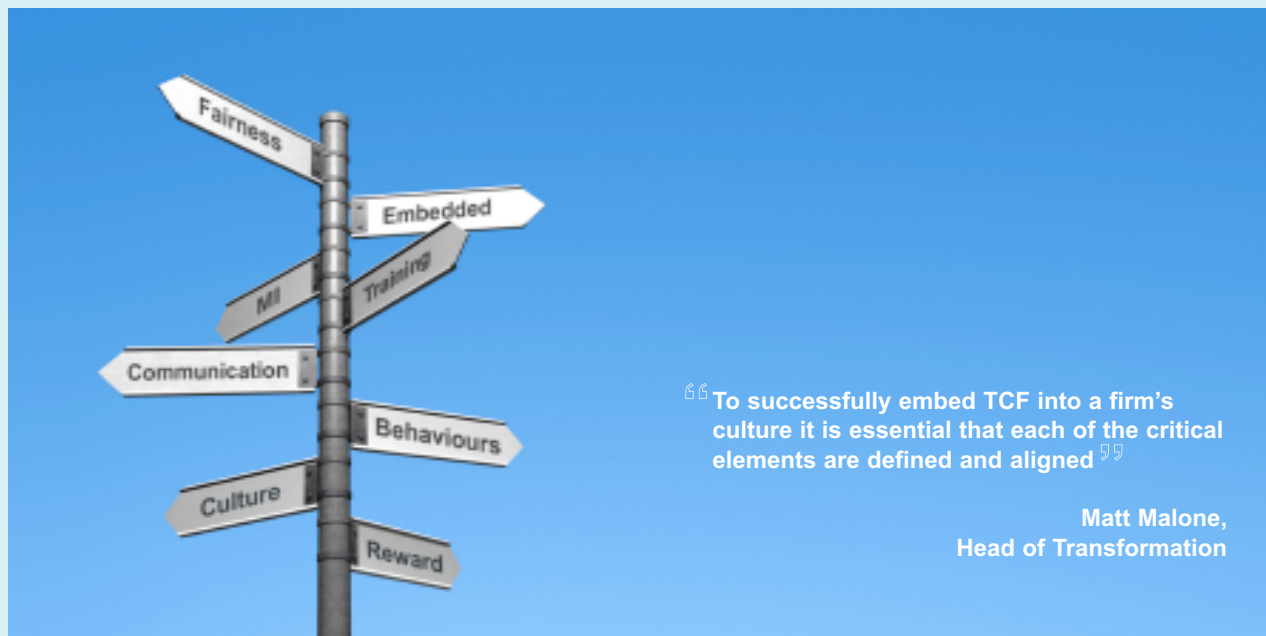


Why is TCF culture proving difficult?



In the run up to the FSA’s March 2008 TCF deadline, many firms had focused their attention on MI in order to demonstrate to the regulator that they had ‘appropriate management information or measures in place to test whether they are treating their customer fairly’.

Many firms found this difficult. As a result, some firms with limited time to focus on understanding and implementing TCF culture as described in the FSA’s Culture paper of July 2007. But is a late start of these TCF programmes the only reason why TCF culture is proving difficult to implement and embed?

Huntswood, a professional services firm providing specialist resources and consulting solutions to the UK financial services industry, believes there are many important issues which firms should try to understand in order to avoid wasted effort, ineffectual tactical actions and a failure to address the underlying risks and issues in the development of a sustainable TCF solution.

Firstly the biggest challenge is confusion over what TCF culture actually is...in fact this may not just be confined to culture, in some cases there is still bewilderment over TCF in general and, critically, how to define fairness.

The FSA has rightly identified that the success of TCF in any firm will be down to the people and not just the processes. To

help firms understand this, the FSA has summarised their thinking in the form of the following six cultural drivers which they feel best covers the breadth of TCF:

- Leadership
- Strategy
- Decision Making
- Controls
- Performance Management
- Reward

Consumers and their fair treatment should naturally be core to all successful firms. As the FSA says: “Treating customers fairly is a cultural issue. It is only through establishing the right culture that senior management can convert their good intentions into actual fair outcomes for consumers.”

This is a great example of the terminology used and guidance issued to date by the FSA regarding TCF and TCF culture, which has so far only succeeded in compounding the confusion experienced by a number of firms. This is due to the FSA’s lack of detailed understanding of firms’ businesses, understanding of change programmes and the lack of consistency of approach taken to date. Most firms have witnessed the mixed levels of understanding and inconsistency of the FSA during the review of TCF MI.

Matt Malone, Head of Transformation at Huntswood commented that "Fairness and culture are vague terms which have to be defined by a firm in order to successfully deliver them. Firms therefore need to be on the front-foot with the FSA regarding TCF in order to ensure that they drive their own destiny, not the other way around."

Malone continues "Ideally the FSA should have referred to "supporting behaviours" when they talk about TCF culture, and that the purpose of TCF culture is to deliver the awareness, understanding and behaviours needed to deliver TCF (demonstrated through the six Consumer Outcomes) consistently so it becomes business as usual. This is a more sensible concept to understand, creating less misunderstanding and scope creep."



Embedded TCF

For those firms that believe they understand TCF culture and have a clear definition across all the stakeholder groups Huntswood, through its recent experience of working with clients on successful TCF programmes, believe there are many other issues and challenges that firms will face going forwards:

- There is often confusion about how much focus there should be on driving behaviours and "culture change", as opposed to focusing on what is needed to embed TCF into business as usual.
- Some firms can lose sight of the need to evidence the extent to which TCF is becoming embedded through busily running culture activities that don't help to deliver embedded TCF.
- Ownership of TCF culture can be unclear as it spans the product and employee lifecycles. This lack of ownership can mean that key actions are not delivered as it can be unclear who owns them.
- The wider business is often not fully engaged or clear what is required. If anyone is using words like "fluffy" the programme has a problem
- The FSA's TCF Culture paper is being followed to the letter without fully understanding the key levers of behavioural change a firm could use to effectively embed TCF for specific employee groups.
- The TCF Programme may be inconsistent across different business units with confusion over the role and activities of central functions vs business units.
- TCF may have been hijacked to address broader transformational issues.

In Huntswood's view, the solution to address TCF culture is actually straightforward but, crucially, involves all the key stakeholders working together around a single 'joined up' plan.

In order to achieve alignment and focus a firm will need to ensure that the following five factors are addressed.

1. Fairness should be defined centrally with related understanding of the risk/challenges affecting key business units and functions and should focus on answering "what are my areas of highest risk and what do I need to do about it?" This will then act as an important point of reference that should stop the programme unravelling.
2. Firms should use the FSA's six culture drivers to develop a set of deliverables and milestones (including agreeing the most ideal internal levers which will best drive behaviours) in order to support and drive the TCF programme.
3. Management and business units need to define who needs to understand and deliver TCF and who just needs to know that TCF is critical to the firm but doesn't require a change in their daily activity. This will form the basis of the priority and actions needed throughout the employee lifecycle.
4. Create senior management understanding, support and ownership around a structured programme of work to deliver TCF.
5. Communication needs to be delivered effectively and from top down within the firm's business units and programme, so that employees know "what TCF means for them and what they need to do differently?"

Huntswood is currently supporting a number of leading firms to overcome this difficult challenge, with exactly this kind of TCF culture change programme. Firms should be aiming to make TCF 'business as usual' before the end of 2008 by embedding TCF, for example, in compliant processes and behaviours. Those who are ahead of the game have marshalled existing communications, training infrastructure and established business cycles to create a business as usual solution right first time. This way, its not so difficult.

Huntswood work with clients to improve their performance and reduce their risk in regulated, highly complex, customer sensitive environments.