#49 The logic of voluntary professional self-regulation

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Posted on LinkedIn November 21, 2017

Many don’t quite get the logic of voluntary professional self-regulation. Why one would pay to be regulated by a professional regulatory body if one could chose not to? Sometimes it is easier to explain using examples outside the professional world. The Better Business Bureau is an example of voluntary self-regulation.

The Better Business Bureau is a not-for-profit corporation which mission is ‘to be the leader in advancing marketplace trust.’ The Better Business Bureau does this by:

- Setting standards for marketplace trust (BBB Standards for Trust and BBB Code of Business Practices),
- Accrediting those business that have demonstrated a track record of good marketplace behaviour and which agree to abide by the terms and conditions of membership including pay their dues,
- Investigating complaints against members,
- Offering mediation services,
- Publishing ratings of businesses, and
- Authorizing businesses to use the Bureau’s accreditation logo.

Membership in the Better Business Bureau is voluntary. Business have a choice to become members of the Bureau or not, and consumers have a choice to conduct business with businesses that are not members of the Bureau or not.
So why would businesses want to be members of such an organization which:

- Would hold the business accountable for how it conducts business,
- Could investigate them, or compel them to participate in a dispute resolution mechanism, or
- Publish performance ratings?

The answer is that it is in their enlightened self-interest. By making a commitment to abiding by a code of conduct and backing up this commitment by supporting an independent external organization which sets standards, monitors that the business lives up to its commitment, and publish information about complaints history, the business enjoys a higher level of confidence and trust on behalf of the public, which leads to higher status and increased sales.

Of course, what is key here is the trust the public puts in the independence of the Bureau. If the public were to lose trust in the information and ratings provided by the Bureau, there would be no value for businesses either, and the Bureau would not survive. To the extent that the Bureau were to be perceived as being partial to businesses, the whole logic of voluntary self-regulation breaks down. Key here is the integrity and trustworthiness of the Bureau. Any hint that the ratings may be rigged would be deadly to the organization.

“One can see the exact same model at play with voluntary professional regulatory bodies. Professionals chose to become members of voluntary professional regulatory bodies for many of the same reasons that businesses chose to become members of the Better Business Bureau.

There are differences, of course. For professionals, this is all grounded in the professional ethic. Society expects a higher level of integrity and trustworthiness of professionals than it does of other occupations or businesses. The stakes are higher with the professions. For this reason, the government will intervene in the regulation of professionals by establishing professional regulatory bodies by statute. The public protection mandate of professional regulatory bodies is enshrined in legislation. But even with these connections to government, the issue of public confidence is still at the top of the agenda. There are many who that the inherent conflict of interest in self-regulation is such that the independence of these self-regulation bodies can never be trusted. That is why professional regulatory bodies are always concerned about the confidence of the public in their work.

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