

How to Avoid a Compliance Mis Hire

The Importance of
Cultural Fit in the
Hiring Process



Gone are the times where a company would hire new employees solely based on their technical expertise, education or any other skill set that can be put on paper. Whilst business leaders must look for specific competencies when investing in human capital, is it critical that they also assess if a potential hire is aligned with the firm's culture.

A vast number of articles have been done in the past on the impact of hiring people who don't mesh well with the business culture. From high turnover-rates to low productivity, to potentially establishing a toxic work environment - the detrimental impact of mis-hires can jeopardise a firm's long-term goals in many different ways; the main one being the financial burden that comes with mis-hires.

Several research papers have been shedding light on the cost of a bad hire. According to the Recruitment & Employment Confederation (REC), "a poor hire at mid-manager level with a salary of £42,000 can cost a business more than £132,000". For larger firms, high turnover rates caused by bad hiring decisions can therefore cost millions of pounds, a frightening thought.

The total sum associated with a mis-hire can be split into hard and soft costs, as stated by Talent Partners Inc. While the former are quite obvious - recruitment fees (internal and external), HR administrative costs, advertising, salary and benefits or even severance pay - the latter aren't as apparent. Bad hiring decisions also come with opportunity costs - loss of current or new business or decreased productivity - as well as wasted hours spent on going over the work of the mis-hire.

In order to avoid such staggering costs, business leaders need to closely monitor cultural fit during the entire hiring process. The present guide will lay out some fundamental components to assess before getting compliance candidate interviews lined up, as well as tips and red flags to watch closely when ensuring cultural fit in the interview process.

Defining Cultural Fit

So what exactly is cultural fit? Whilst the term has been in corporate usage for decades, there is still misunderstanding around its meaning and motive. As Patty McCord, HR consultant and Chief Talent Officer at Netflix said in a Wall Street Journal interview, "What most people mean by culture fit is hiring people they'd like to have a beer with. You end up with this big, homogenous culture where everybody looks alike, everybody thinks alike, and everybody likes drinking beer at 3 o'clock in the afternoon with the boys". In reality, business culture is much more than office frills such as wine on a Friday or a pool table. Finding cultural fit is not about hiring someone who will be attracted to perks or just about having a good laugh with other like-minded team members.

In simple terms, cultural fit can be described as the alignment of a person's values and beliefs with that of the organisation. This means that employees are motivated by the firm's core purpose, have a common approach to working as well as a shared understanding on decision making, tactics and risk tolerance.

A candidate's CV won't tell you much about their personality and core beliefs. So, in order to guarantee cultural fit within the compliance team, business leaders will have to dig deeper and go beneath the surface. Hiring managers will need to be equipped with specific tools and strategies to properly assess cultural fit and establish if the candidate is a great match.

Identifying Your Culture

If you are considering expanding your compliance team, you should start by properly defining your own department's culture before engaging in any hiring process. Start by taking a step back to analyse how your current team works. What is the dynamic like? How do your colleagues work together? How will new hires impact the way the team operates?

Once you have built a solid portrait of your team's culture, you can go further by pinning down the internal perception of the compliance department. By working with a vast range of businesses within the financial services space, we have noticed how the way a firm views its compliance function impacts the overall culture and the types of personalities within the compliance team. Is compliance undervalued at the firm you work for? Is it perceived as the 'little cousin' of the legal department? Is the Head of the Compliance function reporting into a deputy or into a key C-suite stakeholder within the business, such as CEO or COO? Drawing an accurate portrait of your team's culture and how it is perceived by the rest of the firm will help you better gauge the type of people - and personalities - you will need to look for when increasing your headcount.

This also means, especially within financial services, that defining the front office's culture

and its specific relationship with compliance is just as crucial in the process. Dealing on a daily basis with Traders and Portfolio Managers who don't take your function seriously makes the Compliance Officer job increasingly difficult and more risky for SMF16s and SMF17s, who are personally accountable for compliance. This type of environment will call for professionals who can push through change and who are comfortable with managing conflicts of interest and strong personalities from the front-office. As David Young, Senior Risk, Compliance and Governance Specialist mentioned in one of our Leadership Series, "it ultimately comes down to a certain amount of steadiness under pressure".

Lastly, another key element to take into consideration when assessing your own culture is the business' lifecycle. A firm's perception of performance will always be in accordance with its growth plans: it must therefore make sure that every team member is on the same wavelength when it comes to delivering work and meeting expectations. A business who is planning on entering and growing new markets will translate into a busy atmosphere, where people will need high levels of energy to keep up with the pace and drive tangible change. Expectations will be higher, and so will be the workload: any new hire will need to be up to taking on the challenge and showcasing ambition in the interviewing process.

Removing the Likeability Bias

Once you have properly defined your department's culture and what kind of profile and personality would fit perfectly with the team - and the business -, it will be time to start seeking suitable candidates. As mentioned earlier, objectivity is key here: hitting it off with someone won't mean they will be fit for the job and tangibly contribute to the firm's aspirations.

Basing a decision on likeability also comes with an array of issues in the grand scheme of things. In this day and age where diversity and inclusion is at the forefront of firms' HR agendas, it is increasingly important to guarantee that unconscious biases are removed altogether from hiring processes. Research has shown how business leaders usually tend to like - and ultimately hire - people with similar backgrounds and stories to them, a phenomenon named the looking-glass merit. While traditionally hiring managers would justify this type of hiring as "being culturally aligned with the department or firm", it would perpetuate a homogenous culture lacking diversity.

These days, non-diverse environments are no longer tolerated. Companies around the world are calling for more diverse workplaces where different backgrounds are welcomed just as equally. Some are even altering their job descriptions to ensure unconscious bias can be removed from the hiring process altogether, as mentioned in one of our latest articles on Diversity & Inclusion. By shifting to an outcome-focused method instead of requirement inputs, job descriptions can guarantee cultural fit in a strictly objective way.



Ensuring Cultural Fit From the Interview Process

Cultural fit is a two-way street where both parties must fully understand what they are expecting out of each other. While you assess a candidate's values and motivations in the role, they will be doing exactly the same, figuring out if the overall corporate culture suits their core beliefs and aspirations.

The hiring interview is the main process in which both parties will be able to see if there is a values alignment. Whilst questions assessing a candidate's skills and competencies are of high importance, it is vital for the interviewer to spend some time detailing the corporate culture and assessing their interlocutor's values and motivations in a new role. Below are some questions to ask yourself and the interviewee in order to get the most out of the interview.

Assessing Cultural Fit in the Interview



Describe your team to the candidate

- How is your team made up?
- What is the current management style within the team?
- What is the current management style within the overall business?
- How much interaction does your team have with senior management?
- What is the current climate in terms of work and life balance?
- How do you approach feedback with your team? Is it informal or follows a formal process?



Questions to ask to the candidate

- What are you expecting from this role in addition to the day-to-day?
- What are you looking for in terms of work and life balance?
- In what type of working environment are you the most productive?
- How often do you currently receive feedback? Is this optimal for you?
- Based on what I have told you about our team, the way we operate and our management philosophy, what would change to our department in your first six months here?
- Where do you see yourself in five years? What position would be of interest?
- Which elements of your current role that you like will you bring here if we were to hire you?
- If you had the choice of working all night to close out a time-sensitive project or asking other team members for help, what would you do? What would your approach be?
- Please describe your working style in three words.

The red flags to watch out for

Dishonesty

Elon Musk's trick to "spot a liar" is to ask all candidates "Tell me about some of the most difficult problems you worked on and how you solved them". According to him, people making false claims will struggle with providing an answer with details.

Personality Clashes

Even though likeability shouldn't work in someone's favour in the process, deep personality clashes on core values can be problematic.

Aversiveness to change and adaptation

If the candidate sounds stuck in their ways, this could potentially cause a long-term issue as the business' culture and goals evolve over time.

Disrespecting a Past Employer

putting the blame on a firm or person and not owning your past mistake is a serious red flag to watch out for.

About Rutherford

Rutherford is a boutique search firm located in London. Our consultants are the executive specialists in compliance, financial crime, legal, cyber security and change & transformation recruitment, all within the financial and professional services sectors in the United Kingdom and New York. We use our carefully curated relationships, networks and market knowledge to find the best fit for the clients in hand. We work with a wide range of clients, spanning from advisors, management consultants, corporate and commercial banks, brokers, exchanges, MTFs and financial tech, through to global investment managers, hedge funds, private equity firms, investment banks and technology firms. We began as a compliance recruitment firm in London and expanded to offer new resourcing expertise across legal and cyber recruitment. We have been a leading legal and compliance search agency in London for a decade and are excited about bringing our expanded offering into the technology area.

Compliance Recruitment

Legal Recruitment



Contact Us