



## Measuring behaviour improves compliance and risk prevention<sup>1</sup>

*The effectiveness of soft controls can be measured*

<sup>1</sup> This publication is based on an article published in the Dutch Tijdschrift voor Compliance (Compliance Magazine, issue 3/4, July 2020, see <https://denhollander.info/artikel/16246>)



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## Resume

For some years now, solid and reliable research has been carried out to gain insight into behavioural risks. The aim is to prevent future problems with pro-active interventions. This movement towards risk prevention is an important part of the development of the compliance function. A thorough understanding of soft controls, together with the analysis of hard controls, provides a comprehensive view of the management environment and effectiveness of the control measures taken. For example, De Nederlandsche Bank (DNB) expects that the extent to which the organisational culture promotes ethical conduct or compromises corporate integrity is taken into account when assessing the management of corporate integrity risks.

The effectiveness of soft controls is measurable. One of the angles in triangulation<sup>3</sup> is research through surveys. This instrument and the analysis of the behavioural data must be designed as objectively and reliably as possible. If a number of conditions are met, a reliable picture can be generated of direct and not directly perceptible behaviour. This creates a solid basis for the discussion with management, plus a solid contribution to the risk analysis.

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<sup>3</sup> In triangulation, a research question is answered from different angles. Think of a combination of interviews, observations, desk research and measurements based on surveys. The results of one study are tested against another part of the study, by way of which a thorough comprehensive view of the situation can be created. Triangulation is a standard part of the toolbox of external supervisory authorities such as De Nederlandsche Bank and the Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets) for their supervision.



## 1. Introduction

We often hear people express their disbelief in how culture, as a less tangible component, could be incorporated into the structured framework of the compliance function. How soft controls could be measured without automatically relapsing into the tendency to deliver concrete figures and percentages; and how data could be handled in this context. After all, Albert Einstein's adage that not everything that can be measured counts, and not everything that counts can actually be measured, is still undeniably true. We will answer these questions, while also doing justice to the adage of Albert Einstein.

## 2. Why is this important to a compliance officer?

Imagine that, as a compliance officer, you are requested by your management to come up with advice to make corporate integrity risks so very manageable, that the external supervisor happily compliments the organisation on the result achieved. In that case, you may advise the management to define an integrity-conscious corporate culture, consistent with your organisation's business model; provide advice and support them in that process. Make use of existing behaviour-influencing elements. Also the management may be advised with a description of what the highest level of corporate integrity awareness, "the maturity level", looks like to you, and indicate for which business units reaching that maturity phase is an absolute precondition for the continuity of operations. This enables the management to determine this maturity level. Proper communication, whereby each target group is addressed in such a way that the message (what is that integrity-aware culture and what should that mean for you) is conveyed well, is also an essential step. Advise the management in terms of content and frequency. Moreover, you may advise the management on how to conduct an investigation into what extent the behavioural-influencing elements are experienced, and what effect this has on the behaviour of employees. And how to research to which extent the behavioural influencing elements have been implemented. In that respect the research results and the (provisional) conclusions can be studied, and you can formulate your views towards the management. Then you advise management on any necessary interventions and the communication on this matter with the organisation, the accountant and (if desired or necessary) the external supervisor; be transparent. Finally, the desired frequency in the repetition of the investigations and the content of the reports will be the subject of discussion with the management. In this way, fluctuations can be quickly traced and if desired interventions may take place.

As a compliance officer, this approach enables you to achieve several goals at once. Think for example of the shifting of the emphasis of your work to the front, to the prevention of corporate integrity risks. Also you can work data-driven: the studies (baseline measurement and follow-up surveys) show whether the behaviour has developed in the intended direction. In other words, based on the data, you can demonstrate whether the chosen behaviour-influencing elements are having effect. Also the monitoring activities are data-driven, focusing in particular on those places where behaviour impedes risk management. The same approach can be taken by colleagues from the Internal Audit department. This approach also impacts the discussions with the Management Board and Supervisory Board, as they can be conducted on the basis of solid research results; there is less room for obfuscation by opinions or interpretations. Moreover, at the push of a button, for the Systematic Integrity Risk Analysis (SIRA<sup>4</sup>) as promoted by DNB, you can gain insight into the way in which the corporate culture stimulates or impedes achieving the strategic objectives. And finally, behavioural research can greatly enlarge the chance that new employees will fit in well with the intended culture.

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<sup>4</sup> De Nederlandsche Bank, '*De integriteit-risicoanalyse, Meer waar dat moet, minder waar dat kan*' (The integrity risk analysis; More where necessary, less where possible), <https://www.toezicht.dnb.nl/binaries/50-234068.pdf>.

### 3. First, a step back

Before we address measuring behaviour and the use of data for this purpose in this article, it is essential to first define what is meant with soft controls and with behaviour and culture. Organisational culture is seen by corporate anthropologists as the common set of norms, values, and expressions of behaviour shared by members of the organisation, the "social glue" that binds members to each other and to the organisation<sup>5</sup>. Or, as prof. Steven Schuit put it<sup>6</sup>: "Culture determines whether your employees call each other to account for behaviour. Culture makes whether employees signal that behaviours are in violation of the company's rules and standards. So culture also has an impact on whether corruption or bribery occurs. (...) research shows that with a good corporate culture, less fraud occurs. In a good enterprise culture, risk and compliance is not an externally imposed matrix of rules. No, it is part of the work experience that determines the relationships between them."

Human actions are influenced by something that is always existent: the organisational culture. Culture emerges where groups of people work together. Habits and behavioural patterns arise by virtue of working with each other. Behavioural patterns emerge gradually and are reinforced through interaction. When behaviour collectively becomes a habit, it is difficult to change. In fact, employees sometimes no longer even notice that the behaviour is there and no longer question it; "That's how we do it here".

Ingrained habits and behavioural patterns have a major influence on the performance of an organisation. It influences how employees think, make decisions and ultimately how they act. Risks arise when an organisational culture is no longer supportive of an organisation's strategy and goals and of sound and controlled business operations.

Behaviour is regarded as a collection of conscious or unconscious, (non-) observable actions that are driven by, for example, nature, beliefs and environment. After all, behaviour has its origins; something makes a person behave ('tick') in a certain way. In an organisation, this is, among other things, the organisational culture.

It is important to know what the typical characteristics of the organisational culture are and to which extent soft controls<sup>7</sup> strengthen or impede the functioning of the hard controls in relation to influencing behaviour. Soft controls are the intangible but measurable behavioural-influencing factors<sup>8</sup> that influence the actual behaviour of those involved, and to which the compliance officer must pay attention when gaining insight into the management control environment. These are factors that respond to the perception and motives of behaviour in organisations. They can stimulate or impede the functioning of hard controls as indicated. Soft controls should therefore be regarded as preconditional for the continued effective operation of hard controls. With hard controls and strong directive management you can manage on the short term (think for example of crisis situations); longer term assurance, however, is not safeguarded.

This immediately indicates the importance of gaining insight into these factors during the risk analysis phase. Good insight into the operation of soft controls, together with the analysis of hard controls, provides a comprehensive view of the control environment and the effectiveness of the control measures taken.

The importance of a good organisational culture has been frequently demonstrated. Unfortunately, incidents at companies such as Volkswagen (emission fraud), Wells Fargo (banking products fraud) and Boeing (unsafe aircrafts) form a few striking and recognizable examples for everyone. Banks such as ING, ABN Amro and RBS have set up professional teams that focus on providing insight into and


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<sup>5</sup> Daniëlle Braun & Jitske Kramer, *The Corporate Tribe*, Vakmedianet, 2015

<sup>6</sup> Prof. S. Schuit, Nyenrode University, "Culture is a company's biggest risk", <https://www.nyenrode.nl/nieuws/n/cultuur-grootste-risico-voor-een-onderneming>.

<sup>7</sup> Refer to Muel Kaptein's model, with its soft controls of clarity, exemplary behaviour, involvement, practicability, transparency, discussability, accountability and enforcement.

<sup>8</sup> C.M. Verkooy RA and B.A. van Loon, '*Het auditen van percepties*' (Auditing Perceptions), *Audit Magazine*, issue 4, September 2008.



intervening in the case of behavioural risks within organisations.<sup>9</sup> Behaviour is one of the most defining elements of the organisational culture. By measuring behaviour, much insight is gained. And that also applies to the way in which and the extent to which soft controls encourage or impede the desired behaviour, in the long run as well. This may sound confusing, but we are happy to explain that below.

#### 4. Corporate integrity as the most important value

Corporate integrity is regarded worldwide as a license to operate, others see this as an essential core value. It is not without reason that corporate integrity holds a very prominent place in the Professional Competence Profile for Compliance Officers of the Dutch Association of Compliance Professionals (VCO)<sup>10</sup>. The word integrity is derived from the Latin *integritas*<sup>11</sup>, which means wholeness or soundness. The personal characteristics that are associated with integrity are honesty, sincerity, trustworthiness, incorruptibility and reliability. With wholeness or soundness in mind, it is quite possible to identify an aspect of integrity in many components of human acts.

Then, for example, acting with integrity is expressed as:

- Do not take risks that could endanger the survival of the organisation, nor take risks that could harm others; a standard in risk appetite.
- Do not perform actions that can damage the soundness of yourself or that of others; a standard in safety behaviour and also a standard for the treatment of employees, customers and suppliers.
- Do not enter into obligations that you cannot or do not want to fully comply with in full; a standard in commitment.
- Not showing any behaviour in terms of words or gestures that could affect the soundness of colleagues; behaviour a standard of acceptable behaviour towards our fellow human beings.
- Not wanting to violate laws and regulations, neither in content nor in tenor; a standard for the regulatory part of compliance.
- Do not take action if the consequences are not fully comprehensible and explainable and where the above principles could be violated; a standard of accountability<sup>12</sup>.

Or vice versa - positively phrased - acting with integrity is expressed as:

- Do act if a situation requires it, even if a procedure (hard control) does not provide for that situation or even prescribes something else.
- Do address colleagues or a manager if they (threaten to) act contrary to the core values, because the soundness of the organisation takes priority over the soundness of the relation with the colleague or the manager.

And there are many other examples to think of.

In this broad sense, integrity becomes the guiding principle for many actions, especially if this is clarified with examples and with a good explanation, and if this is combined with an approach to properly address new aspects of acting with integrity or newly emerging dilemmas in the organisation.

Now, embracing corporate integrity at the organisational level in this way is one thing, but understanding how employees and managers feel about (corporate or personal) integrity is an important second step. This makes it possible to determine the level of maturity of a team or department and the steps that could be taken to reach the next stage. The maturity level also reflects how employees feel about certain core values and integrity. The way in which the maturity level can be

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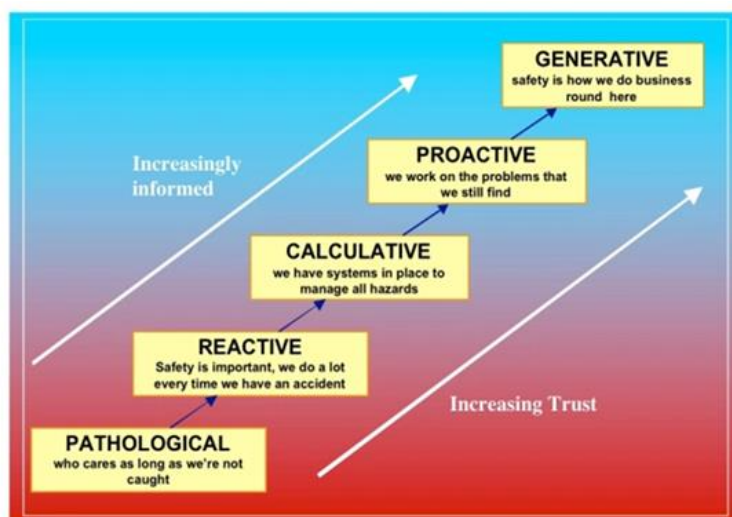
<sup>9</sup> Henry Engler & Anna Wood, How Banks are Using Behavioral Science to Prevent Scandals, Harvard Business Review, 28 April 2020.

<sup>10</sup> <https://www.vco.nl/vereniging/beroepscompetentieprofiel>

<sup>11</sup> A well-known story about the pre-Caesarean Roman legions is that, when the officers would inspect the armour of their men, the soldiers would strike their chest one-by-one and shout 'integritas' (to indicate that their armour is sound).

<sup>12</sup> Think, for example, of the shipwreck of the Herald of Free Enterprise in 1987, [https://en.wikipedia.org/wiki/MS\\_Herald\\_of\\_Free\\_Enterprise](https://en.wikipedia.org/wiki/MS_Herald_of_Free_Enterprise).

determined may vary. In this, we think of using “The Evolutionary Ladder of Safety Culture”<sup>13</sup>. The same ladder can be used for topics such as compliance and risk-aware behaviour or for corporate integrity.



If we have a clear view of the maturity level of acting with integrity per employee, per team or department, a weighting factor can be assigned for employees to the risks described in, for example, the SIRA. Moreover, the direction of solutions to reduce these risks even further is self-evident. Employees with a high sense of corporate and personal integrity can be deployed on sensitive files, and the sense of integrity of the collective can be raised to a higher level in the follow-up

phase by providing insight, awareness and targeted training. This is in line with DNB's expectation in the instructions on the SIRA that the extent to which the organisational culture promotes or impairs acting with integrity is taken into account when assessing the management of corporate integrity risks.<sup>14</sup> A prerequisite for an integral insight into the maturity level of the employees is that everybody is included; if groups of employees or measurements are excluded, the desired goal will not be achieved. Selective measurement sends the wrong message.

## 5. Connection to frames of reference

In recent years, various models have been developed designed with the aim of making behavioural risks transparent, negotiable and manageable. For example, we are familiar with DNB's Cultuurhuis<sup>15</sup>, the soft controls model by M. Kaptein, the Stimulation Framework for Integrative Organisation (SIO)<sup>16</sup>, the Quinn / Cameron model<sup>17</sup> and the 2017 COSO-ERM model<sup>18</sup>, which focuses more on general risk management. The measurement method described in this article offers the opportunity to determine the effectiveness of these models. Is it clear where and in what way soft controls stimulate or impede the operation of the hard controls? Are the behavioural risks known? Has attention to soft controls led to a behavioural change? If you don't measure these facts, you won't know.

<sup>13</sup> Patrick Hudson, Management and Safety Culture – The Long, Hard and Winding Road, 2001.

<sup>14</sup> De Nederlandsche Bank, 'De integriteitsrisicoanalyse, Meer waar het moet, minder waar het kan' (The integrity risk analysis; More where necessary, less where possible), <https://www.toezicht.dnb.nl/binaries/50-234068.pdf> 30

<sup>15</sup> De Nederlandsche Bank, 'De 7 Elementen van een Integere Cultuur' (The 7 Elements of a Culture of Integrity), November 2009, [https://www.dnb.nl/binaries/De%207%20Elementen%20van%20een%20Integere%20Cultuur\\_tcm46-233197.pdf](https://www.dnb.nl/binaries/De%207%20Elementen%20van%20een%20Integere%20Cultuur_tcm46-233197.pdf)

<sup>16</sup> 'Stimuleringskader Integere Organisatie' (Stimulation Framework for an Organisation with Integrity).

<sup>17</sup> <https://www.quinnassociation.com/nl/cultuurtypologie>

<sup>18</sup> <https://www.coso.org/Documents/2017-COSO-ERM-Integrating-with-Strategy-and-Performance-Executive-Summary.pdf>

## 6. Why measure behaviour? Internal and external drivers

A thorough systematic analysis of corporate integrity risks is of great importance for organisations. If an organisation only relies on the figures, financial results and what is laid down in policy documents, procedures, work instructions and recording of audits or controls performed (evidence), the 'hard side' of an organisation, then in fact only part of the required information will be available for this analysis. An organisation can have its policy, procedures and work instructions well organized on paper, but this does not automatically mean that the organisation has a good grip on everything and that the work is carried out in accordance with instructions; reality very often differs. An organisation wants to know what is really going on and how things work; it wants to gain insight into the behavioural side, and possibly use this knowledge as a starting point for potential interventions.

In addition, behaviour is an excellent indicator of possible future violations of hard controls. Insight into behaviour can therefore lead to preventive intervention and the prevention of damage; the latter being an essential element of risk management. This is also in line with the development of the compliance profession as we envisage it for the future: making a greater contribution to the risk prevention. As Mark Steward, Executive Director of Enforcement of the Financial Conduct Authority put it: "In short, what we need is less hindsight and more foresight." Consider, for example, the situation at Boeing, where engineers were under great pressure to meet the delivery schedules, which meant, among other things, that work was done less carefully and no time was available for additional testing. Good insight into this situation, the behaviour of those involved and the consequences thereof, could have saved 342 lives and an enormous amount of (financial) damage.

In addition to this internal driver, insight into behaviour is also stimulated by external supervisors. For example, this external driver has developed strongly in the financial sector, where DNB<sup>19</sup>, the Netherlands Authority for the Financial Markets (AFM)<sup>20</sup>, the Financial Stability Board<sup>21</sup> and the European Banking Authority<sup>22</sup> are committed to a thorough understanding of the risks arising from behaviour and culture. After all, a focus on behaviour 'because the supervisor tells you to' is a somewhat sad motive. We strongly believe that insight into behaviour in one's own organisation provides many benefits from an ethical, customer-oriented and commercial perspective<sup>23</sup>.

If we zoom in on the financial sector, we see that DNB is already aiming at this development in the SIRA. DNB notes that it is of great importance when assessing the management of corporate integrity risks that it is also important to take into account the extent to which the organisational culture promotes corporate integrity or compromises corporate integrity.

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<sup>19</sup> De Nederlandsche Bank, several publications, including '*Leading by example, gedrag in de bestuurskamers van financiële instellingen*' (Leading by example, behaviour in the boardrooms of financial institutions), 2013, refer to [https://www.dnb.nl/binaries/Leading by Example - Gedrag in de bestuurskamers van financiële instellingen\\_tcm46-380401.pdf](https://www.dnb.nl/binaries/Leading%20by%20Example%20-%20Gedrag%20in%20de%20bestuurskamers%20van%20financiële%20instellingen_tcm46-380401.pdf) and '*Supervision of Behaviour and Culture*', 2015, refer to [https://www.dnb.nl/binaries/Supervision of Behaviour and Culture\\_tcm46-380398.pdf](https://www.dnb.nl/binaries/Supervision%20of%20Behaviour%20and%20Culture_tcm46-380398.pdf).

<sup>20</sup> 'Autoriteit Financiële Markten' (Netherlands Authority for the Financial Markets), several publications, including '*Leren van fouten: op weg naar een open foutencultuur. Inzichten vanuit onderzoek in de handelsketen*' (Learning from mistakes: towards a culture where mistakes are embraced; insights from research in the trade chain), 2017, refer to <https://www.afm.nl/nl-professionals/nieuws/2017/okt/onderzoek-open-foutencultuur> and '*Evenwichtige besluitvorming: omgaan met blinde vlekken*' (Balanced decision-making: dealing with blind spots), 2017, refer to <https://www.afm.nl/nl-professionals/nieuws/2017/dec/rapport-blinde-vlekken>.

<sup>21</sup> Financial Stability Board, '*Guidance on Supervisory Interaction with Financial Institutions on Risk Culture, A Framework for Assessing Risk Culture*', 2014, refer to [https://www.fsb.org/2014/04/pr\\_140407/](https://www.fsb.org/2014/04/pr_140407/)

<sup>22</sup> European Banking Authority, '*Guidelines on internal governance under Directive 2013/36/EU*', 2017, refer to <https://eba.europa.eu/regulation-and-policy/internal-governance/guidelines-on-internal-governance-revised->

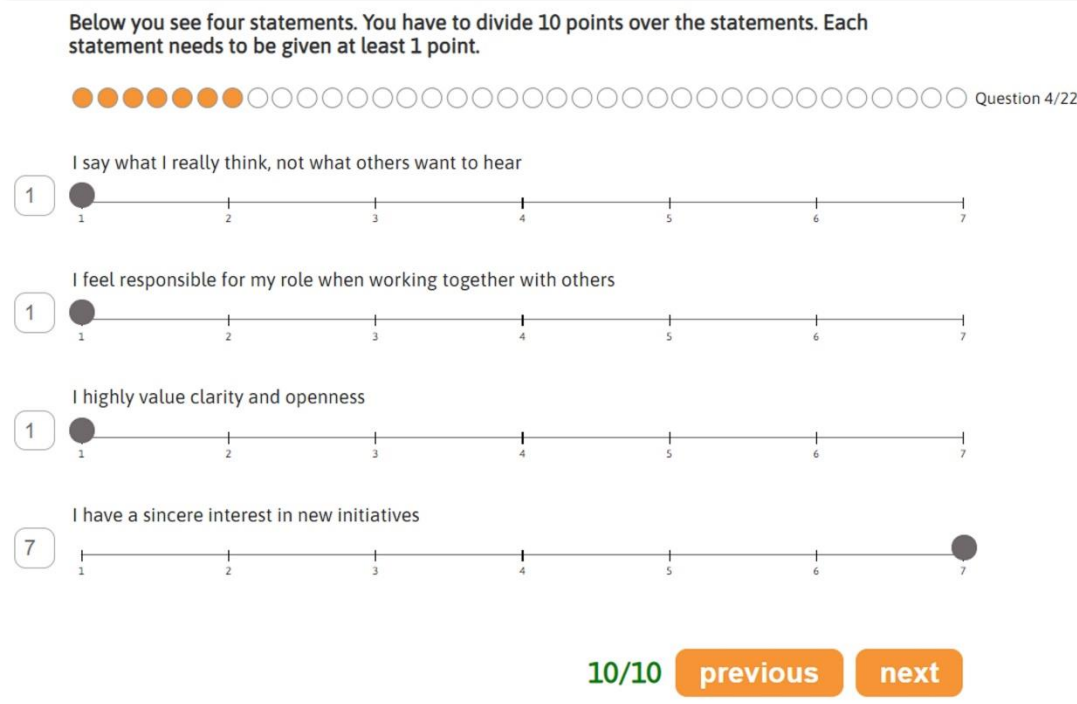
<sup>23</sup> Also refer to the '*Autoriteit Financiële Markten*' (Netherlands Authority for the Financial Markets), '*Leren van fouten, op weg naar een open foutencultuur. Inzichten vanuit onderzoek in de handelsketen*' (Learning from mistakes: towards a culture where mistakes are embraced; insights from research in the trade chain), October 2017.

## 7. Nice idea, but how to get started?

In order to map out behaviour properly, it is important that multiple techniques are used. As is customary in behavioural science, a research question is answered from different angles by means of triangulation. Think of a combination of interviews, observations, desk research and measurements based on questionnaires (surveys). The results of these activities are then reviewed from several angles. Only if this set of instruments is used, a complete picture of the behaviour can be drawn, on which one can also lean for the analysis of e.g. root causes and formulating any desired interventions. And only then does this system make a good contribution to risk management.

In this article, we focus on one of the tools, the system of measuring behaviour by means of questionnaires. Several methods are now available for measuring behaviour; the question remains whether the measuring instrument and the results analysis can be completed as objectively as possible. We take this one step further.

As already indicated, soft controls can stimulate or impede compliance with hard controls, thus influencing behaviour in the organisation. The way in which employees perceive and experience the soft controls can be examined in the usual way: by asking normative perception questions. In the case of normative questions it is quite clear what the researcher is looking for and, as a result, these questions are easy to fill in as desired. The experience can also be questioned in a non-influenceable manner with a forced choice or ipsative examination. In an ipsative study, you let the respondent choose from propositions. This method is used to gain insight into preferences and to prevent socially-desirable answers. In a forced choice survey, you force the respondent to make a clear choice. By using a rating scale you have the respondent choose even more precisely. An example is given below:



Below you see four statements. You have to divide 10 points over the statements. Each statement needs to be given at least 1 point.

10 orange circles followed by 11 white circles. Question 4/22

1 I say what I really think, not what others want to hear

1 I feel responsible for my role when working together with others


1 I highly value clarity and openness

7 I have a sincere interest in new initiatives

10/10 previous next

However, research into perception works best if both research methods are combined. This combination of the two methods not only results in a more detailed view of how things are experienced, but it also ensures that the 'why' behind the perceived experiences becomes





immediately clear. Not only can the results of the research be better understood, but the direction of the intervention to improve the experience will also become clear at a glance.

Another example to clarify: employees, who have a strong preference towards transparent communication, may experience the organisation's requirements for transparency organisation in a different way than employees for whom the need for transparency is not self-evident. In a normative question about the perception of transparency, employees in the first category are likely to arrive at a different opinion than those in the second group. Both insights enable you to 'read' the normative answers, while determining the desired intervention.

## 8. Zooming in on behaviour

Behaviour is what people perceive of each other. People tend to draw conclusions based on observable behaviour. The scope and bias of the observer play a role in this. However, observable behaviour - both the behaviour itself and its interpretation - also tends to differ depending, for example, on the context in which it is shown or the role currently being fulfilled. For example, people behave very differently at home than at work, on the football stand, as a mother or as a manager of a department. People also sometimes show behaviour that has been learned, or they have a knack for hiding the behaviour they would like to show. The ability to draw reliable conclusions from observable behaviour is not as big as is often thought.

Behaviour that is not directly perceptible is determined by preferences in attitude, behaviour and thinking. These aspects are combined in the term 'behavioural tendencies'. For some of us, this is a rather difficult concept to understand. They underlie (are the "undercurrent" to) the behaviour that someone is inclined to exhibit. The behavioural tendencies not only predict the probable behaviour; they also indicate which values prevail in a person, which type of communication appeals and which competences a person (potentially) has.

To be able to reliably measure behavioural tendencies, to be able to apply psychometrics<sup>24</sup> properly, some necessary steps have to be taken. First of all you need a logical and consistent behavioural model. A model in which attitudes, preferences for behavioural styles and preferences for angles of thinking are described in a logical context. You also need a non-manipulative method of questioning. Normative questionnaires are excluded because they can be completed in such a way that one can work towards the desired results. Ipsative or forced-choice questionnaires, linked to a fixed number of points that have to be divided over a fixed number of statements in order to accurately measure the behavioural tendencies, then form the only suitable alternative. The next step is the statistical validation of the method of questioning. Validating a multivariable query method quickly creates a dependency problem, but that problem is solvable. Also the behavioural model has to be validated. Both construct and content validity must be tested and proven. The model and the measurement method must enable individual results to be aggregated without detracting from the overall results; both aggregations and cross sections must be possible. And finally, the model must have proven to be capable of producing verifiable, predictable and explainable results. This requires the model to be validated.


If these conditions are met, behavioural tendencies can be reliably measured. In practice, this will almost always require the involvement of a specialized third party.

## 9. Applications

Structural usage of the behavioural measurement tool enables very interesting developments. Think of the situation that a candidate is about to enter into employment; it can be determined what the employee's behavioural tendencies are and how the values are experienced. In fact, it is then examined to what extent any new employee fits into the desired culture of the organisation. In this

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<sup>24</sup> Psychometry is a science that deals with the techniques of measuring psychological phenomena such as knowledge, skills, attitudes, characteristics and personality traits.



way, it can become clear at an early stage how a candidate thinks about, for example, concepts such as transparency, accountability or how to deal with dilemmas. If an organisation has marked this as important, it may affect the hiring process. Also, newly hired employees can act as the ideal control group to assess how soft controls stimulate or impede risk management. The extent to which they adapt their behaviour over time and become more aware of the core values, shows how organisational culture influences employee behaviour, and how soft controls stimulate or impede this. Another example is the tracking of development of departments or teams, thus providing a clear overview of whether the soft controls influence the team result in the same way everywhere. Where behavioural development deviates, the research can contribute to clarifying the causes. The compliance officer, but also the management or the accountant, can work in a very focused way in this. Data analysis can immediately reveal where the strengths and weaknesses are in the organisation and which measures can best be taken there. These measures may include guidance and the raising of awareness, changes in team composition or the deployment of additional control measures or controls. Benchmarking in terms of culture becomes possible per department, per organisation and per branch, and regularly recurring research can provide insight into developments over time, both in terms of behaviour and the associated risks. Accountability for the risks with regard to the organisational culture, per product or service becomes a simple matter. SIRA reporting in this area will be clear and can be generated at the touch of a button. Structural behavioural measurement also contributes to substantiating the activities of the compliance officer. The compliance officer may want to identify risks or developments in the organisation that are sensitive and less 'hard'. In the discussion with management, the opinion of the compliance officer who may be perceived as threatening, is not brought to light, but the factual results of an (organisation-wide) investigation can be discussed in concrete terms. Senior management who feels safe when making decisions based on data and facts, and who have difficulty with "softer" elements, can be served well in this way. In addition, the ongoing development in the activities of the compliance officer, with a greater focus on preventing undesirable incidents, is reinforced by detecting of and steering on behavioural development based on the insights obtained. And last but not least, the described data-driven approach is expected to increase the effectiveness of the compliance function and reduce the nature and number of undesirable incidents.

A measurement of behaviour only becomes really meaningful if you connect the *why* - the behavioural tendencies or undercurrent - with the *what* - the behaviour in relation to hard controls. It then becomes clear why people do what they do; only then can you properly communicate and effectively intervene on the matter.


## 10. Behaviour has been measured... job well done?

Providing a reliable overview of the behavioural risks is an important part of the overall risk analysis. But it is not all there is. After all, anyone who wants to gain insight into the organisational culture should not develop tunnel vision in measurable indicators in respect of data<sup>25</sup>. In order to obtain a complete and thorough overview of the risks arising from behaviour in the organisation and its origins, in other words the risk behind the risk, a combination of different techniques is required. Only a combination of interviews, observations, desk research and surveys has made it possible to properly map out how the management in an organisation has an impact on desired and undesired employee behaviour.

In order not to be led astray, it is, of course, essential that the surveys used are set up solidly and work well, and that high-quality data can be delivered. Based on this information, the correct, necessary conversation can take place at senior management level, and the right actions can be decided on jointly.

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<sup>25</sup> Femke de Vries, Financieele Dagblad, 'Cultuurverandering moet je niet alleen kwantificeren, het vraagt ook om inzicht in gedrag en drijfveren' (Culture Change should not only be quantified, it also requires an understanding of behaviour and motivations), 13 November 2019.



Behavioural data as a result of the methodology outlined here provides a reliable overview of the expected behaviour. Discussion with stakeholders on the consequences could be chosen to replace the interviews and observations, and the next step in the process could be speeded up.

## 11. Finally: goal and tools

The organisational culture determines the identity of the organisation. This identity determines whether the mission, the *raison d'être* of an organisation, can be realized. This means that continuously working carefully and systematically on the right organisational culture is not an optional choice; it is an essential task. In concrete terms, the Management Board, with the Supervisory Board as the internal supervisor, is thus indebted to itself. Or as DNB put it: "People determine the performance of a company. Even if everything seems to be in in terms of financial performance, the risks relating to behaviour may already be visible. Behaviour has a certain predictive quality with regard to future financial performance, so that early interventions can prevent future problems."<sup>26</sup> The use of an objective monitoring instrument (the results of which can be seen in, for example, a dashboard, which links 'hard' and behavioural risks), can greatly increase the quality of the SIRA and thus make a substantial contribution to early intervention for the prevention of future problems. For the purpose of achieving this goal, measuring behaviour is a tool which will only increase in importance in the near future. We must, however, bear in mind that only in conjunction with the other research techniques mentioned above and the resulting interventions this tool will lead to the desired objective: (pro-) active intervention to prevent future problems.

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<sup>26</sup> De Nederlandsche Bank, Supervision of Behaviour and Culture, Foundations, practice & future developments, 2013.