

# Senior Management competence: getting it onto the agenda

By Ian Patterson from the Patterson Group

This article is intended to answer one key question: what must senior managers and the leaders of businesses do to demonstrate they are competent for the role, and remain so? This is a far from easy question to answer. To compound this, there is often some complacency – senior managers may well believe that ‘competence’ is something that only the people below them need to worry about.

Not so. There will be much talk over the coming months about the Senior Managers regime (SMR). I acknowledge that for the banks and insurers this will represent an imminent and significant change but for financial planning firms, this is a more distant prospect, if at all. And SMR is primarily about senior manager responsibilities and accountability, not competence and how it is demonstrated. The need for senior management to have and be able to demonstrate their competence is an issue now; well it is if:

- a supervisory intervention is expected from the PRA or FCA;
- acquisitions are planned or the business is looking to significantly expand;
- there aren't clear succession plans within the business, or
- if the intention is to run the business more effectively.

“In my experience, the question of ‘competency’ with senior management is typically met by looks of confusion and complacency in equal measures.



Whichever way you look, senior managers are under increasing scrutiny. I was involved in example of this recently where a business was looking to double the size of the business over the next 5 years through acquisition. The regulator asked this business to prove that the senior management team had the range of expertise necessary to manage a more complex business and a firm double the size in the future.

This shouldn't surprise anyone as the FCA expect firms to manage their own conduct risk and in many cases, this will stand or fall by the expertise of senior management. Frequently, the people 'at the top' are functional specialists who find them themselves running a business - a great financial planner running a financial planning firm, a great finance person becomes the finance director etc. Someone's greatest strength is often also their greatest weakness. Senior managers may be good functional experts but are they also good leaders of the business? Don't confuse the two because the regulator probably won't.

In my experience, the question of 'competency' with senior management is typically met by looks of confusion and complacency in equal measures. It's not that the concept is difficult, but the breadth of the role and responsibilities of a senior manager go well beyond that of a functional manager so it is more difficult to identify just what maintaining competence should look like. Running a business will need different knowledge and a different skills set to just carrying out a functional role. If you then throw in a leadership role and talent that wishes to progress, then how do we prepare people for this? The key with senior managers is to diagnose precisely where it is possible to add value. So, how do we do this? Here are five ideas.

**1. Businesses need capable leaders** – so how do you know you have them? My preferred approach is to use a diagnostic tool called the Emotional Capital Report or ECR<sup>1</sup> - this benchmarks leadership using emotional intelligence (EQ) against 10 indicators of emotional and social competence. In doing so, it then benchmarks the leaders EQ against over 6,000 leaders worldwide. You need to be licensed to use this tool but the result is that your senior managers get to compare themselves against the 'best in class'. A personal development plan will usually result which is tailored to developing the individual's leadership capability, now and in the future.

**2. Senior managers must be able to demonstrate competence and expertise at the level they operate at.** Effective CPD is one such way. Members of the CII with a relevant qualification will be subject to the CPD regime but where this is not the case, meaningful CPD often does not take place. It should do, so what would this look like?

The FSA issued some guidance on effective corporate governance in 2010<sup>2</sup> and this is a good starting point. This identifies the competencies required for significant influence functions in six areas:

- ❑ **Market knowledge.** Awareness and understanding of the wider business, economic and market environment in which the firm operates;
- ❑ **Business strategy and model.** Awareness and understanding of the firm's business strategy and model appropriate to the role;
- ❑ **Risk management and control.** The ability to identify, assess, monitor, control and mitigate risks to the firm. An awareness and understanding of the main risks facing the firm and the role the individual plays in managing them;
- ❑ **Financial analysis and controls.** The ability to interpret the firm's financial information, identify key issues based on this information and put in place appropriate controls and measures;
- ❑ **Governance, oversight and controls.** The ability to assess the effectiveness of the firm's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas;
- ❑ **Regulatory framework and requirements.** Awareness and understanding of the regulatory framework in which the firm operates, and the regulatory requirements and expectations relevant to the senior manager role.

**3. Qualifications and exams are clearly a good way of demonstrating competence/ongoing CPD where these are appropriate.** The CII's AF6 exam is designed for senior managers so this is a good starting point but there are other exams such as the CII's MSc in Wealth Management or wider part-time qualifications such as MBAs.

**4. Board effectiveness toolkit.** Senior managers need to be able to operate as a Board or as an effective team. So how good are they and how do they know? How can they be even better? The Financial & Legal Skills Partnership publish free self-assessment material<sup>3</sup> which can be used with the senior management team to identify areas where performance could be further developed - both collectively and individually. This can provide a focus for ongoing individual CPD.

**5. Performance management.** Make sure there is an effective process which is used – this means it measures both what is done, and how. Behaviours, competencies or value statements are commonly used in larger firms but are not used widely in smaller ones. So assuming an individual's performance is effective, this will potentially confirm their competence and identify development areas to address. I say potentially because this is an interesting one: does satisfactory performance automatically equal competence? I would say not always so it is worth being able to offer something more than just this.

So, let me pull all of this together. The effective diagnosis of needs is the foundation of any sensible development for senior managers. Senior management often neglect development and documenting it. Often functional specialists lack the broader leadership skills the business needs, and the regulator will expect – especially where an authorised firm is growing rapidly through either acquisition or organic growth. If not, everything I have said still applies but it is perhaps less likely to be subject to regulatory scrutiny. In other words, development is a complete waste of time if senior management:

- ❑ are unable to perform their jobs any better
- ❑ never expect to have any meaningful contact with a regulator
- ❑ never come across anything new, *and*
- ❑ have a role that hasn't changed, and never will.

#### Ian Patterson

Development specialist and author of *AF6 -Senior Management and Supervision* and *J07-Supervision in a Regulated Environment*.


- <sup>1</sup> Roche Martin  
[www.rochemartin.co.uk](http://www.rochemartin.co.uk)
- <sup>2</sup> FSA, CP10/03: *Effective corporate governance*, January 2010
- <sup>3</sup> Financial & Legal Skills Partnership, Board Effectiveness Toolkit.  
[www.financialskillspartnership.org.uk](http://www.financialskillspartnership.org.uk)

# Supervisor Accreditation Course

CPD


Facilitated by  
Ian Patterson

**Prestigious venue**  
Ricoch Arena  
(Coventry)  
9th June 2015



**People management skills, assessment and developing competence**

- Suitable for new and existing supervisors;
- FCA supervisor skills independently assessed;
- Structured CPD to demonstrate ongoing development;
- Build effective people management skills;
- Pre-course reading included;
- Post-course CPD certificate and individual development report provided;
- Maximum of 12 delegates per course.



THE T & C SPECIALISTS

Email [info@pstgroup.co.uk](mailto:info@pstgroup.co.uk)  
or visit our website for further details at [www.pstgroup.co.uk](http://www.pstgroup.co.uk)