

Success by design

By Ian Patterson from The Patterson Group

If you are anything like me, you'll have been glued to the television 24/7 this summer soaking up the amazing performance of Team GB at the Rio Olympics. And what a stunning success it was. So what are some of the lessons we can learn in T&C?

Well, I'm sure there are many but I'm going to focus on just one, and this comes from the success of the British cyclists. The team's performance director, Dave Brailsford, is credited with introducing a philosophy that revolutionised British cycling for London 2012. This focuses on the idea that making lots of small, incremental changes can add up to a big difference. He called it "the cumulative effect of marginal gains".



We can learn a lot from this in the world of T&C. You'll have to trust me when I say that I see a lot of T&C schemes of all shapes and sizes from an equally wide range of authorised firms. What I find striking is how some relatively small changes to these schemes could make a big potential positive impact. The observation aid is at the core of most T&C schemes and so that's what I will focus on in this article.

First, I want to revisit a key concept that I've mentioned before; the difference between being compliant and being competent. An adviser can be compliant without being competent. Equally, competence is something that goes well beyond being compliant. So a basic question to ask yourself is, does your observation aid primarily monitor compliance or help to develop competence?

T&C, as originally envisaged by the FCA and the previous regulators going back to LAUTRO, is primarily about the development of competence. Having a record should be, quite rightly, part of a firm's systems and controls and so this is really a matter of emphasis: I question whether this should be its sole purpose. My experience with many observation aids is that they often feel like the focus is primarily on recording the process that an adviser follows, rather than contributing in any meaningful way to development of the adviser's knowledge, skills and behaviours.

I started off talking about incremental changes, so here are seven specific areas where small changes (and some a little more wide-ranging) can make a big difference.

1. **Ensure that skills or behaviours are built in.** At a basic level, those aspects that could be included are asking open questions, setting an agenda for the client meeting, overall control of the meeting, and explaining how the firm's service proposition might benefit the customer. If you don't want to re-design your observation form, add a supplementary coaching document.

At a more advanced level, I've recently seen a couple of observation aids that are not designed around the advice process. Instead, the respective firms have identified the behaviours and competencies they expect advisers to demonstrate. As a result, the observation aid looks very different. In the new world of SM&CR and SIMR where competence is now a business-wide issue rather than just about what your advisers do, this approach enables T&C methodology to be used sensibly with a much wider potential audience.

2. **Make the document easier to use as a coaching tool.** Mandatory areas need to be demonstrated so this fits comfortably with a binary rating approach that classifies performance as 'competent' or 'not competent'. This works less well when looking to develop skills where I find using more of a continuum works better. For example, rating skills and behaviours such as 1-4. Post-observation, I would ask the adviser to rate their performance 1-4 against various skills, comparing these with my own assessment and then have a rich conversation around how performance could be further developed. This would involve reinforcing their strengths and addressing any development areas.

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3. **Focus on the client or customer, not on the adviser.** It's always struck me as being strange that

everyone talks about TCF and then we don't focus on the customer with our observation aid. For example, does your observation aid say:

- a) Client clearly understands the service provided by the firm, costs and the benefits of it; *or*
- b) Adviser hands over customer agreement, explains status of the firm, details their remuneration, explains DPA . . .

I like a) rather than b) because it places the focus on the client or the outcome, not on the adviser or the input. It also begs the question: 'as the observer, how would I know if the client understands our services?' In other words, the adviser would have needed to check the client's understanding and to do more than just read through a script in order to be competent at this. What's important is not what is said, but what is understood. To do this, we need more of a focus on the client, not the adviser.

4. **Take out legacy requirements.** Investment advisers, as far as I understand it, haven't had to hand over a business card to meet conduct of business requirements for over eight years. So why do many observation aids still include this – usually as a mandatory item? I have nothing against the practice of handing over a business card but if I were an adviser, I wouldn't be happy if I got rated 'not competent' for something which has long since been a 'nice to have', rather than a 'must have' for many firms.
5. **Keep detail to a minimum.** I've seen an observation aid where the full fact finding process (including status disclosure) in an investment advice firm was covered in just nine 'elements'. I've also seen one with over 28 separate elements. The problem with this is that the poor observer would be so busy filling in the form (probably ticking the boxes) that much of the client experience is likely to get missed. Reduce detail down to the minimum, make the form as usable as possible and focus on just the really important aspects.
6. **Encourage more note taking and collecting examples.** Some observation forms have small areas for writing notes. If this discourages observers from doing so, then I don't see how this helps the process irrespective of whether you want the observation aid to be a record of what was said, a coaching tool, or a combination of both.
7. **Measure the balance of talking.** On our observation aids, we always record what the balance of talking is between the client and the adviser. In a 'fact find' meeting, we'd expect the client to be talking 60-70% of the time but in reality, it is usually well below this. Why is this important? The client probably didn't have a great experience and probably didn't feel they were listened to enough. If we are aware of this and record it, then we can help the adviser to develop better relationships.

Of course, if we return briefly to Rio, there isn't a single elite athlete who hasn't benefited from regular top-class coaching. So ultimately, the coaching top performers receive has to be spot on and that includes the 'tools' they use like, in our world, the observation aid. Remember that progress consists of lots of small, incremental changes that add up to make a big difference. That is when you realise that success and doing things better is really a result of design, not by accident.

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