

KNOW HOW BULLETIN

THE ROLE AND STANDING OF EXPERTS IN THE MODERN WORLD

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A by-product of the Brexit campaign was the beginning of a debate about the role and standing of experts in the modern world. Michael Gove was widely criticised for saying, in an unscripted response to a question, that people ‘have had enough of experts’, but in doing so, he has perhaps initiated a discussion which is long overdue.

The Brexit debate so far has amounted to little more than an exchange of insults between opposing factions. ‘Brexiters’ have delighted in pronouncing (perhaps prematurely) that most economists and political pundits have been proved wrong, not only over Brexit, but by the election of Donald Trump and the economic reaction. The response of the ‘remoaners’ is to say that in a ‘Populist’ society, major decisions will be taken by people with little knowledge or understanding of the relevant facts and arguments.

The exchange of insults is inevitable, as both sides vent their anger, following an acrimonious campaign. However, there is now a real need for a more thoughtful debate on the role of experts in general, the value they deliver, their limitations and how effectively we use them. This debate is particularly relevant to family offices and wealth managers, such as Stonehage Fleming, who make extensive use of experts to serve their clients, but also has far wider implications across our society.

Given the relentless trend towards specialisation, more and more experts impact on nearly every aspect of our lives from banking and finance to healthcare, building and planning, and even leisure activities, not to mention giant projects such as commissioning aircraft carriers or nuclear power stations, financing hospitals or expanding Heathrow Airport.

Lady Thatcher once famously said, “Advisers advise and ministers decide”, but it raises the question of whether the advice received has been fully understood and adequately challenged by the decision maker, weighted in proportion to its importance and properly integrated into the decision making process, alongside many other factors.

This can apply all the way down the scale from government ministers making huge capital expenditure decisions and electors casting their votes on the great issues of the day, to ordinary citizens seeking advice on a medical treatment or pensions.

Many of these decisions have become so complex that we are sometimes inclined to rely too much on experts and too little on our own instincts, judgment and analysis. Indeed it is not uncommon for individuals to find themselves in the hands of the wrong specialist, who cannot see the wider picture, with potentially disastrous consequences.

The arguments in favour of specialisation are often very obvious, but it is worth examining some of the negatives, so that we can better equip ourselves to deal with the problems which arise in an expert led environment. This debate is all the more necessary because of the erosion of trust in society, with too many instances of specialists using their knowledge to deceive rather than enlighten their clients, as appears to have happened in the banking industry, for example.

Some would even argue that our increasing dependence on specialists, and the systems they devise, has infantilised the population and according to Yuval Harari in his fascinating book 'Sapiens', humans were at their most competent in the hunter gatherer age when they did everything for themselves!

It may be helpful to think about this problem from the perspective of the decision makers, who have to ensure they FULLY understand not only the advice they receive, but the scope and limitations of the adviser's expertise, his or her ability to see the problem in its proper context, from the client perspective, and the possibility that he or she may be subject to bias, for whatever reason.

UNDERSTANDING THE SCOPE AND LIMITATIONS OF THEIR EXPERTISE

No economist, nor anyone else can be considered an expert on the economic consequences of Brexit, because it is an unprecedented 'one off' occurrence, of enormous complexity, where the outcomes are obviously unpredictable. Economists can supply important and useful data and historical precedents

which may influence us, but this does not make their opinions on the overall outcome more valid than those of other people with some understanding of business and trade.

The problem was that some economists used their reputation as experts in a particular field to give unwarranted credibility to their opinions on the wider issues. At the same time the public wanted yet more information, as though it would somehow make clearer a decision which was actually based not so much on facts and figures, but a massive leap of faith, heavily reliant on instinct and intuition.

Whenever using experts, the client needs to understand to what extent the expert is bringing facts and analysis and to what extent opinion. It is only too easy to believe that the person with all the facts at their disposal also offers good judgement, but this is not necessarily the case, especially where their area of expertise is just one factor in a larger picture.

CHALLENGING THE ADVICE PROVIDED

The client must be able to question and challenge the advice received to satisfy themselves that it is accurate, relevant, and based on a proper understanding of the overall problem. In many instances the ability to challenge requires some understanding of the expert's field, especially as many experts are not great communicators. This may necessitate one or more intermediaries as a bridge between the expert and the ultimate decision maker, but the more links in the chain, the greater likelihood of a misunderstanding which may lead to the wrong decision.

The CEO of a group supplying safety equipment to power stations in the 1970's refused to supply his equipment if he could not find someone in the management who understood the totality of how the power station operated. It is difficult to be confident that there is any modern power station which would meet that test, and we clearly now have a banking

system where the operational details are only superficially understood by those in authority, who are increasingly reliant on experts to report to the board on the activities of other experts.

Equally, at an individual level, the ability of the client to understand and challenge the opinions of specialist medical consultants or financial advisers is often very limited, so they may also need intermediaries to question and challenge the experts on their behalf. For the wealthiest clients, these intermediaries are available, at a price, and they will filter, distil and synthesise the opinions of numerous experts across a range of different areas, before integrating all the advice and relating it to the problem in hand. It is a complex and skilled process and, even for the wealthy, advisers with the all-round experience to cover this role are few and far between. For the less wealthy, they sometimes have little option but to trust the advice they receive, whether they understand it or not.

In financial services there has been a great deal of emphasis on transparency to reduce dishonest practices, but the reality is that it is just as easy to hide the truth in too much information as too little, if the client does not have the ability to challenge and interrogate.

ALIGNING THE PERSPECTIVE OF THE ADVISER TO THE CLIENT

Experts can be so absorbed by their own subject that they tend to view the world and the problem in hand through the prism of their own specialism, rather than through the eyes of the client. It is not unusual for advice to be given based on a subtle, but crucial misunderstanding of the problem or on an exaggerated view of the significance of that advice to the wider picture.

The expert must understand his role and the context in which his advice is sought. The client must ensure the expert is properly briefed, genuinely understands

the whole picture and has the ability to adapt his advice to a variety of different circumstances. This is particularly the case if the circumstances do not fit the profile of the expert's normal clients and he has to step outside his usual approach.

Understanding the perspective of the clients can sometimes be as challenging and as valuable as the expertise itself.

EXPERT BIAS

Expertise can itself create bias, in that the expert will tend to look for solutions in the areas he best knows. An example of this was when the opinion of an expert medical witness in a court case about the death of a baby was discounted by the judge, because the doctor concerned had particular theories around the subject of Munchausen's Syndrome. This caused him to be biased towards a particular cause of death.

Some experts tend to offer relatively standardised solutions and most have a well-established and sometimes deeply entrenched approach. Best practice among experts can become overtaken by changes in the outside world or unusual features of the particular case under consideration. In many areas conventional wisdom can be shaped by 'group think', and subject to quite rapid change, when new thinking challenges old practices – even the regulators sometimes find themselves imposing regulations based on outdated thinking. New regulations nearly always bring more work for experts!

From a different perspective, can you rely on an expert in shares, property or gold to predict future price movements, if their career or finances stand to benefit from rising markets? What you need from these experts is information and analysis, but the judgements should probably be made by someone with a broader perspective, more removed from the market concerned.

LANGUAGE AND COMPLEXITY

In some fields, as experts become increasingly specialised, they tend to speak more and more to each other rather than to their ultimate clients. It is entirely possible for them to become excessively absorbed in their own world, often developing their own language and jargon which becomes incomprehensible even to well informed outsiders. Understanding the expert can become more valuable than the expertise itself!

Some experts also have a tendency to overcomplicate their own subject, arguing that further complications are essential to best practice, perhaps in the interests of risk management.

We must remember that complexity, of itself, can be a substantial risk, and when it is combined with specialist jargon it can severely obstruct the decision maker's ability to reach the right conclusions.

This surely was one of the prime causes of the banking crisis, where the banking system began to resemble the 'Tower of Babel' with everyone speaking a different language and with too superficial understanding of what each other did. It is very clear that the boards of the major banks had inadequate understanding of the risks being run in specialist departments.

CAUTION AND DATA DEPENDENCY

On the other hand many experts tend to be very cautious and conservative, deriving their self-esteem from specialist knowledge and the certainty which that brings them. They can be resistant to change and new ideas, which can place them in conflict with the more innovative approach of entrepreneurs and businessmen who are often their clients.

Much of their knowledge is based on processes and factual data (often historic), which may cause them to place too much emphasis on factors which are tangible and quantifiable as opposed to those which are not.

It is of course understandable that experts will want to highlight the risks, so they cannot be held responsible for omissions, but they must also understand the need for advice to be 'user friendly'.

Anyone who has been in business will relate, for example, to the refreshing experience of dealing with a lawyer who understands the commercial context and sets out the risks in a manner which recognises their materiality to the decisions in hand.

It could be argued that it is up to the client to judge the unquantifiable and to decide what risks they are willing to take, but it can require courage to overturn a very negative expert opinion, which highlights long lists of all the things that could theoretically go wrong.

MANAGING A MULTIPLICITY OF EXPERTS

Some projects, by their nature, require so many experts that massive project management skills and processes are required to integrate their advice into a coherent framework. With every additional expert comes additional risk that a failure of communication may cause a wrong decision. There are so many examples of major government projects going wrong, from PFI Financing of hospitals to Naval Destroyers breaking down at sea, that there must be questions about the ability of those responsible to manage such projects. It may be that too much resource is allocated to paying for the experts and not enough to those responsible for managing their input and ensuring a successful outcome.

At a more modest level, the number of experts now involved in a planning applications can be so great that the cost and difficulty of converting outline to detailed permission and meeting construction conditions may be a real factor in our failure to build enough new homes. Too many experts can create bureaucratic processes which obstruct economic activity and progress.

USE OF TECHNOLOGY AND ARTIFICIAL INTELLIGENCE

Rapidly improving and more sophisticated technology, in particular advances in artificial intelligence, will have an increasing impact on the role of experts and how they are used. This will drive experts to operate more in the space where they add value through judgement and experience, with diminishing reward for delivering information, analysis or process. For some experts this will be an uncomfortable transition and will enable well informed clients and lead advisers to do without their input.

CONCLUSIONS

The object of this paper is not to decry the massive contribution of experts to our society, but to highlight the opportunities to use their contribution more effectively.

1. There is an urgent need to restore the balance between experts and skilled generalists.
2. We must incentivise those who show potential for more broadly based careers, developing the ability to lead a project team, with sufficient knowledge to challenge and integrate expert contributions. Specialist expertise is now so highly rewarded that it is difficult to develop career progressions which enable people to acquire the broad range of experience required.
3. More recognition should be given for judgment and skills as opposed to pure specialist knowledge, which can sometimes be relatively easily acquired.
4. Much more training is needed for experts in understanding the wider context and identifying with the client perspective (this is much harder than it sounds).
5. More training in communication skills is required to ensure experts are able to communicate advice in a well organised and thoughtful way which will be readily understood by the user.

6. A concerted effort is required to reduce unnecessary complexity which cannot be justified by added value to the end user – the regulators sometimes have a vital role to play in this.
7. A concerted effort is required to reduce the number of expert inputs required in any particular area, in order to simplify processes and cut bureaucracy. This will increasingly be supported and enabled by more sophisticated technology.
8. Better processes are needed for the management of major projects.

As a Family Office, handling the affairs of wealthy families with complex circumstances, Stonehage Fleming ensure the input of experts is normally channelled through an experienced Key Adviser, with vast practical experience of similar clients. This adviser effectively stands in the shoes of the client family, has to represent and communicate the interests of all family members and reconcile any differences of view. He or she must therefore ensure the key issues are understood by everyone, in order to build a consensus around the decision to be made. His, or her, skills and experience will equip him to identify where expert input is required, to select and brief the best people for the job, to manage their input and integrate the contributions of a number of experts into the overall analysis. He or she will equally recognise when further advice is NOT required and will selectively use enhanced technology to replace expert input.

Training and developing these Key Advisers is an ongoing challenge, because the financial services industry has for many years encouraged and incentivised its best people to specialise and hence produced very few individuals with the more broadly based experience and skills to meet the demands of that Key Adviser role.

The same applies to many other areas of our society.

FOR MORE INFORMATION



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Michael is a Partner of the Stonehage Fleming Group and Group Head of Strategy and Know How. His primary responsibility is Corporate Development and Know How within the Group. He is also involved with clients who would like to benefit from his experience to facilitate the development of family strategies and succession planning. Michael is well known as one of the leading consultants to the global wealth management industry and has advised numerous clients in this sector from major banking groups to small boutiques and family offices.

Michael joined Stonehage Fleming after thirteen years of close involvement with the Group as an independent Consultant. Prior to starting his own consulting business Maslinski & Co Ltd in 1995, Michael was at Coutts for 22 years, most latterly as Group Head of Marketing and Business Development.



Andrew Nolan
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Andrew is a Partner in our Family Office Division. For over 17 years he has helped families around the globe deal with the complex day-to-day challenges of succession, governance and wealth transfer. He chairs several family councils and also serves as a Key Adviser to a number of ultra high net worth families.

Andrew joined the Stonehage Fleming Group in 1997 and was Head of the Neuchâtel and Zürich offices from 1998 before moving to the London office in 2012. He is a Chartered Accountant and has a BA (Hons) in Economics from the University of Nottingham.

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