At the Intersection

An investigation into the integration and alignment of the Balanced Scorecard with operational risk management frameworks to enhance strategic execution in the UK Financial services industry.

Purpose

This presentation provides a summary of a dissertation research project undertaken in late 2006/early 2007 to complete my MBA through Henley Management college.

Please visit http://www.riskbasedperformance.com/ for further information related to this study and the Risk-based performance approach to the integration and alignment of corporate performance management and operational risk management.

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Opening thoughts

“Linking the scorecard to manage operational risk seems like an excellent idea” – Professor Robert Kaplan, 2006

“the reason that a car has brakes is to allow it to go faster, and the same [applies to]… business and risk management.” - study interviewee

Content

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Abstract

- This research project was premised on the relatively simple idea that managers need to manage with 'one eye on performance, and one eye on risk'.

- Focusing on the UK financial services industry, this project set out to answer the following research question: How can UK financial services organisations integrate and align their performance management (PM) and operational risk management (ORM) processes to enhance strategic execution?

- Analysis of the literature and research (comprising 21 semi-structured interviews) yielded several key observations;

  1. A significant body of knowledge exists on the individual PM and ORM processes however there is an obvious knowledge gap when it comes to integrating and aligning the two processes.

  2. The UK financial service industry is extremely competitive and highly regulated. However in general terms it is reactive, focused on tactical level operations and indicator-driven.

Abstract (2)

3. There is an observable lack of maturity in relation to PM and ORM practices, and where these are employed, they are often silo processes.

- The literature and research pointed towards significant potential benefits of integrating PM and ORM, including:

1. Reduction in strategy failure rates, which various estimates measure at 40-70%.
2. Reduction in disruptions and financial costs resulting from operational risk losses. It is estimated that the average initial cost of operational risk loss is US$65 million, and that subsequent losses may be twelve times this figure, blowing out to an average cost of US$780 million (Dunnett et al, 2005 and Levy et al, 2006).
3. Up to a 25% reduction in regulatory capital requirements.
4. Reduction in duplication of effort and cost of the individual processes.

Abstract (3)

- The proposed Risk-based performance (R-bp) approach was received well, though there was some concern about its broad scope and practical implementation. These concerns are addressed via the use of a three scorecard framework and differentiating between the types and purpose of indicators employed.

- The R-bp approach brings together the information from the three underlying scorecards into an Execution Map – a simple, causal diagram that visualises performance, risk, controls and action status. The R-bp approach also provides a number of other tools and processes supporting implementation and maintenance.

Introduction

Research Background

Over the last 10 years, consulting in the area's of Corporate Performance Management/Balanced Scorecard and Operational Risk Management, the author noticed;

- a consistent pattern of behaviour where-by organisations implement CPM/BSC and ORM as separate 'silo' processes
- the connection between these processes and enhanced strategic execution is rarely made; or rarely done well
- an initial scan of academic and business literature in the lead up to this research project, shows little research into the integration and alignment of performance and risk management

The author believes that organisations significantly increase the cost and overall workload involved in implementing and managing separate processes, while significantly reducing the potential benefits of integration.

Research Introduction

This project was the final dissertation project for the completion of the authors' Masters in Business Administration (MBA) via Henley Management College.

The project was undertaken in late 2006/early 2007 and involved interviews with over 20 financial services organisations in the city of London.

Research question

How should companies integrate the Balanced Scorecard and operational risk management to enhance strategic execution?

Supporting the research question, secondary research objectives were;

1. To identify current best practice, from literature and industry, relating to BSC and ORM.

2. To test the applicability of the proposed Risk-based performance methodology as an approach to integration and alignment of Balanced Scorecard and operational risk management.

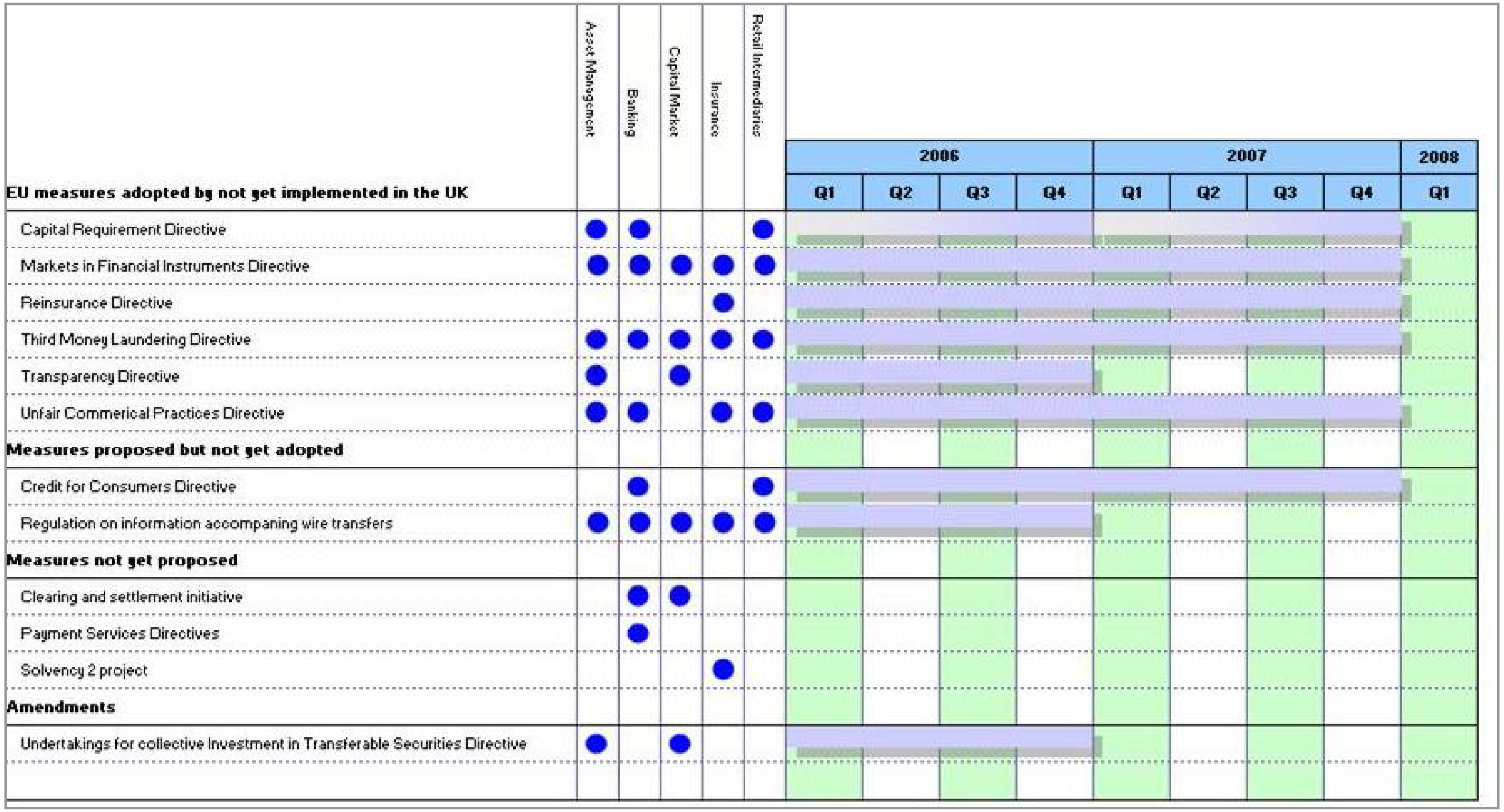
3. To identify likely benefits of integrating Balanced Scorecard and operational risk management processes, specifically with relation to strategic execution.

Industry context – The Financial Services Industry

- Is the single largest contributor to the UK balance of payments.
- Is a major contributor to the GDP, and a major employer (employing just over one million people).
- London is the world's leading financial centre, competing with New York primarily
- A key difference between London and New York is that the latter sources a large volume of business from the US domestic market, whereas London has the largest share of international business.
- In addition to competitive pressures, the industry faces significant regulatory pressures, see figure 1.

Figure 1 - Regulatory drivers

This figure shows the timetable and volume of directives and other EU orientating initiatives for the UK financial services industry



Source: International Regulatory Outlook November 2005

Literature review

Literature review – Change and uncertainty

" In the history of humankind, there has never been a more challenging environment than today." Garrison et al (2001). Political, economic and technology factors, driven by globalisation and the emergence of the 'new economy' are all cited as drivers of change and uncertainty. Supporting Garrison's bold statement are;

- Handy, (in Gibson, 1998) – "We are living in confusing times".
- Toffler, (cited by Gibson, 1998) predicting a " world of chaos and uncertainty" and a "world of accelerating change".
- Prahalad (in Gibson 1998) – "Change [is] no longer generational issue".
- Kotter (1996) –"The rate of change is not going to slow down anytime soon".

Literature review – Change and uncertainty (2)

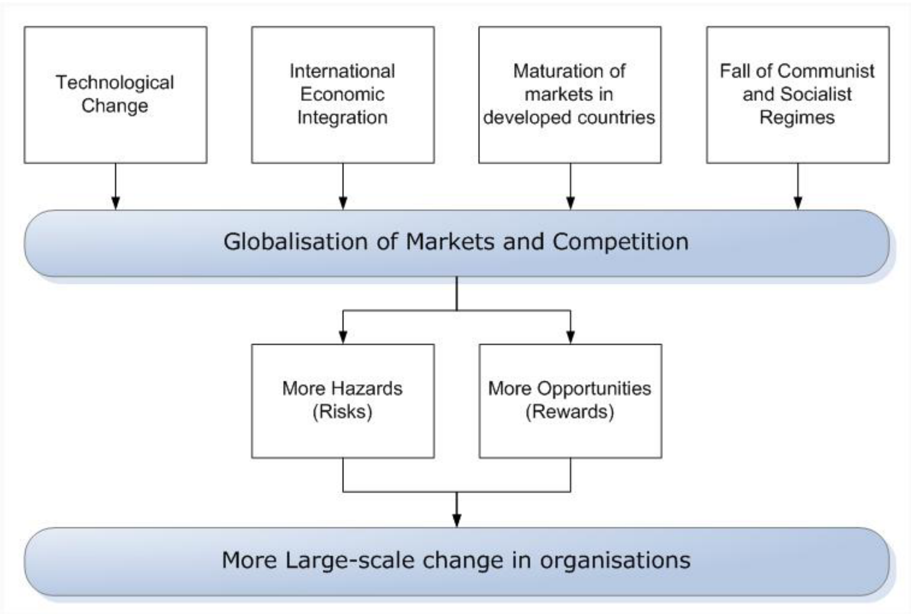
However, not all commentators agreed;

- Duening (1997) “Current change, whilst significant, is evolutionary rather than revolutionary”.

- Mintzberg (1993) “We glorify ourselves by describing our own age as turbulent”.

Figure 2 - Drivers of change and uncertainty

This figure shows the relationship between key macro factors and the need for change in organisations.



Source : Adapted from Kotter (1996)

This figure, originally published in 1996, demonstrates the rapidly changing environment by its failure to mentioned the emergence and integration of the developing economics in the 'world' economy.

In a recent study of global trends, Becker and Freeman (2006) show the important role of developing economics, with four out of the top ten trends directly related to these fast emerging economics.

Literature review – Strategic execution

- The concept of 'execution' was identified as the most important conceptual breakthrough in the last 10 years - Strategy + Business (Booze, Allen and Hamilton).

- Bossidy and Charam (2002)
  - 'the missing link', 'the gap between what a company's leaders want to achieve and the ability of their organisations to deliver it'
  - 'no worthwhile strategy can be planned without taking into account the organisation's ability to execute it'.
  - Four dimensions, strategy, processes, people and technology.

Literature review – Strategic execution (2)

- Kanter (2005) – ‘Making it happen’
- Aspesi and Vardhan (1999)
  - companies fail to make informed choices between a ‘second best’ strategy they could execute and an ‘ideal’ strategy that demands capabilities that they simply don’t have.
  - their 40 company study, 40% failed to execute.
- Pfeffer and Sutton (2000) - gap between ‘knowing what to do’ and ‘doing it’
- Powell (2004) – ‘execution holes’, when organisation fails to enact strategies that are known to be viable.

Literature review – Strategic execution (3)

- Mankins and Steele (2005)
  - generally 60% of companies fail to realise their strategies' potential value
  - companies rarely track performance against long-term plans, multiyear results rarely meet projections
  - value is lost in translation and performance bottlenecks are frequently invisible.
- Porter (1985)
  - activities are the bridge between strategy and implementation
  - 'everyone in a firm…part of the strategy'
- Kaplan and Norton (2001)
  - 'Make strategy everyone's job'

Literature review – Balanced Scorecard

- Balanced Scorecard is now positioned as an enabling tool, supporting strategic execution.

- It appears that it evolved into this role from it's original positioning as a performance measurement tool, as shown in figures 4-6.

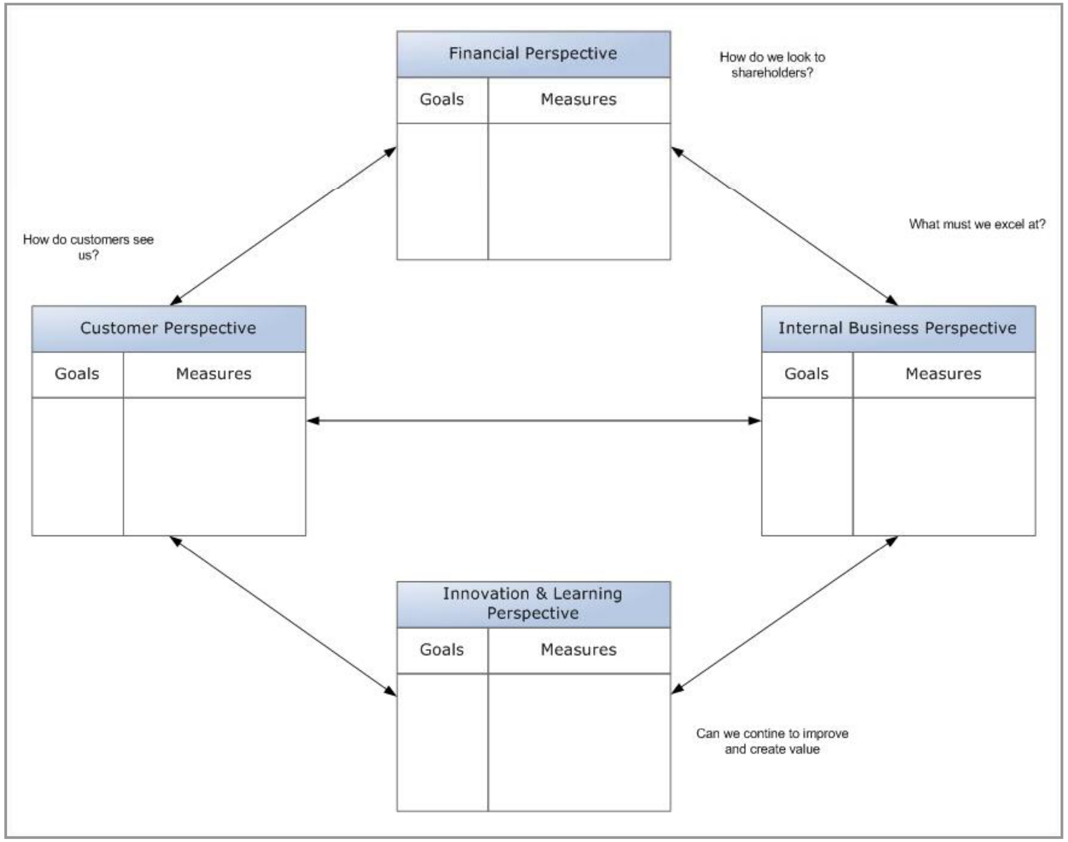
- Financial Services appears to have strongly adapted the Balanced Scorecard as shown in figures 7 & 8.

Literature review – Balanced Scorecard (2)

- In addition to the 'fathers of the Balanced Scorecard', Kaplan and Norton, a number of others have made contribution to the BSC theory;
  - Neely et al (2002) - attempt to overcome perceived limitations of the original Balanced Scorecard with the performance prism.
  - Lusk et al (2006) - Balanced Scorecard needs to widen its scope to incorporate the societal environment.
  - Lawrie, G.J – destination statements
  - Bible et al (2006) - has the Balanced Scorecard been overdeveloped, resulting in a loss of utility?
- Reflecting on practical experience in implementing these approaches, the author contends that Neely et al (2002), Lusk (2006) and even Kaplan and Norton (2006) run the risk of over complicating what is essentially a common-sense approach.

Figure 3 - Evolution of the Balanced Scorecard (1)

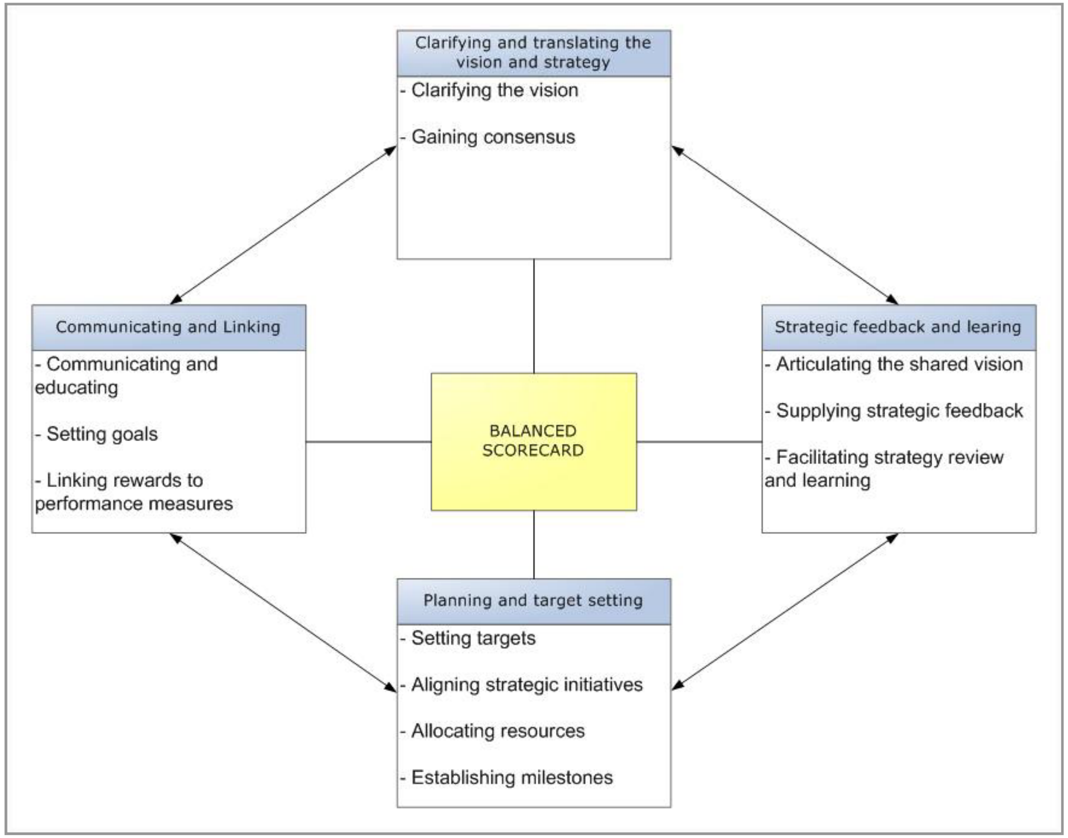
Originally the Balanced Scorecard was positioned as a performance measurement tool that helped executives move away from a predominately financial focused set of measures to a more ‘balanced’ set, including non-financial measures.



Source : Harvard Business Review January-February 1992

Figure 4 - Evolution of the Balanced Scorecard (2)

The Balanced Scorecard concept quickly evolved to take a more strategic focus.



Adapted from Kaplan and Norton (1998)

Figure 5 - Evolution of the Balanced Scorecard (3)

The Balanced Scorecard concept continued to evolve into a strategic management tool with release of the ‘principles of the strategy focused organisation’ and the strategy map.

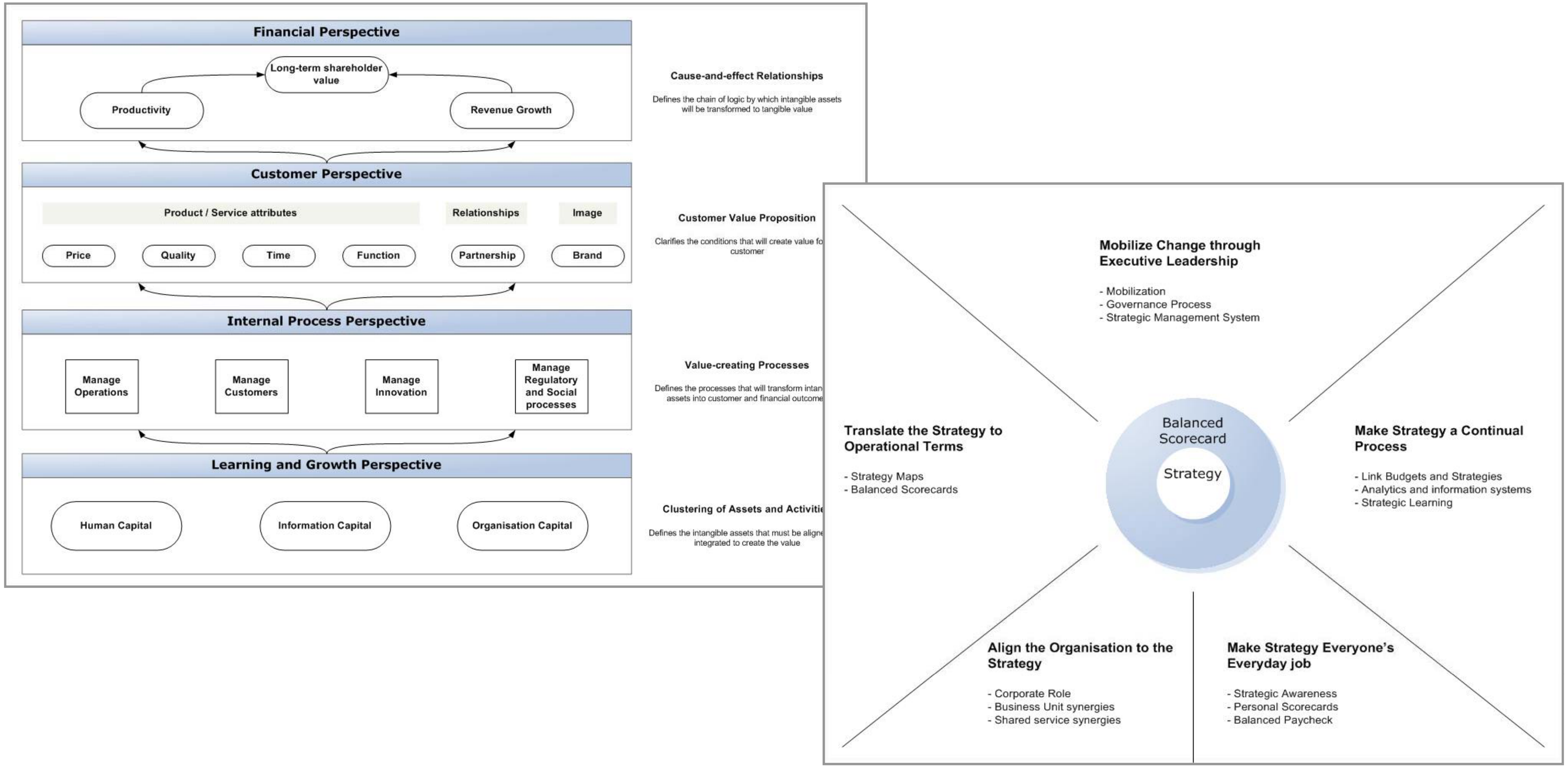
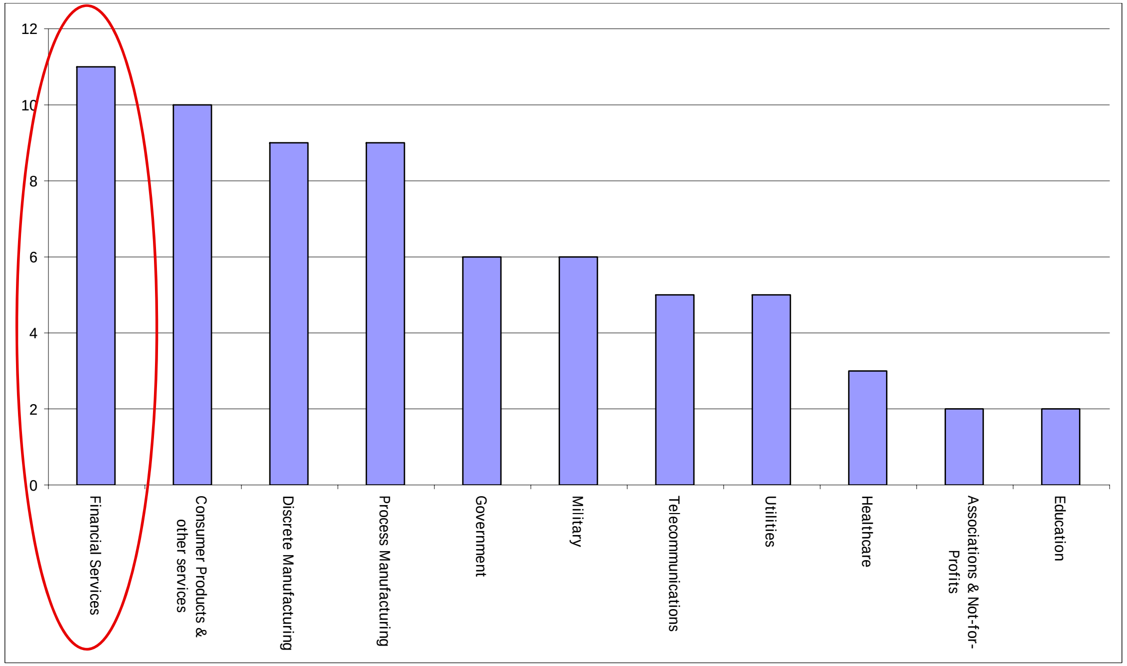


Figure 6 - Balanced Scorecard adaptors in Financial Services

Authors (cited in)	**BSC adaptors (financial services)**
Kaplan and Norton (1996)	Metro Bank, National Insurance.
Olve et al (1999)	Natwest Life, Halifax, Skandia.
Frigo et al (2000)	An un-named 'community bank'.
Kaplan and Norton (2001	CIGNA Property & Casualty, Chemical (Chase) Retail Bank, Nationwide Financial Services, J.P Morgan.
Becker et al (2001)	Wells .
Kaplan and Norton (2004)	Bank of Tokyo-Mitsubishi HQA, Swiss Re, Volvofinans, Thomson Financial.
Huselid et al (2005)	Wells , Prudential Insurance, Allstate Insurance.
Ward (2005)	Lloyds TSB.
Kaplan and Norton (2006)	Bank of Tokyo-Mitsubishi HQA, First Commonwealth Financial Corporation.

Figure 7 – BSCol Hall of Fame winners by industry

Amongst the Balanced Scorecard Collaborative (BSCol) Hall of fame winners, financial services represents the largest industry group.



Literature Review – Risk Management

Why is risk management important?

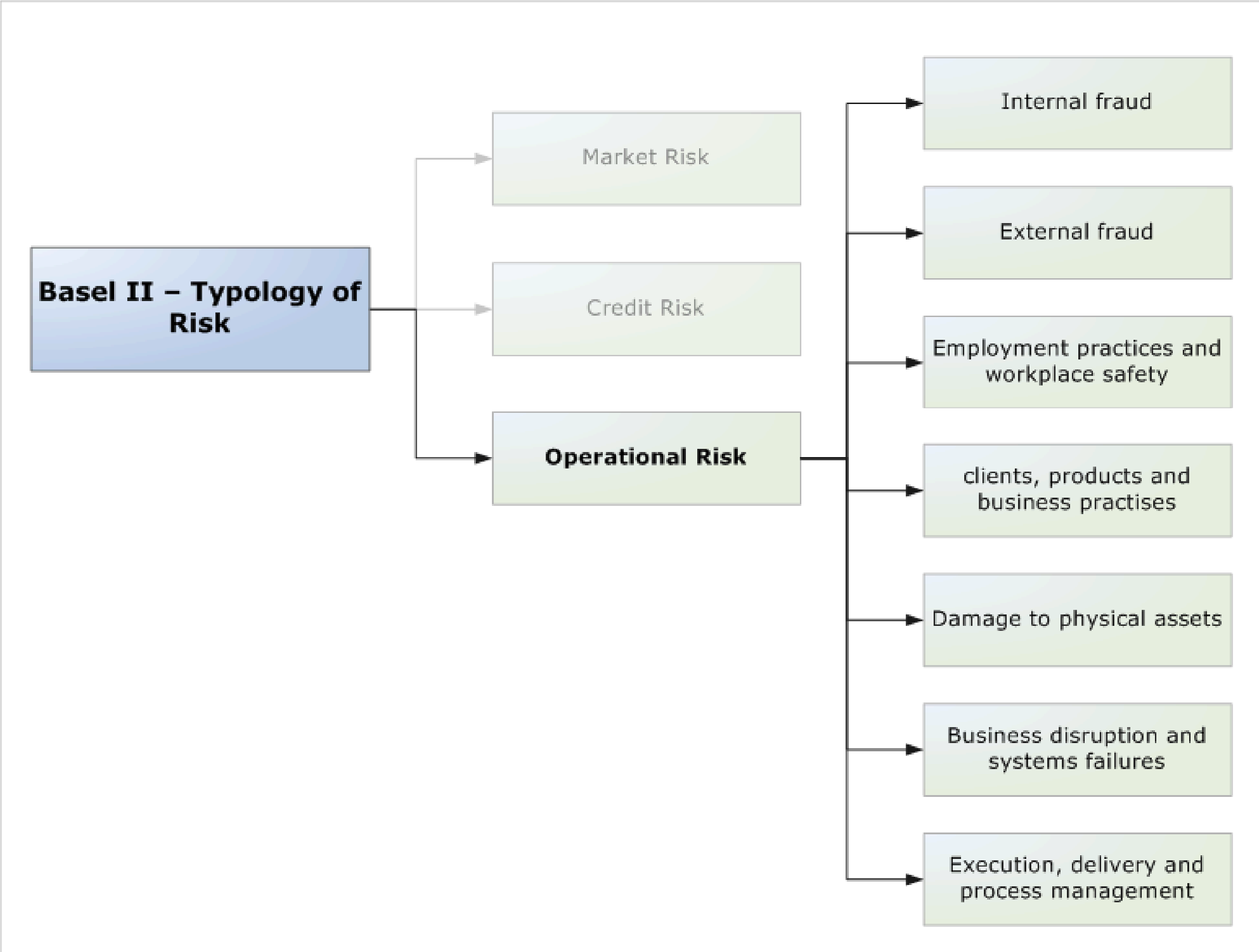
- Bernstein (1996) - understanding risk will help differentiate tomorrow's winning from those less successful.
- Buehler and Pritsch (2003) - "Taking and managing risk is part of what companies must do to create profits and shareholder value".

Literature Review – Risk Management (2)

What is Risk?

- Hilson (2006) - potential future events or sets of circumstances or conditions
- Waring and Glendon (1998)
  - More than mere existence of hazard.
  - Should consider likely scale of consequences, frequency, duration and extent of hazard exposure, the probability of an unwanted/desired event and the time scale over which consequences might be manifested and probabilities assigned.
  - The Risk Management standard, IRM, airmic & ALARM (2002) - combination of the probability of an event and its consequences.
  - Basel Committee on Banking supervision (2004) - operational risk is ‘the risk of loss from inadequate or failed internal processes, people and system or from external events’
  - Basel definition has gained widespread support, Hoffman (2002) , Blacker (in Hilson, 2006), Alexander (2003) etc .

Figure 8 - Basel II Typology of risks



Literature Review – Risk Management

Operational risk has become increasingly important within Financial services over the last 5-10 years.

- Hoffman (2002), Alexander (2003), Belluz et al (2006), Blacker in Hilson (2006), all highlight headline-grabbing cases of ORM failures to understand its rapid move up the management and regulatory agenda.
- Cases include; Drexels, Barrings, Bank of Credit and Commerce International (BCCI), Allied Irish Bank, Enron, Firestone, and the Australia National Bank.

Literature Review – Risk Management (2)

Research shows why it has become more important;

- Dunnett et al (2005)
  - 350 large risk events (greater than US$1 million) at European and north American financial institutions since the 1990s
  - decline in market capitalisation of the affected institution was approximately equal to the short term financial loss, on average US$65 million
  - 120 days these losses had, on average, climbed to 12 times the initial loss – an average of US$780 million
  - approximately half of these events were caused by negligence, unintentional failure to meet a professional obligation or a defect in the nature or design of a product – all factors within the institutions control

Literature Review – Risk Management (3)

Research shows why it has become more important;

- Levy et al (2006)
  - from 2001 to 2005 operational risk related losses at the top 12 US banks represented 4-5% of their net income
  - this excludes unpublished events
  - at least two banks had losses that wiped out more than 10% of their pre-tax net income
  - most harmful loss events were; embezzlement, loan fraud, deceptive sales practices, antitrust violations and non-compliance with regulation
- Buehler and Pritsch (2003)
  - study of 200 leading financial services institutions between 1997-2002
  - 150 cases of significant financial distress at 90 of the institutions

Literature Review – Risk Management (4)

Operational risk management also has significant upside

- Levy et al (2006)
  - up to a 25% reduction in regulatory capital held
  - can take on and succeed in businesses that competitors either are unable or unwilling to accept
  - cost saving achieved by reducing error rates (losses from operational risks) can far outweigh the savings achieved via more traditional cost reduction measures

Literature Review – Measuring risk

- Grody et al (2005)
  - the nature of the risk events has important implications
    - high-frequency/low-impact (HiLo)
      - credit card fraud
      - subject to detailed analysis and efforts to reduce the level of losses and create the basis for expected losses
    - low-frequency/high-impact (LoHi)
      - terrorist attack
      - contingency planning, insurance policies and risk mitigation
    - low-frequency/low-impact (LoLo)
      - managed with consideration for the cost/benefit.

Literature Review – Measuring risk (2)

- Swenson (in Alexander, 2006)
  - operational risk discipline is in an 'embryonic state'
  - best practice is yet to emerge
  - concepts and approaches copied from other areas of risk measurement, credit and market risk
  - significant differences between these three risk disciplines from a measurement perspective, relating to the quality and availability of data
  - many organisations simply do not have the internal risk and loss data to enable them to either provide robust reporting or to feed into operational risk models

Literature Review – Economic capital

- Anders (in Alexander, 2006)
  - "amount of capital that a company needs to protect against insolvency due to unexpected losses over a given period"
  - must understand the difference between expected and unexpected losses
  - challenges in calculating Economic capita, include
    1. developing a good model
    2. sourcing good input data

Literature Review – Economic capital (2)

- Anders (in Alexander, 2006)
  - suggests two sources of input data, historical loss data and expert evaluations however he warns;
    - historical loss data only represents the past, and its value as a predictor of the future is questionable
    - likely to be deficiencies in the completeness of the data
    - external data maybe considered but may not accurately represent an internal risk situation
    - best choice seems to be use of experts within the organisation and capture data using a ‘Risk Scorecard’ approach (figure 10)

Figure 9 – Example of a Risk Scorecard

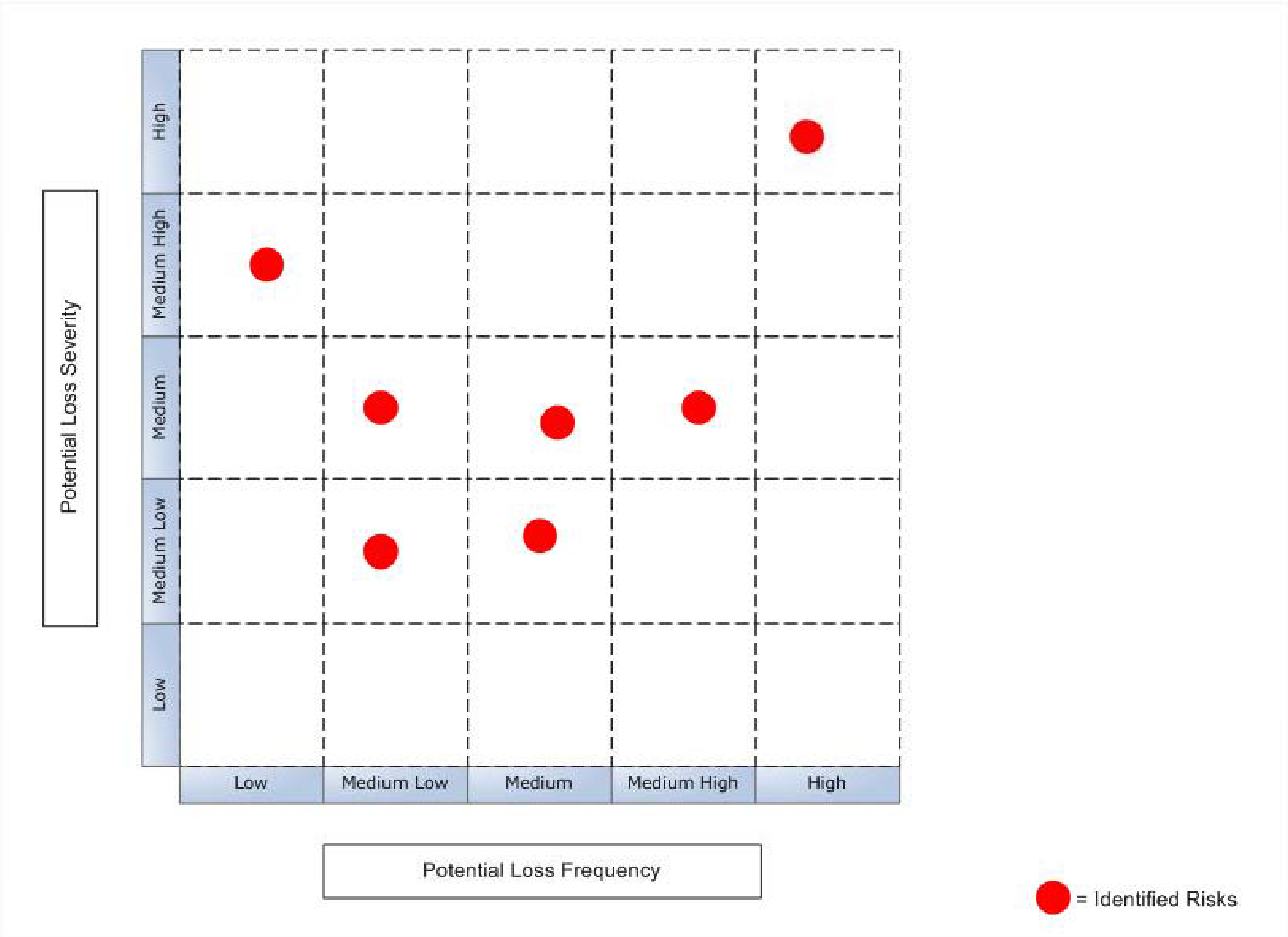
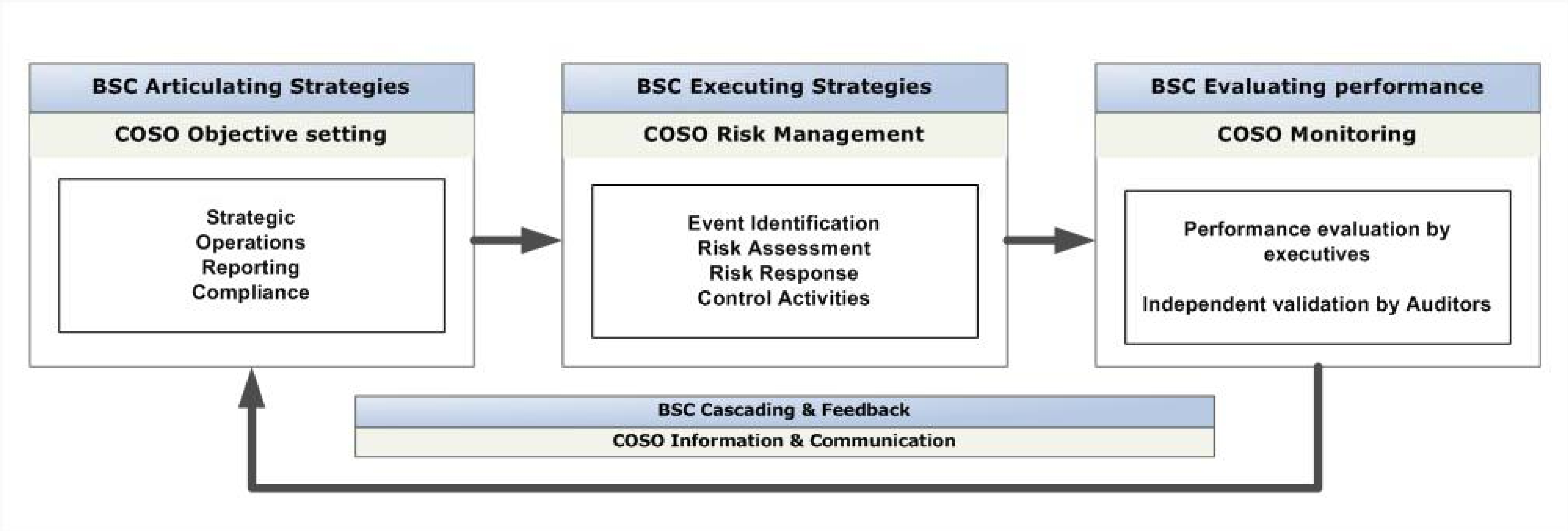


Figure 10 – BSC-COSO EPM Mapping

This figure shows the elements of risk management defined by the COSO ERM model, and corresponds to the three strategy-related processes defined by the BSC and to the BSC feedback properties.



Literature Review – Economic capital

- Blunden (in Alexander, 2003)
  - supports the use of a scorecard approach and use of indicators
  - suggests focus should be on risks, controls and performance
  - suggests risk and controls self-assessment as a first step
  - developing risk culture and capability is critical
- Peccia in (Alexander, 2003)
  - questions the use of risk and control self-assessments
  - argues they are not an effective tool when risks or controls are out of control
  - suggests the use of operational risk models in addition to any self-assessment to supplement management judgement

Literature Review – Integration and alignment

Surprisingly, there appears to be little in the literature related to the integration and alignment of performance and risk.

- Garrison et al (2001)
  - highlights the lack of attention within the current literature related to the role of risk in strategic decision-making
- Likierman (2005a)
  - "as far as I know, there's nothing specifically linking performance and risk"
  - impossible to separate the measurement of performance from the risks taken to achieve it
  - suggests integrating performance and risk via the use of performance measures with a risk dimension such as calculating a risk-adjusted return on capital

Literature Review – Integration and alignment (2)

- (Kaplan and Norton, 1996)
  - “risk management is an overlay, an additional objective that should complement whatever expected return strategy the business unit has chosen”
- (Kaplan and Norton, 2004 and Nagumo, 2005)
  - the Bank of Tokyo-Mitsubishi case is one of the few examples where performance and risk are integrated
  - banks requirement was to enhance strategy execution and develop robust risk management capabilities
  - Risk Management objectives were simply added to business unit Scorecards
  - incorporating the COSO ERM model expands the use of the Balanced Scorecard to cover risks arising during the execution of strategy (see figure 11)

Literature Review – Integration and alignment (3)

- Calandro and Lane (2006)
  - highlight the lack of consideration that Kaplan and Norton – and scorecard literature in general – give to risk
  - performance-only managerial focus was understandable in the past, recent events are forcing the focus on risk and performance;
    - the accounting transgressions and governance issues that surfaced following the implosion of the new economy boom
    - increased regulatory activity (Sarbanes-Oxley, Basel II and others
    - the increasing cost of uncertainty (rising oil prices, gold and commodity prices)
    - ever-increasing levels of globalisation and volatility
  - suggest a dual scorecard approach covering performance and risk

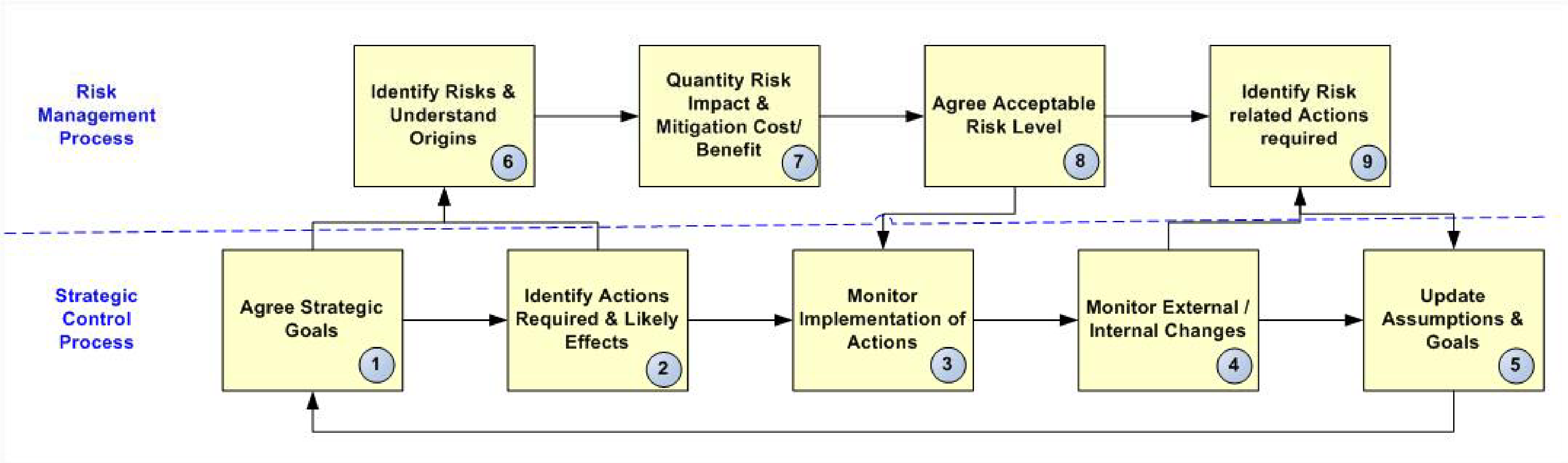
Literature Review – Integration and alignment (4)

- Calandro and Lane (2006) continued
  - single scorecard approach incorporating performance and risk would create scope issues and confusion in the information delivered
  - suggest that the Balanced Scorecard be used to measure the performance of activities undertaken to execute strategy, while the Risk Scorecard should be used to measure risks generated from those activities.
- Beasley et al (2006)
  - suggest organisations should include risk-related goals and measures within each perspective
  - suggest using a single scorecard approach

Literature Review – Integration and alignment (5)

- Lawrie et al (2003)
  - today's risk management processes have much in common with systems designed to manage strategic performance
  - whereas performance management is about identifying and monitoring what should happen, risk management is about identifying and monitoring what should not happen
  - considerable probability of duplication of effort between implementing performance and risk management systems as both processes essentially look at the same processes from different perspectives
  - recommend using an integrated process and outline the process to follow to reduce duplication and integrate these processes (see figure 12)
  - risk management without an effective strategic PM system to provide context is in the best case of limited value, and in the worst case can misguide or obscure important risks

Figure 11 – Integrating Performance Management and Risk Management



Risk-based performance methodology

Risk-based performance methodology

- has emerged from 2-3 consultancy projects undertaken with financial services organisations

- is designed to:

  - address the challenges of strategic execution in a complex, regulated and competitive environment

  - promote understanding of, and enable the management of trade-offs between performance and risk , whilst making an explicit link to strategic execution

- enables executives to keep *one eye on performance and one eye on risk*

- uses a three scorecard model to promote clarify and focus

Risk-based performance methodology (2)

- uses a three scorecard model to promote clarify and focus
- builds on Kaplan and Norton’s Balanced Scorecard concept and is designed to support risk frameworks such as COSO framework
- has been deployed to support Basel 2 and SOX compliance
- incorporate both “hard” quantitative data-based indicators and “soft” qualitative, managerial judgement and experience-based indicators

Figure 12 – The Risk-based performance framework

This figure shows the components of, and causal relationship within Risk-based performance framework.

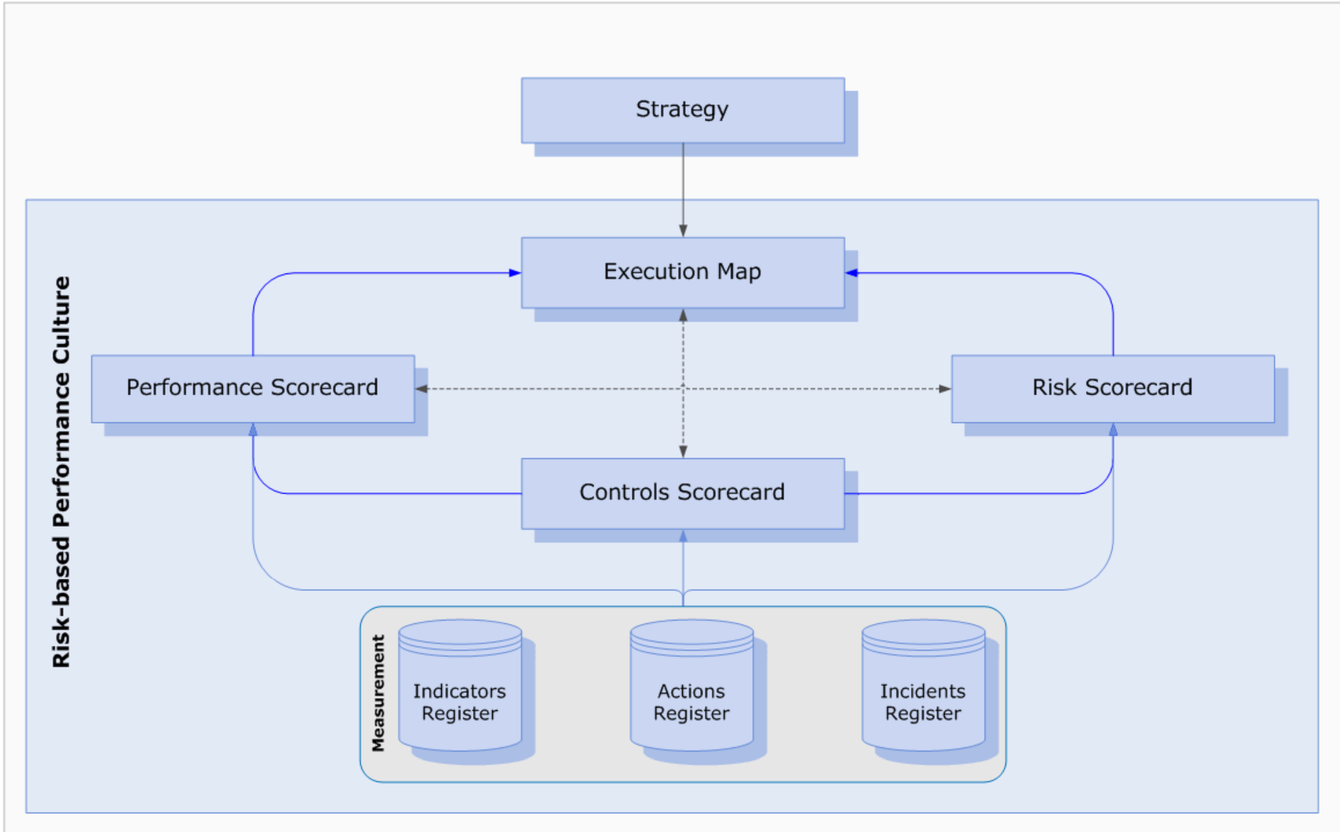


Figure 13 – Risk-based performance scorecards

This figure shows the three different scorecards within the Risk-based performance model, their purpose and the type of indicators used within each.

Risk-based performance scorecards	Purpose	Indicator Type
Performance	The Performance Scorecard is designed to enable an organisation to monitor and manage its strategic objective and progress towards achieving those objectives. Indicators and actions are defined with targets and ownership to enable the clear definition of what the organisation is seeking to achieve, how they will achieve the strategy, and the accountability for delivering on the strategy.	Key Performance Indicators (KPI's)
Risk	The Risk Scorecard is designed to enable an organisation to define, monitor and manage their risk profile and key risks related to its strategy and business environment. Indicators and assessments are used to enable changes in the risk profile to be captured and tracked, whilst developing the knowledge and skills to respond to such changes. Actions are used to implement migration strategies and manage responses to risk events.	Key Risk Indicators (KRI's)
Controls	The Control Scorecard is designed to enable an organisation to define, monitor and manage their internal controls environment in context of it's strategy and risk profile. Indicators are used to enable control effectiveness to be monitored and ownership assigned to ensure accountabilities for controls is clearly defined. Actions are used to implement continuous improvements to enhance control effectiveness.	Key Control Indicators (KCI's)

Figure 14 – Key tools

This figure shows four key tools included within the Risk-based performance methodology.

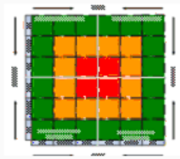
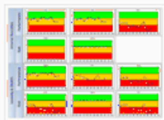
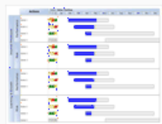
Risk-based performance key tools	Definition	Purpose
Execution Map	The execution map is based on the strategy map concept with the key different being the execution map enable organisations to see performance, risk, controls and projects information in a single, concise cause 'n' effect diagram.	
Risk Map	The Risk Map is used to map Key Risk using the dimensions of Impact and Probability. The Risk Map perspectives are aligned to the Execution Map perspectives.	
Controls Dashboard	The Controls Dashboard is designed to show control effectiveness and enable variations to be quickly identified.	
Strategic Gantt	The Strategic Gantt is designed to provide a high-level overview of the actions that are underway within the organisation to address deficiencies related to objectives, key risks or key controls. These are the actions that drive strategic execution.	

Figure 15 – Relationship within the Risk-based performance approach

This figure shows the relationship and alignment of the major components within the Risk-based performance approach.

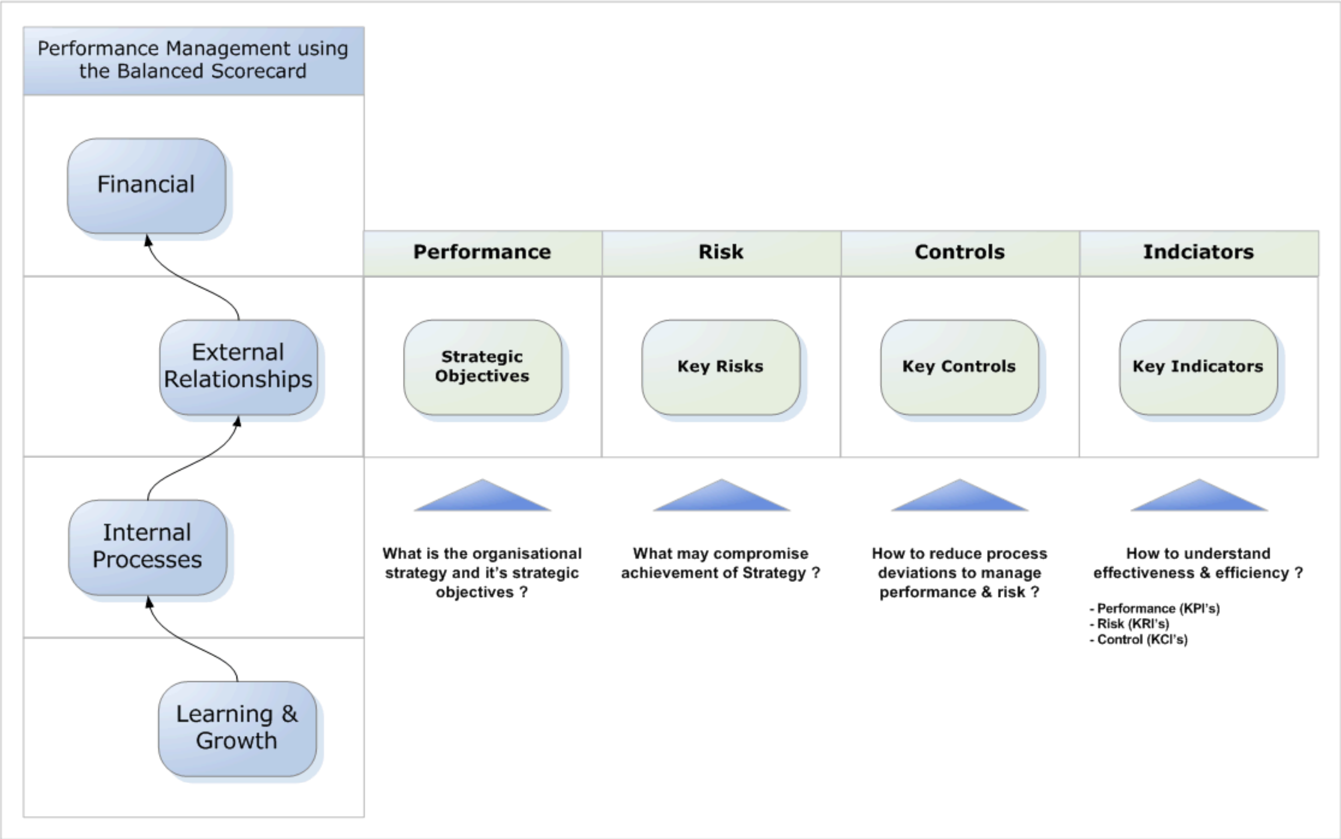


Figure 16 – Strategic Execution architecture

When considering the integration and alignment of performance and risk management, it is important to be clear about where execution takes place within an organisation – what could be called the strategic execution architecture of an organisation.

The key to strategic execution is the processes, people and systems within an organisation. These are within the 'leading' perspectives within the Balanced Scorecard and this is where operational risk resides.

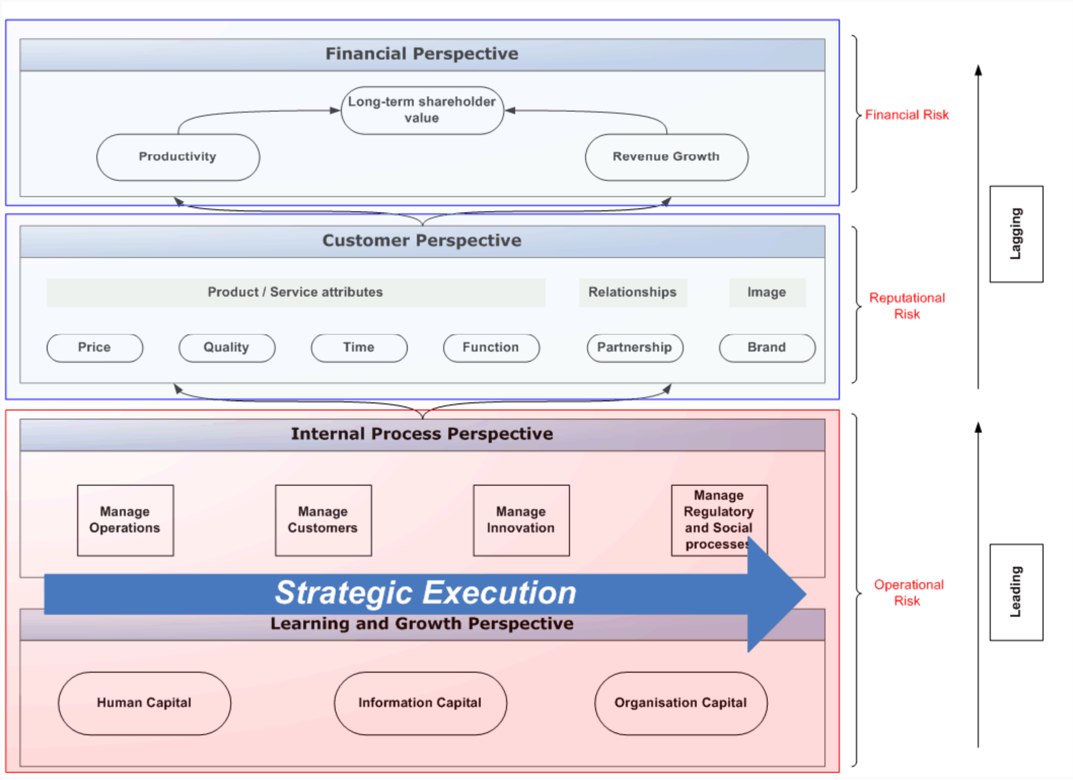


Figure 17 – Integration and alignment at a Macro and Micro level

At the macro level, the overall strategic environment and organisational strategy should be considered. Organisations should take a holistic view in considering the relationships along the three dimensions of, performance, risk and controls.

At the micro level, organisations should be considering integration and alignment in the context of specific strategic objectives, considering the what level of risk appetite they are willing to bear to achieve an objective; the level of risk exposure and the capacity their organisation has to digest the level of risk incidents, implied from their appetite and exposure.

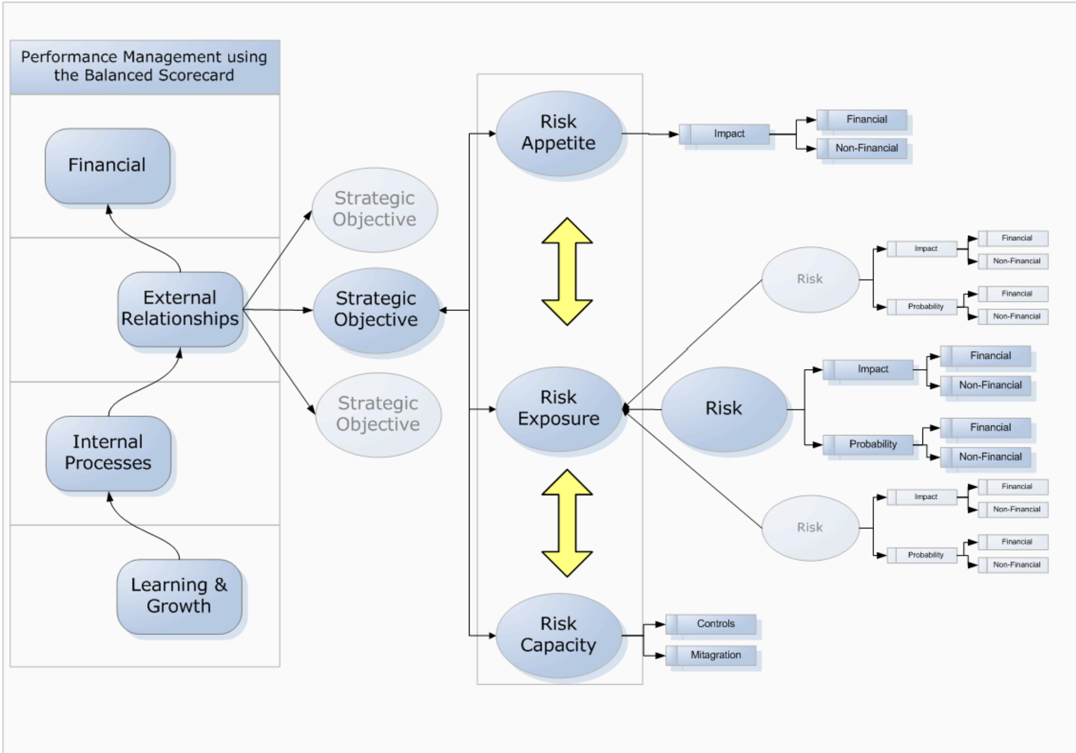


Figure 18 – Risk-based performance development process

This figure shows the process that may be undertaken to develop the different components within the Risk-based performance framework.

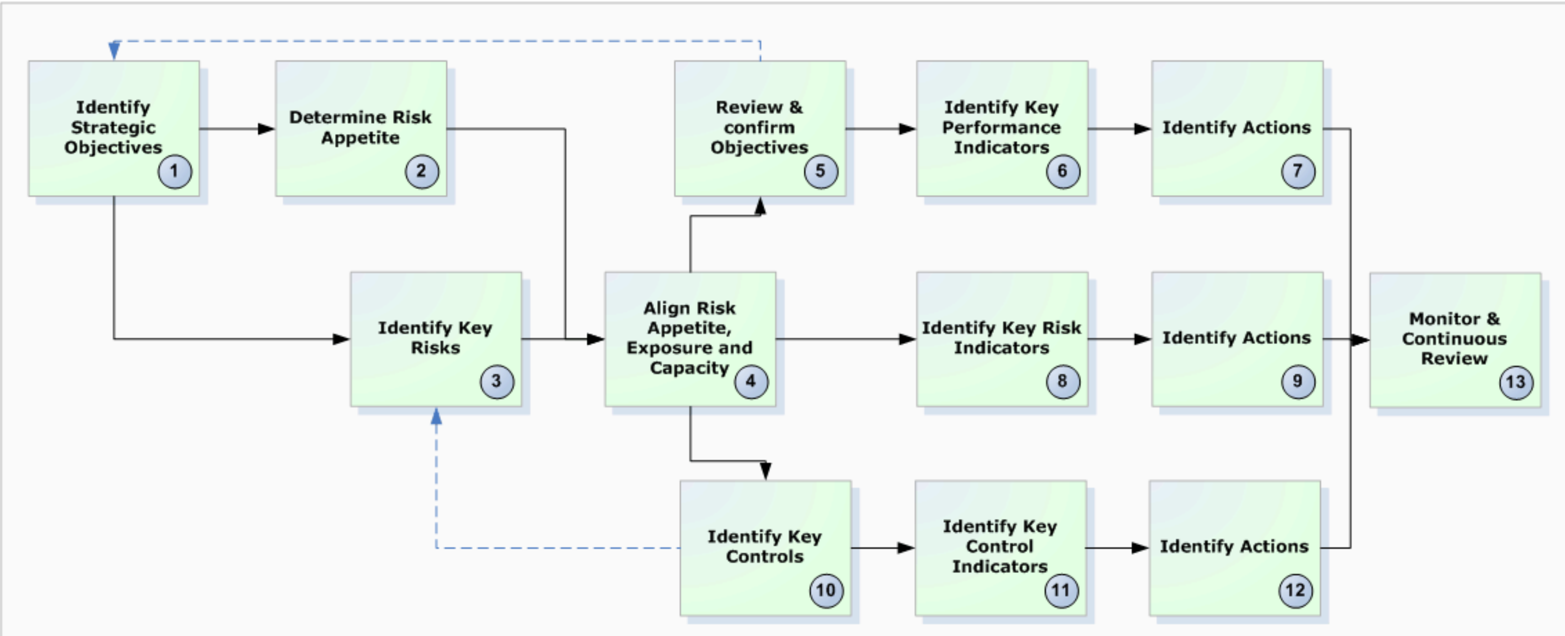
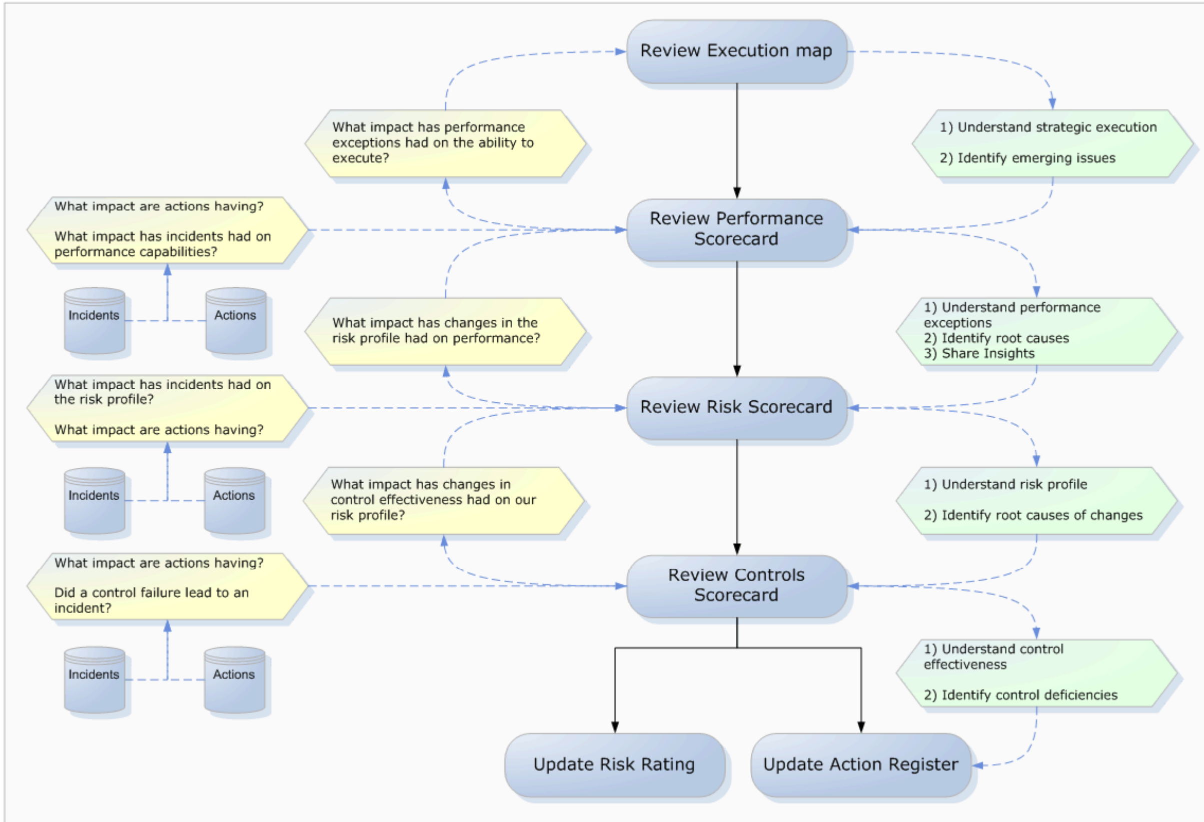


Figure 19 – Risk-based performance management process

This figure shows the process that maybe undertaken when the Risk-based performance process is deployed within an organisation.



Case study

Risk-based performance at an investment bank

- Business challenge
  - develop the appropriate culture and implement supporting systems to respond to Basel 2, Sarbanes-Oxley and manage rapid business growth (organic and via M&A activities)
  - overcome issues related to a failed Balanced Scorecard implementation and a metric only focus.
- Initial response
  - COSO based framework
  - external consultancy lead & driven implementation
  - quickly found that a ‘out of the box’ framework didn’t met the requirement of all the stakeholders, didn’t provide management information clarify or add value to the business

Risk-based performance at an investment bank (2)

- Why Risk-based performance?
  - provided a conceptual sound approach with the flexibly to meet specific organisational needs
  - meets the needs of multiple stakeholders (regulators, management, shareholders etc)
  - globally scalable with increased information clarify

Risk-based performance at an investment bank (3)

- Progress & benefits
  - identification of key risks within the context of the strategy
  - consistent set of KPI’s, KRI’s and KCI’s deployed globally
  - conceptual sound approach in place to met regulatory needs
  - significantly organisational learning

“finally, I have management information I can make decisions on”
Global Head of IT

Research design

Research design

- Whilst the subject matter is potentially very broad and general, the research is designed to be focused. Focused from an industry perspective (UK financial services industry) and from a subject matter perspective (integration and alignment of performance and risk).

- A systematic approach will be taken to the research;
  - concise research question,
  - reviewing literature,
  - gathering primary data via interviews,
  - analysing that data and,
  - proposing an approach to address the issue identified in the research question.

Research design (2)

- Research conducted within the UK Financial Services industry, for the following reasons;
  - the burden it has faced, and continues to face from a regulatory perspective
  - the industry position globally and within the UK economy
  - he transferability of insights from this leading industry to other industries.
  - author’s experience and interest
- Research approach used: Inductive reasoning approach
  - research approach involving the development of a theory as a result of the observation of empirical data, Saunders et al (2003)

Research design (3)

- Research methodology used: qualitative methodology
  - chosen for the richness of the process and level of engagement required between interviewees and author
- Semi-structured interviews were chosen as the primary data collection method.
  - these enabled exploration of complex topic in-depth via rich dialogue
  - provided flexibility to have detailed discussion around specific points raised by interviewees.

The research question

- The research question was *'How can UK financial services organisations integrate and align their PM and ORM processes to enhance strategic execution?'*
  - structured to address research related issues identified by Johnson (1994)
  - concise enough to bring focus and set boundaries
  - outcome orientated, with ultimate aim of helping companies enhance their strategic execution

The research question (2)

- The research had the following objectives;
  - to identify current best practice, from literature and industry, relating to PM (Balanced Scorecard) and ORM
  - to test the applicability of the proposed Risk-based performance approach to integration and alignment of PM and ORM
  - to identify likely benefits of integrating PM and ORM processes

Research structure

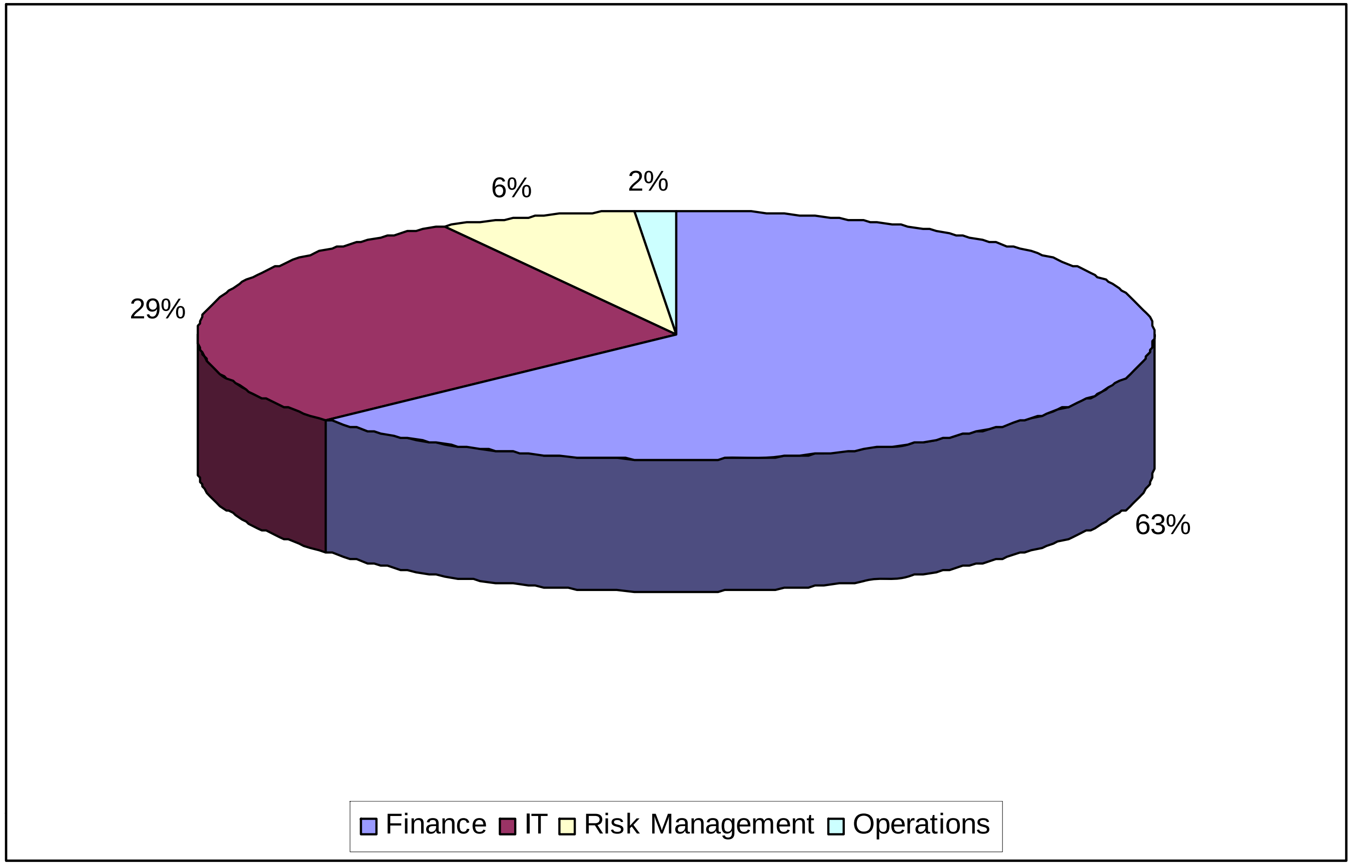
- The unit of analysis was the UK financial services industry.
- The interviewees were from the roles of risk management, finance, IT and operations.
- The target list of interviewees, approximately, 500 were generally unknown to the researcher, coming from a purchased list.
- The target number of interviews was 25, approximately 5% of the list.

Research structure (2)

- Interviewees were invited to take part in the research via email and phone calls.
  - this invites bias and other issues related to self-selection, Saunders et al (2003)
- Data was captured during the interviews using SMARTWisdom and recordings to produce transcripts.
- Data was analysed using narrative analysis, using open coding to categorise data.

Figure 20 – Breakdown of interviewee roles

This figure shows a breakdown of the roles within the target sample



Research results

Research process

- Only 21 interviews were undertaken vs. target of 25, due to time constraints.

- Two matrices were used to summarise the environmental data and McKinsey 7s used to present key themes in the research data.

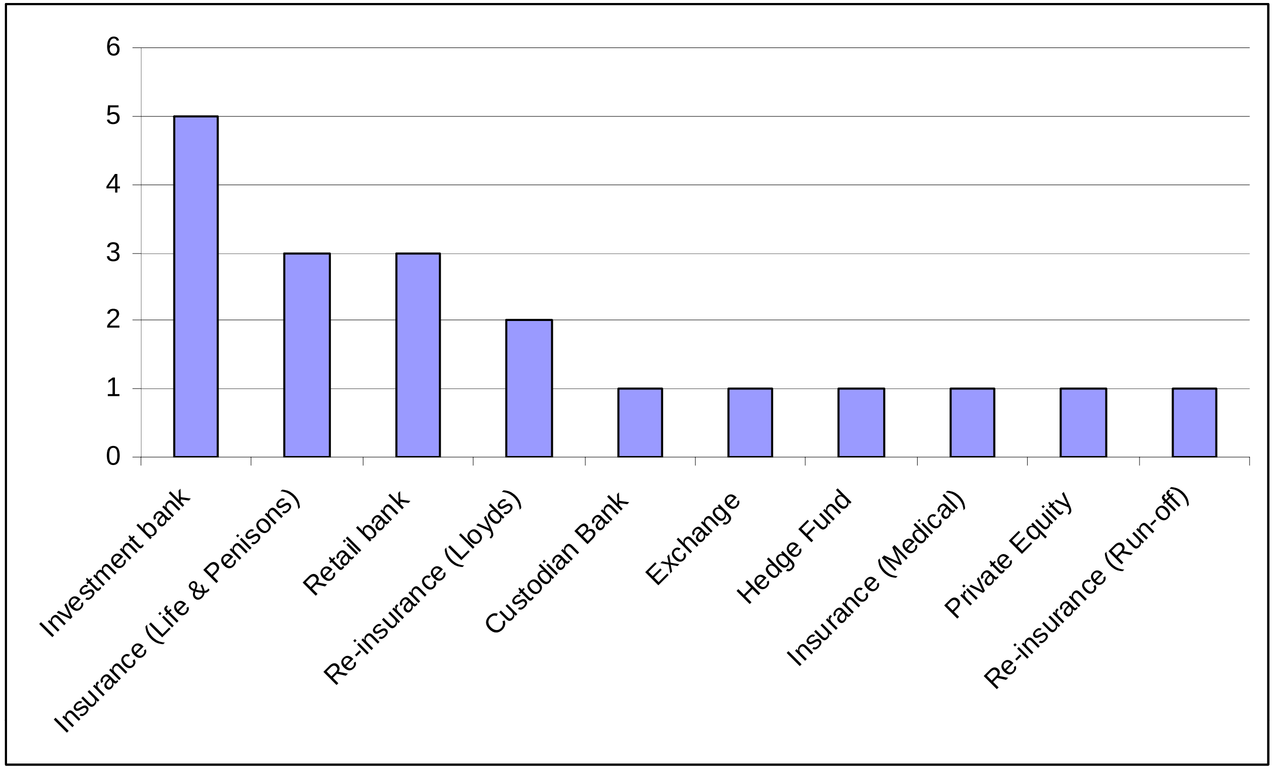
- Whilst in-person interviews were identified as the optimal method of data collection, for reasons of practicality and time pressures on interviewees, a number of interviews were conducted via telephone and two took the form of group interviews.

Research process (2)

- In changing the method, potential drawback identified by Saunders et al (2003) were considered.
- Thirteen out of 21 interviews were recorded. The remaining could not be recorded due to incompatible atmospheric conditions, participants' request not to be recorded, or equipment failure.
- Template analysis was used to distil data into an initial 'long-list' of sixty points, further distilled using two matrices and McKinsey 7s to identify clear themes.

Figure 21 – Breakdown by Industry sub-sector of interviewee organisations

This figure shows a breakdown of the organisations that took part in the study, grouped by industry sub-sector.



Summary results

- Increasing levels of both regulation and competition was found in eight out of ten sectors within the UK financial services industry. This demonstrates the challenging and changing environmental context of this research (see figure 24).

- The Performance and Risk Matrix was developed to summarise how the interviewee organisations were responding to the challenge of increased competition and regulation, from a performance and risk management perspective (see figure 25).

- The results show that the industry is reactive and tactical in its response. With greater emphasis on meeting the regulatory challenges via risk management.

- Only 4 organisations were categorised as “Execution focused”, with no organisations categorised as “Performance management focused” (see figure 26)

Figure 22 – UK Financial Services Environmental matrix

This figure provides an overview of the environment within which UK financial services organisations operate, mapping two key drivers of change: competition and regulation.

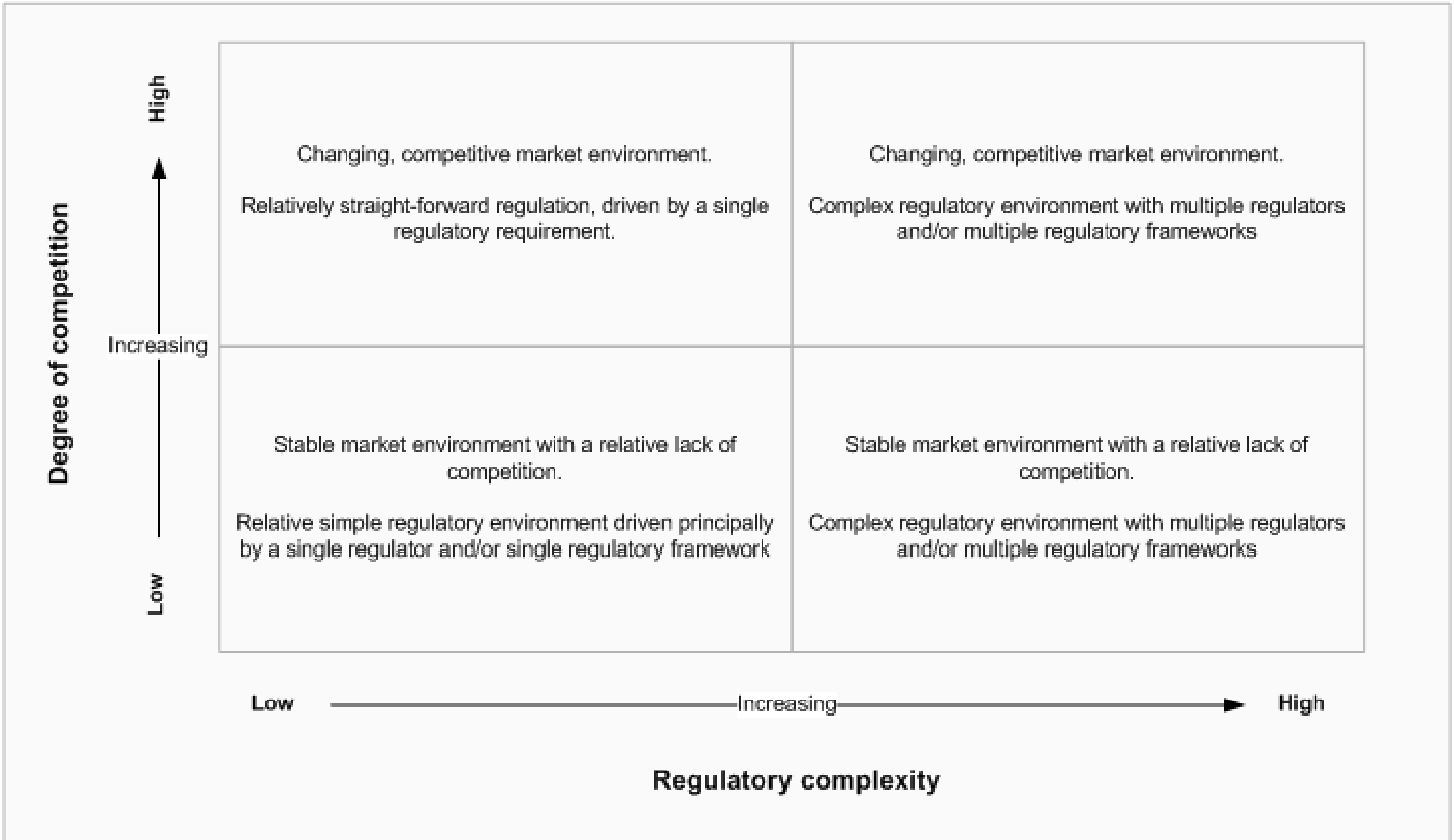


Figure 23 – UK Financial Services environment by sub-sector

This figure plots the results of the research, grouping the organisations into sub-sectors within the financial services industry.

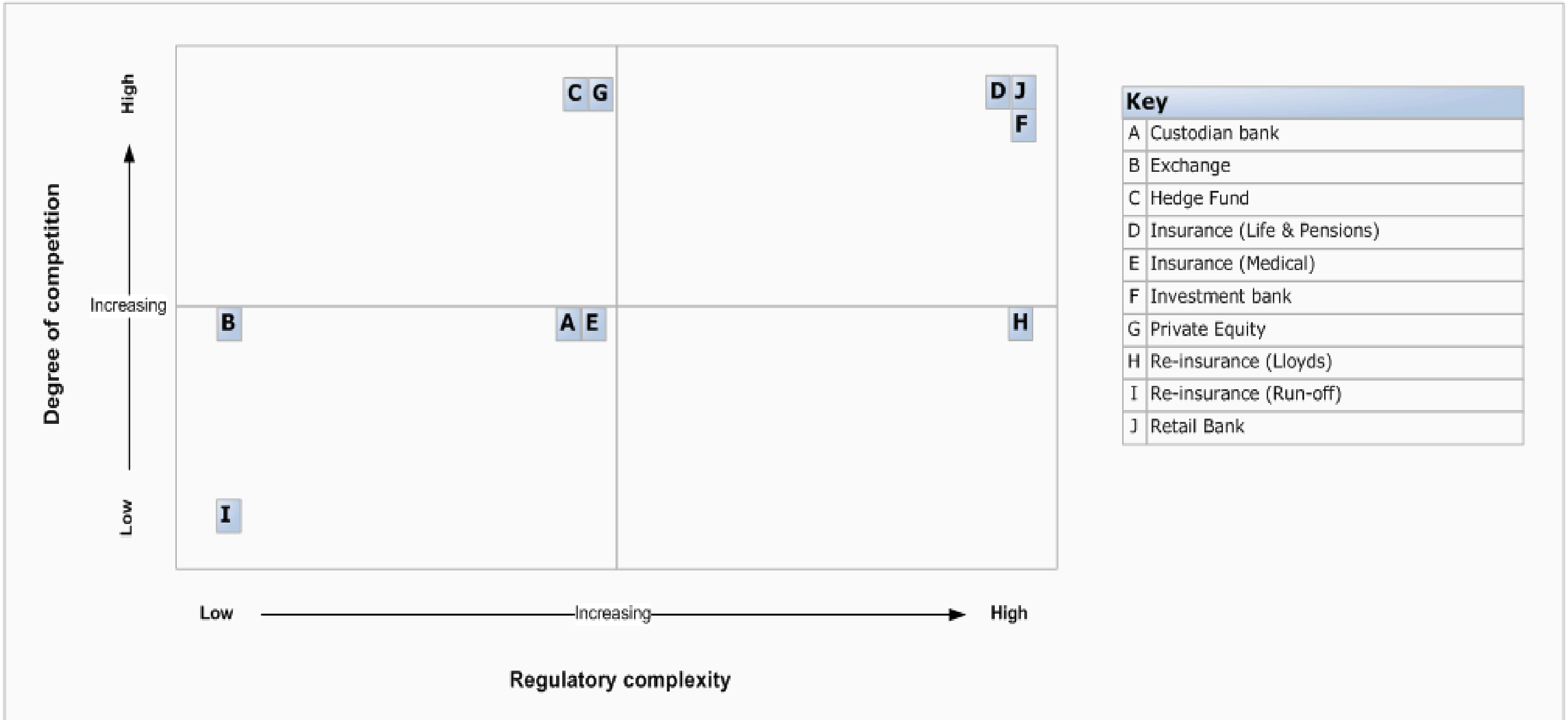


Figure 24 – Performance and Risk Matrix

This figure shows the performance and risk matrix used to group and summary the research results.

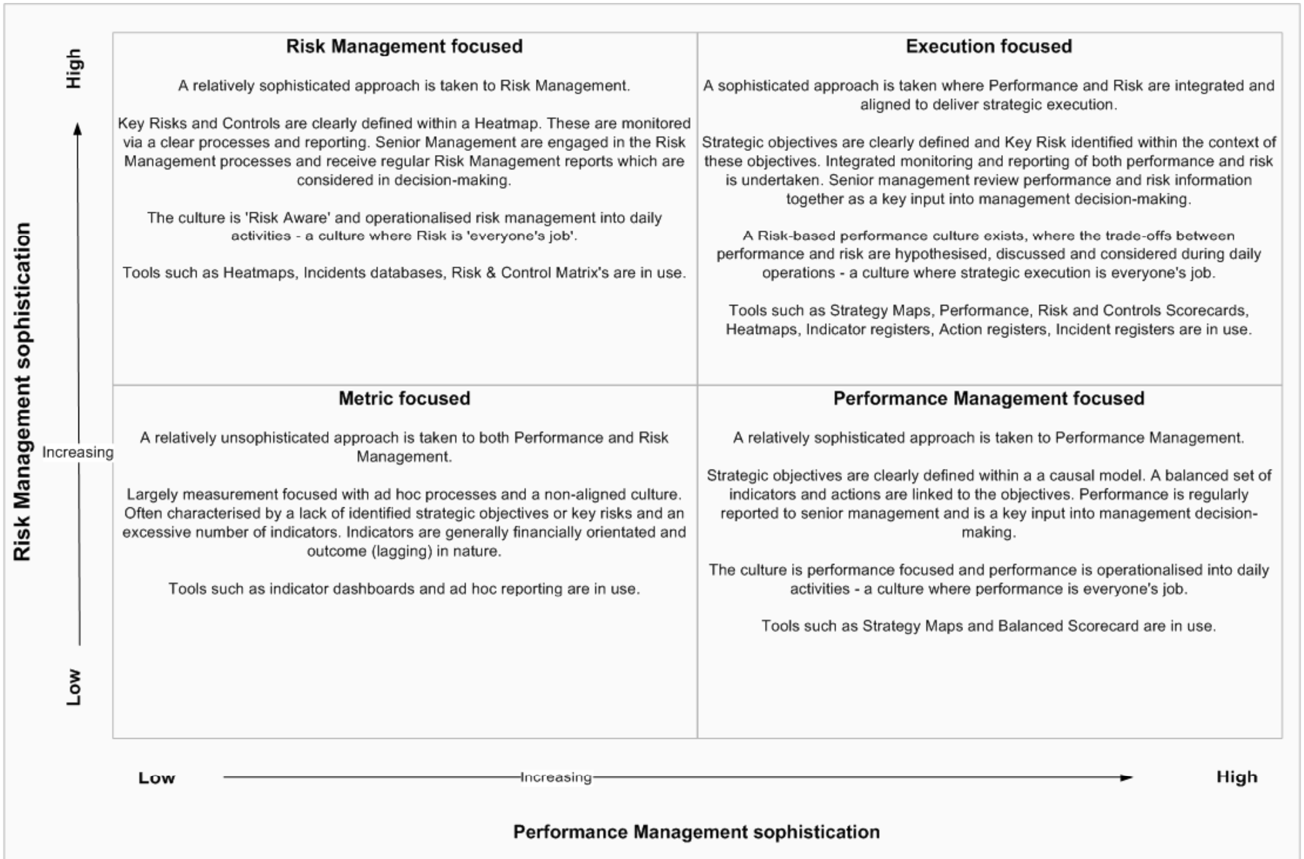


Figure 25 – Performance and Risk Matrix of interviewee organisations

This figure shows the interviewee organisations plotted on the Performance and Risk Matrix.

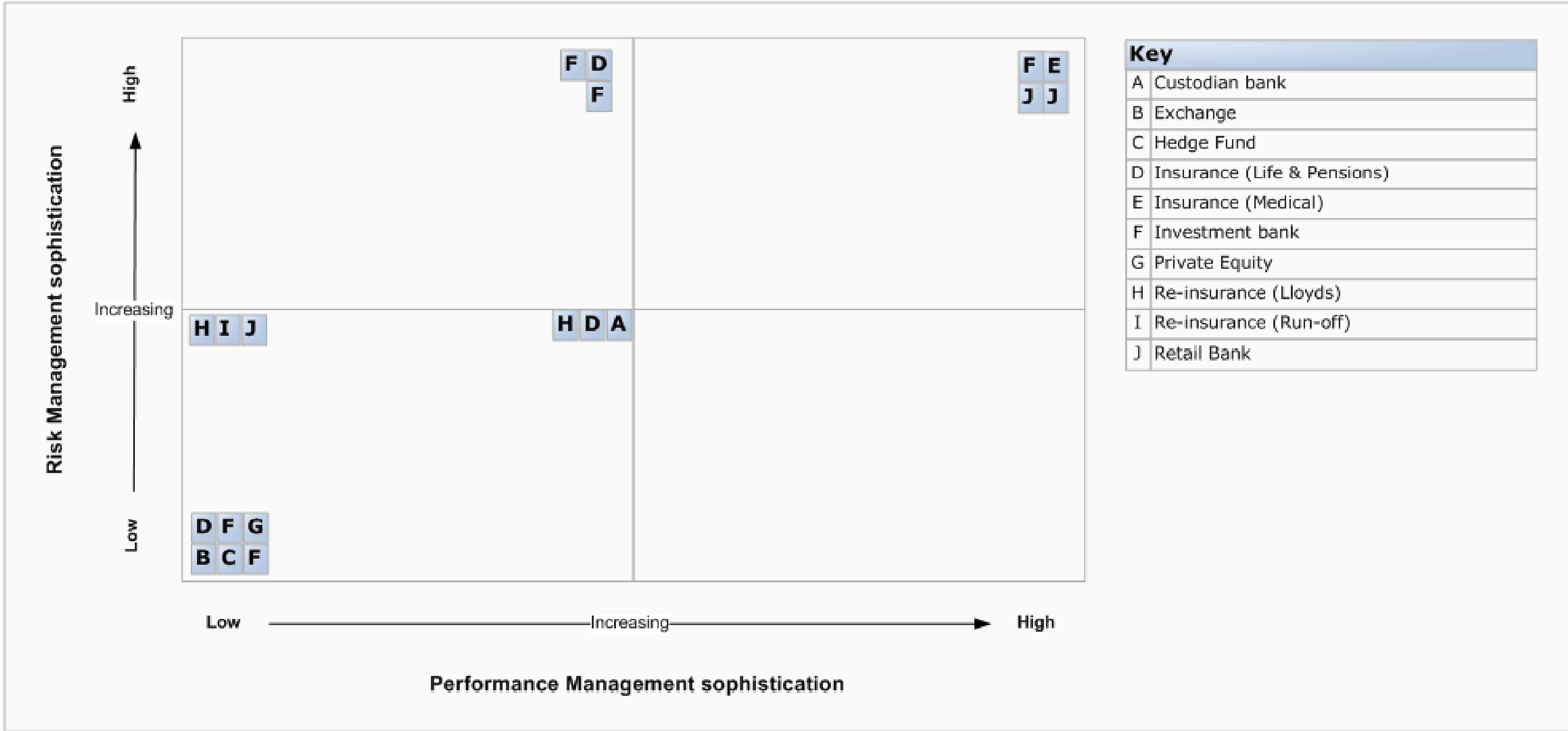


Figure 26 - Key themes to emerge

	Key Themes
Structure	• process silo • committee structure •risk and compliance focus
Strategy	• reactive approach taken to regulation • effective use of capital and increasing transparency • just good strategy
Systems	• clear and well defined reporting and review cycles • lack of use of the Balanced Scorecard • tactical indicator driven approach • formal IT systems vs. spreadsheets • keep it simple, stupid (KISS)
Shared Values	• challenge of embedding operational risk into the daily culture & decision-making • developing and sustaining the desired culture • role of organisational learning
Style	• lack of maturity surrounding performance management and operational risk management • data, data and more data
Staff	• linking compensation to performance management and/or operational risk management indicators • use of Gateway process • Chief Risk Officer appointments

Structure

- Process silo
  - original assumption that a ‘silo approach’ was taken to performance management and operational risk management processes appear to be validated
  - nine interviewee highlighted this as a issue
  - Risk-based performance recognised as a methodology for overcoming this - *“I think your approach makes a lot of sense. The challenge in many organisations is they operating [their PM and ORM processes] in silos”.*
- Committee structure
  - there is significant different between performance and risk in terms of accountability.
  - accountability from a performance management perspective is generally individual whereas from a risk management perspective it is generally within a committee structure.

Structure (2)

- Risk and Compliance focus
  - only two organisations explicitly differentiated the focus of the risk and compliance functions
  - risk and compliance roles and mandates appears to lack clarity in a number of the organisations

Strategy

- Reactive approach taken to regulatory pressures
  - 14 of the interviewees indicated that their efforts to enhance performance or risk management processes were largely reactive and driven by individual regulatory requirements
  - this suggests that few financial services organisations are taking a strategic view or attempting to drive business value from these processes
  - only seven cited reasons for a more proactive approach; four suggested improved transparency and increased available capital, while three stated it was ‘just good strategy’ to have these processes in place

Systems

- Clear and well defined reporting and review cycles
  - use of clear and well-defined reporting and review cycles emerged as a common practice; fourteen interviewees said this was part of their current process
  - execution-focused organisations had the most disciplined and focused reporting and review processes, with different meetings at different frequencies, each with a clear purpose
- Lack of use of the Balanced Scorecard
  - perhaps one of the most surprising results from the research was the limited use of the Balanced Scorecard
  - ten interviewees said their organisation did not use the Balanced Scorecard and a further three stated that they 'might' use the Balanced Scorecard but could not be sure.

Systems (2)

- Lack of use of the Balanced Scorecard
  - only two interviewees, both execution focused organisations, stated that they used the Balanced Scorecard
  - feedback on the proposed R-bp approach was very positive, with its use of the Balanced Scorecard as an underlying concept
  - while there appears to be a lack of adoption , paradoxically there was solid recognition of the Balanced Scorecard and support for it as the basis for the Risk-based performance methodology.
- Tactical indicator driven approach
  - eight interviewees indicated that their PM and/or ORM processes were very much driven by the use of tactical indicators, primarily Key Performance Indicators (KPIs)

Systems (3)

- Formal IT systems vs. Spreadsheets
  - almost half of the participant organisations stated they employed formal IT systems (eight interviewees), with others using spreadsheets (seven interviewees); three participants employed both
  - in terms of respondents' assessment of their relative merits, two respondents, using formal systems, believed the systems were making their jobs more difficult and therefore did not favour their use.

Systems (4)

- Keep it simple, stupid (KISS)
  - an interesting point to emerge related to the need to remove complexity from PM and ORM processes and take a "keep it simple" approach
  - five interviewees highlighted this as either one of their current focuses or as one of the critical success factors in their processes
  - on this point feedback on Risk-based performance was mixed
    - it's comprehensive nature created concern it could be complex to implement and maintain
    - there was recognition that by being specific about the use of the different scorecards and indicators types, this should reduce complexities
    - six interviewees suggested it was right to consider PM and ORM together and integrate them

Shared values

- The challenge of embedding operational risk into the daily culture & decision-making
  - embedding operational risk management into the daily culture and decision-making processes emerged as one of the most significant challenges facing the financial services industry, with nine interviewees touching on this topic
- Developing and sustaining the desired culture
  - much literature and at least one of the interviewees hold the view that PM and ORM are primarily about culture and creating a conducive environment

Shared values (2)

- Developing and sustaining the desired culture
  - seven of the interviewees provided some insights into the type of culture they were seeking to create, characterising it as an “open, honest, no surprises” culture, with accountability and open communications
  - four interviewees reflected opinions on culture reminiscent of Kaplan and Norton when they commented that performance and/or risk should be everyone’s job

Shared values (3)

- The role of organisational learning
  - two interviewees discussed the impact of experiencing a significant risk event and how that shaped approaches to operational risk management
  - two interviewees discussed the use of organisational learning as a key part in their PM and ORM processes
  - execution-focused organisations appear to have a greater recognition of the importance of embedding organisation learning into their processes
  - interestingly, each of the four organisations categorised as execution-focused appear to have evolved into this position over time rather than arriving via a more deliberate path

Style

- Lack of maturity surrounding performance management and operational risk management
  - there is significant lack of maturity which exists in relation to PM and ORM, with 14 interviewees highlighting this as an issue
  - the lack of maturity was apparent across organisations and more broadly, across the industry
- Data, data and more data
  - there is a perceived need/requirement to develop totally data-centric processes
  - it appears that many organisations focus too heavily on data, and lack the mechanism for capturing management judgement and experience

Staff

- Linking compensation to performance management and/or operational risk management indicators
  - linking compensation, particularly bonus payments, to performance and/or operational risk indicators emerged as a key insight
  - six interviewees discussed how their current processes linked compensation to performance and/or risk
  - this was regarded as a key success factor for gaining buy-in and embedding the processes

Staff

- Use of Gateway process
  - linked closely to the previous point, the use of “gateway” processes emerged as a key insight
  - six interviewees (four in common from the previous point) highlighted their use of such a process
- Chief Risk Officer appointments
  - only three organisations stated that they had appointed a Chief Risk officer at executive level
  - given the nature of the industry this seems low and reinforces the impression of a lack of maturity related to risk management

Discussion and interpretation

General discussion and interpretation

- Considerable knowledge exists related to the individual areas of PM and ORM however when focusing specifically on the integration and alignment of these two disciplines, there was relative little knowledge or information available.

- There is support for the integrating and aligning of these two disciplines however the challenge is how to achieve this.

- The UK financial services industry is largely regulated by a single UK regulator that takes a principles-based approach to regulation, which was generally viewed as positive by study participants. Complexity is added when organisations have to address other extra-national regulatory demands, such as those from the United States (Sarbanes-Oxley) and the European Union (Basel II, CRD, MiFID etc).

General discussion and interpretation (2)

- The research highlighted competition in terms of products (developing and offering the right products and managing their commoditisation), customer/client (wining and retaining), and opportunities (spotting, winning the right to, and taking advantage of, opportunities), particularly important to private equity.

- It appears that industry's response from a PM and ORM perspective has been reactive and lagging behind environmental changes.

- Performance and Risk matrix results imply that whilst the industry is becoming more competitive and regulatory pressures are increasing, the industry is struggling to develop the required frameworks and approaches to meet these changing demands.

General discussion and interpretation (3)

- With three risk management-focused organisations and a further six demonstrating increased levels of risk management sophistication, the implication is that participating organisations are responding to regulatory pressure more readily than competitive pressures.
  - Does this mean that the level of regulation of the financial services industry is negatively impacting on the industry’s ability to effectively react to competition and deliver on their strategies?
  - This would be in line with anecdotal comments from industry participants.
- There is a lack of correlation between a sector positioning on the environment matrix and its positioning on the performance and risk matrix.
  - This may indicate that the industry is not developing, sharing and implementing best practice approaches.

Performance management - discussion and interpretation

- Perhaps one of the most surprising findings to emerge was the apparent lack of adoption of the Balanced Scorecard within the UK financial services industry.
  - Kaplan and Norton, along with a number of other authors, point to many financial services companies where the Balanced Scorecard is used.
  - However 10 interviewees stated that their organisations did not use it, three suggested they might use it and only two interviewees stated that they used the Balanced Scorecard. Interesting, both started implementation of the Balanced Scorecard around three years ago and are categorised as execution-focused organisations.
  - This point is probably best summarised by one of the interviewees who stated; *"It is interesting, you read in Harvard Business Review about the widespread adoption of the Balanced Scorecard, however when you talk to colleagues in the industry you get a very different view".*

Performance management - discussion and interpretation (2)

- Perhaps one of the most surprising findings to emerge was the apparent lack of adoption of the Balanced Scorecard within the UK financial services industry.
  - One explanation could be that companies have attempted to implement the Balanced Scorecard in the past, found it difficult and retreated to a more tactical, indicator or dashboard-focused approach.
  - This is the experience of the bank in the case study and one of the participant companies that are now positioned in the execution-focused quadrant. The executive representing the latter organisation hinted at the challenges in implementing the balanced scorecard. *"To be honest, we made a complete pig's ear of it [the Balanced Scorecard] to start with, we went BSC mad, but we've got better as we've gone on. Now, after a period of four years, I think I could say we're pretty damned good". The interviewee went on to state that "we're now very aligned; everything is incredibly aligned… For us it [the Balanced Scorecard] is about raising the bar; there's no place for anyone to hide".*

Risk management - discussion and interpretation

- Literature is voluminous and diverse, characterised by a rich history and varying views on how to define, assess and measure risk and particularly, the relatively new area of operational risk.

- Questions around definition were addressed with the Basel II accord - “the risk of loss from inadequate or failed internal processes, people and system or from external events” This definition was found to be well supported in the literature and during the interview process.

- However there does seem to be a continued emphasis on the downside related to risk, with upside opportunities given less attention, highlighted by Garrison (2001) and in the interviews.

Risk management - discussion and interpretation (2)

- Operational risk is a relatively new area of risk; however it is receiving considerable management attention driven primarily by regulatory demands.

- With only three organisations stating that they have appointed a Chief Risk Officer, this supports the position that this area is still evolving as a management discipline.

- One of the most significant challenges to emerge from the field research related to culture. Questions centred on what the right culture is, how it can be developed and how to embed operational risk into daily culture and decision-making. This concern is echoed in both the literature and the case study.

Performance management and Risk management - common issues emerge.

- There is a lack of maturity, both within individual organisations and industry wide around these processes.

- There are a number of areas where this lack of maturity becomes apparent;

  1. There is a lack of strategic approaches being deployed that will not only enable current requirements to be met, but also position organisations for future challenges.

  2. The quality and availability of PM and ORM IT systems. *"There's no maturity level out there. Because there's no maturity level, if you look at even a basic toolset that registers issues and actions, there aren't many out there that are really good. They're [IT vendors] not bothering so much to meet requirements because people [the industry] don't really want to spend the money on it [PM and ORM systems]".*

Integration and alignment - discussion and interpretation

3. Current best practice seem to reflect a silo approach whereby PM and ORM are implemented in relative isolation. This often leads to considerable duplication and potential confusion as there is significant overlap between the data sources, the processes and the ultimate end-users of PM and ORM information.

- Clear justification for integration and alignment is the elimination of duplication of effort and costs in both implementing and managing these processes.

- There are some clear overlaps between the processes and dimensions of performance, operational risk and strategic execution. Thus, integrating and aligning these processes is likely to significantly enhance the capability of an organisation to execute its strategy, (see figure 28).

Figure 27 – Overlaps between Strategic execution, performance management and risk management

Strategic execution	**Performance Management**	**Operational Risk Management**
Strategy processes		External events
	Financial perspective Customer perspective	
Operational processes	Internal processes perspective	Internal processes
People processes	Learning & growth perspective	People Systems

There is considerable overlap between the processes and dimensions of strategic execution, performance management and operational risk management.

Benefits of Integration and alignment

- Reduces the current rate of strategic execution failure – currently estimated to be between 40% - 70%.
- Reduces the losses related to operational risk events, with initial costs averaging US$ 65m and tail costs US$780m.
- Reduces by up to 25% the capital allocation for operational risk to enable it to be deployed more effectively.
- Takes out organisational cost by better management of the internal factors that create approximately half all operational loss events. Estimated to offer greater potential for cost saving than traditional cost cutting.

Emerging best practises related to how to integrate and align performance management and risk management.

1. The use of clearly defined, well structured reporting and review cycles and processes.

2. Linking and alignment of compensation schemes, particularly bonus payments to PM and/or ORM outcomes.

3. Use a gateway process to further reinforce the alignment of compensation to strategy.

4. Ensure clarify of the role of the operational risk and compliance functions. Focus operational risk on the corporate agenda whilst focusing the compliance function on the regulatory agenda.

Key points from the literature related to the integration and alignment of performance management and risk management.

1. Use risk adjusted performance indicators.
2. Incorporate risk related indicators into your overall balanced scorecard approach.
3. Use multiple scorecards

Conclusions

The Industry context

Conclusion	Recommendation
1. An reactive, indicator focused industry. The UK Financial Services industry faces an increasingly regulated and competitive business environment. Despite the need for flexibility and adaptation to a rapidly evolving environment, there is widespread failure to adopt strategic orientated processes, frameworks and approaches to meet these challenges from a PM and ORM perspective. The industry response to date has largely been reactive, tactical, and indicator driven.	Organisations should take a more strategic approach, developing frameworks, processes and approaches that enable them to effectively meet the current requirements but which also develop the organisational capabilities to meet future regulatory and competitive demands.
2. A lack of maturity and best practice. There is a significant lack of maturity in relation to the development of PM and ORM processes, both within individual organisations and across the industry. The integration and alignment of these processes has support from a conceptual perspective but questions remain as to how this may work in practice. Given the acknowledged lack of maturity in this area, the lack of best practice is expected and further contributes to reliance on 'siloed' processes and resistance to integration.	Industry participants should look to established frameworks and processes as a starting point to developing an integrated and aligned approach. While existing frameworks and processes are focused on individual processes they will form a solid foundation of processes, technology and capabilities to move to an integrated approach. From a PM perspective, organisations should consider the Balanced Scorecard. From an ORM perspective, organisations may consider the COSO integrated framework, the Risk Standard or AS/NZS 4360:2004 or Arrow 2 as a starting point.

Performance Management & Operational Risk Management

Conclusion	Recommendation
1. There is a significant gap between the literature and reality in terms of Balanced Scorecard deployment. The Balanced Scorecard literature cites numerous financial services organisations as having deployed the Balanced Scorecard; however this study found that the use of the Balanced Scorecard is not as widespread within the UK financial services industry as suggested by the literature.	
2. Operational risk management is critical to managing downside losses whilst taking advantage of upside opportunities. While still a developing area of management, ORM is critical to reducing the losses from a risk event, not just the initial loss but also tail losses. ORM is also critical to developing the processes, peoples and systems to enable organisations to take on more risk and thus capture a greater share of the upside. There is real potential to use robust ORM processes to reduce business costs and develop risk-taking capabilities to build competitive advantage. As one of the interviewees pointed out during this study, *“the reason that a car has brakes is to allow it to go faster, and the same [applies to]… business and risk management.”*	

Integration and alignment

Conclusion	Recommendation
1. Integrating and aligning PM and ORM processes reduces duplication and costs while increasing the quality of decision-making. There are considerable process, people, system and data overlaps between PM and ORM. Deployment in isolated silo processes creates duplication and increases costs; the integration of these processes removes duplication and reduces costs. Additionally, as decision-makers will have a more holistic set of decision-making information including performance and risk dimensions, the quality of decision-making can reasonably be expected to improve.	Seek cost efficiencies and decision-making quality improvement by integrating and aligning your PM and OPM processes. Use Risk-based performance or similar to provide a conceptual sound methodology for doing so.
2.Developing an execution-focused organisation takes time The execution-focused organisations all spoke of the time taken and evolutionary nature of the journey that saw them evolve into execution-focused organisations. Whilst following the proposed R-bp methodology (or something similar) will increase the overall quality of an integrated approach, it will still take time for organisational change and learning to take place. Undertaking the journey is a vital step in the development of capabilities to ensure sustainability and long-term success.	When developing an integrated and aligned PM and ORM approach, encourage the development of organisational capabilities as part of the journey, and provide the time and resources to enable organisational change and learning to take place.

Integration and alignment (2)

Conclusion	Recommendation
3. Use the Strategy map to set the context for performance and operational risk prioritisation. Managing and controlling the volume of indicators is clearly an issue within the industry, which demonstrates over-reliance on indicators. Going through the process of distilling an organisational strategy into a strategy map provides clarification and prioritisation with respect to performance objectives and operational risks to be managed and monitored.	Measuring and monitoring every aspect of an organisation's performance, risk and controls environment is simply not feasible. Attempting to do so will result in a 'data rich, information poor' situation. Therefore use the strategy map, and the process of developing a strategy map, to develop strategic clarity and set strategic priorities.
4. Using a multiple scorecard approach, manages scope and assists in understanding of performance and risk trade-offs. Managing the scope of an integrated PM and ORM process emerged as a challenge. Additionally, understanding the trade-offs and impacts of performance and risk decisions is also an area of concern. Using a multiple scorecard approach will enable organisations to gain control of the scope of integrated PM and ORM processes. Additionally, with the greater clarity the three scorecard approach brings, trade-offs and impacts of decisions can be better visualised and understood from a performance, risk and controls perspective.	Use a multiple scorecard approach to manage process scope and provide clarity around trade-offs and impacts. Use performance, risk and controls scorecards, with corresponding types of indicators.

Integration and alignment (3)

Conclusion	Recommendation
5. Differentiate between, and be very specific about, the type of indicators used in each scorecard. To promote the development of high quality indicators and ensure clarity of indicator information, organisations should differentiate between different types of indicators, rather than simply using KPIs to measure everything. The type of scorecard should match the type of indicator; however the same data can be re-used across different types of indicators.	Use three types of indicators; - Key Performance Indicators (KPIs), - Key Risk Indicators (KRIs), and - Key Controls Indicators (KCIs). Do not mix and match scorecard types and indicator types. However re-use the same data set across multiple indicator types as appropriate to enhance quality of indicators and reduce data collection burden.
6. Risk appetite, exposure and capacity should be considered and defined at the macro and micro levels. When developing a strategy (macro level) and defining specific performance objectives (micro level), the associated risk appetite, exposure and capacity should be considered and defined. This pushes organisations to embed risk considerations in the strategy and increases the likelihood that the strategy or individual strategic objectives are achievable, thus increasing the probability that the strategy will be executed effectively and delivers shareholder benefits.	When setting strategy and strategic objectives, consider and define the associated risk appetite, exposure and capacity. Include the risk dimension explicitly to develop a strategy and strategic objectives that are executable.

Integration and alignment (4)

Conclusion	Recommendation
7. Use indicators to capture both hard data and soft managerial judgement. Many organisations are overly reliant on data-driven indicators only. The nature of PM and ORM means that organisations often operate and make decisions based on imperfect information and knowledge. This is particularly applicable to low frequency - high impact risk events.	Organisations should use a mix of indicators, some based on hard data and some based on soft data, capturing managerial judgement and experience. This will enhance both the quality of decision-making information and the organisational capability to make decisions based on less then perfect information or during a crisis. It also encourages the sharing of knowledge and experience enhancing organisational learning.
8. Linking compensation via a gateway process to indicators is an effective way to develop buy-in to the strategy and shape organisational culture. Linking compensation – particularly bonuses – to performance and risk outcomes via a gateway process is an effective way of developing buy-in to the organisational strategy, therefore encouraging development of the right behaviours and shaping organisational culture. The gateway process enables organisations to signal priorities whilst keeping the process straight forward and understandable for front-line staff.	Link compensation via a gateway process to an integrated and aligned PM and ORM process to drive commitment to the strategy, strategic execution and shape organisational culture.

Integration and alignment (5)

Conclusion	Recommendation
9. The focus of operational risk function should be on the corporate agenda while the compliance function should focus on the regulatory agenda. Management of operational risk and management of compliance are often seen as essentially the same thing in many organisations, however this lack of understanding of the differences and similarities between the two distinct processes means that the potential benefits of both are often not realised. Compliance should ensure that the processes are in place, understood and used to ensure that organisations meet legal and regulatory requirements and act as good corporate citizens. In contrast, ORM should ensure that the operational risk profile is clear, managed and integral to organisational decision-making. ORM should identify both threats and opportunities and should encourage risk awareness rather than risk aversion.	Ensure clarify of roles, focusing the operational risk function on the corporate agenda whilst focusing the compliance function on the regulatory agenda.

Strategic Execution

Conclusion	Recommendation
1. Strategy is necessary but not sufficient. Whereas Porter (1985) suggests that operational effectiveness is “necessary but not sufficient”, this author takes a step further to argue that strategy is necessary but not sufficient. This argument is underpinned by current strategy failure rates (estimated at 40-70%) and the critical nature of strategy execution to the delivery of shareholder value. These issues clearly demonstrate that organisations must do more than just develop good strategy; they must focus on developing the people, processes and systems to enable strategic execution.	
2. Integrating and aligning PM and ORM processes is critical to enhancing strategic execution. Managing organisational performance and risk profiles go to the very heart of successful strategic execution. Therefore, integrating and aligning performance and ORM processes is critical to enhancing strategic execution.	

Culture

Conclusion	Recommendation
1. Culture is fundamental to performance management, risk management and strategic execution. The overwhelming conclusion to be drawn from this study is the critical importance of developing and sustaining the right culture to support effective PM and ORM and to ensure that the right behaviours are developed to enable organisations to effectively execute their strategy. The question of culture was outside of this project, but merits further detailed research.	

Limitations of the research

Research limitations

While undertaking the project, three major research limitations inherent in the scope of the question and objectives became apparent. These limitations were;

1. The scope of the project objectives,
2. The diversity within the interviewee companies, and
3. The lack of emphasis on culture.

Direction for future research

Direction of future research

This project explored a number of issues around the integration and alignment of PM and ORM processes to enhance strategic execution within the UK financial services sector.

In addition to developing some insights and conclusions in this area, areas for future research were identified. These included;

1. Culture,
2. Benefits of integration and alignment,
3. Risk-based performance maturity model, and
4. Testing results outside of the UK financial services industry.