



“It Couldn’t Happen Here”

In the wake of further damaging reports on behaviour at IOOF and calls for a royal commission into financial services I would like to follow up last month’s column on ethics. If you are reading this then you are involved in a professional business with high standards of behaviour. You could not imagine that any of the following incidents could ever take place in your business:

1. Forging client signatures on documents
2. Failing to disclose pre-existing conditions in life insurance applications
3. Passing on confidential information about takeover offers
4. Recommending clients transition to more expensive platforms

At risk of offending readers I would like to disturb that complacency by placing each of these inappropriate actions in a slightly different context:

1. Let’s say that it is an important mantra in your business to make things easy for clients. So what if - “just this once” - to save a client the trouble of visiting your office to sign a few administrative forms, someone thought they would help the clients by signing the forms on their behalf?
2. Let’s say that it is an important mantra in your business not to upset clients by raising sensitive topics. So what if - “after all they’re much better now” – we ignore a past episode of depression when completing the underwriting questions rather than upset the client by “digging up the past”?
3. Let’s say that it is an important mantra in your business to add value to your clients with insightful investment recommendations. So what if one of your fund management contacts provides a “hot tip” about an upcoming acquisition of an ASX Top 100 company? Why not pass it on to a few important clients - “it’s probably in the news anyway” and “we’re not making anything out of it ourselves” – without asking any questions?
4. Let’s say that it is an important mantra in your business to streamline processes and run an efficient business. So what if - “to reduce costs and improve systems” – it is suggested that all clients are transferred to the same investment administration platform, even if the management fee is higher “for just a few clients”?

Okay, so even put in that context, I accept that you wouldn’t ever undertake such an action. What about members of your team? Here are some suggestions about managing the activities of your team to improve the probability that “it would never happen here”:



- When recruiting new members of your team, ensure that reference checks are undertaken thoroughly and critically. It is important that the reference checks address style and personality matters not just skills and experience.
- Conduct a regular, open performance review conversation with each member of your team. It is important that the conversation has as much weight on behaviour ("how things are done") as the achievement of KPIs ("what has been done").
- Review the subtle messages as well as the explicit messages that you send your team. The four "mantras" mentioned above look very sensible in the right context. However, without some clear "subject to" provisos they could lead to the wrong actions.
- Promote open communication and an environment of trust that encourages your team members to ask for help. Sometimes all it takes is that someone is willing to check that what they have been asked to do is OK with you.

These are the best of times to be diligent about doing the right thing, even if the alternative might look like a good idea at the time.