



It all starts with ETHICS

If you think ethics is just for philosophers and intellectuals, think again. Ethics are at the core of everything we do and shape our behaviours. As our industry travels the pathway to professionalism, we must decide the guiding principles that define our collective behaviours and strive to always act in accordance with them.

Being ethical is part of what defines us as human beings. We're rational, thinking, choosing creatures and we all have the capacity to make conscious choices – although we often act out of habit or in line with the views of the crowd.

We all ask ourselves ethical questions whenever we think about how we should act, and our ethics provide a framework for answering these questions. Importantly, ethics allow us to act in a manner that accords with a core set of principles.

Ethical people have what philosopher Thomas Aquinas called a “well-informed conscience”. They live what Socrates called “an examined life”. They try to answer the questions of how to live by reflecting on difficult situations. And they act in a way that's true to who they are and what they believe.

So what does this have to do with real estate and why is it relevant to professionalism?

Perception or reality?

The Professional Standards Councils, with its agency the Professional Standards Authority, is the independent statutory body responsible for promoting professional standards.

They use the 5 Es to define the elements that are necessary to qualify as a profession. The first E is ethics and, in order to be recognised as a profession, our industry must demonstrate that we collectively adhere to a prescribed set of ethical standards.

Consumers don't trust real estate agents and survey after survey shows this.



Market research company Roy Morgan has been polling Australians about the trustworthiness of different professions since 1975. Real estate agents have always polled poorly. In its 2016 Image of Professions survey only 10 per cent of those surveyed rated agents as 'very high' or 'high' in terms of ethics and honesty. Only advertising people and car salespeople scored worse.

This 'unethical and dishonest agent' stereotype was tested by CoreLogic in its 2015 Consumer Perceptions of Real Estate survey. The key finding was while a majority of sellers reported positive experiences with agents, with 31 per cent rating the experience as 'excellent' and 35 per cent as 'good', slightly more than a third of respondents (34 per cent) said the service they received was underwhelming and even angered them.

Whether agents are actually unethical and not to be trusted is beside the point. Perception is reality and our industry has a massive perception problem. But why?

In a word, behaviour. Every action we take and every word we say is driven by our learned behaviours. But what is it that's informing these behaviours? It should be ethics – our system of guiding principles that allow us to judge good from bad and right from wrong.

The real estate industry has all but lost its collective system of guiding principles. Ethics have long been forgotten. They're not trained and are not held as being essential to success as an agent.

As an industry, we've developed a 'look at me' mentality. Agents are known for their 'it's all about me' mentality and we joke about 'real estate rock stars'. It's a mentality that's incredibly damaging and one that doesn't signal professionalism.

Like it or not, our behaviour matters. Consumers judge us on our behaviour and for our industry to rank so low for ethics and honesty means that our behaviour has been well below par for a long time.

A changing world

It begs the question: why has it been allowed to go on for so long?

There's been a lack of appetite in the industry to address the issue. The focus for far too many agents for far too long has been on making money – and lots of it. Why derail the gravy train?



Disappointingly, the need to behave in a professional manner seems to have been missed by some agents – lost along the way in their desire to gather all the outward symbols and trappings of success.

A prevailing attitude of arrogance and entitlement is also at play.

I can remember going to training courses and conferences back in the 80s and being told to ‘treat buyers like mushrooms’. Buyers weren’t considered to be important. After all, we were the ones that were in control. We controlled the stock levels, we controlled the property, we controlled everything. It’s an attitude that, in a lot of ways, continues today.

But we live in a changing world. The power balance has shifted and consumers hold far more power. They’re more sophisticated and have access to far more information than ever before. Their expectations are high and if they’re not satisfied they’ll let you know – loudly!

The bar has been raised and consumers have no hesitation in calling out behaviour they see as unprofessional and unethical.

Missing piece of the puzzle

The fact ethics is not part of the formal learning process agents must go through to gain their qualifications is a fundamental flaw in the industry’s education system.

As agents, we don’t receive any formal training in ethics. There should be an ethics unit in our formal learning framework and all agents should be required to pass it.

But can ethics be learnt? Yes.

Some will argue that ethics can’t be learnt. I disagree. Ethics don’t necessarily come naturally – but they can be learnt. We learn ethics from our parents as we’re growing up. We learn them at school. And when we head out into the workforce, we learn them from those around us.

Ethics provide a structure within which to act. Once you understand that structure, you know how to act and you can flourish. Our industry leaders are in a position to set the tone. But if our leaders are demonstrating a flawed ethical compass – if they’re slaves to the mentality of ‘me’ – then that’s what we learn.



As well as being part of the formal learning process, ethics training must become part of every agent's ongoing professional development.

Learning and applying ethics is an ongoing, never-ending process. And we can all learn from those agents who are already operating ethically and honestly. Over the last few years, we've seen a lot of agents really up their game. More and more, agents are striving to operate at the highest level and act in a completely professional manner. They don't just talk the talk, they walk the walk.

But what's missing is a formal ethical framework for the industry.

Starting point

The fact that the journey toward professionalism starts with ethics is no coincidence.

Ethics needs to inform everything you do as an agent. Without ethics, your education and experience means little. Ethics must be your driving force. Why do you get up in the morning and do what you do? Is it because you genuinely care about doing the best job for your clients? Or are you just in it for yourself? For the money?

An ethical agent is someone who puts their client's interests at the forefront. It's a big shift in mindset – moving from a 'me' focus to a focus on clients. When faced with challenging questions, ethical agents always ask themselves 'what ought I do?'. They always put their client first and their clients know precisely what they stand for. Their behaviours are informed by a guiding set of principles to which they stay true.

Over the next 12 months, REINSW will be working with agents across the industry and consumers to draft a new code of ethics.

The new code of ethics will be our guiding principles. It will reflect our collective values and represent the way we want consumers to view us. We'll then be looking to industry leaders and influencers to take the new code of ethics back into their teams, agencies and franchises and lead by example.

We can't expect to move beyond the bottom rungs in consumer opinion surveys unless we first behave in a way that provides a better experience for clients, so they place a higher value on our services. Until this happens, there will be continued downward pressure on the perceived value of what we do.

REINSW is focused on driving the evolution of our industry and we'll be working



closely with members to ensure the most appropriate ethical framework is in place so we can achieve the standards set down by the Professional Standards Councils.

We're looking forward to working with members as we establish a new ethical framework for our industry that will create new consumer expectations about what it means to deal with a professional member of REINSW.

John Cunningham

Chair, REIA Professionalism Committee and REIA Project Leader of the Pathway to Professionalism

Understanding professional ethics

CEO of the Professional Standards Authority, Dr Deen Sanders, explains what ethics means in the context of professionalism.

When we talk about ethics in the context of professionalism, we're really talking about ethical systems.

When most people think of ethics, they think about the personal idea of right and wrong. But in a professional context, we're not just talking about personal views. We're looking at how right and wrong are defined by the collective group of professionals and how that feeds into a professional system of codes and rules that give everyone confidence in the right procedure.

There's a difference between personal ethics and professional ethics.

When it comes to professional ethics, it's not a case of what you may personally believe is ethical. It's about what the collective profession has negotiated and agreed to be ethical.

The goal is to build an ethical system that articulates ethical practices in a document that is far more substantial than a simple statement of what is right and wrong.

Negotiation

For a code of ethics to be meaningful, it has to be negotiated with the entire professional community – and that community extends further than the practitioners themselves.



There needs to be negotiation and consultation with not just practitioners, but also with clients and consumers. What an agent thinks professional, ethical behaviour looks like could potentially be quite different to consumer expectations.

It's quite normal for emerging professions to spend a lot of time talking to each other and not enough time talking to consumers about their services.

When a profession is looking to be recognised under the professional standards legislation, we're not only interested in the fact that a documented code of ethics is in place, but who was involved in the development of that code and how it encourages good practice and affects changes in behaviour.

It's about inviting people into a conversation about the ethical standards that are shared and how members of the profession will be held accountable to those standards.

Compliance

For a code of ethics to be genuinely robust, the real test is how compliance is monitored and enforced.

How do you test for compliance? How do you measure it? An important part of a good code of ethics is building in 'evidential capacity'. Writing practice standards and ethical statements in such a way that it can be objectively, rather than subjectively, determined if someone has failed to meet their ethical obligation under the code.

Ultimately, genuine professions are about ensuring consumers can have confidence in dealing with its members, which means a profession is really only strong when it removes the people that undermine that confidence. The brand of every professional member is affected by the unethical and unprofessional practices of a small minority of members. So you need to have an evidential, objective framework against which you can assess why they should stay or why they should go.

This is also why an industry trying to meet the requirements of a profession must demonstrate that they have the capacity to police their own ethical standards.

This means they need to – via their professional body – investigate instances of failure or malfeasance and take steps to enforce penalties, which may include the loss of registration or membership. Generally, a complaint system will be in place to



allow consumers and other members of the profession to report instances of potential non-compliance.

Ongoing commitment

Approval as a profession is a lifelong commitment. It's a commitment to a different future for members of the professional community – practitioners and consumers alike. And it's a commitment to continuous improvement of professional standards and conduct.

The barrier to recognition as a profession is high and the standard required to maintain professional status is equally high, because the community need to have confidence that the members of the profession are always going to be competent.

To that end, the regulatory framework applied by the Professional Standards Councils and its agency, the Professional Standards Authority, involves annual audits of professional associations to ensure not only the maintenance of ethical standards, but also their continued improvement in response to market, member and community needs.

Becoming a profession

REINSW, in conjunction with REIA, are working with the Professional Standards Councils (PSC) and its agency, the Professional Standards Authority, to explore how real estate agents can be formally recognised as a profession.

The PSC uses the 5 Es to define the elements that are necessary to qualify as a profession.

1. Ethics

The prescribed professional and ethical standards that clients rightfully expect their professional to exhibit.

2. Education

The specific technical and professional requirements to practice in a discrete professional area, linked to formal entry-level qualifications.



3. Experience

The personal capabilities and expectations of experience required to practice as a professional in a specific area.

4. Examination

The mechanism by which qualifications and ongoing compliance are assessed and assured to the community.

5. Entity

There must be an entity, usually a professional association, capable of overseeing and administering compliance expectations on behalf of consumers who rely on the professionals.

Evolution

REINSW believes we need to add another E to our journey – evolution.

If real estate agents are to be recognised as professionals, then along with the 5 Es we must also embrace the reality that our industry must evolve. If we don't collectively embrace a mindset of evolution, we simply won't be in a position to commit to the work required to elevate ourselves to a recognised professional standard.

AN AGENT'S PERSPECTIVE: Transparency is the key

By Rob Ward

CEO at Di Jones Real Estate

It's true. Our industry has a real perception problem. And, in a lot of ways, we've done ourselves no favours.

I believe the perception that agents are dishonest and unethical can, in many ways, be traced back to a lack of transparency. If we're going to change this perception for the better, we need to become more transparent about what we do and why we're doing it.



Far too many agents continue to keep clients in the dark. By not being transparent, they damage their credibility and it feeds a perception of dishonesty – that they're hiding something.

As an industry, we need to treat all our clients in the way we would like to be treated. Only by being as transparent as possible across all aspects of the transaction will we start to chip away at the perception that agents are unethical.

But one of our biggest challenges is defining what is and what isn't ethical behaviour. It's a bit like cleanliness – everyone has a different version of what clean is. It's the same with ethics. Everyone has a different background and a different life story. We all look at situations slightly differently. That's why we need to come together and agree on our collective values in the form of a new code of ethics.

Agency leaders have a central role to play. We need to lead by example. We need to demonstrate to our teams that our behaviours matter.