

## Reflection 19. We Choose how to Behave

In 30 years working with financial institutions, some financial institutions stand out in how they relate to their customers, or in their speed of service, or in the transparency of their pricing, or contracts, or in their service recovery. What became clear to me over time, is that financial service providers have both the capacity and ability to choose how they behave – though much institutional behaviour is unmonitored.

Our choices: Its helpful to examine some of the choices institutions make:

Transparency: Transparency relates partly to pricing, how fees and charges are expressed, but also how they are communicated to customers, and at what point in the process. Some level of transparency is often set by regulators, through the enforcement of annual percentage rates, or 'truth in lending' provisions. In South Africa the National Credit Act went further requiring loan contracts to be explained in the customers language.

Some institutions are more transparent than others, in expressing the basis of their calculations, in marketing communications, in in-branch price lists. Some institutions, often short-term lenders are much less transparent about their fees and charges.

Touch points: Institutions have touch points, points at which they interact with the customer, today many of these touch points are digital. Analyse the communications made at each touch point. How are frequently asked questions handled for different products and services? What channels are used? How do we ensure that information provided consistently? A financial service provider may choose to confirm transactions through SMS, or not, or it may charge for the service.

Promises made, are promises kept: Institutions make promises, these can be in writing, verbal or they can be inferred, through marketing for example – “get your loan in 24 hours.” Do we know the promises that we, or our agents (Direct Sales Agents, or Bank Agents) are making? Do we monitor our service levels to ensure that promises are kept?

Service recovery: Institutions also chose how they handle customers when things go wrong, how they empower staff to resolve issues, the extent to which they resolve the causes of service failures. I discuss this in my blog – [Getting Real About Customer Service](#). Good systems for service recovery are important – but ensuring that the problem doesn't keep reoccurring is even more important, and much less considered.

Legal contracts: Lawyers write contracts, but how understandable are the contracts, contracts can be written in simple language, a summary of terms and conditions can be provided. A financial service provider should always ensure the principle of informed consent. Unfortunately, in my experience, this is rarely the case.

An informative case of – “we choose how we behave” is on the emerging topic of ESG. Environment, Social and Governance. Leading institutions are already providing in depth, carefully put together sustainability reports. Other institutions have devoted just a few paragraphs in their annual report. Clearly, this will change with more regulation and the launch of IFRS S1 and IFRS S2, but its still a good example of “we choose how we behave”.

Loan recovery: Clearly how an institution recovers its loans is always a challenge which ends up in debt collectors and court cases. However, how the institution behaves before loans reach this stage can have the most significant impact on recoveries. This comes down to communication in the right way at the right time, physical monitoring in many cases, and how collections are organised. Again, it is how we behave.

Industry Codes of Conduct: Regulators and industry associations are aware of the importance of market conduct, though the mechanisms by which conduct is monitored and enforced vary from country to country and are often insufficient. But again, these codes of conduct or regulations will set a baseline for behaviour. As an institution we still need to apply the code of conduct, or ideally set standards above those of the industry. How we comply is again our choice.

Avoid: In considering how to behave, financial service providers must avoid ‘tokenism,’ I’ve seen this particular in corporate social responsibility and in ESG, but also in a tendency for staff members not to take customer issues seriously – to ‘pass the buck’ and for service recovery to take unnecessarily long.

In improving how we behave consider the following:

- Review your values and how they are applied: service providers will have a values statement but will rarely set indicators or signposts related to their values.
- Set standards: this is usually done and expressed in turnaround time and other metrics, but review the standards against your values, to see if values are captured in the standards set.
- Establish expectations: Be transparent with your customers so that realistic expectations are set.
- Enforce Compliance: Improve internal compliance, in many institutions this is an area for improvement.
- Examine touchpoints: Touchpoints, physical and digital are points where our good behaviour should be evidenced.
- Examine customer communications: Review our customer communications and see how they can be improved, or made more transparent.
- Review and create feedback loops: A feedback loop is where information is communicated upwards or downwards, to the right people who can take decisions.
- Conduct diagnostic evaluations: Periodically conduct diagnostics where indicators of our behaviour can be diagnosed or tracked.

First Principles Consulting can help you to diagnose service delivery issues, and help you think through how you choose to behave.

*If this reflection speaks to you... speak to me so that we can inspire change, together.*

David Cracknell

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