

# Awards - a time for change?



**Hubbis recently carried out a survey on awards in the Asian wealth management community, responses to which painted a sceptical picture of the current state of 'award-giving.'**

**L**OVE OR LOATHE THEM, awards have become an accepted integral part of the wealth management industry in Asia, and the financial services space at large.

At any given time in the calendar, one can find multiple award initiatives being promoted throughout Asia. You may find multiple different winners for the same category depending on who organised the awards, who sponsored the awards, and who attended the awards. This points to at least part of the problem.

Awards have their place in all industries, but in order to maintain their credibility, and to ensure that they are worthwhile, there appears to be a pressing need to improve standards and transparency in the

space. With that in mind, Hubbis recently conducted a survey on the value, moral, ethical, and legal aspects of participation in awards in the Asian wealth management

space. We received approximately 300 responses, which combined with our interviews with senior practitioners, make for a fascinating read on how some of the community's most important stakeholders perceive awards. Our survey found some incredible

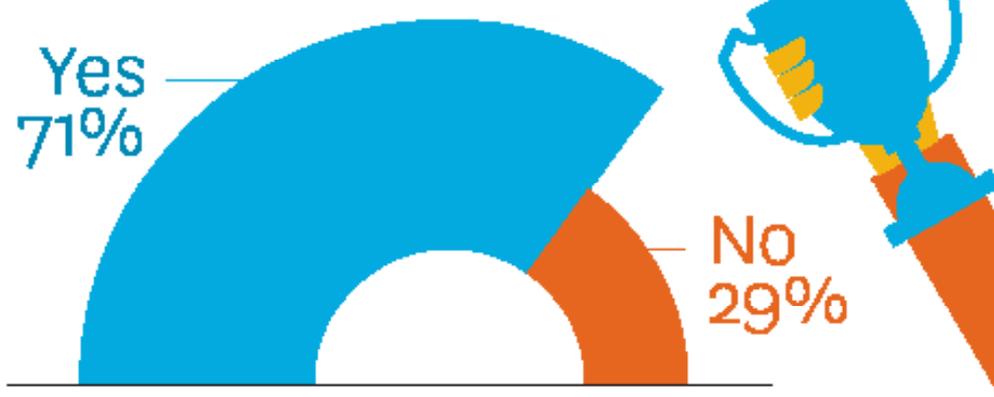
publishers and event companies in holding awards. Awards can sometimes be significant revenue churners for the financial media industry and vehicles with which

they can extend their brand value.

As one of the respondents to our survey said: "Any publication has its absolute right to offer any award to anyone as we're in a free market." But like in every industry there are the good, the bad and the ugly awards companies. Some

**It is the lack of consistent standards, transparency and integrity in the awards industry that ultimately undermines the whole industry.**

### Do you think there are too many awards in Private Banking & Wealth Management?



way they are judged and given. Within the Asian wealth management space, it was clear from our research that very little had been written or explored about the positive and negative aspects of awards, even though such informal conversations about them are common within the community.

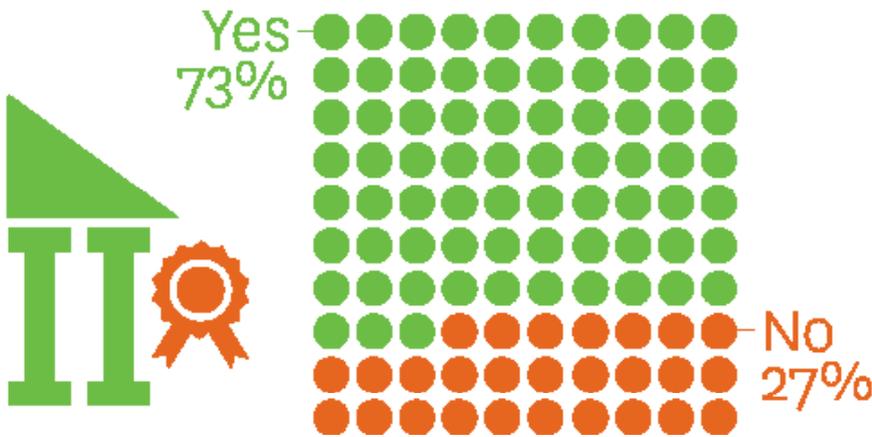
insights, specifically the scepticism that surrounds such awards, which should leave senior management, heads of marketing, and compliance officers rethinking their approach to such awards in the future.

Let us be clear from the outset, we do not question the right of

award organisers are rigorous in their approach to standards whilst others show a more flexible commercial view of what it takes to win one of their awards.

It is the lack of consistent standards, transparency and integrity in the awards industry that ultimately undermines the

**Do you think it makes sense for Private Banks & Wealth Management firms to participate in awards?**



whole industry. There are obvious questions to ask in determining whether those awards are worthwhile. What were the nomination criteria? Was it self-nomination? What were the judging criteria? How was it judged? Was it linked to expensive gala dinner ticket sales or other sponsorships?

These are all important considerations in deciding whether the awards are credible, and if the winners were actually deserving of those awards.

**The whys and why nots**

The question, therefore, is why does the wealth management community participate in awards, good or bad?

When asked whether they think it makes sense for private banks & wealth management firms to participate in awards, 73% responded with a resounding yes, but at the same time 71% said that they felt there were too many awards.

It is one thing to participate in awards just to inflate egos in front of family, friends, and peers.

But it is a whole different issue if someone is proactively seeking

out awards irrespective of the selection criteria, and then seeks to promote them on advertising literature to deliberately positively influence existing or prospective clients.

It is not of course only clients that organisations promote their awards to. Often, they are also

**But it is a whole different issue if someone is proactively seeking out awards irrespective of the selection criteria, and then seeks to promote them on advertising literature to deliberately positively influence existing or prospective clients.**

used to as part of internal PR campaigns at Town Hall meetings in an organisation. “Banks are not innovative organisations,” said one industry old hand, trying to find a reason. “They follow each other and imitate marketing strategies from their peers or their aspirational role-models.”

“The major issue in our region is that clients, bankers, managers ab-

solutely love certifications, awards or third-party recognitions,” said one banker. “If the fancy sounding certification has been issued by a third-party, it is automatically assumed that it must be legitimate and credible.”

If our survey is anything to go by, there would be very few people in the audience that would consider winning such an award to be a big deal.

Indeed, one wealth manager summed it up as: “They feed egos, are meaningless and besides, everyone gets one!”, while another respondent said, they are “becoming a pure marketing tool, and the organisers take advantage of that.”

Another summed it up as “market pressure to do so, just so that you can hang a five-dollar plaque in a meeting room.”

Some suggested that awards were not and are not taken that seriously in the first place. “Personally, I am more in the camp of let everyone who wants to sell an award, sell it. I don’t think

that represents a moral or ethical problem,” said one wealth manager. “Nobody takes these awards that seriously. I like these award dinners for the networking. Banks use them for team building.” One private banker had very strong negative views: “The quality of the awards industry is getting worse and more out of control each year. For some of the awards,

## THE CASE FOR PARTICIPATING IN AWARDS

- Recognises excellence
- Benchmarking
- Provides a platform for institutions to differentiate themselves
- Showcase unique initiatives and success stories
- Highlights success in the industry
- Provides recognition and motivation
- Highlights innovation
- Provides opportunities for Promotion, Marketing and business development
- An opportunity to celebrate together and to bring industry professionals together
- Rigorous entry and judging criteria provided by some awards companies
- Allows new market entrants to get market exposure
- Provides an opportunity for competition
- Boosts morale and PR internally
- Promotes the whole industry

I think it's more about making money for the business behind the awards rather than recognising excellence.”

“There are far too many awards on offer and many of these are self-nominated where competition or entries are limited,” said one banker. “In addition, many awards are 'sponsored' and there is a tendency for awards to then be granted to these sponsors further undermining the awards themselves.”

A wealth manager added that such awards are increasingly meaningless. “Dilution of the impact of receiving such award. Like in the movie 'the Incredibles', where the bad guy wants to sell his inventions so that 'Everyone can be super! And when everyone's super... no one will be.'”

Some respondents took the view that participation was good provided certain conditions were met, in particular, that no financial incentivisation was in play to be able to receive those awards. “There are of course a number of

awards that are already both credible and worthwhile,” argued one wealth manager.

“Only if the body presenting the awards is an independent body and not influenced by the participating banks' sponsorship and financial contribution to the organising firm,” said one wealth manager.

Another added that participating was fine, provided the awards are 'credible', “which is not always the case. Some organisations have a solid, transparent and unbiased judging process which makes the awards meaningful.”

One respondent pointed out that it makes sense to participate in awards where there is a lot of due diligence put in to select winners rather than just giving it away to companies which sponsor the event or with highest A.U.M. Another pointed out that award shows were not measuring what matters: “It's all an incestuous and non-democratic stitch-up. Bank clients and customers are the only people who have relevant and worthwhile opinions and experi-

ences of which companies deserve any accolades.”

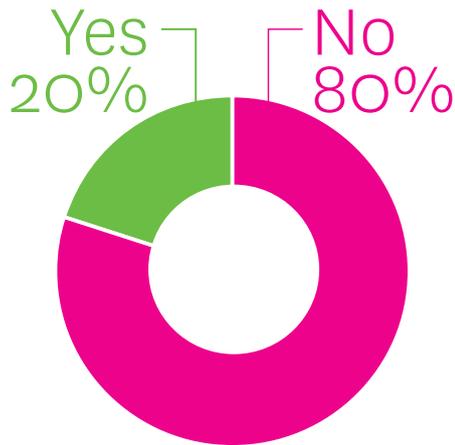
### Is it all about the money?

While there are entities and individuals who believe that participating in awards makes business and reputational sense, it is a problem if the awards are not credible in the first place.

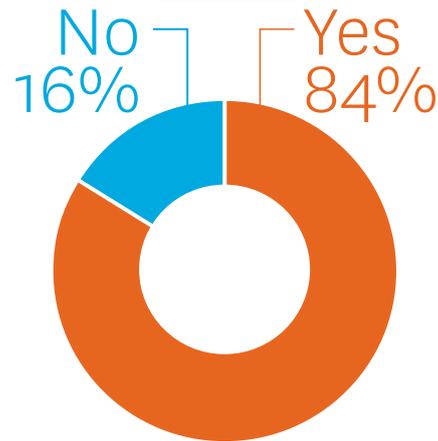
A majority of our survey respondents indeed believe awards are all about the money. When asked if they perceive such awards as just money-making opportunities (such as sales of dinner tables) or do they recognise true excellence, 58% said it was more about the money than excellence, with only 10% saying it was more about excellence. “Too many of the awards can directly or indirectly be bought. It is well known that most of the awards can be bought through sponsoring of ads and purchase of tables at award ceremonies,” stated one wealth manager.

A private banker revealed: “There is a sense of whoever buys

Do you consider there is sufficient independence, credibility, rigour and transparency in the processes associated with determination of the winners of such awards?



Do you think that good compliance and efforts for good conduct should be highlighted with an award as well?



the most tables at an event or perhaps the biggest advertising package associated with the award will receive an award.”

A wealth manager revealed that his firm had experienced some hard selling that borders on harassment from certain awards organisers and publications to participate and/or sponsor packages. “Some publications charge a fee per submission, and firms get a discount if they submit a certain number of applications,” he said. “If that is really an admin fee, why would there be a discount when firms submit more applications? Some charge for the award trophy. Some charge for usage of the award logo. Some include everything into packages that you either buy everything or you can’t even pay for just the award logo.”

The question is this: If it is true that an organisation can buy an

award, which would be unethical in any industry, and then goes on to publicise that award, how can that behaviour be ‘fair to the client’?

“The key concern is that they can give a false impression to clients and targets of an award winner’s competence or performance,” voiced one private banker.

To pay for tickets for awards dinners appears to be incompatible with many organisations anti-bribery and corruption and entertainment policies. But this is something that is par for course now, according to our survey’s respondents.

In some firms, their own internal policy prevents individuals from even accepting an invitation to watch a game of rugby at a market cost of USD100. It seems strange therefore that organisations who have such policies then go ahead with purchases of tickets for tables at awards dinners for thousands of

dollars. Buying tickets for expensive tables at gala awards dinners impinge on the independence and credibility of the awards. How many organisations would actually end up winning awards if they refuse to buy tickets for tables? This is why, perhaps, the industry should refuse to engage in purchasing tickets for Gala awards dinner tables until the judging process has been concluded.

“Awards should be about the honesty of the company in how they represent the client, not the internal marketing budget allocated for the use of award logos and seats at awards dinners,” fumed one wealth manager. “Based on my experience, until the groups hosting the awards unbundle the requirement to purchase a package of advertising to enter, it will never be credible,” a family office executive pointed out.

Do you perceive such awards as just money making opportunities (such as sales of dinner tables) or do they recognise true excellence?



### The question of ethics

There is little doubt that a lot of time and effort and money is put in by marketing teams in efforts to win these awards.

But the question arises as to how much due diligence is carried out in the first instance to establish the integrity of the processes of the award-giving company?

It would appear that the current balance between participation as opposed to carefully ana-

lysing the ethical considerations is relatively distorted.

When asked about the risks of accepting and promoting such awards, respondents to our survey showed their concerns. About 55% agreed with the concern that such awards can be deceptive and misleading, while 39% were concerned about conflicts of interest. Only 19% felt there were no risks arising. As one respondent said: “To the ill-informed

investor, they have no idea of the criteria used to judge the award or indeed who else entered for the award. Awards, when advertised in this way, could give a misleading context to the reader and may not be treating a client fairly. It is a matter that may well be tested in due course by a disgruntled client who feels they were misled.”

When we asked our survey respondents if they believed there is sufficient independence, cred-

## THE CASE FOR NOT PARTICIPATING IN AWARDS

- Lack of transparency including in respect of the amounts spent to win these awards
- Ethical/Regulatory considerations
- Vague methodologies
- Link between sponsorship and awards
- Link between buying tickets for gala awards dinners and winning awards
- Advertising of awards have potential to be misleading and deceptive
- Self-nomination
- Conflicts of interest
- Inflates egos
- Lack of independence in judging
- Cost of participation in terms of time and money
- Lack of representative participation. Winning if you are the only entrant lacks credibility.
- Scepticism in the industry in respect of the credibility of awards
- Awards being directly or indirectly bought

**Good practices for credible awards**

The following seem to be the key features needed for provision of credible awards:

- Transparency in terms of entry requirements
- Ability to scrutinise any information provided as part of the entry
- Objective and measurable criteria
- Strong due diligence
- No self-nomination
- No linking of purchase of tickets for gala award dinner tables with winning awards
- Sales of gala dinner tickets only after judging completed
- A minimum number of entrants for each category
- Industry-recognized and non-partisan
- Independent and experienced judging panels
- Quantitative/Qualitative criteria where appropriate
- Independent external audit of award process

ibility, rigour and transparency in the processes associated with the determination of the winners of such awards, only 20% agreed.

Most respondents felt there were significant risks associated

damage from being associated with awards companies that lack integrity and standards,” said one private banker.

“Awards may give a false sense of excellence (which could be

agement firm management are not being held “sufficiently accountable to shareholders when it comes to the price of winning awards.”

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with awards including what such awards would mean in evolving regulatory environments such as those in Asia. “Reputational

construed as misrepresentation,” said one wealth manager. Another family office executive lamented that private banks and wealth man-

**Could regulators step in?**

It would not appear that the industry can change itself given the same issues continue to persist as were highlighted in the Guardian article in 2011 (see box on page 8). In our survey, we asked the various stakeholders as to what they believed was the way forward,



## Pay to play in UK's financial services space

In 2011, The Guardian in the UK ran an investigative article with the headline: *Financial services companies are the main winners of their industry awards.*

They found that while “awards let financial services firms boast about being the 'best provider',” there was a growing number of consultancies that 'guarantee' wins and publishers that hand out prizes for cash.

Among the other things they found, which should resonate with anyone in the Asian wealth management space participating in 'awards':

- Awards schemes with no formal entry requirements or independent judging
- Consultancies that take fees from companies to ensure a "guaranteed win" and "take the hassle out" of entering awards
- Large fees charged by awards organisers to enter awards
- Awards events where winners are only invited to accept awards if they first pay hundreds of pounds
- For some trade magazine publishers, awards ceremonies have become vital cash cows that keep their publications afloat
- Some monthly publications earn more money from their annual awards bash than they do from the magazine itself, allowing worrying commercial practices to develop

given many had grave doubts about the awards being handed out in the market and how firms were leveraging them.

Of course, the industry could fix itself by refusing to participate in awards that do not have the requisite standards and procedures, but that is probably unlikely because of the “fear of missing out.”

Some asked for tighter regulations, some asked for self-regulation, while others pointed out how this was out of regulatory purview for now if not entirely useless. One wealth manager suggested that it would be an excellent idea

if the regulator came up with its own public quality rating. “They are rating all banks (incl. private banks) anyway and are looking at their business model, their compliance and governance processes, the quality of their management, etc.,” he pointed out. “Now that would be a credible quality rating.”

Others disagreed vehemently. “Not sure regulation will help much,” said one private banker.

Another banker pointed out that the regulator seems to consider this as a marketing tool which is out of their scope of regulations. “This creates an issue, given the

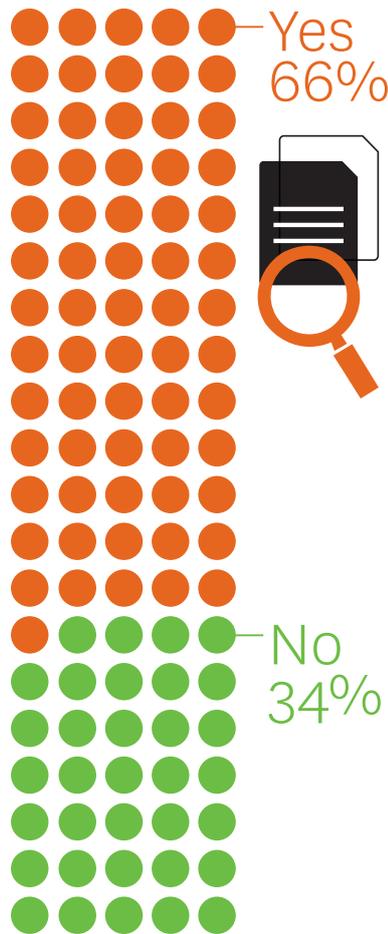
fact that nobody seems to be liable for the potential misrepresentation of a bank's quality/misleading clients,” he added.

When we asked in our survey if such awards should become subject to regulation given that publicity of these awards are used by wealth management firms, 66% of the respondents said yes.

Another experienced wealth manager added: “The regulators could assist in creating a framework but there needs to be independence, and the regulator should not be perceived to be aligning with a preferred institution.”



Do you think that such awards should become subject to guidance and/or rules from the regulators given that wealth management firms use these awards for publicity?



The danger though to the industry is that if the regulators don't intervene now, the day is not far that disgruntled clients will take to litigation when they believe that they have been misled by a firm's award advertising.

**Awarding compliance & good conduct**

Others suggested a rankings list for the institutions and the individuals similar to those done in the legal industry, while many others

Do you consider any of the following as risks of accepting and promoting such awards?



recommended that awards helmed by Not-for-Profit organisations with auditable processes have a place in the industry. "The challenge is an acceptable alternative which pays," said one wealth manager. "Sadly, this is what it boils down to and the result is that the regulators will ignore it, and the banks and media will continue to push it, until it kills itself."

Many others pointed to the customer or client, and why their satisfaction should be the

ultimate metric when giving out awards. "We are a profession, and we should act in a professional manner in the best interests of our client. Rewards should be based on good behaviours," said one wealth manager, who added that one could look at multiple metrics including performance, risk, longevity, and consistency.

Within the financial services space, and wealth management, in particular, good compliance is critical, especially from a client point of view, but very rarely is it "sexy enough" for public relations and marketing. But 84% of the respondents in our survey nodded in agreement when we asked if good compliance behaviour and conduct should be rewarded.

"Absolutely. Not just Compliance but should also consider the business model such as social responsibility, diversity, etc.," said one wealth manager. "We should be highlighting individuals and companies that abide by the highest standards." Standards, many emphasise, form the bedrock of wealth management firms and private banks, and what must force (many of) them to be honest about the current state of "award-giving" and the risks they come with.

Going forward, it is clear that the Asian wealth management community must look inwards to see whether this current state of affairs is consistent with the ethical culture and values of the organisations they represent, and ultimately in line with their fiduciary duty of acting in the best interests of their clients.

Whilst we think that there is certainly a place for awards in the industry we all work in today, there is much work to be done going forward, together, to make them more credible and worthwhile for all its stakeholders. ■