

INDEPENDENTLY PROMOTING DEBATE AND FRESH THINKING IN THE FINANCIAL SERVICES INDUSTRY

Public Perception and the Professions – from deference to partnership?

Sue Carrette

Summary

- As a society, in general, we no longer defer to authority as we did in the past. This is having a profound effect on the relationship between professional and client. Yet despite this, trust remains key to the professional-client relationship.
- Thanks in part to the internet, individuals approach professionals armed with considerably more information than previously. However, information alone does not equate to expertise.
- Social media has also become a favoured mechanism to influence the professional/client relationship and grievances are more likely to be aired in the public domain.
- Technology is not the only driver of change, as public policy has sought to make interactions with professionals more of a ‘consumer’ experience – akin to the purchase of a retail product. Linked to this is the rise in expectations that professionals are accountable both for their decisions and the consequences of those decisions.
- Despite these changes, many of the fundamental elements of professionalism remain. Acting in the public interest and the acquisition of qualifications, skills and experience are still expected. Change is around how skills and experience are deployed.
- Individuals now expect to *participate* rather than simply *receive* a service. Professionals need to be engaged with the needs and expectations of their clients, and tailor their provision accordingly.
- This offers an opportunity for professionals to forge new professional/client relationships, ones with the potential to be more productive.

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CII Introduction: The professions, in one guise or another, are rarely out of the news these days. This is due both to increased interaction, and as a result of an intense media spotlight. This, along with the development of technology, is having an impact on professionals, be they financial planners, lawyers or doctors – both in terms of how they work and how they deal with the public. In this latest Thinkpiece, Sue Carrette considers the nature of the changes that have affected our relationships with the professions, both long- and short-term, changing public perceptions, and the extent to which these changes have implications for the future development of the relationship between professionals and their clients.

The End of Deference

A key social change during recent decades in the UK has been the widespread end of the culture of automatic deference to authority. This has also to some extent included the ‘authority’ historically embodied in professionals, derived from a combination of their acquired knowledge, experience and qualifications, and for the traditional professions the authority vested in them through their license to practice.

As a society in general we no longer ‘defer’ to authority. This in turn has led to a questioning of experts and expertise.

Traditionally, the relationship between professional and client has been asymmetrical in nature. That is to say that the balance of power has frequently been in favour of the professional rather than the client. This is also related to the issue of the ‘asymmetry of information’¹ between professional and client which is dealt with in more detail below. Within this context we tended to ‘defer’ to the (inherent) greater knowledge and expertise of those professionals we encountered, and transactions between the professional and client would tend to be ‘one way’ in nature. That is to say that in return for a fee (or not in the case of publicly funded health provision) advice and recommendations (based on professional

knowledge and expertise) would be passed from the professional to the client.

As a society in general we no longer ‘defer’ to authority. This in turn has led to a questioning of experts and expertise. We question and we challenge. Nowhere is this more apparent than in the field of health. Where once if we experienced a new condition or symptom we would be likely to visit our GP, for them to ‘diagnose’ what was wrong and ‘prescribe’ a treatment, now armed with a wealth of our own research we are likely to have self-diagnosed prior to even making an appointment. If the assessment of our GP does not ‘fit in’ with this, we are just as likely to challenge both their diagnosis and prescribed treatment, and to seek a second opinion. This change (coupled with rise of the power of the individual (consumer) has also led to an increase in legal challenges.

Until relatively recently such cases occurred rarely. In the pre-internet age there would have been far less information routinely available in what we now consider to be the public domain. Secondly the prevailing culture of deference would have ensured that the opinion of the professional was likely to have been accepted at face value (even if with reservations). Finally, the ability of the ordinary individual to seek redress through the courts in this way would have been relatively limited, if not legally and in theory then at least, financially and to an extent culturally.

The extent to which individuals (clients) may continue to operate within a culture of deference can be influenced by variables such as level of education, socio-economic background, income, and (dis)ability, and this remains a caveat with respect to the overall trend toward the end of deferential interaction.

A further key aspect of our relationship with the professions is the role of trust. Deference and trust are interrelated and in the same way that we no longer automatically defer to professionals – nor do we automatically trust them. Research suggests that the proportion of people trusting financial services

¹ In economic terms ‘information asymmetry’ refers to transactions of decision within which one party either has more information than the other, or information of better quality

remains low,² while the legal profession has seen a further decline in trust in recent years³ Trust remains a key feature of long-term professional success, particularly in an era of increased and encouraged competition. Indeed a recent review of British professions stated that “professionals must maintain the public trust in order to survive”.⁴

The Democratization of Information, the Internet and Social Media

Individuals now frequently approach professionals of all types armed with substantial levels of information relating to their query. However ‘information’ is not necessarily ‘expertise’ and there is a continuing public debate with respect to the quality and authenticity of at least some of the information that we may arm ourselves with. In addition we do not (all) process information in the same way as each other, or in the same way as ‘professionals’ and ‘experts’.

The development of the internet has also been accompanied by the rise of social media which has in turn shaped many of our interactions, personally and professionally. In particular it has become a useful tool for individuals to create leverage with service providers of all types, including professionals. Dissatisfaction which may once have resulted in a letter or email directly to the individual, firm, professional or regulatory body (a one-way communication), is now likely to be articulated or shared in the public domain in a way which provides the opportunity for both instant and collective action (multi-way communication). There are numerous descriptions of instances where a letter or email detailing dissatisfaction and demanding redress to the head office of a company has gone unanswered only for a negative comment on Facebook or Twitter (which by its public nature is much harder to ignore), to receive immediate attention from the company

² The 2013 Edelman Trust Barometer found that trust in the Financial Services sector continued to be weak globally with less than 50% of respondents declaring trust in the sector.

³ In 2013 Research by YouGov for the Legal Services Consumer Panel discovered that only 42% of the public trusted Lawyers to be truthful, down from 47% in 2011

⁴ P28 British Professions Today: The state of the sector. Spada 2009

monitoring service. Of course this also applies to positive feedback, but it is frequently the sharing of more negative feedback or complaints that concerns professional firms, and consequently it is those that will have the ability to create more ‘leverage’ on the part of the client.

The rise of ‘league tables’ and comparative guides in some professional areas has also contributed to changes in the ‘asymmetry of information’ between professional and client. This has been a particular feature of the education sector and is also increasing in the area of health.⁵

The rise of Consumerism

Strictly speaking the term ‘consumerism’ defines a system within which individuals are encouraged to purchase goods and services in increasing amounts. However it has also come to encompass consumer ‘activism’ through which consumers both seek redress for unsatisfactory transactions, and act collectively.

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This process is often seen in a negative light but can also be perceived as positive in terms of the empowerment of the individual, and can through high profile collective action affect the decisions of large organizations and government at a time when formal traditional democracy is sometimes perceived to be in decline.

It can also be helpful to consider the rise of consumerism within the context of attempts by successive governments to create a ‘marketplace’ within the professions. In this context receiving legal advice or representation, or healthcare is perceived to be no different than purchasing a retail product, initially ‘in the high street’, latterly online. This is a transaction within which the balance of power between professional and client can be perceived as far more ‘evenly matched’, than in the era of deference.

⁵ Dr Fosters Health is an example of this <http://www.drfoosterhealth.co.uk/>

The effect of the recession and issues of accountability

In recent years there has been a significant increase in the extent to which we now expect professionals to be 'accountable', both for their decisions and for the consequences of those decisions. This has been accompanied in some cases by a decline in levels of public trust. In part this has been the acceleration of a longer term trend fuelled by the end of deference and the rise of the empowerment of the individual (consumerism). However, it has also more recently been directly affected by the global recession of 2008 onwards. In the private sector professions, in particular those relating to financial services, this has also been a consequence of the perceived role of those professions in the cause(s) of the recession.

The professional-client relationship is now less of a one-way transaction and more multi-dimensional. There is now an expectation that we will participate in the decisions taken that affect our lives.

The rise of accountability has also been fuelled by a number of high profile scandals (in particular in the fields of health and financial services), which have themselves either emerged and/or grown in importance through internet and social media publicity. Calls for greater professional accountability have also led to increases in regulation at government level, seen in some professions as a threat to hitherto intrinsic professional autonomy.

The Role of Risk

In addition to the end of the culture of deference a further social change affecting our relationship with the professions has been a changing attitude to risk, which has in itself also been potentially exacerbated by the global recession.

Many of the fundamentals in definitions of the professional remain unchanged. There is (still) a widespread assumption that professionals should act in the public interest first and foremost

The professional-client relationship contains an element of inherent vulnerability on the part of the client. In spite of the substantial increase in both the availability and accessibility of data and evidence,

there inevitably remains an 'asymmetry of information' and consequently an imbalance of power between professional and client. This vulnerability equates to a level of risk. There are no certainties. Even with the best lawyer in the world we may not win our court case. Even in the care of the best doctors our operation may not be a complete success. Our well qualified and experienced financial adviser may not provide the best advice after all.

As a society we are increasingly uncomfortable with such levels of risk. To an extent the more variables we can control, the more we expect to be able to control. Risk must be factored out of the picture and in some ways our own research is an attempt to achieve this. The global recession has only exacerbated this situation. After the longest period of economic boom in the post world war two era, the world turned out to be far riskier than we thought. As with issues of accountability our changed attitude to risk has led to increased professional regulation.

What does it now mean to be a professional?

Many of the fundamentals in definitions of the professional remain unchanged. There is (still) a widespread assumption that professionals should act in the public interest first and foremost, will place the interests of the client before their own, and will act with integrity. In spite of the challenges posed by the end of deference and the erosion of trust these are still key elements of professionalism. Typically being a professional also continues to require the acquisition of substantial qualifications, skills and experience. However it is in the area of the deployment of those skills and experience in particular through the transactional relationship with the client that the real nature of what it means to be a professional is changing.

The professional-client relationship is now less of a one-way transaction and more multi-dimensional. There is now an expectation that we will *participate* in the decisions taken that affect our lives. This includes bringing our own 'research' (and assumptions) to the table, questioning and challenging the input and recommendations of our 'expert' professionals, and a willingness to seek

redress when we perceive the outcome to be unsatisfactory.

This has resulted in a challenging landscape for many professionals. More used to practicing in a context in which they *delivered* a service to clients who (largely) happily *received* their ‘expertise’, they now find this is no longer enough. It is now necessary to be *engaged* with the needs and expectations of clients, and to use the information from that engagement to tailor their practice accordingly. This challenge is also filtered through a landscape of declining public trust and increased state regulation. However, it is also a time of opportunity for the professions. The social, economic and technological changes that have led to this point, also provide the opportunity to forge new professional-client relationships, which may ultimately be more productive.

Professionals were providers of information and expertise. In many cases they are now co-creators of solutions based on engagement and partnership.

Surely the patient is more likely to follow a medical ‘decision’ that they have had an active part in shaping? Might not the client of a Financial Adviser be more likely to follow advice when they believe they have genuinely been listened to and that the advice reflects their best interests? Many professions now provide guidance to their members which actively promotes working in ‘partnership’ with clients. It is reasonable to expect that this is a trend that will continue and spread to those professional areas yet to fully embrace client engagement, not least because this may offer one route to restoring and maintaining public trust.

Transparency is another key issue for the professions in the new era. A willingness not only to engage with client feedback, concerns and complaints, but to do so in the public arena and to be seen to be doing so, will in part identify those professions and professionals that are truly both engaged with their client base and have a genuine professional service ethos. Again in the long term this is likely to be productive in the restoration and maintenance of trust.

Finally, while we have seen that the rise of social media has been a driver in some of the changes described above – it also offers the professions a key tool to facilitate not only ‘listening’ to their client base (both potential and actual) but also to fully engage in the online ‘conversation’ that is already taking place. In an economic and social context that is increasingly technologically driven, those professions that continue to either perceive social media as ‘irrelevant’ or to hide behind the restrictions of legal compliance, are unlikely to maintain a competitive edge or succeed as well as they might.⁶ Such reticence is also unlikely to contribute much to the restoration of public trust.

Interactions with professionals and professional services now characterize our lives more than ever. However our relationships with those professionals have fundamentally changed as a result of a number of social and technological developments. These include the general end of deference to authority (including the professions and their members), an increase in our own feelings of empowerment and willingness to challenge others in our interactions with them, the democratization of information and the rise of social media, and the effects of the global recession and consequent rise in regulation and aversion to risk.

Professionals were *providers* of information and expertise. In many cases they are now *co-creators of solutions* based on engagement and partnership.

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⁶ As recently as 2012 60% of those working in Financial Services indicated that so far their industry had not been effective in utilising social media, and a tenth of those firms surveyed indicated that they were not considering using social media at all. Made in Heaven or marriage from hell? Social Media and the Financial Sector. CICERO 2012



Sue is the Director of Sue Carrette Consultancy – which specialises in organisational and professional development services for the professional and higher education sectors, professional bodies and related industries. Sue has worked within the higher and professional education sector for over 20 years and has held roles for a wide range of organizations with a diversity of mission and culture. She has been a contributor to a number of national and international conferences and has a particular interest in aspects of contemporary professionalism. She holds a first degree in History from the University of Portsmouth and an MA in Higher & Professional Education from the Institute of Education, University of London, and was awarded Fellowship of the Association of University Administrators (AUA) in 2012.

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Recent articles in the series:

No.102: Scottish Independence – Dramatic change or more of the same?, by Alisdair Matheson & Charles Livingstone (25 October 2013).

The September 2014 referendum on Scottish independence represents a major potential impact for the insurance sector as well as the wider financial services community in Scotland. This thinkpiece discusses some of the big issues and provides the background to the debate to inform, in a neutral way, what is likely to be a highly charged debate.

No.101: Keeping the lights on – Energy security in the 21st century, by Edward Russell-Walling (10 October 2013).

As populations rise and energy security becomes both a national and global focus, the need for a secure supply of energy is vital. In his Thinkpiece, Edward Russell-Walling, considers the content of an ideal energy policy and what choices and actions need to be taken in the relative short-term whilst new technologies are developed. And those choices carry major public policy risks.

No.100: Product intervention in financial regulation: keeping the customer's interests at heart, by Christopher Woolard (18 September 2013).

A major feature of the new Financial Conduct Authority's approach to regulating financial markets will be the body's plan for product intervention. FCA Policy, Risk and Research Division director Christopher Woolard provides some insight on this potentially complex area, and more importantly sets out the thinking behind the regulator's strategy.

No.99: Success in the new world: Business efficiency in the post-RDR financial advice sector, by Tim Hines and Richard Siddle (7 August 2013).

In the months leading up to the implementation of the regulatory reforms to the UK financial advice sector, known as the Retail Distribution Review (RDR), there was much speculation of how firms would respond. Tim Hines and Nick Siddle offer some suggestions on how advice businesses can operate in this new environment.

No.98: Can a leopard change its spots? 'Repurposing' UK conduct regulation, by Richard Hobbs (26 June).

Much of the debate around the splitting of the old FSA into two had focused on the structural implications of regulation. Richard Hobbs looks at some of the new emerging themes: the new competition powers, the focus on behavioural economics, and the challenge for firms to understand and engage with the new culture rather than merely don compliance helmets.

CPD Reflective Questions



Reading this Thinkpiece can count towards *Structured CPD* under the CII CPD Scheme, if you consider any of the Learning Objectives below to be relevant to your professional development needs. The Reflective Questions are designed to help you reflect on the issues raised in the article. Please note that the answers to the questions are not required for CPD records purposes.

Learning Objectives

Having read this Thinkpiece, readers will be able to:

- Understand the societal changes that are impacting the professional/client relationship.
- Consider how the changing nature of perceptions of professions will impact insurance and financial services.

Reflective Questions

1. Do you agree with the premise set out by the author? If not, why not? If so, can you think of any other factors that might be having an impact on the professional/client relationship?
2. Trust is identified as a cornerstone of the professional/client relationship? What do you think could be done to improve levels of trust in finance professions?
3. How do you see the changes outlined by the author impacting financial advisers, insurance brokers etc?



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