

# UK Regulators

## Seven actions to win the war for talent

“ A major attraction of joining a Regulator is interesting and important work. It is unique and it matters. But this is not enough – Regulators need to do more to keep their best people.

*Former UK Regulator and Executive Committee Member*

The role of Regulators has never been more complex and society demands higher quality regulation as a crucial step in rebuilding trust in UK plc.

Delivering ‘great’ regulation requires great people, but Regulators are often competing against higher compensation, more varied career progression and a perception of more dynamic and exciting cultures offered by those they regulate.

Attracting and retaining the best people poses a significant and ongoing challenge at all levels, but particularly in middle management, where financial pressures and the desire for rapid career progression are most acute.

Regulators are well-aware of these challenges and work hard to address them. This is against a backdrop of voices across industry, particularly financial services, lamenting the lack of regulatory talent and often assuming the issue is how Regulators can hire better people from the private sector. But are they asking the wrong question?

### Can we invigorate Regulators with private sector passion?

This is the alternative question consistently raised through a series of conversations with current and former Executives and Non-Executives of UK Regulators, many of whom have also spent time in the private sector.

All concluded that hiring from the private sector is not the only answer, noting that many of the best Regulators are homegrown. The solution lies more in promoting a culture that attracts and retains the best people from a diverse spectrum of backgrounds.

In unbundling these complex issues, we have identified seven potential actions:

## 1. Elevate the HR Director (‘HRD’) to the Executive Committee (‘ExCo’)

All Regulators we speak to say talent is critical, so it genuinely surprised us how few Regulators give their HRD a seat on ExCo or equivalent body. By contrast, in the private sector it is rare for the HRD not to be an active member of the Executive management team.

Executive representation and a clear reporting line into the CEO brings several advantages, principally enabling the HRD to elevate and influence the people strategy at the top table. It also could help Regulators retain the highest quality HR professionals and bring new talent into the function.

“ Diversity of thought is so important for Regulators to be effective and for people to grow.

*Former Senior Regulator*

“ People and talent do not come high enough on the strategic agenda.

*Executive Committee Member, UK Regulator*

## 2. Better and more innovative talent management

There is a general recognition that Regulators are not strong on performance and talent management. Regulators lack the budgets and scale to compete with the private sector on creating a linear career path with accompanying pay progression. However, they can compete on high-quality, interesting and important purpose-driven work, as well as exposure to the highest levels of business and government – building blocks of highly engaged and high-performing environments.

Engaged employees are less likely to leave, and a central benefit of these programmes is the emphasis on keeping the best people motivated through continuous learning and development. Equally, getting much better at dealing with underperformance creates greater space for promotions and increases the focus on excellence.

At the heart of this is a cultural shift to a high-performance, non-hierarchical culture that encourages people to grow through increasing the value they add to the organisation and society, rather than fixating on job titles and internal positioning.

## 3. Create active alumni networks and leverage them

In contrast to some of the most successful private sector employers, Regulators do not operate formal alumni networks. Recognising that many of the most talented people may only stay for a few years and creating a mechanism to keep them within the regulatory network, can leverage their future success as strong brand advocates and could become a key element of attracting future talent.

Well managed alumni networks require investment, but their effectiveness as a recruitment tool is proven. Powerful alumni networks, such as those built by McKinsey and Boston Consulting Group, reap the benefits through significantly strengthened employer brand and strong links across the business community.

Alumni networks can also instil a sense of pride and identity among existing employees and encourage people to stay by demonstrating that time spent at a Regulator is career enhancing.

## 4. Secondments – be bolder and more creative!

Secondments are not uncommon among UK Regulators, but there is an understandable reluctance to second the best people into the organisations they regulate, for fear of losing them permanently. However, many return and often as more effective Regulators with greater understanding of the industry and a broader business perspective.

But more innovative approaches should also be considered, particularly in benefitting from private sector talent. For example, the demands of investment banks mean they lose good people with young families – so perhaps people could take up multiyear secondments to Regulators, taking advantage of the different work-life balance, with the option to return to the private sector at a later date. Why not explore this and other creative ideas?

There is also scope to second people to and from a much wider range of organisations and industries, such as technology companies, rather than just the same old regulated organisations; ultimately creating a more fulfilling and varied regulatory career path.

“ **Movement between Regulators and the private sector is important. Key to attracting people into Regulators is to be able to demonstrate that when people leave they are getting great jobs.**

*Former Senior Regulator*

“ **Our retention rate is pretty good. But it is our people who are leaving. Most Regulators find it very difficult to get rid of their least talented people. This is a problem.**

*Senior UK Regulator*

## **5. Encourage more external responsibilities**

Encouraging your best people to take up Non-Executive appointments, such as onto the Boards of charities, trusts, schools, universities and others, helps to broaden perspectives, gives valuable insight into running an organisation and develops senior leadership skills without the risk of conflicts.

Importantly, it can also serve as an effective retention tool. Many private sector organisations are less willing to accommodate external appointments (beyond the senior management team) and so the ability to take on these fulfilling Non-Executive roles could be an attraction.

## **6. The “revolving door” – Regulators need to make the case for its benefits and bring a sense of perspective**

Public opinion generally takes a dim view on the movement of senior individuals between Regulators and those they regulate, with these appointments predictably generating “revolving door” headlines across the media. However, these moves are common in the US without attracting anything like the level of public criticism.

The disapproval often cites conflicts of interest as the key issue, but is it more accurately a generalised dislike of people using the public sector to make money?

The resulting fear of reputational damage and public criticism that comes with returning to the private sector potentially plays a part in deterring people from joining Regulators in the first place.

The most high-profile and controversial case of recent times is that of Manuel Barroso’s Non-Executive appointment at Goldman Sachs in 2016. But most Regulators are not as high-profile public figures, nor wield this degree of influence.

There is clearly a debate to be had around the conflicts issue, but it is in Regulators’ interests to initiate and lead it.

Attracting the right private sector talent is challenging enough and the flow of people between public and private sectors brings many benefits.

## **7. Lead the way on diversity and inclusion**

Many regulatory bodies are already more inclusive environments that attract greater diversity than the private sector they regulate. Recruitment strategies already go beyond gender and ethnicity and cover a wide range of backgrounds spanning military, education, charities and more. At least one regulator has recently launched a successful ‘women returner’ programme.

But more can be done to ensure that Regulators are a destination of choice for a diverse range of talent. Diversity of thinking and perspectives is essential. For example, one senior regulator recently noted that her organisation is largely made up of introverts and a better balance of personality types would positively impact the culture, decision making and, ultimately, strategy.

By focusing on recruiting from the broadest possible backgrounds, Regulators can tap into talent that has traditionally been ignored by much of the private sector.

## Our conclusion

The loss of Regulators' best people is often understandable; but it should not be inevitable.

There is no easy solution attracting and retaining the most talented individuals. However, it is important to recognise that the challenge is only likely to increase as the private sector seeks to create more purpose driven, agile and innovative working environments particularly, but not solely, focused at attracting and engaging the Millennial generation.

Our aim here is to provoke and stimulate debate. Taken individually, none of the seven actions discussed here solve the problem, but we believe that combined with initiatives already in place they can make a difference and help Regulators invigorate their people with private sector passion.

Change is ultimately driven from the top, and the inclusion of the HRD at the senior management table is a highly visible step towards placing much stronger emphasis on people and talent and may help unlock many of the other actions discussed above.



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Our commitment to Diversity and Inclusion, a transparent process and collaborative culture stand us apart, ensuring every client gets the best of Hedley May's collective energy wherever they are in the world.

**Hedley May thinking** is a series of insights that tests accepted wisdom to increase understanding of the senior functional market we service. Our aim is to challenge the status quo, develop the talent agenda and enhance inclusion across our client base.

## Our methodology

Hedley May has carried out over 15 face-to-face interviews and numerous informal conversations with current and former senior Executives and Non-Executives at the major UK regulatory bodies, many of whom have spent time at the senior level in the private sector as well. We have also spoken to partners at the Big Four, regulatory consultancies and top tier law firms. Our analysis and conclusions also reflect Hedley May's track record of making some of the most important regulatory appointments in the UK and US.



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Harry has advised financial institutions, major corporates and global regulators on the appointment of senior Legal, Compliance, Risk, Governance and Regulatory leaders for close to a decade.

He is an expert in how these complex and interrelated control functions protect and strengthen the most successful organizations. Harry has become a thought leader on the constant evolution of these roles and challenges they will face in the future.