

15 Cultures of Compliance: Innovative Learning Design in Banking and other Heavily Regulated Industries

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15.1 Abstract

Trainers and learning designers working in heavily regulated industries face many challenges. The purpose of this paper is to examine barriers and propose solutions in such circumstances. The paper is based on several years' experience of working with both wholesale and retail banks in the UK and the EU. Banks experience time and resource pressures to accommodate internal and externally required training needs. These can have negative effects employee motivation, engagement and the relevance of training. The relevance of the concept of a learning organisation is assessed, and several practical recommendations are outlined for trainers and learning designers working in regulated industries

Keywords: regulated industry, training schedule, rewards, accreditation.

15.2 Prisons



Figure 1: Photograph of a prison.

Fig.1 shows a photograph of a prison, but not one that needs armed guards, walls or razor wire. Totally secluded on a wind-swept coast, it's an old farmhouse bound by the Atlantic Ocean on one side and fields of snow-covered lava rock on another. To the east looms Snaefellsjokull, a dormant volcano. There's only one road back to civilization.

Kviabryggja Prison is where the former chairman and chief executive of Kaupthing Bank and a couple of dozen of their colleagues were incarcerated as a result of trials that followed the collapse of what was then the country's number one lender. Bankers from other Icelandic banks were also imprisoned, together with a few in Spain and Ireland (although not in the same prison).

In contrast, no bank executives in the USA or the UK have been convicted for their roles in the crimes committed prior to the 2008 banking crisis. A few notorious individuals involved in rogue trading such as like UBS's Kwaku Adoboli, or those convicted of Libor / Euribor rate rigging have been punished, but those who simply defrauded ordinary people got away with it. Some lost their jobs, but in the longer term few really lost much of significance.

The reason for this introduction is not simply to bemoan the evils of finance but to situate it in the context of training and learning in industries like banking, pharmaceuticals and medicine that are or should be heavily regulated. Possibly social media companies will join this list in the future. Learning is vital to prevent fraud and bad practices from occurring, but if it is too rigidly controlled, it doesn't achieve the desired results. The aim sometimes seems to be more about proving that training has occurred, rather than being able to demonstrate the benefits of such training. This paper discusses whether banks can really be learning organisations, looks at some of the problems of designing innovative training for banks and finally suggests a few ways forward.

15.3 Background

After teaching and managing IT and learning technology in colleges for many years, I have spent most of the current century designing training materials and systems for banks – initially wholesale training in credit risk management for mainly Dutch banks (ING, ABN AMRO and RaboBank) with Moodys, and more recently, contact work on retail bank training for Banks like Lloyds, TSB and Santander. Gradually the focus has moved from paper based to online and blended learning, although of course many of the learning principles remain the same.

Part of the purpose of recent changes in regulatory practices in the UK has been to create a situation in which financial institutions are not allowed to provide advice on the products they are selling. This has required a massive retraining of sales staff whose role up until then had been to actively promote (that is, advise consumers to buy) the products they were selling. From about 2012 onwards, they were not allowed by law to do this, and similar changes to culture and approach are happening elsewhere. At the same time of course, banks were desperate to keep selling products such as mortgages, loans and insurance, without which their profitability and shareholder value would plummet. During the run on Northern Rock, a UK building society that collapsed in the financial crisis during 2008, it was notable that while desperate calls to its helpdesk went unanswered, calls to insurance sales lines were still picked up within a few rings. This produces a very thin tightrope on which training has to be conducted very quickly.

Serious regulation of banking dates back to the GlassSteagall Act in the USA which separated commercial and consumer banking after the great depression in the 1930s. One result of the free market economics of the 1980s onwards was increasing competition, mergers and acquisitions and the pressure to generate new income streams. This led banks and other financial institutions to move more and more into persuading their existing customer base to buy products they did not really need, and to capture customers from their competitors. During this period, many of the regulations that controlled financial institutions were relaxed. However, the crisis of 2008 brought a return to heavier regulation, although implementing it has been piecemeal.

15.4 Training in Banks

Banks generally provide training for their staff in the following areas

Induction to standard roles at all levels – introductory, supervisory and senior management

Mandatories - this is training that is required by law to ensure that staff are up to date with changing financial regulations, health and safety, money laundering and so on. In recent years this has been joined by anti-terrorism.

Compliance - higher level processes to ensure that safeguards, systems etc are in place to meet other legal and technical requirements.

Selling – new products, which is mainly how banks make their money

Processes - the routine detail on how to do things and to get things done. Often this involves convoluted ways round outdated and inefficient processes using inadequate software

Updating in all role relevant skills

Many people assume that most bank staff are based in branches or offices. In fact, these days very few are. Most of those not in call centres work from home. Equally, relatively few are now full time salaried staff – most are day rate contractors.

Lengthy face to face training is being reduced, although it remains the norm for management training. Elsewhere, the pattern is more often a one day introduction followed by paper based open learning or eLearning.

15.5 Learning Organisations

One framework within which to examine training in banks is to use the notion of a learning organisation. In his book, *The Fifth Discipline*, Peter Senge defines a learning organization as a group of people working together collectively to enhance their capacities to create results they really care about. The key question is, Can banks, and similar industries which are very tightly regulated become learning organisations? Senge suggests that a learning organisation has the following five characteristics:

Systems thinking. Learning organizations try to measure the performance of both the organization as a whole and its various components. If only some parts of what the organisation does are measured, or regarded as important, the organization will fall short of its goal. Banking has a problem here, in that they find it difficult to hide the fact that making money is vastly more important than anything else. Although in theory customer service is important, in practice it inevitably comes a poor second.

Personal mastery. This is a commitment by individuals to the process of learning. Learning is more than just acquiring information; it is expanding the ability to be more productive by learning how to apply skills to work in the most valuable way. Research shows that most learning in the workplace is incidental – what Arets and Jennings call the 70:20:10 model. Personal mastery also involves a focus on work-life balance and well-being. Here, banks and security dominated industries fare a bit better – there's more working from home, recognition of informal learning, and rewarding those who display a real commitment to self improvement. However, frequent reorganisation also often involves sacrificing learning and experience to other more important corporate goals.

Mental models. Personal mental models describe what people working in an organisation can or cannot detect. Selective mental models limit peoples' observations and learning organizations need to challenge these defective models. Individuals tend to mix what Argyris and Schön call espoused theories, which are what they intend to follow, with theories-in-use, which are what they actually do. Whats needed is often called double or even triple loop learning. Similarly, organizations tend to have 'memories' which preserve certain behaviours, norms and values - the Japanese concept of madogiwa zoku – “the window-seat tribe” - older workers with no particular skills other than several decades of experience of organisational culture can prove priceless.

Equally, unwanted values need to be discarded or unlearned. For organizations, problems arise when mental models evolve beneath the level of awareness. I would suggest that heavily

regulated organisations fare less well here – patterns of behaviour and ways of working can become very ossified, and fear of unwanted consequences deters people from trying anything that might be considered risky.

Shared vision. The most successful visions build on the individual visions of the employees at all levels of the organization, and the creation of a shared vision can be hindered by simply trying to impose the company vision from above. Ideally, creating a shared vision fosters the development of trust through communication and collaboration and encourages people to share their own experiences and opinions, thus enhancing effects of organizational learning. Banks, like many large organisations are good at creating vision statements or slogans which sound deep, but which can prove rather nebulous in practice. Santander devised the phrase “Simple, Personal, Fair” a few years ago and spent a lot of time trying to fit everything they did into these terms.

Team learning. Learning organizations encourage things like boundary crossing and openness. In meetings members learn from each other by concentrating on listening, avoiding interruption, taking every idea seriously and responding positively. Learning organizations need very good knowledge management structures, allowing creation, acquisition, dissemination, and implementation of knowledge.

In banking, various parts of the organisation often seem to be in conflict rather than harmony – training messages need to satisfy both marketing (who are keen to promote products as widely as possible and promise the earth) and legal compliance departments who are terrified of anything which is not shrouded in warning notices (the value of your investment can go down, you may lose all your money etc).

15.6 Problems

Banks and other heavily regulated industries face a series of problems. In the first instance, since 2008 there is the overbearing fear of the regulator. The motivation to complete training is simply to satisfy regulators requirements, promoting little to no intrinsic motivation for the trainee.

Trainers do not feel any ownership for the training as it is delivered to them in a predetermined package, language and size. In the same way, those being trained do not connect personally to the training or feel anything that would convince them to engage in this training or the behaviours it advocates on a voluntary basis. Consequently, much training is very standardized and inflexible. This promotes rote learning or learning that just focuses on ticking boxes – what is sometimes referred to as a sheep dip.

Managers expect training to be delivered cheaply, quickly and immediately without any kind of awareness of the skills involved in creating suitable resources. As a result, there is always a severe lack of skilled training designers and up to date training resources – hardware, software and graphics. Banks are complex organisations, often formed from the incomplete merger of several different businesses over time, each of which had its own hardware and software platforms, let alone its own culture. Integration is always a work in progress and very slow.

There’s also a misapplication and misunderstanding of Just In Time principles. Good quality elearning takes upwards of 50 hours to produce 1 hour of content - frequently much more if video is involved - and it takes skilled designers. However, many organisations are tempted to do this more cheaply by expecting the trainers themselves to create it using cheap and cheerful skill free software. Consequently, there’s a lot of moving from specialised eLearning software to online platforms such as gomo which are not in themselves bad, but tend to produce learning that is rather samey. Even more disastrously, some managers now believe that specialised elearning software is not necessary, as everything can be created with PowerPoint and interactive PDFs.

The delivery of the training depends on the effectiveness of communication and the accessibility of infrastructure such as the e-learning platforms or LMS. For the most part, learning in banks is governed by the LMS and is recorded simply as having completed a reasonable percentage of a course, or achieved 80% in a MCQ test. Testing is carried out by multiple choice questions (MCQ), often produced by trainers with no expertise in designing MCQ – as result, passing the test by following simple rules (if in doubt, select the longest answer, or all of the above) works well for many learners. Features of learning platforms such as glossaries or wikis created by learners are considered anathema, as students might get things wrong and spread erroneous information.

15.7 Conclusions

Often, there's too much reliance on flat, unmemorable scenarios, and tediously familiar clip art and stock photos – what Carmen Simon describes as smiling people pointing excitedly at blank laptop screens. The design and production of imaginative and effective training which adheres to learning, graphic design and technological best practices does need to be taken more seriously and recognised as a key business advantage rather than simply an unnecessary expense.

Much mandatory training is tedious, both for those producing it and for those required to undergo it. As a consequence, it's also entirely forgettable, which is the opposite of what especially things like health and safety, spotting money laundering or terrorist financing are supposed to be. Some of the best training development I have been involved with incorporates story telling, humour and imaginative use of graphics.

Where appropriate, introducing something unusual – names, images, photos – and even, where appropriate, a touch of humour can make a big difference. It is often more effective to create stories rather than expositions. In one course I was involved with a few years ago, the trainers designing the face to face elements used a game where the prize was a pink elephant. This gave us the idea of naming all the characters in the online parts of the course with the word elephant in different languages rather than the usual boring Mr A, Mrs B and so on. When these bizarre names (Slon, Norsu, Dramblys) were queried, we simply suggested that participants google them – which always resulted in pictures of elephants.

Whether classroom based, paper based or online, training needs to inspire and motivate to prevent it becoming simply a way of wasting time by ticking boxes. Learning designers always try to find ways of saving time, effort and errors by reducing duplication in the production of learning materials – from experiments in modularisation to SCORM. The bank Santander use a simple system called knitted notes, where chunks of learning of different sizes (15 minutes to several hours) and in diverse formats (text, audio, video) are catalogued and can be bolted together very quickly to produce a new course. Although not perfect, and often requiring quite a lot of soldering, it is inevitably a lot quicker and more reliable than starting from scratch every time new training is needed.

But the best advice for the production of all training in tedious, complex or heavily regulated areas is to keep it as simple as possible. Avoid convoluted text and unnecessary jargon. Spend time designing simple diagrams that explain rather than confuse. Use images rather than words. Learning design, like leadership and a few other things works best when you don't realise it's there.

15.8 References

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