

# CULTURE AS CULPRIT, CULTURE AS CURE: 13 Ways to Conquer the Banking Crisis

Last summer, a wave of panic swept across the global banking sector. Various factors—such as Europe’s negative interest rates and Asia’s rapid digital transformation—shape a broader, globally interconnected banking narrative.

On the following pages, we highlight a few recent banking challenges from around the world:

## The U.S.

Widespread public [fears of potential depositor losses](#) rang loud and clear when many with accounts exceeding the FDIC’s \$250,000 insurance limit raced to withdraw funds.

Additionally, the 2023 collapse of Silicon Valley Bank (SVB) in the U.S. significantly impacted the global banking sector, revealing systemic vulnerabilities and shaking depositor confidence. In the U.S., the collapse of SVB was an example of how the interconnectedness of international markets spurred global regulators to strengthen financial safeguards.

Amid banking crises, the Federal Reserve enacted emergency lending and assured fund safety, paralleling the 2008 crisis and revisiting deregulation. [Regarding past bank failures](#), the U.S. saw a surge from an annual average of 3.57 failures between 2001-2007 to 93 between 2008-2012. In response, the Federal Reserve released a [2023 report](#) criticizing the post-2018 shift to relaxed supervision and the mismatch between banking sector growth and oversight, underscoring the need for enhanced regulation.

## Greece

The Greek financial crisis [profoundly affected](#) the banking sector, leading to depositor uncertainty and fear. Here, depositor fears of a sovereign default and Eurozone exit led to a bank exodus. This mirrored increased stability concerns for banks in other parts of the world including Asia.



## Switzerland

Credit Suisse, with 50+ offices across 50 countries, [similarly faced a pivotal crisis moment](#) in 2023—a Swiss central bank bailout.

In December 2023, UBS intensified its initiatives against Credit Suisse to recover substantial cash bonuses previously paid to dealmakers as retention incentives, before the bank's downfall.

## Asia

Asia's financial sector [has remained relatively stable](#) amid the banking crises in the U.S. and Europe, with rigorous central bank oversight limiting the impact. While the MSCI World Financials Index fell 10 percent following SVB's turmoil, Asia's MSCI Financial Index saw a smaller decline of four percent in the same period.

However, concerns over the banking system's stability [are escalating](#) amidst SVB's collapse and issues at First Republic and Credit Suisse. The observation of weak earnings, limited U.S. dollar liquidity, and expanding credit spreads could signal the onset of a global recession.

## Latin America

Argentina's 2023 economic crisis, marked by the government's [decision to devalue the peso](#) by 50+ percent and spending cuts, led to soaring inflation and strained its banking sector, with foreign reserves estimated to be \$10 billion in the red with 143% inflation.

## Africa

South African banks [faced challenges](#) in digital banking and financial inclusion, alongside a severe electricity crisis affecting financial stability. The South African Reserve Bank highlighted concerns about load shedding impacting businesses, complicating the banking sector's navigation.

## Middle East

Middle Eastern banking, particularly in Saudi Arabia and the UAE, has rapidly evolved due to fluctuating oil revenues and economic diversification, with fintech and digital banking growth prompting traditional banks to innovate.

[Banks faced vulnerabilities](#) due to higher interest rates, corporate sector stress, and liquidity pressures. Middle Eastern state-owned banks were particularly vulnerable to interest-rate risk and external funding changes, due to their lower profitability and large securities holdings.

## How Do You Transform Culture from Culprit to Cure?

The global banking crisis is a stark reminder of how deeply embedded cultural issues within corporations can precipitate systemic failures. In numerous banking institutions, a culture that prioritized short-term gains over long-term stability and ethical conduct led to a series of missteps. Supervisory frameworks—ideally designed to oversee and guide these institutions—were equally deserving of blame, perhaps having overlooked or underestimated the influence of a toxic corporate culture.

The core issue lies in the very fabric of organizational culture. When a culture is rooted in aggressive risk-taking, unchecked ambition, or a lax attitude toward compliance, a breeding ground for misconduct festers. This environment endangers the organization's integrity and poses significant risks to both the broader financial system and public trust.

## Culture Can Also Be the Cure

A strong, ethical corporate culture, underpinned by robust policies and a commitment to compliance, can serve as an important first line of defense against such crises. This calls for a shift in focus from mere regulatory compliance to a holistic approach where ethical conduct and accountability are ingrained in every aspect of business operations.

Corporate culture shapes behavior and decisions. When an organization fosters a culture that values transparency, ethical behavior, and accountability, it creates a resilient framework that can withstand external pressures and internal challenges.

Done right, this requires a top-down approach, where leaders set the tone for ethical conduct. And a bottom-up approach, where employees at all levels are empowered and encouraged to uphold these standards.

**HOT TAKE:** All things considered, banking failures are not just a failure of systems or regulations. At the heart, they represent a failure of both culture and conduct.

## 13 Steps to Action

Driving cultural change in an organization is challenging and requires a comprehensive approach beyond mere compliance.

### Here's a quick checklist:

- Understand the existing culture: Deeply analyze the current organizational culture to identify areas needing change
- Define clear ethical priorities: Establish clear ethical priorities and values that the organization should adhere to
- Make a leadership commitment: Ensure leaders are fully committed to the change, willing to lead by example in ethical conduct and accountable to the board of directors
- Communicate effectively: Regularly communicate the importance of cultural change to the entire organization
- Develop a strategic learning program: To drive behavior change, you must provide ongoing training so employees clearly understand expectations and how to report non-compliance
- Model ethical behavior: Leaders and managers should visibly model the ethical behaviors expected of all employees
- Integrate values into operations: Ensure the organization's values and ethical priorities are integrated into policies and procedures, as well as daily business operations
- Revise systems and processes: Adjust existing systems and processes to support the new culture, emphasizing ethical decision-making and accountability
- Empower employees: Encourage employees to take responsibility for maintaining ethical standards and provide channels for feedback and concerns
- Monitor and adapt: Continuously monitor the progress of cultural change and be willing to adapt strategies as needed
- Enforce accountability: Hold all levels of staff accountable for their actions, and be prepared to make tough decisions, including personnel changes
- Celebrate progress: Recognize and celebrate milestones and positive changes as the organization moves towards its desired culture
- Employee attestation: Implement a formal process where employees acknowledge their commitment to the organization's ethical priorities and values, promoting a shared sense of responsibility for maintaining the desired culture

## Role of Technology in Building Ethical Corporate Cultures

Organizations need effective tools and systems that support and reinforce a culture of compliance and ethical decision-making.

This is where Governance, Risk, Compliance (GRC) software and Ethics & Compliance (E&C) Learning solutions come into play. For example, SAI360's policy management module supports ethical culture-building by providing a comprehensive framework to integrate policies across the organization. Leveraging technology, Policy Management uses automated workflows, as well as reporting and analytics to streamline the process and ensure policies are clear, documented, and accessible to all employees.

Many of SAI360's GRC technology solutions have a corresponding learning component, providing further support for positive behavior change. For example, SAI360's Conflicts of Interest (COI) Disclosure Management module includes COI training in the flow of work, providing relevant learning content in context and at the right time.

## Learn More

For more information about SAI360's culture-building technology and Learning solutions, visit [sai360.com](https://sai360.com).

Read the article that inspired our checklist:  
[Changing the Culture of Australia's Banks Requires a Movement, Not a Mandate](#)

[Click here to schedule a virtual coffee with one of our team members and learn more about how our GRC solution can help your organization thrive.](#)

## Our unified approach to risk sets us apart

Today's complex risk landscape demands more. SAI360 leads the way with an integrated GRC platform and Learning solution that spans the entire risk spectrum.

### Risk Management Solutions

- Enterprise & Operational Risk Management
- Regulatory Change Management
- Policy Management
- Third-Party Risk Management
- Internal Control
- Internal Audit
- Incident Management
- Conflicts of Interest (COI) Disclosure Management
- IT & Cybersecurity
- Business Continuity Management

### Ethics & Compliance Learning Solutions

- Anti-Bribery & Anti-Corruption
- Competition & Anti-Trust
- Conflicts of Interest
- Data Protection & Privacy
- Information Security
- Exports, Imports & Trade Compliance
- Harassment & Discrimination