

Armstrong Wolfe Institute

For Chief Operating and Chief Control Office Professionals

August 2021



ARMSTRONG WOLFE™
Institute

The Armstrong Wolfe purpose is to empower the COO community by providing thought leadership, promoting cross industry dialogue, and supporting collaboration, design and execution.

This led to the creation of the Armstrong Wolfe Institute, to build on the dialogue and answer the question “so what?”; to find practical ways to enhance the impact and influence of the COO and CCO with a view to bringing a greater degree of professionalism.

Our particular strength is to bring insight to the human decision making that underpins Conduct and so the health of the firm’s Culture. This latter is key to the success – or failure - of any strategy that is conceived to achieve a firm’s purpose, because Culture eats Strategy for Breakfast ... and Transformation for Lunch.

The Purpose of the AWI is to identify or develop frameworks, solutions and drive new thinking to raise standards and capabilities across banking and asset management so that the function becomes a valued profession at all levels, from school leavers to experienced finance professionals. All of this is in response to priorities and the dialogue at iCOOC.

So, what does this mean in practice?

What we do...

Develop, in partnership with the COO community, integrated practical solutions to specific challenges, leveraging the principles of human behaviour at the individual or group level and a deep understanding of how these can create unintended consequences from:

- Good operating models that face new emerging risks or changes in external economic, regulatory or internal working environment
- Nuanced, complex conflict of interest within the firm at the individual, team and group level
- Well-intended or traditional leadership practices (or inaction),
- Misaligned performance metrics, or reward frameworks
- Culture drivers: policies, procedures and the conflicting, but unwritten embedded rules of behaviour

The ultimate goal is to embed a healthy culture that underpins business success through value creation.

How we do it

With the detailed, yet broad expertise of our seasoned Partners and Associates, we design and build solutions that meet specific challenges of the COO community discussed in the webinars and Summits, in partnership with the COO. This can focus on the COO function itself, or on a particular part of the organisation, e.g. front office risk management, TLOD dynamics, new joiner effectiveness.

Critically we stick to two overarching principles

- 1. At all times we use a long-term value lens to avoid treating symptoms rather than the cause, to ensure the results stick and the benefits can spread throughout the organisation.*
- 2. We strive to ensure any solution is thoroughly integrated with the firm’s purpose and values, while also interleaving its own resources wherever possible. This avoids duplication of spend and effort, while (more importantly) ensuring that the result is owned by and embedded thoroughly. If we can enhance capabilities within the firm sooner than anticipated, so that we are no longer needed, that is a win for us.*

Our approach:

- » Bringing **Organisational Behaviour, Regulatory, Conduct, Leadership and Operating Effectiveness** lenses to complex issues, breaking them down and building an action plan that leverages as much of each member's internal resources as possible, but bringing in targeted Armstrong Wolfe expertise that offers outcome focussed thinking where needed. We do this through
- » Where necessary, building models that demonstrate to any stakeholder how the investment in behaviour drives material, sustainable financial value.
- » Leveraging a strong bench of Business Advisers that we can assign to specific projects. These are former COOs, CCOs and CAOs, with a broad range of technical and leadership experience, together with specialists in Culture management, regulation, decision-making, leadership and coaching
- » Engaging with some of the leading technology providers, carefully chosen to provide specific solutions, where they offer a real advantage. E.g.:
 - » Culture measurement dashboards
 - » Workspace management tools
 - » Advanced KYE tools
 - » Innovative Human performance measurement



Current focus

Several themes have emerged as key points of focus for COOs and CCOs in discussions and in the Purpose over Profit summit in April 2021. Each involve approaching the challenge with a portfolio mix of the above lenses. AWI's approach is to develop solutions that get deeper into the issues and can enable COOs to manage the challenges more effectively. Examples include:

1. BM to COO

A targeted curriculum of training to enable any new member of the function to become effective quickly and help lateral hires to make the transition. Based on a capability set defined and agreed with the firm, but based on a core balanced framework developed by AWI:

- 1.1 Technical skills, both general and role-specific:** such as budgeting, risk assessment, digital and data management and processing, strategic planning, reporting, design of controls, policy and procedure development and management, control design and supervision, regulatory requirements.
- 1.2 Contextual awareness, both internal and external:** How and where the role and function sit in the firm, the risk hierarchy and the immediate organisation. How it can influence and underpin the Purpose, strategy, values and culture of the firm to ensure sustainable success. E.g. The purpose of banking and the impact of trends in social, economic and political demands; regulatory environment, Conduct and Culture vs the 3LOD and ERMF; emerging risk identification & change management; ESG, ED&I etc
- 1.3 Organisational Behaviour at the Individual, Firm and Team level:** Drivers of effective or flawed decision making; new leadership models to engage and enhance performance & emerging regulatory expectations of leadership (including interaction with Boards); risk-aware working; the link of behaviour to financial value via Culture and Strategy; Conduct Risk and what good Conduct looks like at the Board, Senior Management and executive level; tools and skills for managers to select, manage and motivate aligned with Purpose.

2. New ways of working post Pandemic.

Remote working is now an accepted element of the business model, and all firms are (whether publicly or privately) planning to incorporate it to a greater or lesser degree. Q4 2021 Q2 2022 will be a period of experimentation.

AW is collaborating with some core members to develop frameworks, operating methods and training to increase the likelihood of success with the new approaches and ensure good lessons are learned from the process. Our focus is to enable greater productivity through real estate and human capital management and ensure greater operational resilience in the less predictable future work environment.

A number of firms have expressed an interest in working together to create a strong example that ensures banks continue to serve their clients effectively and maintain stability and integrity of the financial markets and certain key areas of focus have emerged:

- 2.1 New leadership skills** for remote/hybrid working for individuals and line management: purpose-focussed decision making, fostering courage and example-setting to enable speak-up, self-reporting, collaboration and innovation; building resilience, valuing diverse views and skills; reflexivity to recognise what works and what does not, then to adjust working patterns to optimise performance
- 2.2 Remote monitoring/supervision** to manage conduct risk: rebalancing reward and recognition approaches based on modern motivation models; innovative performance management; collaboration tools
- 2.3 Balancing remote and office working:** to identify what works best and how to ensure new hires become aligned with the firm's culture and purpose. E.g. a particular focus on graduates as many need the presence of team members to learn through collaboration.
- 2.4 Space management** to ensure suitable allocation of unassigned seating, avoiding where possible the pitfalls of personal preferences and possible tribal/silo mentalities, while ensuring supervision is supported and collaboration fostered.

3. Conduct and Culture

An old chestnut that will not go away but about which more regulators globally are adding to their armoury. At the basic level firms can meet the regulatory standards, but an advanced understanding can enable firms to use the same principles to drive better long-term performance that will support their strategy and Purpose.

Armstrong Wolf Institute is headed by one of the UK's leading experts on the practical application of Conduct and Culture as Managing Partner. He brings expertise from front and middle office Investment Banking as well as both First and Second Lines of defence and has worked at or with some of the 1st and 2nd tier banks.

Through multi-level briefings, Culture assessments, Conduct Framework redesign or enhancement, together with new tech tools, innovative indicator design and competency frameworks, group workshops, coaching and targeted scenario training we can enable COOs to turn Conduct and Culture into their secret weapon for both managing risk and driving performance, by leveraging the innate capabilities within the organisation.



Some specific in-house AWI modules that have been developed to support COOs in addressing these challenges:

1. Culture Evaluation, Target Culture Assessment and Implementation.

- 1.1 **Purpose, Values and Behaviours** – assessment of internalisation and relevance to personal motivation through targeted interviews
- 1.2 **Communicating** and aligning day to-day experience with purpose to drive employee engagement.
- 1.3 **Building psychologically safe** spaces to enable speaking up and innovation cultures —design, management and maximisation of a tailored programme. The full product suite includes initial analysis of current environment, the creation of baselines, bespoke dilemma creation, empower the bystander training, a speak up tool kit, listen-up support for managers and an effectiveness review.
- 1.4 **Inclusion, cognitive diversity, resilience** and the link to culture—evaluation of current environment, creation of baselines, training and re-evaluation.
- 1.5 **Governance Culture:** Assess impact of policies and leadership to new ways of working

2. Culture enhancement:

- 2.1 Analysis of the **Conduct (and Conduct Risk) Frameworks** to determine extent to which the business and operating model are supported or derailed by Conduct.
- 2.2 **Threading behavioural management into the business model:** Recommendations and/or joint implementation of action plan to embed Conduct principles to meet business goals and/or regulatory expectations. Includes expert-led case study workshops to learn how to address real-life challenges, for new entrants up to Director level.
- 2.3 **New measures:** Developing effective leading rather than lagging indicators and dashboards that use new tools, identifies better metrics, but more crucially develop better ways to interpret and use data.
- 2.4 **Enhanced control frameworks** that focus on outcomes and impact. E.g. Building a more effective RCSA; Aligning the goals and thus enhancing working dynamic of the three lines of defence
- 2.5 **Revisiting the Reward and Recognition** philosophy to drive value-creative behaviour: based on a balanced competency framework that includes desired behaviours to drive a healthy culture.
- 2.6 **Leadership habits** that drive good Conduct: example setting; lessons from failures; fair, consistent approach to breaches to drive trust; MBWA
- 2.7 **Finance 5-day Integrated induction** for newcomers. An in-depth programme, including Banking and Finance fundamentals, Regulatory environment, Financial Crime, Conflicts of Interest, Conduct and Decision Making to get new staff off on the right foot, integrated with the firm's Values and Purpose

3. Team dynamics and productivity

- 3.1 **Mission-oriented decision-making:** Based on proven military experience, this team-centred approach unpicks the derailers of poor team-decision making and drives clarity of thought and critical, outcome-oriented analysis and decision-making.
- 3.2 **Review productivity metrics** and monitoring priorities, to determine value of creating new individual and team indicators to enable line managers to optimise team performance, in conjunction with purpose and leadership coaching

4. Executive Coaching

- 4.1 **121 coaching** from accredited coaches with senior COO experience
- 4.2 **Self-care Coaching:** enabling individuals at senior levels to recognise and manage intrinsic behavioural drivers and meet demands of a period of continued change
- 4.3 **Executive coaching** to enable your leaders to understand their role in creating a collaborative, high performing, trusted environment and the shift they need to make, both within themselves and those around them to create the impact to which they aspire.
- 4.4 **Future Leader Coaching:** Highly experiential to enhance the skills and mindset in current and future leaders.



Patrick Butler

Partner, Armstrong Wolfe

Patrick is one of the UK's leading experts on building effective culture, conduct and risk management practices in regulated industries. He advises and coaches senior management and boards, and works with firms to design and implement innovative operating models and bespoke programmes which drive sustainable value while meeting regulatory requirements. He has helped a range of clients introduce cutting edge approaches to conduct, culture and risk, including Barclays Bank, RBS, TOTAL, Natixis, Commerzbank and FinTrU.

As well as working with individual firms, Patrick is also involved with a number of executive education foundations: He has been a Programme Director and taught at CEDEP in France and is a guest speaker at INSEAD's International Directors in Banking programme. He is the Managing Partner of the Armstrong Wolfe Institute which aims to develop new ideas and practical solutions that exceed the evolving regulatory agenda and enhance the commercial value in the operation of financial firms through research, learning and development of technical and behavioural (Conduct) skills and culture management. He co-founded and continues to deliver the Conduct and Culture Academy at UK Finance – a course which builds on his deep understanding of the latest regulatory thinking, advanced behavioural models, strategic models and practical expertise. He is regularly invited as an expert panellist at industry conferences and roundtable discussions.

Patrick's practitioner approach comes from many years working in banking. Having started out as an investment banker with HSBC, he moved into strategy and operations roles before heading EMEA Global Banking Compliance at Bank of America Merrill Lynch, where, based on Conduct principles, he successfully restructured the Investment Banking, Debt and Equity Capital Markets and Equity Research Compliance functions, following the merger of the two banks. Before his career in banking, Patrick was a British Diplomat.

He is an adviser to the CEO and Deputy Chairman designate to the board of MIRIS AS, a Norwegian clean energy and smart building technology company and on the board of Sonder Financial, a start-up payments platform technology provider. He enjoys advising and mentoring a number of SME businesses undergoing substantial growth or change to disrupt their industry.

Patrick received his MBA from INSEAD in 1999.



ARMSTRONG WOLFE

Armstrong Wolfe is a global financial services advisory firm supporting the office of the Chief Operating Officer. The International COO Community (iCOOC) has over 5000 COOs within a managed network and therefore one degree of separation from each other.

We empower this community by providing thought leadership, promoting cross industry dialogue and supporting collaboration, design and execution. We have a unique blend of COO functional expertise which enables us to support iCOOC members through our advisory and project management services. We aid COO career advancement through our business management training institute and support industry wide efforts addressing diversity and inclusion initiatives through our Women in the COO Community and provide career opportunities for all underrepresented groups with the COO Academy.

For more information: www.armstrongwolfe.com



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