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Abstract
Following much debate among regulators and in society more broadly, it is now widely acknowledged that inadequate risk culture was a key contributor to the global financial crisis of 2007–08 and more recent corporate banking scandals. While there is now a growing consensus that something must be done to address behavioral risks, uncertainty remains around what exactly is meant by “risk culture” and how to “strengthen” risk culture. In this paper, we provide some clarity around the concept of risk culture, and propose a model and approach for assessing and strengthening it. The basis of our model is that risk culture is not static – it can be managed and shaped to provide a competitive advantage, allowing a company to achieve its objectives within the stated risk appetite.
The cultural revolution in risk management

Introduction
Risk culture is a leading indicator of how an organization can be expected to behave when under stress. During periods of economic uncertainty or organizational change, therefore, it is the organization’s risk culture that will drive decisions and behaviors, rather than risk policy. This was most recently demonstrated by the financial crisis, when market turmoil revealed the latent cultural issues that had been developing under the preceding period of economic growth. Inappropriate risk-taking behavior is now commonly recognized as one of the root causes of the recent financial crisis, and corporate scandals resulting from risky behaviors continue to be reported.

However, despite all the controversy that has come to surround the concept of risk culture, the fact is that risk taking is integral to the success of a business. This is expressed by Thomas Stewart, a prominent management thought leader, thus: “Risk – let’s get this straight up-front – is good. The point of risk management is not to eliminate it; that would eliminate reward.”

The relationship between risk and reward is proportionate – the greater the risk a company takes, the greater the potential reward. The purpose of risk management is to allow organizations to optimize the risk-reward trade-off, to mitigate risks while enhancing potential rewards.

Characteristics of a strong risk culture include a committed leadership that models the right behaviors and provides clear and consistent communication around risks and effective governance structures, with clear roles and responsibilities for risk management. An open culture that encourages and responds to challenge will also assist in ensuring timely escalation of risk issues and learning from past mistakes. The outcome of a strong risk culture – a common understanding and respect for the role of risk management and appropriate risk behavior – provides a competitive advantage, allowing a company to execute its strategy within its defined risk appetite.

In the remainder of this paper we provide some further background on why risk culture has become a topical issue. We also provide a definition of risk culture and outline the defining features of a strong risk culture. Finally, we present a model that can be used to assess the current risk culture and guide broad intervention measures that aim to strengthen it.

Background
Regulators responded to the 2007–08 financial crisis through a number of interventions aimed at, for example, strengthening solvency, capital, and liquidity requirements and addressing operational risk issues. Bankers’ bonus structures were identified early on as one of the root causes of the crisis, and were an obvious target for regulatory intervention. Following the lead of the Financial Stability Board and the G20, who endorsed measures for sound compensation practices, a number of regions and countries implemented measures to “correct” bonus structures, with the aim of reducing incentives toward excessive risk taking (e.g., deferral of cash bonuses into equity, introduction of risk-based performance measures, and introduction of malus and clawback clauses).

This initial response shows how entrenched the concept of the self-interested “rational agent” remains in the thinking of society in general, and financial regulation in particular, since it offers a reasonable approximation for individual behavior within capital market institutions. In recognition of this notion that individual decision-making is motivated by the opportunity for personal rewards, institutions typically design incentive structures to align the interests of the institution with those of the individual, although at the same time encouraging and reinforcing individualistic, short-term behaviors.

Many criticisms of the rational agent model itself exist, however, and can be found in many areas of the social sciences, with the most recent criticism from behavioral economists and psychologists challenging the notion that individuals consistently act rationally. When making decisions in situations with an uncertain outcome (i.e., where there is an element of risk), one implicitly has to assess the odds of success of the different options. Research has consistently demonstrated that human beings are not good at this task, relying heavily on heuristics (i.e., mental shortcuts) in decision-making, which are subject to personal biases (for example, under the mental anchoring heuristic, an investor selling a stock will often take into account...
the original purchase price to assess future prospects since there will be a mental association between the price and the stock).\(^3\) As such, rather than acting as rational agents, individual decisions are influenced by personal biases, formed as a result of previous experiences, which may lead to an outcome that is not in the individual's best interests.

By 2010, it was becoming clear that the problems large systemically important market institutions faced were more complex than previously envisaged. Regulatory interventions did not seem to be having an impact on behavior within the institutions they were targeting, and the focus on bonus structures was too narrow to address the problem at hand. As such, regulators started to broaden their focus to look at organizational culture. The Financial Services Authority (FSA) stated: “Regulators should recognize culture as a legitimate area of intervention... I particularly encourage boards to have a structured process for reviewing their firm’s culture, identifying its drivers, and the behaviors and outcomes it delivers... cultural change is essential if the industry is to minimize the probability and severity of the next crisis and regain the trust of society.”\(^4\)

The Prudential Regulation Authority (PRA)\(^5\) confirmed: “The PRA will expect firms’ governing bodies to embed and maintain a firm-wide culture that supports the safe and sound management of the firm. The PRA will not have any “right culture” in mind when making its assessments; rather it will focus on whether a firm is achieving the right regulatory outcomes.”\(^6\)

The Basel Committee on Banking Supervision supported the important role of culture: “An effective governance framework, set by the board, is critical to achieving a risk-focused culture within a financial institution. This, in turn, provides the foundation for the successful implementation of sound remuneration practices across the firm.”\(^7\)

The industry concurred, with the Institute of International Finance (IIF) stating: “…part of the management challenge of creating and sustaining a strong risk culture is to make explicit what is going on tacitly, to correct the negative aspects, and to enhance and entrench the strong aspects already in place…”\(^8\)

So, the challenge for financial institutions is to understand what regulators now require them to do in response to their new demands. Can risk culture be clearly defined? And, if so, how can companies create and sustain a strong risk culture?

To understand why risk culture is a worthwhile approach, it is necessary to explore the development of risk management as a concept. Traditional approaches to risk management tacitly assume that individuals act rationally and are risk-averse to losses, harking back to Adam Smith and John Stuart Mill. However, if individuals do not act rationally or are prepared to take excessive risks, the risk management model starts to break down. Hence, traditional risk management frameworks, processes, and controls have come to be seen as necessary but not sufficient to allow an organization to achieve its strategic objectives within its defined risk appetite.

There has been recognition in the last decade that a broader, balanced perspective was required in order to adequately capture all types of risk. This can be seen in the growth of enterprise risk management (ERM) frameworks. ERM frameworks typically divide risks into categories, such as operational, financial, and strategic. To manage risk at a company level, it is common to see ERM frameworks further categorize financial risks into liquidity risk, credit risk, market risk, etc. These frameworks, however, fail to sufficiently take into account the real-world problem of behavioral risks.

The financial crisis has demonstrated that operational risk reviews are incomplete without assessing the risks created by people’s behavior. Processes, controls, and systems may be flawless, but if the people operating them take excessive risks, or behave unpredictably or irrationally, operational risks will emerge. The financial crisis has also taught us that behavioral issues can create systemic risks, and hence are strategically important and should be incorporated into ERM frameworks.

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5 The PRA is to be established in early 2013 as a division of the Bank of England, spun out of the current FSA. The PRA’s remit will include the assessment of the quality of a firm’s risk management and governance, including culture.
7 Basel Committee on Banking Supervision, 2011, Range of methodologies for risk and performance alignment of remuneration.
8 Institute of International Finance, 2009, Reform in the financial services industry: strengthening practices for a more stable industry.
Importantly, understanding risk culture is not the same thing as measuring people risk, or the risks arising from specific organizational cultures. There are already multiple tools and approaches for understanding organizational culture. In this article, our purpose is to understand risk culture: that is, behaviors and attitudes to risk in large organizations, requiring specific tools and approaches. But first, we must clarify the concept of “culture.”

The concept of culture
The concept of organizational culture emerged in the early 1980s, loosely defined within the HR management profession as “the way we do things around here,” and more specifically defined by Schein, a leading expert in this field, as: “A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”

Schein identified various layers of organizational culture, with fundamental assumptions and values forming the core, and patterns of behavior and symbols forming the outer layers. These, often unwritten, rules were found to have a strong influence on employees’ behavior within the workplace.

A strong culture is defined as one in which there is a consistent and pervasive set of beliefs, values, assumptions, and practice across employees. A strong culture has been shown to support the achievement of strategic objectives by enabling an organization to act in an integrated and coordinated manner. In a simplistic sense, an organization’s strategy determines the “what,” while the culture determines the “how.” Importantly, despite the common perception that culture is a soft, implicit concept that cannot be measured or managed, research indicates that organizational culture can be assessed and shaped to provide a competitive advantage. To be successful, however, any change in culture requires a clear vision of the desired end state, strong leadership to model the desired changes, and a significant and long-term investment of time and resources to implement and embed the change across the entire organization.

Culture and risk are closely linked: “Culture is key to risk management... You can’t rely on people looking at the rules. They are conditioned by culture and how the rules are enforced.” In order to understand the risks created by people’s behavior, one must first understand how to characterize and analyze a given culture. Many risk culture models are generic and include factors such as people, processes, organization design, and rewards. Typically, however, these models are not organization-specific and not geared toward answering the question of how people behave with respect to risk taking and risk management. In addition, large organizations often maintain that they do not have a single culture, but rather, multiple cultures, relating to the different geographies or business lines of the organization. A new approach is, therefore, needed to address risk culture, a model that is organization-specific and focuses on behaviors relating to risk within a specific context.

Risk culture process model
There have been several attempts to adapt organizational culture models to describe how a company manages and responds

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11 Ernst & Young LLP and Tapestry Networks, 2012, Progress on the risk governance journey, but key challenges remain.
to risk. The Institute of Risk Management (IRM) has recently developed a model for how risk culture develops, using the traditional organizational culture literature as a basis. The IRM proposes that “the culture in an organization arises from the repeated behavior of its members. These behaviors are shaped by the underlying values, beliefs and attitudes of individuals, which are partly inherent but are also themselves influenced by the prevailing culture in the organization.”12 Thus, risk culture is influenced and reinforced through employee attitudes and behaviors, in a continuous, iterative loop (Figure 1).

Different risk cultures may develop within an organization to support different business strategies. However, since risk culture describes attitudes to organization-specific risk, a slightly different approach may be required, balancing organization-specific and individual behavioral analysis.

Risk culture – what is it?

In brief, risk culture describes how an organization manages and responds to risk. The FSA provides the following definition of risk culture: “the general awareness, attitude and behavior of [the organization’s] employees and appointed representatives to risk and the management of risk within the organization.”13 The IIF provides this definition of risk culture: “the norms and traditions of behavior of individuals and of groups within an organization that determine the way in which they identify, understand, discuss and act on the risks the organization confronts and the risks it takes.”14 On the basis of its research in the financial services sector, the IIF found there is a close link between the risk culture of an organization and its risk appetite, defined as: “the amount and type of risk that a company is able and willing to accept in the pursuit of its business objectives.”15 The IIF emphasizes the importance of having a clear definition of risk appetite since “the statement of risk appetite balances the needs of all stakeholders by acting as both a governor of risk and a driver of current and future business activity.”

The risk appetite and the risk culture reinforce each other, with the defined appetite influencing behaviors and the culture influencing how well the appetite is embedded. Both work together to influence planning and decision-making. To some extent, one could say that the risk appetite is a formalized representation of attitudes toward risk.

What defines a strong risk culture?

A strong risk culture creates an environment in which risk is “everyone’s business” – there is a shared understanding and acceptance of the company’s risk appetite, and decisions are made in line with the risk appetite, even in the absence of a defined process or policy. A strong risk culture provides a competitive advantage by supporting the organization in capitalizing on opportunities without exposing the company to unacceptable levels of risk. Companies with a weak risk culture will either avoid risk due to a lack of clarity around what risks are acceptable or, more likely, expose themselves to excessive levels of risk due to insufficient risk awareness and low levels of compliance with risk policies and controls.

Recent research conducted by the IIF on how financial services companies have strengthened their risk management frameworks, showed that the need to build a consistent and unified risk culture is a critical area of focus for senior management teams. Fifty-eight percent reported increased attention to risk culture in the past 12 months, although this result was more pronounced among those companies that were most impacted by the financial crisis.

In addition, Ernst & Young LLP and Tapestry Networks conducted a study on risk governance in 2011, capturing the views of directors, chief risk officers (CROs) and supervisors. The results of the study identified four components that are necessary for a strong risk culture:16

- **Consistent tone at the top:** leadership (i.e., the board and senior management team) is responsible for setting the tone – communicating the firm's values, strategy, and risk appetite, and modeling appropriate behaviors. A clear and consistent tone from the top is the foundation for a strong risk culture. As one director put it: “Risk is not a function, it's an attitude.”

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12 The Institute of Risk Management, 2012, Risk culture, under the microscope.
13 Financial Services Authority, 2010, Senior management arrangements, systems and controls.
14 Institute of International Finance, 2009, Reform in the financial services industry: strengthening practices for a more stable industry.
15 Institute of International Finance, 2011, Implementing robust risk appetite frameworks to strengthen financial institutions.
16 Ernst & Young LLP and Tapestry Networks, 2012, Progress on the risk governance journey, but key challenges remain.
It must start with the board, the CEO, and then you get down into metrics.”

- **Appropriate metrics that are regularly monitored**: one of the firm’s biggest challenges in embedding the risk appetite throughout the organization was identifying appropriate operational risk metrics, including measures of risk culture (i.e., instances of risk limits being exceeded without prior approval, percentage of self-reported control or risk problems).

- **Proper escalation processes and an open culture**: employees need to feel comfortable raising concerns and identifying issues to management. Once identified, managers must escalate issues in a timely manner. This openness is created when boards and managers are tolerant of mistakes and of honest attempts to do the right thing.

- **Consistent enforcement**: consistent enforcement was highlighted as critical for driving the right behaviors — for example, traders who exceed their limit should be sanctioned the same way, regardless of whether the behavior leads to a profit or a loss. However, there needs to be a balance between penalizing poor behaviors and encouraging openness.

As mentioned previously, the strong risk culture is not aimed at avoiding risk, but at ensuring that risks are being taken in a controlled way. As one CRO of a global bank told us: “I want transparency of the facts, an open and intellectually honest analysis, and then a commercially viable decision.”

**Measuring risk culture**

The organizational culture literature demonstrates that culture can be measured and molded, and a number of models have been developed to achieve this (e.g., Hofstede’s (1980) cultural dimensions theory; and O’Reilly et al’s (1991) organizational profile model). By extension, then, an organization’s risk culture can also be shaped to support the organizational strategy and risk appetite. Indeed, regulators and practitioners alike are beginning to acknowledge that risk culture can, and should, be measured. In response to growing demand, models and survey tools have been developed to assess employees’ attitudes and behaviors around identifying, taking, managing, and escalating risks. Any tool seeking to assess risk culture needs to acknowledge that the values and code of conduct communicated and endorsed by the company may not be reflected in the attitudes and behaviors of its employees. This is because there are multiple factors that directly or indirectly influence employees’ attitudes and behaviors, which may lead to a disconnect between what is explicitly communicated by leadership and what is understood (explicitly and implicitly) by employees. Models of risk culture aim to capture these factors, while the tools aim to identify where gaps exist between the desired risk culture and the actual risk culture.

A potential model of risk culture

Risk culture cannot be adequately measured using existing tools for culture assessments. Most off-the-shelf culture models and tools are generic, typically designed to look at large samples across organizations or sectors, and focusing on individual behaviors, ignoring the organizational context. At the same time, risk models typically focus on risk strategy, appetite, or process, at the expense of individual perspectives and people factors. An alternative approach is to balance the two perspectives and assess individual risk behaviors within an organizational context. Such a model works “top down” — the organization is the best place to focus initial efforts, as this is what leaders can control. Once the organizational factors have been addressed, the individual factors fall into place, even though this may be a drawn-out process in time.

At an organizational level, there are three primary factors that impact risk culture:

- **Leadership and communication**: how clearly leadership sets expectations around risk behavior; may include assessment of risk strategy and appetite, expectations, processes, and procedures.

- **Resources**: how supported people are to comply with risk policies; may include assessment of systems and tools, escalation mechanisms, training, etc.

- **Incentives**: whether people are incentivized to manage risk; may include assessment of bonus structures, accountability, and consequences.

The organizational factors will impact the following factors at an individual level:

- **Competencies**: what employees can do.


Motivation: what employees want to do.
Application: what employees actually do.

It is important to take a holistic view of risk culture, as the factors are interrelated, and changes in one area may be ineffective without changes in another area; for example, changes in the firm's risk policies must be supported by timely and effective training.

This is just one approach to identifying the factors that are likely to impact risk culture in an organization. Before embarking on any cultural assessment project, the organization's leadership should review and select a model of risk culture (one which has been tested and validated with similar organizations) and refine the model for its organizational context. It is important to gain input from both HR and the risk and internal audit functions to help ensure all relevant factors are captured.

Tools and methodologies to assess risk culture
Once the organization has developed an adequate model of risk culture that captures the factors that may influence employees' risk behavior, tools and methodologies can be designed to measure risk behaviors and attitudes to risk within the organization against these factors. In order to assess the gap between the desired risk culture and the actual risk culture, the assessment needs to capture and compare what the organization claims to be doing (and what leadership may think is happening) with what is actually happening “on the ground.”

An assessment of risk culture, therefore, should start with interviews or a focus group with leadership, to establish the desired risk culture. The aim of the interviews is to get leadership's views on the organization's strategy, risk appetite, governance framework, and behavioral expectations. Simultaneous with the interviews, there might be a review of the formal communications, including the organizational values, policies, and processes. Once the desired risk culture has been established, the organization needs to assess the actual risk culture. This can be achieved via interviews or workshops with selected employee representatives or via a survey administered to larger groups. Leadership and other project sponsors need to identify survey participants – the organization may choose to survey only “risk takers,” or both risk takers and “risk controllers.” Survey questions need to be developed (perhaps with the assistance of external consultants) to assess each of the factors in the model. In global organizations, it will be important to understand the latent cultural norms within each jurisdiction before assessing the risk culture.

The interview and survey methods outlined previously provide an insight into employee attitudes and perceptions around risk with the aim of assessing the tendency or likelihood of risk behavior within the organization. This type of assessment, which is naturally subjective and dependent on the integrity of individual reports, could be supplemented with analysis of more objective data sources available within financial institutions. Data such as records of compliance breaches, customer complaints, minutes of committee meetings, and preparatory files for major transactions could be used to analyze the incidence of actual risky or non-compliant behavior.

Once interview outcomes or survey responses have been analyzed, as well as any other data gathering, the organization can design and implement necessary culture change interventions. The organization needs to develop a clear action plan, based on priorities, impact and frequency, cost benefit, timelines, and dependencies, and outline specific activities to effect change, including responsibilities and measurements for success.

Strengthening risk culture
An effective way to influence behaviors in the workplace is through an organization's HR processes (i.e., selection and recruitment, onboarding, performance assessment, and exit processes). Consequently, an assessment of risk culture must consider the risk framework and HR processes simultaneously. There needs to be alignment between risk and HR at a strategic and operational level. For example, the risk strategy and appetite should align with the organizational mission and values and acceptable risk behaviors should be reinforced through incentives.

At a more granular level, interventions aimed at addressing areas highlighted in the assessment phase may fall into one of the following categories of organizational factors:

Leadership and communication
The risk appetite should reflect the firm's strategy and vice versa. Many organizations develop the firm's vision, strategy, and
business plan in isolation from risk. Risk should be a key input into the business strategy and planning decisions. This may require organizational leadership to re-engineer their business planning processes, with input from risk and HR functions.

Consistent and frequent communications are critical, in order to embed the risk appetite within the organization. This includes explicit communications from leadership, setting out the firm’s vision, strategy, and risk appetite, as well as implicit communications that reinforce leadership’s message (e.g., staff training, recruitment process, performance management framework, and key performance indicators). Communications should highlight the benefits to the company (and therefore employees) of an effective risk appetite framework, explaining how the framework translates into behaviors at all levels and how these behaviors benefit the organization.

It is a commonplace view among risk managers that risk attitudes – or tone from the top – is a key ingredient of the risk management framework. However, it is worth noting that risk behaviors – defined by IRM as “observable risk-related actions, including risk-based decision-making, risk processes, risk communications” – can also influence attitudes via their impact on culture. Within a large retail bank, for example, branch bank managers have a key role in influencing frontline employee behaviors. Branch managers have a primary role in people management, sales and customer satisfaction, risk management, financial performance, and so on. Typically, branch bank managers, therefore, have a major impact on the culture of a retail bank. Hence, the tone from the middle can be as important as the tone from the top. The overall attitudes in a retail bank will be strongly influenced by this, especially where the senior executives have a long tenure, and gained much of their management experience in branch banking roles.

Resources
Risk governance and risk management frameworks should provide clear guidance on how risk issues should be escalated, with clarity and understanding around the roles and responsibilities for risk management throughout the organization. There needs to be frequent interaction between the first and second lines of defense, with adequate oversight and challenge from the second line of defense. The risk function needs to be given appropriate status within the organizational structure, and resources to fulfill its duties effectively.

There must be infrastructure for sharing risk information on a regular basis, which is not just limited to significant incidents. Data systems must allow the aggregation of risk data to provide the board with a view of the level of risk the organization is adopting overall. Risk policies and procedures should be reviewed regularly by the owner and should facilitate the completion of day-to-day tasks. All expectations around risk behavior should be supported by frequent, organization-wide training to ensure there is a common understanding and competence around risk management.

Incentives
Reward programs are a powerful driver of employee behavior. However, currently, the design of reward programs adjusts reward levels to take into account risks that have been identified (for example, by using risk adjusted measures), rather than seeking to prevent risk issues from occurring in the first place (i.e., by building risk management into role profiles). For example, our research on U.K. banks shows that risk measures are taken into account in determining bonus pools and individual bonus payments (ex-post adjustment). However, risk measures are, typically, not embedded into performance management processes (ex ante approach) and performance targets are generally based around profit, creating an imbalance between risk and reward.

We propose that, in order to influence behavior proactively and prevent breaches from occurring, risk needs to be considered prospectively and embedded into competency frameworks and role profiles (i.e., ex ante). Role profiles should include risk accountabilities and targets, which are then assessed as part of the performance management framework. A balanced scorecard approach is a useful tool for translating the organization’s vision and strategy into a clear and balanced set of financial and non-financial objectives. Traditional key performance indicators (KPIs) should be accompanied by key risk indicators (KRIs) that allow an organization to plan, measure and monitor risk.

Recognition and reward outcomes should be directly linked to the performance management appraisal, and should be determined by both contributions and behaviors (including risk behaviors, such

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as compliance with risk processes and openness around reporting risk issues). Outcomes must allow for both positive and negative reinforcements, thus reinforcing good risk behavior and penalizing poor risk behavior. People must be held accountable for their risk decisions and behavior. This depends on having robust risk measures (hard measures around compliance and soft measures around values) that are built into the performance management framework.

Finally, while there is a focus on cash bonuses in driving behavior, it is important to recognize that behavior can be influenced by multiple recognition and reward systems, and companies should use everything in their arsenal for maximum impact (e.g., career progression, training, and development opportunities). There is now wide acceptance that the disproportionate focus on cash incentives in financial services has driven pursuit of short-term gains at the expense of long-term sustainability. Most regulators, however, acknowledge there is a role for annual cash bonuses, but that these should be designed to reflect the organization’s risk appetite and profile.

**Conclusion**

This article has sought to address a wide range of new ideas within a short span. We have attempted to show that elements of people risk and risk behaviors may be measured and monitored to a greater degree than is currently imagined.

Analytical qualitative tools could be much more widely used by banks’ management and boards and by regulators, to understand what factors are driving unacceptable employee risk behavior. These tools offer potentially better ways to regulate banks. Currently limited to reward information, regulators may draw inappropriate conclusions on current culture. By widening the scope of their information sets, regulators would have much more useful information to develop future regulatory approaches.

As those institutions evolve, analytical tools of this nature could be used to monitor the improvements in risk culture within banks. Realistically, culture change of the type sought by regulators and politicians will take time and may involve a generational shift. This implies the need for longitudinal studies to track progress over time. Such studies, measuring employee attitudes and behaviors in the workplace, already exist in the academic world (e.g., the British Workforce Employee Relations studies), and could be used as a model for regulators.

In discussing these issues with practitioners and clients, we find there is great interest but, to a large extent, a lack of experience and expertise in this area, even in the largest global organizations. We hope that this article helps to clarify some of these ideas, and provides some guidance to practitioners.

**Our key learnings**

We have been able to distill the following key learnings from our research and experience in this area:

- **Leadership support**: risk culture is the responsibility of the leadership team. Boards and senior management must visibly and consistently demonstrate appropriate risk awareness, attitudes, and behaviors and unwavering commitment to compliance. Any cultural change must be driven by the board and requires visible and tangible support from leadership.

- **Phased approach**: an effective way of gaining acceptance of the risk culture model and assessment approach is to pilot the approach within a single function or business unit before rolling out to other areas of the business.

- **Change management**: a significant investment of time and resources will be required to effect and sustain change, with a strong change management strategy to help coordinate change activities.

- **Action plan**: creating simple, easy-to-understand outputs with clear business application will help to gain commitment to the results and action plan. The action plan should include “quick wins,” with tangible benefits, to secure commitment to the change process.

- **Information gathering and data**: information is key to allowing the business to identify current weaknesses in risk culture and measure the success of interventions.

- **Re-assess**: the risk culture measurement process should be repeated at regular intervals (at least annually) to assess the effectiveness of any cultural change initiatives.
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