained in 'how things should get done round here'.

> **Reflect on this...**
>
> Think about business people you admire and list some of the qualities you admire most about them? Do you see those personal qualities reflected in how their firms go about their business?
>
> Repeat this for people you don't admire.
>
> What you're seeing is the influence on a firm not just of the values and standards of its key leaders, but of the cultures they've created and sustained. These can be both positive and negative.

So how decisions are made, how people work together, how certain behaviours are encouraged, tolerated or stamped out, how people are motivated, recruited or sidelined, how customers are engaged with: all these behaviours will have been forged in those early years of leadership, growth and success. This makes it inherently stable, so long as it continues to be in tune with the business environment your business is operating in. Should that business environment change, then that stability in your firm's ethical culture could turn into a heavy brake on achieving necessary change.

What sort of changes in the business environment are we thinking of? The replacement of commission with fees in financial planning and the changing nature of distribution in general insurance: both are examples of changes in the business environment that your firm works in. Is your firm's culture adapting comfortably to such changes? And how might that adaptation be influenced by how your people continue to 'get things done round here'? Has the change been wholehearted, or half hearted? Has it been accepted and absorbed, or do some treat it as regulatory hassle to steer round as best they can?

Leadership, professionalism and reputation

Your firm's culture is already imbued with the ethical beliefs of those who founded the firm or were key people in building it into a successful business. This happened not just through the decisions they took at crucial times, but also through the influence they continue to have on others, both directly through the instructions they give and indirectly through the examples they set and the atmosphere they foster.

This of course can be a double edged sword. Ethical behaviours can move into a virtuous cycle or vicious cycle depending on the type of example set by the firm's leaders. Questionable compromises can send out wide ripples, while unambiguous stands can set a clear example. That's why certain behaviours may end up being tolerated in one firm, while being dealt with firmly in another.

The insurance and financial planning sectors are fortunate in having strong professional bodies promoting professionalism at the level of both individuals and firms. This helps to inform and remind business leaders of the ethical expectations on all firms operating in their sectors: in other words, of how the business environment may be changing, and what this might mean for the ethical leadership that they are giving to their firms. Professionalism in insurance and financial planning can give a strong sense of shared responsibility for how firms in their sectors should behave. It provides a benchmark against which firms can judge their way of doing things and, with initiatives like the Aldermanbury Declaration and Chartered Firms, tools for helping them make any improvements.

The challenge of course is to make sure, in the language of the three levels of ethical culture mentioned earlier, that professional ethics influences not just the first level (of visible statements and processes) and not just the second level (of actual beliefs and values), but most importantly, that third level of implicit assumptions that everyone has adopted and taken for granted. If the beliefs and values to which your people work match its visible statements and processes about ethics, then your people are 'walking the talk' and acting ethically as 'how things get done around here'. If such a match is tenuous or absent, then your firm could be accused of saying one thing and doing another, driven instead by hidden assumptions about what is right.

Such a mismatch is hardly a recipe for trust, be it in relation to your customers or your employers. In activities like insurance broking and financial advice, your firm's reputation is largely based upon the trust built up between client and adviser over the years. That's why it's important to address any mismatch between what the firm says and what it does, for those hidden assumptions can kill reputations.

Reflect on this...

Think about the profession you've chosen and what first led you to choose it over others.

What was it about the reputation of one profession that attracted you and about the reputation of other professions that didn't attract you?

Are those 'cultural' signals and reputations still important to your long-term career goals?

Does ethical culture influence even small firms?

We talked earlier about every firm having an ethical culture, and then about the three levels of culture found within firms (visible statements and processes, beliefs and values, and implicit assumptions). Do these three levels apply just as much to firms with 10 employees, as to firms with 10,000 employees?

They certainly do apply just as much to small firms as to large firms. The evidence one looks for in small firms may be slightly different, but the three levels are just as present in small as well as large firms. Think of it this way – every large firm started out as a small firm. That large firm's ethical culture wasn't something it acquired along the way – it was there from the outset, when the firm was founded and had its early successes. It provided stability as the firm grew and helped form its distinctive character.

What to look for as evidence of an ethical culture in a small firm will be considered shortly, but for the moment, we'll concentrate on one of the great strengths, but also one of the great weaknesses, of how culture influences a small firm. By their very nature, small firms are invariably under the direct and substantial influence of their founder. It is the beliefs and values of that founder that have set the ethical tone within the firm and which, as the firm has survived and prospered (otherwise you wouldn't be reading this!) have become adopted as implicit assumptions about 'how things get done round here'.

When customer expectations change

This proximity to the founder, and their ethical beliefs and values, is a great strength of a small firm, while the business environment is largely unchanging. It can, however, also be a great weakness of a small firm, when the business environment is undergoing change. That stability of culture within small firms can become a drag when the beliefs and values at its heart no longer fit with what a changing business environment is expecting. Employees carry on making decisions according to those hidden assumptions, not realising that the environment in which they were successfully forged is no longer relevant. Yet the founder of a small firm often finds it difficult to change them, as they are often imbued within their actual character. In such circumstances, the culture within a small firm starts to undermine its reputation, as employees behave in ways no longer accepted.

Some current market situations

Let's look at a couple of examples, starting with the Retail Distribution Review and the huge changes it introduced for retail investment advisers and their firms. Out has gone commission based sales and in has come higher qualifications, improved professional standards and Statements of Professional Standing. These represent significant changes in firms' business environment, in areas that are likely to challenge the beliefs of some founders as to how income should be generated. The question many financial advisory firms need to ask is this: you may have changed the visible statements and processes (culture level one) and looked at how the firm's beliefs and values apply to this new business environment (culture level two), but what about those implicit assumptions about 'how things get done round here'? Are you confident that they still reflect those new statements and processes, and those refreshed beliefs and values? Or do some of your people still approach certain tasks as if they were still working in that old 'commission world'?

Insurance brokers are also operating in a changing world: distribution of general insurance is changing, referral fees are history, add-ons are in the spotlight and RDR style questions are being asked about the future of general insurance commission. Their ability to adapt and take advantage of this changing business environment will depend not just on technical and financial adjustments, but on bringing the 'hearts and minds' of their staff behind such adjustments as well.

Small firms within a changing business environment

Many small insurance broking and financial advisory firms started out in life by recognising and taking advantage of a changing business environment. Customers responded and made those firms a success. But markets don't stand still, in large part because what customers expect, what they need, and how they want to access it, change too. Of course, many such small firms recognise this and continue to adapt, but some changes can be more deep seated (such as RDR) and may require more fundamental adaptation. Handled correctly, the culture of the firm, including its ethical dimension, can play a vital role in carrying the firm through such changes. Ignored, the firm's culture can undermine that process of adaptation and lead to a loss of trust amongst clients.

> **Reflect on this...**
>
> Think of when you yourself are buying something – a car or a house for example. Or when you're making a decision about something medical or educational.
>
> How do your perceptions of the cultures of those you're engaging with influence what you buy, how you buy it and from whom?

Clients can be more sensitive to a firm's ethical culture than most people think. Despite the complexity of insurance and financial products, clients can often sense the extent to which what a firm says and what a firm does, marry up. Indeed, they may be better at that than those within the firm itself, who take a lot of what they do for granted. So how an adviser presents recommendations, or how a broker responds to a change of circumstances, can signal to a client whose interests are being put first.

What a positive ethical culture looks like...

- to a client, it means the firm is more likely to have a positive attitude towards their individual needs and circumstances, be balanced in how they present choices and recommendations, and be responsive to their concerns; and

- to an employee, it means the firm is more likely to be better at teamwork, be a more open and honest place to work, have a strong set of values and set clear expectations about how to engage with clients and colleagues.

What a less than ethical culture looks like...

- to a client, it means the firm is more likely to put its own interests first, be less than open with them at times and often inattentive outside of sales opportunities; and

- to an employee, it means the firm is more likely to have hidden agendas, be dominated by financial targets and have less regard for individual's concerns.

What we've covered so far

Culture is all that stuff that holds organisations together. It influences how people work, often without them fully realising it, but at the same time, it's also pretty stable. It may seem rather remote stuff to a busy broking or advisory firm, but it actually has more influence on your firm than any company policy or business plan. That's why keeping an eye on it can be very worthwhile, so that when you really do need to do something about it, you have an idea of what to do. Remember, if you do not manage your culture, it will manage you.

Part 2: Changing your firm's ethical culture

Weighing up your firm's existing ethical culture

You're a busy person in a small firm. Why should you take time out to look into your firm's existing ethical culture? What factors would avoid it becoming one of those 'nice but maybe later' things to do?

What you should look for as a sign that 'now is the time to look at the firm's ethical culture' is some sort of change. It's when something is changing that you'll get the most out of looking into your firm's culture more closely. The change can be within the firm or out there in the market, as explained below:

- the internal reason: there's a risk that your firm's ethical culture could undermine some wider business change being planned. One example of this could be an anticipated merger with another firm, a significant change in how revenue is earned or venturing into a new line of business; and

- the external reason: the business environment within which your firm works is signalling some significant concerns about how firms generally in your sector have been conducting their business. Examples of this could be concerns about selling practices, how claimants are being treated or an unexpected level of customer complaints.

These may be about to happen, or may have recently happened: after all, your firm's ethical culture may still be influencing how your firm is coping with recent changes, such as the Retail Distribution Review.

Bear in mind that we're not talking here about throwing out your existing ethical culture and implanting a new one. Cultures are too stable and powerful to allow that to happen. Instead, we're talking about identifying those strengths in your existing ethical culture that will help your firm make that change, and about finding out those weaknesses in your existing ethical culture around which new attitudes and skills need to be built.

Having identified the 'why', we now need to look at the 'what'. In simple terms, it involves looking at:

- what your firm is saying about its ethical conduct;

- what your firm is doing in relation to its ethical conduct;

- how those may differ; and

- uncovering what is behind those differences.

To give you something tangible to work through, we'll go through a process involving the three levels of ethical culture mentioned earlier in Part 1, and follow it with a couple of worked through examples.

❝ *If you don't manage culture, it will manage you* ❞

Start by gathering together a few people from within your firm: make them as varied a bunch as possible, to ensure that different views are heard. Sit them down together and talk through with them the reason for wanting to find out more about the firm's ethical culture. This means being open with them about the change that has triggered this exercise. Don't skim on this, for it gives them the framework within which later work is done.

Then ask them to write onto sticky notes any of the firm's practices, rules or policies that might have any kind of influence on that change in how the firm wants its people to be behaving. So for example, if the change is about how policies are being sold, then they should be jotting down anything your firm uses to manage its sales processes, from beginning to end.

Then ask them to consider other aspects of how your firm works, such as how decisions are made, how communications are framed and how meetings tend to work, all in relation to the change being contemplated (see checklist 1 below for some ideas). What this adds up to is the first level of culture.

Checklist 1 – 'what your firm is doing'

Business objectives – more than just numbers?

Training budgets – size and focus?

Internal memos – tone, scope and language?

Board agendas – scope and challenge?

Meeting style – open/closed and organised?

Feedback handling – listening, responsive?

Appraisals – open, listening, two way?

Inductions – scope, realistic?

Now move on to consider the second level of culture, that of the values actually being espoused by your firm. What does your firm regularly say to internal and external audiences about its ethical values, about how its employees work, about what they put first? Think of these within the context of the change being contemplated.

Such audiences include customers, employees, regulators, investors, partners, suppliers and the media. Those 'values messages' could be found in codes of conduct, website pages, strategy plans, press releases, values statements or partnership agreements. Look for the ethical messages either explicitly stated or implicitly embedded within those messages (see checklist 2 below for some ideas).

Checklist 2 – 'what your firm is saying'

Value statements

Codes of Ethics

Marketing brochures

Website pages

Standard correspondence

Strategy plans

Partnership agreements

Press releases

The third stage involves looking for that third level of 'cultural assumptions', but you can't do this by jotting them down on a list – they're too often taken for granted and followed unawares, making them difficult to pick out.

Instead, the small group you've got together should compare what they've found at the first level of ethical culture (what the firm is actually doing on ethical culture) with what they've found at the second level of ethical culture (what the firm is saying about its ethical culture). Are they different and if so (as is likely), in what way do they differ and to what extent? In other words, when it comes to ethics and how people go about their work, is your firm 'talking' one thing but 'walking' another? What you're bringing out here are signs of those underlying assumptions that are driving behaviours, rather than what the firm is saying at that second level.

The 'talk' and the 'walk' may not be diametrically opposed, but if your small group of employees can see differences, then the chances are that your customers, employees and partners will see them too, perhaps more so. If they're factoring in 'they seem to say this, but then do that' into how they do business with you, then that's an issue that your firm needs to address. Situations like this are behind the business saying: "if you don't manage culture, it will manage you".

Let's walk through a couple of examples

Example: underlying assumptions

Acme Broking makes great play in its marketing about how open it is with clients, its brokers always being happy to listen to their needs and concerns. Its website talks about how this is something everyone in the firm upholds, producing a committed workforce built on teamwork and cooperation. Yet John, an experienced broker who has worked at Acme for six months now, is finding meetings run to tight agendas, his first appraisal was rather truncated and his manager usually seems too busy to listen to his questions. John gets a sense that the management knows what's best for the firm and his job is to concentrate on bringing in business the way Acme wants him to.

Move forward six months and Acme's reputation for growth is confirmed by a big, confident acquisition. However, John can't help but notice that some of the brokers joining from the other firm are taking shortcuts, knowing that their legacy system lets them get away with it. That said, John knows that Acme just want him to keep focused on bringing in business, so that's what he does, leaving it to management to deal with the problem.

Comment: here you see John experiencing the gap between the 'talk' and the 'walk' of Acme's interest in openness. As a result, John decides not to raise concerns about practices he believes are unethical, fearing that his prospects will suffer.

Example: assessing ethical culture

XYZ&Co knows that the recent move from commission to fees has been a challenging one for some of its advisors and that while everyone in the firm knows how the new regime works, there's a concern that some old habits may be hanging on. So three colleagues get together, one an experienced adviser new to the firm, another a long-standing paraplanner and the third a manager at one of its other offices. The team gather together the procedures that deal with revenue, as well as others relating to compliance and HR.

They find that while many have been redesigned and reworded correctly, some of the HR material simply had references to commission replaced with fees. This has resulted in anomalies, particularly around performance appraisals and promotions. The review team think that the wrong messages could be sent out when everyone's attention is on the end of year results. It seems that old habits about performance and success still seem to be clinging on in how XYZ people are being managed.

Comment: the review team has found that change is needed not only in how sales people engage with clients, but also in how people within the firm engage with each other. Business will always be about earning income, but the question being addressed here is whether it is being recognised in a way that reflects the new business environment that the firm now works in.

How good is your firm's existing ethical culture?

When weighing up your firm's existing ethical culture, the one question that is bound to arise is whether that culture is good enough. Is it doing all the things it needs to do, and is it doing those well enough? We'll look at this from a number of angles.

Your first reference point in answering this is whether your review team found any noticeable gaps between the first and second levels of ethical culture (was some of the 'walk' quite different from some of the 'talk'?). If gaps were found, then that's telling you there are issues that need addressing in your firm's ethical culture.

As those differences relate in some way to the 'change in business' situation that kicked off the ethical culture review in the first place, then those gaps could have implications for how successfully that change is made.

If you would like to consider how those gaps look against an external benchmark, then the most obvious ones to refer to are the CII's Code of Ethics and the FCA's Principles for Businesses. The CII Code is probably the most useful of the two, as it sets out clear criteria tailored to the insurance and financial planning sectors. It also has a number of reflective questions for each of the five core duties, allowing firms to judge how well their approach to business respects each core duty.

You may feel that any gaps between the 'walk' and the 'talk' on ethical culture has been something the firm has lived with for a while: does something really need to be done about it now? This is a matter of degree: you may feel that some of the minor quirks about how your people work can be tolerated, but the problem for your firm is that unless you are confident that any big issues can be identified and resolved, there's a risk that one day, one of those big issues will rear its head and hold your firm back, just when it needs to go forward. There's a saying around cultures at work: "culture trumps strategy, every time".

Let's move on to one of those two reasons for considering your firm's ethical culture – how well is it positioned to support some change going on within your own business? Is your ethical culture going to have a positive effect on how well your firm makes that change, or is it more likely to put up resistance. If that change to your business is strategically significant, then a resisting ethical culture is strategically significant as well. So when you weigh up your firm's existing ethical culture, you need to do this not so much with regard to the past (such as "it's not been an issue so far"), but with regard to the future and how able your firm is to adapt to internal and external pressures on its business.

> ❝ *Culture trumps strategy, every time* ❞

You've probably already got some idea from looking at your firm's existing ethical culture as to how it is likely to be supporting or hindering that change being planned within your firm. Take a few minutes and try to connect those supporting and hindering elements of your firm's ethical culture back to some important event in your firm's history.

So for example, could that strength in teamwork have come from when everyone once pulled together behind a big IT change that clearly was going to be good for the firm and good for everyone's work. And could that tendency for your firm to be less than open about certain matters have come from some ignominious behaviour in the past by an adviser that caused the firm much embarrassment.

Once you've make those connections, take a moment to consider how you might boost the good sides to those behaviours important to the change being planned within your firm, and equally, help people to avoid the poor aspects of those behaviours. What we'll move on to in the next section is using what you've learnt to change your firm's ethical culture for the better.

How to change your firm's ethical culture for the better

Now that you understand more about your firm's ethical culture and have identified a clear reason why you need to change that culture for the better, you need to follow a series of steps for achieving that improvement. We're going to look at how to do that using four steps.

The first step involves assembling a clear rationale for why your firm needs to improve its ethical culture. This needs to be expressed in simple but compelling terms, framed in positive language and presented as non-negotiable. It should set out how the firm wants its people to behave in the future so that they can understand what is being expected of them. This step helps create the motivation in people to give up the old and established way of behaving that is now recognised as a problem for the firm. One ingredient that helps a lot in this is emphasising a clear business benefit to making this change, framed in language that everyone can absorb: for example, 'our firm will be better off after this change because we will no longer have to waste time and money doing.....'

The second step involves showing people how they will be supported in moving from that old and established way of behaving, to that new and perhaps unfamiliar way of behaving. The training this invariably entails needs to be freely available, relevant to the problem behaviour and presented using scenarios built around routine situations your people will be familiar with. This step gives employees greater confidence to abandon their old practices, by giving them a clear learning pathway to the new practices.

Remember that many of the practices that make up an ethical culture are familiar, stable and allied to stories of previous successes. While those ties need to be broken, they also need to be replaced with new ties to new practices, otherwise that change in behaviour will not happen. As you consider how to go about this, bear in mind that some of the good things about how your people work could help them make an easier transition to those new ways of working now required of them: for example, a strength in teamwork could help bring consistency and cooperation around implementing a difficult change in how, say, conflicts of interest are handled.

The third step involves making sure that the policies and processes touched upon by the old practice (the one being abandoned) are changed so as to be consistent with the new practices being sought. This step removes vestiges of the old practice that employees may be tempted to latch on to and use as an excuse not to make the move to the new practices. If the new practices are non-negotiable, then that should be firmly stamped into your firm's systems.

This can be quite a challenge to achieve and may need more than one attempt to get right, as some cultural practices have a habit of clinging on and need to be rooted out in order for the new practice to become firmly established.

The fourth and final step involves providing positive role models around the new practice so that employees can see that it is happening and what it looks like. Showing people an example of successful change that they can relate to helps them to overcome any hesitation about making the change themselves. It also backs up the compelling, non-negotiable nature of the change being sought, through the message, "if they can do it, so can you". So, if for example, your firm has a couple of offices and one is making the change better than the other, arrange for someone from the successful office to spend some time in the struggling office. Their role may involve some training, but it will be more about showing that change is possible.

" *Try to see your firm's culture as a positive force to be used, rather than a constraint to be overcome* "

Highlighting the forces for and against change

A force field analysis can be used to highlight some of the challenges of changing your firm's ethical culture. Here's a simple example based on four issues.

Forces for change	Strength	Strength	Forces against change
Strong teamwork ethos	2	1	Team may resist change
Leaders committed to the change in culture	3	3	Leaders haven't traditionally taken an open role
Clear business case for change established	3	1	The firm prefers hard targets to aim for
Training recognised as an important factor	3	3	Training budget is very small this year
Total	11	8	Total

Conclusion

Addressing the role of leaders and the training budget would help the firm deliver its change in culture.

How to sustain improvements in your firm's ethical culture

The culture of a firm, be it around ethical practices or some other facet of how people work together, can at times prove difficult to change, often due to people's fondness for the old, familiar ways of doing things. There's a risk that progress on the ethical changes being sought could stall or possibly even be abandoned. This means that the four steps for change outlined above need to be reinforced on a regular basis:

• the need for change needs to be re-emphasised and examples of progress promoted;

• learning opportunities need to be highlighted, with clear explanations of how these will help equip people with the knowledge and skills needed to take on board the required change;

• any policies and processes that are inconsistent with the change in ethical culture being sought need to be reviewed and reworded; and

• those in positions of responsibility need to be continually seen to be 'walking the talk' when it comes to the changes in ethical culture.

Some people in your firm may find change more difficult to accept and/or implement than others. You will need to understand what it is they find difficult and the type of support and guidance that would help bring them along too. This can mean offering them some informal support, or perhaps something more in depth to deal with deeper concerns. However, the bottom line should be made clear and unambiguous, namely that change has to happen.

Building the evidence for a firm's ethical culture

Now that you know more about where your ethical culture is coming from and where you want it heading towards, it's worthwhile taking a moment to consider how you might keep a record of all this, should someone from outside the firm take an interest in it. While it's not something you can take a ruler to, ethical culture does leave an evidence trail and it is this you should start collecting.

Let's consider what a substantive outsider like the regulator might want to see about your firm's ethical culture. It will fall into two parts: the process you've followed and the results you've found along the way.

The process you've followed will have already been documented through the stages you've followed above, from establishing what your existing ethical culture looked like at the outset, through to the steps taken to make the changes deemed necessary and finishing with how progress has been promoted and reinforced. By bringing together the outputs from each of these stages, you will find that it amounts to a step by step record of what you've learnt, and what you've done as a result.

Five things it is important to keep a record of:

1. The business case for deciding to change your ethical culture in the first place.

2. What you found when you compared 'what your firm was walking' with 'what your firm was talking'.

3. The ideas unearthed as to why the 'walk' and the 'talk' were different.

4. The communiqués sent out within your firm about the changes being sought.

5. The type of training arranged to help people adapt and its subsequent take-up.

The role that leaders and managers play

Those in a position of leadership within a small firm play a vital role in helping it change its ethical culture for the better. However, they can sometimes find making that change difficult, because of their strong involvement in how the original culture was forged. Making that break is important, for otherwise the reputation of the firm could be at risk.

It's important, therefore, that a firm's leaders are able to recognise the need for change, are prepared to drop aspects of the old culture and act as powerful champions of the new ways of working. Their personal commitment will be highly influential for others in the firm following their lead.

Another key role that leaders play in an evolution of ethical behaviours is through the support they give to those finding it hard to follow the change in ethical culture. This can be by showing a personal example of how it can be done, as well as acting as an informal coach for those struggling. Leaders are well placed to help reduce the anxieties that can accompany difficult changes.

Not all parts of a firm will be able to change their ethical cultures overnight. One role that a firm's leaders can take on is to spot where progress has been made, champion it and then use their authority to help transplant it over into those parts that need help. Sharing their overview of how the firm is progressing can make a big difference.

Ten ways to set the right 'tone from the top' on a change in ethical culture:

1. Be very clear about the need for change.

2. Set a personal example in how you work.

3. Be consistent in how the change is implemented.

4. Acknowledge that change can be difficult.

5. Listen to people's concerns about the change.

6. Provide plenty of support where it's needed.

7. Recognise progress so that others recognise it too.

8. Help transplant success into areas that are struggling.

9. Make sure that the effort is sustained over time.

10. Tell people about how change has proved to be for the better.

Making the most of your ethical culture

It's not always easy for a firm to go public about having improved its ethical culture. There's often a danger of more being read into such a message than need be. So how can you engage with key audiences about this, without entering a PR minefield?

When engaging with external audiences, it makes sense to focus less on the change and more on the renewed strength of your ethical culture. If the change in ethical culture has been successful, use that as a more confident base upon which to bring your firm's ethical standing to people's attention.

That said, if the change has been significant, the public's understanding of it may still be a work in progress and they may need some time to recognise and absorb the changes that had been made. So make sure that the change in ethical culture really has been completed before emphasising it strongly, and when you do, make sure that you express the news in terms of how it will help that particular audience (for example, clients or product providers).

The situation is quite different when engaging with internal audiences, for they will be all too aware of the changes that have taken place and how well it's all gone. That's why you need to be clear, realistic, positive and committed in what you say: you don't want to undermine all that hard work.

Part 3: Looking forward

Six points to remember

1. Don't be put off by terms like 'ethical' and 'culture' – you've been thinking in those terms for years, but without necessarily using those particular words.

2. The ethical culture that took shape within your firm as it became established and grew, is now a key part of how your firm looks and feels to those who engage with it. The question you need to consider is whether what made you successful in the past, is going to continue to make you successful in the future. In weighing this up, don't just rely on your own opinion.

3. Having an ethical culture that mirrors how you want your people to work is a powerful component of your firm's professionalism and its reputation for honesty and integrity. Customers are good at working out whether a firm really is 'walking the talk'.

4. If you need to change your firm's ethical culture, make sure you have a compelling reason to tell your employees about why they have to make that change. A strong case for change will give them the motivation to break with established and familiar ways of working.

5. Changes in ethical culture can be quite anxious occasions. They're more likely to succeed if you provide people with clear pathways to learn and adopt new ways of working, while at the same time reinforcing the need for change. People need to see that it's safe to change and that they've got no choice about the matter anyway.

6. Advocate, listener and model – these are three key attributes for a leader or manager in a small firm seeking to change its ethical culture.

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