

## **ERM VIDEO INSIGHTS**

### **Transcript of Takis Martakis and Mark Beasley**

#### ***Measuring and Assessing Culture in Regards to Risk Management***

**Mark:** Hello, my name is Mark Beasley. I'm the director of the Enterprise Risk Management Initiative in the Poole College of Management at North Carolina State University and I'm pleased to have with me Takis Martakis from Credit Suisse. Thank you for joining me!

**Takis:** Thank you for having me.

**Mark:** I understand that Credit Suisse has been involved, and really through the internal audit function trying to assess and measure culture around risk management and control. And how does culture affect that. Can you give us a sense, from your perspective, why you decided that that made sense and it's important for your organization and more broadly, why others ought to be thinking about assessing their culture?

**Takis:** Absolutely. In financial services, in general in companies, we see the same things that we see in society. So we feel that our company is a micro-culture of society. And the basis of every society is culture and their ethics. And especially in financial services and given what we have seen since the crisis in 2008 and before that, I guess. We see an importance on going back to the basics, the ethics, the culture, and potentially those being the root causes for some of the crisis and the problems we've had in the industry.

**Mark:** You know sometimes I'll hear people talk about risk culture, as if it is a separate culture than culture-culture. What's your take on that?

**Takis:** So the way we see it, within Credit Suisse, is we give it a little bit of a different angle. We're not really assessing just our overall culture but we're assessing the managements and the organizations culture with regards to risk and control. Pretty much what we are looking for is to see the disposition that management and the organization, as a whole, has total risk control. Do they take it seriously? Are they keen on managing it? Do they actually think that it is an important element of what we do?

**Mark:** So when you think about then assessing culture, that means you got to measure it somehow. Do you see that it's somewhat measurable or is it hard to measure?

**Takis:** So culture overall, I can see the intangibility of it and the difficulty to measure. What we have found is when you actually take a subset of culture, as we have done,

and looking at the risk and control elements of culture and how actually management and the organization is disposed towards those risks and controls. It is measurable. We can measure it. There are indicators that we can measure and if not measure, definitely observable.

**Mark:** So it ultimately does require some form of judgement, I assume, to arrive at an overall score of some sort. Do you get to an overall score kind of concept?

**Takis:** Absolutely. We provide ratings and you're absolutely spot on, on what you just said Mark. There is the tangibility, we have our observable and measurable indicators, but absolutely it is important for us to apply our professional judgement and of course certain other less tangible elements such as the tone from the top, such as accountability and ownership within the organization. And provide that overlay, if you would like, to the overall rating that we give to the business.

**Mark:** If you were advising someone that hasn't gone this path yet to try to assess this, what are some lessons you've learned that might be beneficial for others to hear?

**Takis:** Definitely, get sponsorship. You need sponsorship of the highest levels of the organization. And we are lucky enough to have a senior management and non-executive board members in Credit Suisse that actually think this is fundamental to our success as a business. So sponsorship is one. Another thing, is make sure that the education, both in the function that applies this but also to the overall organization, is clear. So they understand what they are being assessed against. And also the assessors understand what it is they have to do. And the third element, finally, is you need to have good quality assurance. You need to make sure that the assessments are consistent. If you don't have the consistency in the assessments, then the whole thing will not work.

**Mark:** The credibility will be lost in a sense.

**Takis:** Correct.

**Mark:** Takis, thank you so much for taking time to with us to talk about how you're doing and measuring culture.

**Takis:** Thank you for having me.