

Ensuring T&C is built-in, not bolted on to your business

In this article **Lynne Hargreaves**, Director at Clearstep Consulting, looks at T&C and questions whether it is an integral part of your business; and if not, in what areas changes can be made.

Since 2013 and the introduction of the FCA there has clearly been a greater emphasis on ensuring staff are competent. We have already seen the implementation of the SM&CR in 2016 and the extension of the Conduct Rules as they apply to all other staff (except ancillary) as of March this year. The FCA will also consult on the widening of the SM&CR across all financial services sectors, with implementation expected to begin from 2018.

In 2017 those who manufacture, offer or grant mortgages as well as those directly managing or supervising were brought into the scope of the TC Sourcebook by European Legislation in the form of the Mortgage Credit Directive; and the recently published Insurance Distribution Directive will introduce further minimum knowledge and Continual Professional Development requirements.

This ever increasing regulation and continued importance on individual competence and culture should cause firms to ask whether T&C is seen as a complementary and integral part of their “People” strategy, or whether it is perceived as a bolt-on, potentially causing conflict.

Your organisation will already have a cultural view of T&C. To quickly find out what yours is, ask yourself the following questions: Is T&C seen as being too prescriptive, focused largely on compliance and things that go wrong; a box-ticking exercise? Or is T&C tailored to the individual, focused on improving learning development and skills, with clear links to business objectives? An even simpler test would be to ask people whether T&C seen as helping them or something that just needs to be done.

So how do you ensure it is built-in and not bolted on within a regulated business? Here are some key principles.

Strategy.

At a strategic level there is a requirement to understand who the TC Sourcebook applies to and identifying those that fall within the Senior Management Arrangements, Systems and Controls competency requirement and certification regime rules. Consideration should be given to the benefits of a strategic approach and the application of high level T&C principles to all, both from a consistency and business benefits perspective. This is about making a clear link between current levels of competence and the future needs of the business.

Where does T&C sit within the organisation? Traditionally it has been within compliance, Human Resources and Learning and Development, as well as the first line of the “business”. My personal view is that T&C is very much a people development tool and benefits exist in creating a centre of excellence within a People function. However, wherever T&C sits within an organisation, all areas must work together to overcome any challenges and preconceptions, and to develop a positive culture.

On a similar note, T&C policy and processes should be aligned to the HR strategy, with competence as a key component of the business model. I believe that recruitment, the roles required, training, on-going development and performance management should all reference the competence of the individual in terms of benchmark levels of knowledge, skills, behaviours and expertise.

Key performance indicators (“KPIs”) and management information.

These are required to demonstrate what is important to your organisation at a board and individual level, both from a business and a regulatory perspective. At an organisational

level KPIs and management information should demonstrate effective identification and management of competence as well as metrics that support root cause analysis and the continual development of people. At supervisor level, individual competence activities should focus on the customer outcome, an acknowledgement of what has been done well and developing the individual, rather than solely measuring adherence to process.

Reward and remuneration.

As we all know, a reward culture can drive behaviours and it is therefore critical to ensure that any remuneration and incentives reward those aspects that are most important to driving your business. It is essential to ensure that financial and qualitative incentives are aligned to the required levels of competence and demonstrated behaviours supported by the KPIs defined above.

Operational policies and processes.

The harmonisation of policies and processes and an understanding of how they should be applied in order to provide an effective people competence framework to meet the needs of the business, is a tough deliverable. Aim to ensure your T&C is risk-based and tailored towards the individual rather than treating everyone the same, alongside developing the expertise of your supervisors to apply the approach.

I believe a T&C approach that is an integral part of your business is a key enabler to developing your people and achieving business objectives.

Lynne and Clearstep Consulting focus on providing organisations with clear and practical advice on a variety of regulatory, people and change issues. They provide solutions that are culturally aligned, simple and straightforward.