European Banking Security & Risk Awards 2013

Application for an award in the "Supplier" category for the "Best Risk Management Product or Service".

Changing Mind-sets: Raising the level of risk consciousness and the quality of decisions under risk based on an understanding of relevant neuroscience

The need for sound risk management has never been more essential than in today's financial climate. The ability to manage risk – taking it, avoiding it, and managing it – is central to a leader's effectiveness and fundamental to the development of a risk focused culture which we understand to be a system of values and behaviours that shape risk decisions. One element of a risk culture is the degree to which individuals understand that risk and compliance rules apply to everyone.

Frameworks, processes and standards for risk management although essential are not sufficient to ensure that organisations reliably manage their risks. What is missing is the behavioural element: why do individuals behave the way they do and how does that affect risk management.

In addition to improving organisational risk management structures, information flows, relationships or even creating an organisational footprint of the risk management function, building individual risk awareness and competency is critical.

Employees need to understand how to make educated risk-related decisions to ensure consistent risk behaviour throughout the organisation. Without training there is no basis for critical thinking and judgment around risk decision making and there is currently little or no formal training in decision making under risk.

Neuroscience, specifically Decision Neuroscience, allows us to study and understand the entire process of decision making from the initial perception of a stimulus (information / investment option) to valuation and motivation and the very act of choosing. This is based on neuroimaging techniques which allow us to observe reactions in the brain in real time.

Research shows that parts of the brain that help guide behaviour in primitive circumstances (seeking food/avoiding predators) are also important for the processing of information about monetary rewards and punishment as well as decisions under risk or uncertainty.

Evidence further suggests that emotions play a crucial role and can readily lead to risk taking mistakes. Emotions also influence the interpretation of mathematical computations or statistical models. Neuroscience of financial risk taking might illuminate affective mediators that bridge the gap between statistical input and choice.

On this basis and against this background we have developed a training program for employees dealing with risk which we would like to put forward as a candidate for the above award.

The program briefly outlined is as follows:

Two days of experiences like flight simulator and darkroom to create a direct experience of fallibility, the limits of intuition, the effects of stress and emotion, cognitive limitations communication issues (to just name a few).

Two days of neuroscience based on current research available – both theoretical and practical application – leading to a personal risk profile and an in-depth understanding of one's very own proclivities for risk or risk avoidance. Learning to register emotional states and to regulate emotions. This includes sensory awareness training, attention training, mindfulness training.

Two to three days of methods training which reflects the newest regulations and the most up-to-date statistical and modelling techniques and programs. It is aimed at achieving a standard of High Performance. This part provides for extensive practice. Through simulations and lab training which ensures that the skills are integrated and can be applied in practice.

A final feature of the program is 'on the job coaching' since the behaviours learned will need to be embedded in the day-to-day work. The coaching model used will also be based on brain science.

What is unique and innovative about this program is that it is grounded in neuroscience research as it pertains to decisions under risk which allows for a better level of explanation and understanding (cognitive aspect) as well as a better level of intervention (psychological aspect). In addition we use state-of-the-art feedback techniques like EEG based neurofeedback.

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