

# Are You “MAN” Enough?

An article by: Erica Steeman-Duncan

March 2014

It is one thing moving forward and ensuring that your business is robust enough to withstand legislation shifts and adapting to new checks and balances. It is quite another having someone come in, take a good, in depth look at your business and then find weak points and gaps in what you thought was a well-oiled and very compliant machine! Are you “man” enough to accept the challenge?

The February article looked at the changing focus in how Regulators are monitoring and measuring Financial Services Providers in South Africa and globally. In that article I ever so subtly challenged providers to take a good look at their business and assess whether their foundations were solid and sound. Mulling over this, I realise that there may be more resistance to taking this step than I first thought.

Accepting criticism is not easy. I recall in particular a situation a few years ago when I was going through an Executive Coaching experience... an extremely valuable exercise and one that I would recommend to everyone, but there are aspects you should be aware of before taking the challenge in order to benefit fully from the exercise. These pointers are equally applicable to a business undergoing a compliance health check.

## “Man” enough

***A business specific compliance health check or assessment sits on the same level as an individual receiving assistance from an Executive Coach – it is personal and specific.***

Executive Coaching is mostly aimed at the individual that “knows it all”. At that time in my career I had pretty much already done all the “personal development” courses and attending a general development course as a delegate would not have made much impact. These types of generic courses (and in the business or compliance world they would equate to seminars and presentations) are valuable in their own right, but their impact loses effect once you’ve been around the block a few times.

The individual focused route is obviously the way to go, but you need to be prepared to take the personal criticism that comes with a personal assessment. And there will be criticism - no one is perfect! Just because we have been around the block a few times, have our success

to prove our ability, and our arrogance is therefore justified, does not mean that we are perfect and that nothing needs improving.

***By choosing the focused individual route you need to be willing to acknowledge a need for correction or change. An assessment of your business is just as personal as an assessment of yourself.***

### **Perceptions**

***What you think people see and understand is not always the same as what they actually perceive and think they understand.***

During my coaching exercise one of the first things that the executive coach did was a “360° Assessment” – individuals that work closely with you are interviewed on how they see you in your job/role and, effectively, as a person. These are people that you report to, work with as peers, and who report to you (hence the 360°). The feedback I received was an eye-opener and, on some levels actually hurt! But that was the whole point – I was given the opportunity to see myself through others’ eyes and understand that on some levels my intentions were being misinterpreted. Until that point I didn’t even know there was anything that specifically needed fixing.

***Unless we take the opportunity to see how others see us, or how our business is perceived out there, we will not know whether our business is really being understood, or if there is anything that needs fixing.***

### **The right “man” for the job**

***Self-Assessment certainly has its place, but how effective is it really?***

The purpose of an Executive Coach is to provide that objectivity that we are not able to effectively give ourselves. Having one of your staff, or a committee, conduct an assessment of the business certainly can add value, but is there really the required objectivity? It is difficult enough to accept correction when provided with evidence. How reasonable it is then to expect individuals (or teams) to effectively search for that evidence themselves when the result is self-criticism?

Most firms will have compliance officers (internal or external, or both) so the question arises: Why would an expert external assessment even be needed with continuous monitoring already in place being conducted by experts in their own right? The point is that *this* assessment that I am suggesting is a big picture and in depth review, it is time

consuming, and it requires an objectivity that may not be effectively provided by your internal compliance staff or external compliance officer.

There seems to be an opinion amongst Directors, Owners and Key Individuals: “clean” reports from the compliance officer, together with past “clean” audits by the FSB imply that the business is fully compliant and risk free. This is however not necessarily so.

An internal (or external) compliance officer has a specific role, and their responsibilities vary across businesses. It is however the director, owner and key individual who is always ultimately accountable and fully responsible for the firm’s compliance (and the compliance officer takes full advantage of this fact). Delegating responsibility and then burying your head in the sand will not shift any responsibility at the end of the day.

***An external party conducting the assessment is able to provide an objectivity and big picture view that adds significant value to the outcome that is not likely to result from an internal self-assessment.***

### **Expert facilitation**

***The job of the executive coach is not to tell you what to do – it is rather to facilitate your growth and development. An assessment of your business is only the starting point.***

My Executive Coach was not an expert on my job or “me”, but she was an expert at coaching me to identify areas of my life that needed work, and then guiding me in how to get that job done. The consultant you hire to assess your business will not know your business inside and out from the outset, but they will need to know the industry and regulators, what to look for and know how to dig up the details. If you truly play open cards, by the time the assessment is done, the consultant will have a very good feel for your business and be able to provide you with an objective view that would add huge value.

Identifying the issues or aspects that need work is the starting point and more than half the battle won. With (or without) the expert assistance, you can then work on addressing the risk areas and filling the gaps. Fundamentally, the core framework will already exist. It is often just a slight change in focus, or a little shift in mind-set, that is required from the top to then filter down into the detail.

***The idiom of “not seeing the forest for the trees” combined with “the devil is in the detail” comes to mind here: the expert external consultant will look at both the detail and the big picture, producing a most effective assessment which can then be used to help you navigate through the forest.***

## **And finally, the cost**

***“If you think compliance is expensive – try non-compliance.” Former U.S. Deputy attorney General Paul McNutty (or any of the financial services providers recently fined by the FSB Enforcement Committee...).***

There was a fee to be paid to my Executive Coach, and the results from the coaching exercise did not directly translate into an increased income. Instead the value of the results was priceless! Yes, getting an external consultant in to do the assessment is going to cost money, and the resultant actions identified by the assessment will also take time and money to implement and may not directly increase income. But the result of not taking the assessment now and just going with the flow could be disastrous. There is no way of determining the cost of non-compliance until it is too late.

The true cost of non-compliance is never just the administrative fine or settlement paid to the complaint client, if you get caught. Consider the cost of the time taken up in dealing with the complaints and FSB investigations. Sometimes there are lawyers' fees. To top it all, in a competitive environment reputation is everything, and priceless. And in this global, shrinking economy that we find ourselves in, fallout is not easily containable.

***In conclusion, are you “man” enough to put your business under the scrutiny of an expert who is in a position to provide you with what could be the painful truth, but will also provide you with the tools to set your business up for a successful and compliant future?***

*If you are looking for assistance with conducting a review of your firm to determine whether your business is poised to embrace inevitable change and flexible enough to adapt to the ever evolving legislative environment, contact Erica Steeman-Duncan on [erica@esdprof.com](mailto:erica@esdprof.com). For more detail on her consultancy visit [www.esdprof.com](http://www.esdprof.com).*