Banking: Stepping into the next decade – Professionalism holds the key

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Picture a group of bankers standing on the precipice of the global financial crisis a decade ago, scratching their heads wondering where they would be today.

Some smart Alecs would simply want to know which shares to buy for their long-term portfolios. Damn the rest of the world. Their own bonuses and big fat bank accounts were the be all and end all back then.

But, that was more than just a different time. The whole world has changed, with the seismic shifts still reverberating as this article goes to press. The ongoing Royal Commission into Mis-conduct in the Banking, Superannuation and Financial Services Industry is just one of a number of government-imposed inquiries in Australia and around the world, affecting how bankers are going to be allowed to do business in the future. The imposition of the BEAR regime has also placed greater responsibility on banks by making top executives wait for bonuses. Basel III and its demand for tighter liquidity ratios has meant a much tougher approach to lending to customers.

So, while it's still a little bit of a crystal ball gazing exercise to guess where we will be in 2020 - let alone 2028 - there are definitely certain themes developing around culture and governance that will continue to impact on the industry.

The ridiculous cartoon excesses of the fictional Gordon Gekko - that infamous Greed is Good dinosaur from the 1987 film about Wall Street - might have survived up to the time of the 2008 crash, when governments around the world were forced to bail out failing banks, heralding the start of the worst recession since the Great Depression.

Steps brought in since mean he is certainly dead and buried.

Regulatory authorities around the world are determined not to go through the chaotic scenes that saw queues of people in the UK, trying to get their savings out of collapsed Northern Rock. Fewer consumers would have felt sorry for the investment bankers from Lehman Brothers who were turfed on to the street with just their family portraits in cardboard boxes.

While Australia avoided the worst of the recession, government investigations and the hand-wringing that followed, it has become apparent that consumers feel short changed here. The Royal Commission and a litany of examples of poor performance and downright appalling behaviour have put that in sharp focus upon an almost monthly basis this year. There is no getting away from that. Having CEOs of the Big Four Banks and beyond openly talking about how ashamed they are to be associated with such questionable ways of doing business, is an illustration of the repair work that needs doing. If that isn't enough, headlines about farmers driven to suicide, charging customers who have died and Aboriginal and Torres Strait Islander People being preyed upon because of their faith, prove the extent of the scandal. The trust that was once synonymous with banking is certainly in short supply.

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The job of fixing that trust deficit became FINSIA's way of looking forward even before the Royal Commission.

The return of the core value of being prudent custodians of peoples' money and the introduction of professional, higher than regulation-required, standards is key to FINSIA's strategy. It is certainly the organisation's belief that professionalisation is the way forward. It's also our belief that it will also over-ride the impact of digital technology and artificial intelligence.

As FINSIA Managing Director and CEO Chris Whitehead F FIN said, as some of the worst excesses of the Royal Commission were being revealed, the only way to restore trust was to establish industry wide professionalism.

He said: "It needs to be a given that in financial services in Australia you will be treated fairly, you will be treated with honesty and respect - and that customer interests will be put first, ahead of the institution's own interests. Integrity cannot be a differentiator between organisations. It has to be a common bond, which we all share."

Moreover, he adds: "Every person working in financial services needs to take personal responsibility for ensuring they act with the highest integrity, that they put the interests of customers first and very importantly that they speak up when they see unacceptable behaviours going on around them."

The reason for FINSIA's focus on professionalism is backed up by research carried out before the Royal Commission. It's not a knee-jerk reaction. Restoring trust by investing in professional standards is clearly the way forward. Findings showed that only one in two consumers highly trust the Australian banking industry whilst only two in five highly trust the CEO and Senior Executive team at their banks. More than half of consumers believed the Australian banking industry as a whole, did not have high ethical standards. Add to that the fact that close to a fifth of consumers aged between 25 and 44 would change banks to be served by staff who were more professionally qualified, and the scale of the task ahead becomes clearer.

There is no doubt that industry leaders are already taking steps to repair the trust deficit and also believe that the adoption of rigorous professional standards is the way forward. Many will be at the FINSIA Summit 2018, in October, where professionalisation will be front and centre of the discussion between policy makers, government, regulators, academics and key influencers.

But, how do we go about instilling professionalism into the banking sector? Is it the only remedy? And how is it important to the future?

FINSIA's Head of Standards & Education Kylie Blundell says: "FINSIA recognises that while professionalism is not going to fix all the problems we are facing, it is certainly a major part of the solution that sits in alignment with other initiatives, including regulation. And that will continue to be the case in the future."

If we look at three key elements that build professionalism – education and continuing professional development, professional association membership and disciplinary procedures, education clearly will still be of paramount importance in the future, according to Blundell.

Taking education and CPD first, if you cannot do the job competently, how can you be a professional? Now or in the future? It will mean getting to grips with aspects of the new technology that is at the heart of the financial services industry.

Membership of an independent professional body is another crucial component. It will open doors to new developments in the digital space and as well as career opportunities.

That membership also links into the third crucial element - where the consequences of a disciplinary process is vital for professionalism into the future.

Expanding on the importance of professionalisation, education and ethics, Blundell adds: "The importance we place on education as part of our professionalisation process will allow our members to develop skills that future proof their careers.

"Membership provides individuals with contacts and networks that will allow them to progress their careers now and into the future.

"Again, being part of a membership body with a disciplinary process will give employers the reassurance that their workforce is performing to the highest ethical levels.

"Ethical principles are to a degree future proof – they have been around for many many years.

"That's why they don't need to match the speed of technology, the principles that are applied remain the same."

So, when we pose the question about how much of an impact digital technology and artificial intelligence will have on today's jobs - and whether it will decimate the workforce within banking - it's a moot point. Forget the fact that some commentators are saying thousands of jobs will be lost. For every one of the doomsayers, there is another who is predicting that there will be a growth in allied jobs.

The fact is, customers will expect to be dealing with someone who can show a level of professionalism and demonstrate they're behaving in an ethical manner. For all those who put their faith in an app or chat bot just as many will want the re-assurance of dealing with another human on the other side of the counter, phone, or computer screen.

Another argument for the professionalism will make the fans of the bottom line happy. And while FINSIA's survey showing the lack of trust illustrates the need for professionalism, the growing demand for big business to show social responsibility is already having an impact on profitability. It's clearly good for business.

Pauline Vamos, who was at the helm of the Association of Superannuation Funds of Australia between 2007 and 2016, says: "Businesses with good ethics out -performed the ASX. The link between conduct and share price is there to see."

Organisations that are seen to be behaving badly, she adds, see their reputation damaged which can cost much more than making acting ethically mandatory.

She said: "Once your reputation is damaged, the cost of building it back up is huge. There's more spent on that than changing an organisation's behaviour in the first place."

While millions of dollars in fines levied against the banks has been seen by some as a 'cost of doing business', Ms. Vamos insists that the cost of repositioning the brand and distraction of management time had a greater impact.

As Giles Cuthbert, Managing Director of the UK Chartered Banker Institute, said during a session in Australia, work done on measuring the success of professionalism showed how staff were given credit for their recognition in doing the right thing.

He said: "One bank recognises when individual bankers send a customer off to another bank to get the correct product, rather than just selling the product there in front of them. We have seen quite shift in how banks measure performance."

"What's interesting is that this is happening at a time when we have seen banks return to profitability in the UK."

"It's possibly because of the trust that is inspiring that we are seeing banks return to profit."

So, if professionalism and ethical behaviour is the way towards profitability, it makes sense to push that strategy. But, again, how do we go about that?

Kylie Blundell says ethics can be taught, illustrating the fact when she reveals experiences of how individuals making snap decisions under situations imitating day-to-day banking dilemmas showed less than favourable results.

"When it comes to education - whether it be academic or professional qualifications - it is important they all include ethics," she says.

"The key point is learners need to understand the 'why', not just the process."

"We also need to empower employees by education - not just so, they have the technical skills to perform their role but provide them not just with the knowledge to help them recognise ethical dilemmas, but a range of tools or frameworks to assist their ethical decision making."

Integrity workshops delivered by FINSIA looking at techniques to promote ethical behaviour - to see if outcomes were Honest, Open, Transparent and Fair - showed results indicating ethical education was a must.

"Transparency is interesting," she adds.

"The workshops describe a common workplace scenario that presents some sort of ethical dilemma and provides a number of next steps."

"We ask participants to vote anonymously on what option they would choose."

"What's interesting is, if we ask people to discuss with other participants their options and the reasons for this choice before they vote, the option selected most frequently tends to be the more ethically appropriate option."

"If we ask participants to vote anonymously without discussing it with the other participants, or if we ask them to vote quickly without time to contemplate, the option selected most frequently tends to be less ethically appropriate."

"It highlights the importance of creating workplaces and workplace practices that are open and transparent and encourage employees to discuss their concerns with others to improve ethical decision making."

Even though FINSIA thinks that professionalism is the way towards repairing the trust deficit, there is an expectation that the Royal Commission will want to push for at least some greater regulatory controls.

But, as Blundell says, the professionalisation approach will actually set higher standards.

"We are working towards driving an aspiration for ethical conduct at a level higher than regulatory compliance," she says.

"We need to move away from 'the race to the bottom' to meet minimum requirements."

"We often see this with new starters where the drive to meet minimum competency requirements as quickly as possible is at odds with professionalism."

"We are also working on raising skill levels to improve customer outcomes and support the tradition of prudent stewardship of customers' money plus attracting and retaining the right talent to work in banking through the provision of a professional pathway."

That she says is the way FINSIA can restore pride in the banking sector.

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