

The foundations of a high-performing culture at Lloyd's



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Introduction

This document accompanies the Lloyd's culture toolkit, released in October 2020, which can be found at www.lloyds.com/future-culture-at-lloyds/a-toolkit-for-achieving-a-high-performing-culture-at-lloyds. The toolkit gives practical tools, techniques and training advice for firms who wish to move towards a high-performing culture. This introductory document provides the over-arching 'what', 'where' and 'why' of Lloyd's perspectives on culture and what we are aiming to achieve.

This document seeks to answer questions about what a high-performing culture looks like, and to set out the different levers there are to drive improvements. Different organisations will be at different stages of what we refer to as 'cultural maturity' and the more detailed online toolkit can be used to supplement this guide and support each firm to develop their own to-do list for shaping their culture.

Why do we need a Lloyd's culture toolkit?

The success of our market depends as much on creating the best environment for our people and setting the framework for the most inclusive culture, as it does on executing our performance and strategic priorities. We recognise that Lloyd's has much work to do to create a more inclusive culture for all who work in the market, and are committed to taking action to drive and accelerate that transformation.

The Lloyd's market culture survey told us that 20% of our market participants do not believe people have equal opportunities in the Lloyd's market. This must be addressed across the market as we all strive towards creating a diverse, inclusive and meritocratic workplace for our colleagues to thrive. Underpinning this environment should be a high-performing culture.

We want to build a market where everyone wants to work because we have the most inclusive culture, the most talented people and the best working environment. As improvements are made, all the research that underpins our culture framework suggests our business performance will improve, we'll be more competitive across the globe, we will attract and retain talent, and ultimately rise to the standards we have set ourselves.

There are five culture themes identified in the toolkit, and each will need to be addressed in order to achieve the foundations of strong high-performing culture. The five themes are:

- Leadership
- Ethics
- Respect
- Trust
- Motivation

More detail about the importance of each of these and their impact on organisations is given in the pages that follow.

These materials provide a standardised approach for your use.

The new toolkit, and more broadly the Lloyd's Culture Framework, applies to all participants in the market. We all have a role in driving a high-performing culture across the market. Ultimately, culture will become a more integral part of the conversation for new entrants to the market and it is becoming increasingly more important in conversations between Lloyd's and market participants.

Creating an inclusive working environment for all underpins our standards of business conduct. Therefore we expect all market participants to make an effort to ensure they are driving a high-performing culture within their own organisations.

We are not advocating that firms abandon their own culture, but request that each organisation examines their culture in light of the Lloyd's Culture Framework. This framework provides a standardised approach to culture for firms.

1. Driving change: culture is the “way we do things round here”

A high-performing culture maximises human potential and business performance and this is what we want to deliver for our market, our colleagues and our clients.

There are two stages to creating this: firstly, to understand and put in place the foundations of a successful workplace culture as described in this document. We need to ensure that we have solid foundations of strong leadership, ethics, respect, trust and employee motivation to enable our people to thrive.

Then, with the foundations in place, we develop the future, and it is there that the exciting progress begins. With the right culture in place, we can work at speed to deliver innovation, benefit from the digital future, and use our entrepreneurial intelligence to lead thinking and action in insurance worldwide.

You will hear more about this next phase (shown on the right-hand side below) as we launch more on the Future at Lloyd's.

Building a high performing culture in the market

Overall culture

What to establish first:

Leadership

Leaders act with transparency and integrity. Leaders provide a positive tone from the top, aligning their words with their actions.

Ethics

Spirited teams of equals collaborate effectively and ethically. Employees demonstrate appropriate behaviours at all times.

Respect

Healthy people dynamics. Employees respect each other equally and do not use authority unfairly.

Trust

Employees trust their peers and senior leaders. They feel psychologically safe and able to raise concerns. Employees are accountable for their actions.

Motivation

Employees are encouraged to develop. Compensation and career paths motivate performance and retention.

What to develop later:

Velocity and adaptiveness

The organisation has rapid sense-and-respond capability. It scans the external market and is highly responsive to findings.

Innovation climate

Employees are creative and demonstrate innovative behaviours. They are encouraged to experiment and learn from their mistakes.

Digital environment

Employees are well equipped with the technology and the right digital skills to excel. Digital is front and centre of business decisions.

Strategic alignment

Policies and practices are in line with the business strategy. Employees are aware of business decisions and the role they play.

Entrepreneurism

People and their managers achieve goals through informal channels and influence. Employees find creative solutions to solve problems.

*The Framework is an adaptation of Accenture's culture DNA. Culture DNA is based on 20 years of client data analysis, scientific research and validation against market firms financial performance. It is a benchmark data set of 300 organisations across industries and geographies

2. Diversity and inclusion

Diversity and inclusion is a key characteristic of high-performing organisations, and an enabler of the culture framework set out above.

Within the appendix of this document, we have given indicators of the pathway and some of the structure of changes that must occur for an organisation to become a diverse and inclusive environment. The appendix also includes detail on the actions you can take to specifically boost diversity and inclusion within your organisation.

Culture and diversity and inclusion are separate programmes that require their own focus. So, for the purposes of this culture-focused document, the headlines that should be borne in mind as you read this guide are simple:

Delivering our five culture 'foundation' goals of leadership, ethics, respect, trust and motivation will help create a diverse and inclusive environment for our employees, and this in turn helps us to create a high-performing culture.

How can the market demonstrate these behaviours?

Leadership

- Positive tone from the top
- Be transparent, authentic and inclusive
- Act with corporate bravery to enable tough decisions to be made
- Advocacy of Lloyd's standards of Business Conduct
- Explicit ownership of culture at Board level
- Focus on outcomes rather than the process
- Trust in leaders and trusted by leaders
- Succession planning that promotes diversity and inclusion

Ethics

- Respect each other
- Listen to and value everybody's opinion
- Collaborate with their colleagues
- Decisions made within an ethical framework
- Decision making balanced by ethics and commerciality (Corporate bravery)
- Proactive adoption of the Lloyd's standards of Business Conduct
- Advocate and act in line with policies in place to create a healthy culture
- Employees are active bystanders
- Transparency in sharing with each other

Respect

- Treat each other equally
- Address conflicts openly
- Relate to their colleagues genuinely – with no hidden agendas
- Challenge the way the market is designed - redefining the power structure
- Equal distribution of power
- Not using power to exclude others
- Contribute equally
- Junior employees are treated with equal respect regardless of level

Trust

- Take initiative & share their ideas freely
- Trust your peers
- Take responsibility and own problems
- Encourage psychological safety
- Collaborating whilst being autonomous
- Being accountable for your actions
- Employees can trust their organisation to deal with issues appropriately
- Employees trust their colleagues to actively support each other rather than passively
- Belief that concerns will be addressed when raised

Motivation

- Do your best at work
- Value the opportunities provided by their organisation
- Learn from mistakes in an innovative environment
- Continuous growth and development
- Provide appropriate incentives to attract and retain talent
- Focus on health and wellbeing
- Remuneration driven by behavioural and not just financial performance
- End to end recruitment process explicitly considers diversity, inclusion and culture

Diversity and Inclusion

3. What is the role of different parts of a business in driving a high-performing culture?

Although every employee contributes to, and experiences, the company culture, there are certain teams that have critical roles while building the foundations.

It is these groups where most of the hard work of implementing the process-based parts of culture change will fall. This table highlights the role of each of these teams:

Board	ExCo/Business Leadership	HRDs	Risk Management	Internal Audit
<p>Treat culture as a business priority</p> <p>Hold executives to account in decision making and behaviours demonstrated</p> <p>Elevate the culture framework to give it visibility with the organisation</p> <p>Hold all members of the organisation accountable for driving a high performing culture</p> <p>Discuss culture on a regular basis with the same importance as business performance</p> <p>Role model the organisations values and desired behaviours at all times</p>	<p>Communicate and role model of the purpose of the organisation</p> <p>Align words with actions, role modelling the organisations values and desired behaviours at all times</p> <p>Allocate investment to driving culture as a priority</p> <p>Proactively build relationships with colleagues and employees</p> <p>Demonstrate awareness and allyship in driving Diversity and Inclusion</p> <p>Consider the Environment, social and governance implications of decision making</p>	<p>Advising the board to take the necessary actions to improve culture</p> <p>Track and monitor progress against each of the culture themes, implementing new ideas where appropriate</p> <p>Working across the business to embed the organisations values and desired behaviours</p> <p>Share knowledge and discuss best practice with peers to leverage internally</p> <p>Listening and sharing the Lloyd's Corporation to collectively improve Market Culture</p>	<p>Work with HR and the business to carry out role effectively</p> <p>Identify, asses and measure culture risk</p> <p>Work with control owners to ensure that culture is embedded into how the organisation is managed</p> <p>Suggest management actions plan actions to address any potential issues with culture risk</p> <p>Monitor on effectiveness of controls and mitigations in place</p>	<p>Provide independent assurance and confidence that measures put in place to change culture are working</p> <p>Provide guidance on the improvements that could be made following an audit</p> <p>Embed culture into the overall audit approach to be an integral part of every audit</p> <p>Identify gaps between perceived culture and what employees and others report as reality</p>

4. The five foundations for a strong culture

Leadership

Strong leadership is critical for a high-performing culture. It is best embodied through visionary and authentic leaders who align their words with their actions.

Making change requires a leadership that is prepared to focus on outcomes (real change), rather than implementation of processes (form-filling). As in any area of corporate life, the best results come from leaders who are strong decision-makers.

The tone from the top should provide clarity on what is required and empower employees to deliver. Leaders should embody the desired culture and build trusting relationships with their employees. This is a hugely important positive culture shift.

Evidence of strong leadership: typical behaviours

- Positive tone from the top
- Act with corporate bravery to enable tough decisions to be made
- Authentic leadership
- Inclusive leadership
- Explicit ownership of culture at board level
- Advocacy of Lloyd's standards of business conduct
- Transparency from leaders
- Trust in leaders and trusted by leaders
- Focus on outcomes rather than the process
- Succession planning that promotes diversity and inclusion

4. The five foundations for a strong culture

Ethics

An inclusive environment requires the application of a consistent shared code of ethics. High ethical standards foster an inclusive environment and a high-performing culture. Organisations need to show clear expectations and set out behavioural frameworks to demonstrate the behaviours that they want to see. These are brought to life by collaboration, positive relationships and the best behaviours at all times.

Having the right policies in place to promote ethical behaviours should then be supplemented by training. The consequence will be employees having higher levels of respect of each other and teams demonstrating higher levels of collaboration.

Evidence of strong ethics: typical behaviours

- Respect each other
- Listen to and value everybody's opinion
- Collaborate with their colleagues
- Decisions made within an ethical framework
- Decision making balanced by ethics and commerciality (Corporate bravery)
- Proactive adoption of the Lloyd's standards of Business Conduct
- Advocate and act in line with policies in place to create a healthy culture
- Employees are active bystanders
- Focus on outcomes rather than the process
- Transparency in sharing with each other

4. The five foundations for a strong culture

Respect

A mutually respectful working environment is most often evidenced in organisations with distributed leadership and shared decision-making – rather than decision-taking held closely in the hands of a very few individuals. Putting this in place means placing a priority on supportive and fair managers and having an emphasis on team success rather than individual success. It goes without saying that such an organisation will strive to offer equal opportunities to employees regardless of their level within the organisation.

One aspect of respect which is sometimes overlooked is that it creates an environment where it is possible to have healthy and constructive conflicts amongst colleagues. This diversity of thought brings strong decision-making and solution-finding to the fore.

Evidence of respect in a workplace culture: typical behaviours

- Treat each other equally
- Address conflicts openly
- Relate to their colleagues genuinely – with no hidden agendas
- Challenge the way the market is designed - redefining the power structure
- Equal distribution of power
- Not using power to exclude others
- Contribute equally
- Junior employees are treated with equal respect regardless of level

4. The five foundations for a strong culture

Motivation

Organisations with high motivational attributes tend to have a strong long-term commitment to their employees' growth, careers and recognition. At the base level, employee's health and wellbeing are well looked after; employee reward programmes are organised fairly and incentives are aligned to expectations. Continuous learning and innovation are encouraged in which employees learn from their mistakes. With these building blocks in place, employee motivation tends to grow, improving the overall culture of the firm.

Evidence of motivation in a workplace culture: typical behaviours

- People perform at their best
- People value the opportunities provided by their organisation
- People learn from mistakes in an innovative environment
- Continuous growth and development
- Provide appropriate incentives to attract and retain talent
- Focus on health and wellbeing
- Remuneration driven by behavioural and not just financial performance
- End to end recruitment process explicitly considers diversity, inclusion and culture

4. The five foundations for a strong culture

Trust

High levels of trust across the workforce promote productivity and actively engaged employees.

When trust is in place, employees feel psychologically safe. They feel that they can speak up without a fear of looking out of place or being reprimanded. Trust builds a belief in a shared knowledge of accountability amongst employees. Ultimately trust leads to higher levels of collaboration, open and honest conversations and greater productivity amongst teams

Evidence of trust in a workplace culture: typical behaviours

- Take initiative & share their ideas freely
- Trust their peers
- Take responsibility and own problems
- Encourage psychological safety
- Collaborate whilst being autonomous
- Are accountable for their own actions
- Employees can trust their organisation to deal with issues appropriately
- Employees trust their colleagues to actively support each other rather than passively

5. Conclusion

The Lloyd's market and all of its participants have a shared responsibility to create an environment where everyone can bring their best selves to work. Companies need to partner with their employees to create a high-performing culture that will allow our people to thrive.

This may seem like a challenge for us, with historic and well-documented issues; and some may feel it sounds 'soft'. But the opportunity is there, now, to make material change that will transform our shared culture towards one that is increasingly high-performing, inclusive and representative of the diversity that our market serves around the world. By driving culture change, we will create a high-performing working environment; one which makes the best of the world-class entrepreneurial talent within it.

To be clear, the culture indicators (or behaviours) outlined in this guide are only the foundation. As such they are critical. We cannot perform and succeed without them. But once they are in place, they will support us in delivering the Future at Lloyd's. This is key to delivering the most advanced insurance marketplace in the world, a place where everyone wants to work because we have the most inclusive culture, the most talented people and the best working environment.

Appendix

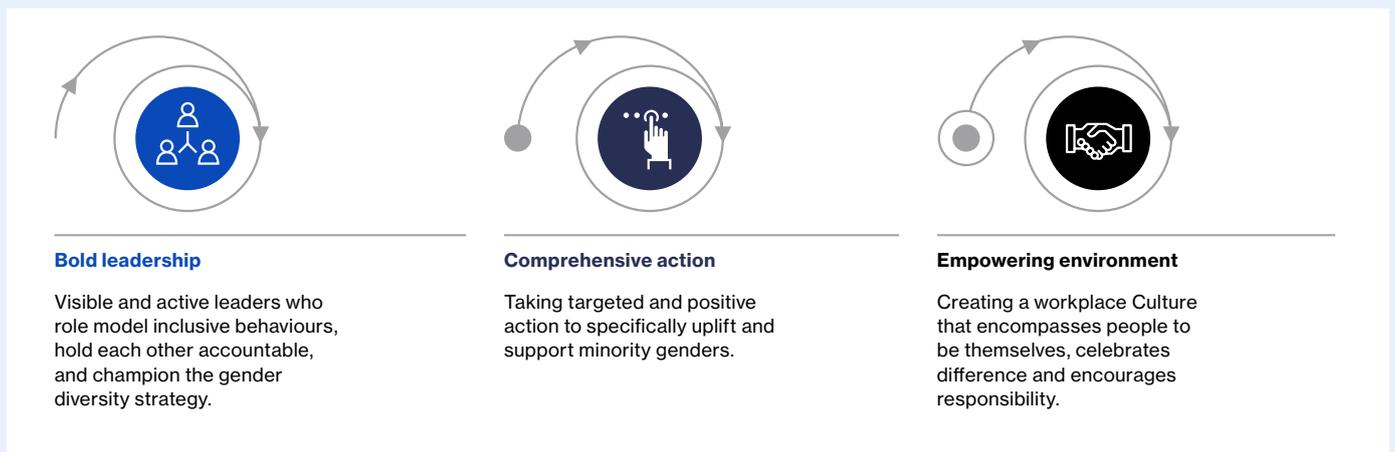
Details on progress and markers for diversity and inclusion

Diversity and inclusion is a key component of high-performing organisations, and an enabler of the culture framework set out above. Together they form separate but inter-dependent programmes.

Below are some indicators of the pathway of changes that must occur for an organisation to become a diverse and inclusive environment. This appendix also includes detail on the action plans you can take to specifically boost diversity and inclusion within your organisation.

The relevance of diversity and inclusion

Research shows that success in three categories will deliver success for diversity and inclusion.



As organisations develop their diversity and inclusion maturity, they will unlock workforce potential

Transition point to become a high performing and inclusive culture

