

Defining integrity

There is some way to go yet before the financial planning industry achieves the goal of being a universally-respected profession, says Martin Mulcare.

My review of the FPA Consultation Paper on membership structure prompted me to go back to basics and I studied the vision, mission and core values of the FPA. As regular readers will recall, I place significant weight on the importance of values, so the FPA core values caught my attention. In my opinion, the most important value, if we are going to achieve the vision of “trust and confidence”, is integrity. I also suggest that it is the least understood value.

Many people simply swap the word “honesty” for “integrity” and mentally commend themselves in their self-assessment. I think that integrity involves a lot more substance when it comes to your actual behaviour. There has been plenty of emphasis in recent time on transparency, particularly with regard to fees, and this is an important element of integrity. Regular readers will also recognise that fee transparency is important to me. However, when it comes to integrity, I believe that fee transparency is just one of the challenges that advisers face every day when trying to truly live this critical value.

I am indebted to Andrew Horabin’s provocative examination of integrity (www.andrewhorabin.com). I would recommend his book *Bullshit*, in which Andrew presents 14 principles, which test the quality of integrity in the workplace. I have selected three which in my experience are particularly relevant for advisers. See how your conscience responds to the following.

1. SPEAK UP

How often do you remain silent when your clients need your advice? Not very often, I suspect is your answer. But how often do you remain silent when your clients need a good talking to? Here are just a few scenarios where advisers may be reluctant to speak up:

- Your client continues to spend more than their agreed budget.
- Your client does not implement your recommendations.
- Your client doesn’t accept your advice.
- Your client speaks to your staff in an inappropriate tone.
- Your client does not bring the material that they had promised.

Here is your test - and your staff may be very helpful if you are game. Check how many times you say something about your clients (or their behaviour) that you have not said directly to them.

If you don’t speak up and provide some accountability, how can you earn their respect? It’s not easy, because advisers fear upsetting clients and losing business. But if revenue is more important than integrity then you really do have a problem.

2. DON’T MAKE EXCUSES

Plenty of things can go wrong during a long-term relationship with your clients; and given your dependence on so many other people, inside and outside your business, most times it won’t be your fault. Irrespective of the cause, integrity is dependent on taking responsibility and advising what really happened. It’s not easy. Life insurers and fund managers make mistakes and you don’t want to take responsibility. Fair enough. But look at the situation objectively. Identify what you had control over and take responsibility for that. Excuses are childish.

More insidiously, excuses become tradable. You run late for a meeting with a client and make an excuse. Your client accepts it and the protocol becomes established. Next time they are late and you accept their excuse. Soon the activities being excused are more serious: omitted this; didn’t sign that. That isn’t a trusted

relationship.

3. DON’T STATE OPINIONS OR BELIEFS

AS FACT

Advisers are expected to have views on a wide range of financial matters. That’s why clients come to you for advice. And if you have been in the industry, your views may be well established (in your mind). But that doesn’t make them facts. Listen to some of your recordings of your client meetings and check how many times your opinions or beliefs are presented as fact. For example, “private school fees are a great investment for your children”; “industry superannuation funds don’t provide enough choice”; “everyone should have life insurance”; “this is the best value share on the market today”.

Translating opinion into fact is a mark of arrogance. Not only is it manipulative, it provides little scope for discussion or an exchange of opinions. Regularly expressing opinion as opinion is not easy. Clear, confident statements make for efficient communication. They support the image of expertise that the adviser is building. They may even appear to add to the strength of your recommendations. However, trusted relationships require two-way communication and trust will suffer if you don’t preface your advice with, “in my opinion” or, “in my view” or, “I think” or, “I believe”. Test yourself.

I believe that integrity encompasses a wide range of behaviours that are challenging to live up to in our client relationships. It’s more than honesty and transparency. I think that there is a long way to go in our professional conduct before we achieve the FPA’s dream of a universally respected profession. ■

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