



Drawing Up the Lines of Defence

Shaping Metrics to Embed a Risk Culture, 2013

The client:

A global investment management company

The challenge:

In response to a compliance and control issue in their London office, our global client needed to take urgent action to address the cultural elements under scrutiny by the Financial Conduct Authority (FCA). They needed to address their culture and demonstrate significant progress in order to get off the FCA's watchlist as fast as possible.

In response to the context of increased regulation in financial services in the Europe, Middle East and Africa (EMEA) region, the client invited Sparknow to partner with them in facing that challenge.

How should the client communicate and embed new regulatory requirements with all management and staff – around 2000 people? How could they bring every one of those people with them in a shift in cultural and business practices towards a greater culture of control? What would demonstrate a strongly compliant culture that reflected FCA requirements?

The solutions:

Over a nine-month period Sparknow worked with the core team, drawing on existing data and materials to:

- work towards an organisation-wide communications strategy and messaging plan
- work with teams conducting a deep dive into the organisation's control processes to extract measures that could be used to evaluate change in behaviours and culture

- work with the senior team to understand and align their perceptions of the requirement for activating, and demonstrating progress towards, remedial action
- gather data from staff and management (through focus groups and 1:1 interviews) to build in feedback loops
- together with the client, explore metaphors for "three lines of defence" as a way to shape a stronger understanding of personal responsibility in relation to business, reputational and operational risk.

The FCA confirmed they were satisfied with the metrics, and that these were a sound means to assess and report on progress towards the desired culture.

Notes on approach:

- Sparknow's methodology was married with the putting in place of a communications specialist who acted as a member of the core client team during that period. She worked actively behind the scenes with the Sparknow team to draw on the best of our work on risk and methodology.
- To bring the greatest value to the client, Sparknow's philosophy is strongly directed to reusing and leveraging existing assets where possible.
- Risk maturity can derive from the ability to reimagine the three lines of defence as a deep understanding of human interdependence. This understanding can be strengthened through organisational culture. Stepping out of the abstract concept of three lines of defence, and into an exploration of the day-to-day relationships and boundaries that enable those defences to operate effectively, originated in part from the narrative approach that Sparknow takes, stepping into the lived experiences of frontline risk management.
- We also explored metaphors that might illuminate and engage. One suggested by the client was the trapeze artist's trust in and responsibility for their partner. This striking analogy brings the three lines of defence to life, makes them personal and shows a move from "let me watch you" to "leave it with me".
- The structures, measures and narratives we worked up with the client fused engagement strategies with a reporting dashboard, aiming at strong, dynamic feedback loops between action and reporting. It's often true that one of the desired outcomes of Sparknow's work is that the "dogs don't bark". Measuring the dogs not barking means finding interesting proxies, and narrative approaches can help with that, ensuring the client has the most perceptive and live insights into their business. There is a great opportunity, normally overlooked, to use the process of monitoring to increase personal awareness and responsibility, by doing it with, rather than to people.

Key words:

Finance, regulation, governance, compliance, risk, dashboard, metaphor, trust, culture

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