

How to win back business confidence and credibility in turbulent times

In the midst of the worst financial crisis the world has seen since the Great Depression, we inevitably ask: "What went wrong?" Concerns over accountability, transparency, quality and risk management resonate the strongest.

What the world needs is confidence – the bedrock of business.

Financial institutions have suffered the most from damaged reputations. Governments have come to the rescue, bringing into the spotlight the long-lasting debate between too much and too little regulation. Should we enforce control – even to degrees that some might consider excessive – to protect our overall economic integrity, or should we be wary of limiting economic growth by such restrictions?

Voluntary standards provide a middle ground, balancing the interests of regulation and economic growth. On one hand, financial institutions, businesses and other organizations benefit from access to internationally agreed best practice, and from the possibility to participate in their development.

On the other hand, public authorities can use ISO standards as flexible complements to regulation. Developed with broad stakeholder input from consumers, manufacturers, unions, regulators, academics and other groups, International Standards are multi-faceted, and can be understood and implemented by everyone.

ISO standards are therefore powerful tools for changing the behaviour of economic actors. They provide a framework for financial institutions to become proactively accountable, as opposed to reacting in response to enforced regulation.

Furthermore, a global crisis requires a global response, and International Standards cross boundaries of geography and legislation. In fact, the financial crisis arose precisely because International Standards were not put in place and followed.

And this is reflected in the growing demand for standards. At a time when most organizations have cut down business, ISO has actually increased its scope and introduced several new projects.

Not only do organizations who implement voluntary standards benefit from enhanced efficiency, reduced costs, technological know-how and improved market access, but internationally recognized standards also constitute a proactive commitment, appreciated by customers, to promoting quality, transparency, and accountability, and thus help organizations to generate and restore confidence.

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ISO has developed a robust portfolio of standards geared towards the financial services industry through its technical committee ISO/TC 68, *Financial services*. Its standards cover a wide spectrum of services with focus on the securities market and related financial instruments, core banking and payments (e.g. IBAN, ISIN).

Many have been adopted as national standards and help to ensure the integrity and confidentiality of the financial infrastructure.

Another confidence-generating standard is ISO 22222, which outlines requirements for ethical behaviour, competences and experience of personal financial planners.

The ISO 9000 standards for quality management are helping organizations streamline operations to increase efficiency and reduce costs. Furthermore, ISO and the International Electrotechnical Commission (IEC) have developed standards for controlling risks associated with information and sensitive data (the ISO/IEC 27000 family), business continuity standards, and

customer-focused complaint management standards.

ISO is also working on standards for anti-counterfeiting, fraud countermeasures and control, financial rating services, brand value and a new project on consumer credit rating. The soon-to-be published ISO 31000 will provide organizations with state-of-the-art guidance and principles for risk management.

All of these tools will help financial institutions and other organizations around the world to restore credibility, integrity and efficiency – whether in developed or developing countries – as well as to prevent future crises.

An important lesson of the current crisis is that we cannot separate business from ethics. The future ISO 26000 on social responsibility will provide organizations with internationally agreed principles to guide their business operations with an ethical framework.

As these examples show, ISO's voluntary standards constitute practical tools for achieving many of the objectives of regulators. With the experience of the global financial crisis, financial institutions and consumers might consider it opportune to weigh up the benefits of a proactive use of voluntary standards, instead of reactively responding to regulations that may incur costs. Regulators too may consider the use of voluntary standards as an alternative, or as an adjunct, to regulation, in paving the way to a common goal – a financial sector we can once again trust.



Julien Pitton
ISO Treasurer