

SAFETY IN BANKING

Psychological safety in successful teams

Team members who are empowered to share ideas, take risks and be themselves are top performers enjoying a culture of psychological safety. Firms who ignore this concept do so at their peril.

There's a leading predictor of high-performing, healthy teams and organisations, called 'psychological safety'. It's the ability to question, speak up, and most importantly, listen up to challenging or different views. It's one of the factors helping some banks consistently outperform the market, while others that don't take time to cultivate it are more susceptible to major breaches of conduct.

In a member webcast, the Chartered Banker Institute explored the concept of psychological safety with organisational psychologists Abigail Freeman and Nicole Brigandi.

"Psychological safety describes a group environment where individuals are not hindered by interpersonal

fear," explains Brigandi, who is also a leadership coach. Brigandi recently worked with the Financial Conduct Authority (FCA) to engage the industry in a dynamic dialogue on creating healthy culture in firms, including how to encourage a 'speak up, listen up' mindset in financial services.

"Team members aren't afraid to speak up. They're not afraid to take risks when it comes to raising any concerns or sharing ideas. And you'll find that leaders and peers in a team with high psychological safety also have the courage to listen to perspectives that differ from their own."

Organisational oxygen

As the founder of organisational consultancy Brink, Abigail Freeman helps global corporates and governments to cultivate the mindsets and the skill sets that they need to be innovative.

Freeman describes psychological safety as being rather like oxygen.

"It can be hard to spot," she says. "But we know when it's not present. Typically, when companies don't operate well or have major compliance issues that we hear about in high-profile press stories, we find out later that psychological safety wasn't present."

Wells Fargo is a good example. The California-based financial multinational famously set goals that were aggressive and audacious, with incentive schemes to motivate teams to hit these targets.

"We all have targets in our work and sometimes they can be very healthy and helpful," Freeman says. "The challenge with Wells Fargo was that no one could challenge those targets. And it began to force really unethical behaviour in employees who were normally good people. People were opening fake accounts to hit their targets and at one point it was found that 3.5 million false accounts had been opened. This



time last year, the bank was a hit with one of the harshest punishments ever handed down by the Federal Reserve. It turned out that some employees had reported the unethical behaviour to their managers and even some to the CEO – but they were fired for speaking up.”

Google groundwork

When Google spent two years studying 180 teams in an initiative called Project Aristotle, it found that psychological safety was the strongest predictor of high-performing teams. Ultimately, the company reported that: ‘Who is on a team matters less than how the team members interact, structure their work, and view their contributions.’

Brigandi says: “Even if you have all the best talent on one team, if they can’t come together to communicate, work and share ideas, they’re more likely to be outperformed by a team of lower performers who have learned to collaborate effectively. Ultimately, firms which underestimate the importance of team dynamics are at a huge disadvantage to their competitors.”

Inviting multiple perspectives and being open and honest is key to promoting psychological safety.

“Try to ask more open questions – and ask people outside your normal circle for their perspective – more diverse ideas are likely to be found at different levels, roles or functions in the organisation,” Brigandi says.

“Try to work in a more candid and respectful way,” she advises. “That doesn’t mean insulting people, but it does mean being able to give open and honest feedback. Being able to speak up if you disagree with an approach or decision can help surface blind spots or expand thinking – and that takes a lot of courage.”

Language of learning

At Brink, one of Freeman’s approaches to cultivating more safety involves avoiding the language of failure.

“The word failure is quite emotive, highly emotional and has pretty negative connotations,” she says. “Instead, we use the language of learning. If you tested a hypothesis and it didn’t work, then that’s not a severe failure. That’s a disproven hypothesis. So, we try to keep it much more focused on the science and learning instead of using highly personal and emotional words like failure.”

Framing work as a learning journey rather than an execution problem is vital, Brigandi adds.

“Make it part of the process to learn from work and not be solely focused on execution,” she suggests. “Of course, you want to deliver the end product. But there is tremendous value in reflecting on the factors of success, failure and how to improve. Particularly in times of failure, it’s critical to get curious about what happened and what needs to change to increase team

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Brink**

resilience. Leaders have a role to play in encouraging learning at the outset.”

An update to the UK’s Corporate Governance Code earlier this year highlights the importance of a healthy culture in delivering long-term, sustainable performance and trust in business.

Freeman explains: “Boards are now expected to lead by example and promote the desired culture. Even the chair has a role to promote a culture of openness and debate. So, these more intangible things are beginning to be hard-baked into how we tackle governance in organisations.”

The FCA views culture as a widely accepted root cause of some of the major complex failings in financial services over the past couple years, Brigandi adds. Equally committed to understand culture, the Banking Standards Board recently released its third annual Assessment, “designed to inform, support and challenge banks and building societies that are committed to managing their cultures and raising standards of behaviour and competence across the sector”.

While psychological safety is relevant to all industries and organisations, firms that are committed to adopting healthy team practices stand a better chance to weather current disruptions in the banking sector. **CB**

SEVEN TIPS FOR PSYCHOLOGICAL SAFETY

1. Encourage a culture of speaking up and sharing different perspectives
2. Avoid the language of failure – a disproven hypothesis is less emotional than an epic failure
3. Build a learning environment; turn mistakes into learning opportunities and focus on the problem, not the person who made the mistake
4. Appoint organisational ‘canaries’ whose role is to spot issues and share challenging, divergent views
5. Demonstrate that different views will be heard, welcomed, and acted upon
6. Practise and promote humility and coping skills
7. Ask open questions and give open and honest feedback.