Implementation of MaRisk and Sustainability Aspects of Innovation.

The relevance of a certified management system for the implementation of MaRisk, taking into account sustainability aspects of innovation

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Abstract: Evidence is provided for the relevance of a certified management system in implementing MaRisk (“Mindestanforderungen an das Risikomanagement” or “Minimum Requirements for Risk Management”) in banks, based on the Ostsächsische Sparkasse Dresden savings bank. This major savings bank’s innovation strategy during the introduction and sustainable development of its strategic management system is an example of best practice for the German Sparkasse savings bank organization. Based on this case study, there is a discussion about the various complementary approaches to explain the success or failure of management systems in banks from the point of view of innovation management and sustainability.

Keywords: Basel II Implementation, Management Systems, Minimum Requirements for Risk Management, Sustainability, Innovation

1. Introduction

As the Ostsächsische Sparkasse Dresden (OSD) introduced quality management very early on, it was possible to use these tools not only to deal with mergers, but also to implement MaRisk. In the past few years, the term “quality management” (QM) has undergone a perceptible
change in meaning. Whereas until a few years ago it still mainly involved managing quality using QM tools such as test purchases, customer and employee satisfaction questionnaires, suggestion schemes or complaints management, today the main focus is instead on a holistic, constant scrutiny of management quality by means of innovative management approaches and voluntary auditing.

These audits are usually carried out by accredited certification associations based on an ISO standard. The Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" or "BaFin") is attempting to go the same route in banking supervision by applying this to the introduction of MaRisk: MaRisk and the Solvency Regulation ("Solvabilitätsverordnung" or "SolvV") transpose the second pillar of the international Basel II regulations into national German supervisory law. Meanwhile the Basel III issues are becoming a matter of considerable significance at OSD.

Based on this case example of QM as a lever for MaRisk conformity at OSD, in the last part of this article, there is a discussion on various complementary approaches to explain the success or failure of management systems in banks from the point of view of innovation management. The focus of this article moves from a case example to theoretical classification, which is reflected in its structure taking the following form.

In Chapters 2 and 3 the main elements of MaRisk are summarized as a basis for describing the case example selected. Chapter 4 describes the specific management of the Basel II project at OSD for implementing MaRisk conformity. Chapter 5 is a short digression into how the banking regulatory authorities integrated outsourcing issues into MaRisk. This topical subject is used to illustrate the requirements for effective, efficient management systems in banks. Chapter 6 contains a description of how implementing MaRisk conformity and QM certification were specifically combined by OSD to improve the effectiveness and efficiency of its management systems. Chapter 7 is dedicated to a discussion on conceptual approaches to explain the success or failure of management systems. The conclusion (Chapter 8) sums up the main lessons offered by the case example of OSD for managing innovation in banking processes and organization.
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2. An Overview of MaRisk

Essentially, MaRisk brings together its forerunners MaH, MaK and MaIR (minimum requirements for commerce, loans and internal auditing, respectively) along with outsourcing issues in an interlinked, modular form. The advantage of this modular presentation is that it is easier for legislators to modify or adapt if required. The disadvantage, on the other hand, is that it makes it more difficult to read. For a detailed explanation of MaRisk’s structure see, among others, Wimmer, 2006.

Table 1. The Modular Structure of MaRisk.

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<th>Module AT (General Part)</th>
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<td>AT 4. General requirements for the risk management</td>
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<td>AT 4.1 Risk-bearing capacity</td>
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<td>AT 4.2 Strategies</td>
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</tr>
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<td>AT 4.3 Internal control system</td>
<td>AT 2.4 Reporting duty</td>
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<td>AT 4.3.1 Organisational and operational structure</td>
<td>AT 2.4 Corrective action on deficiencies found</td>
</tr>
<tr>
<td>AT 4.3.2 Processes for identifying, assessing, treating, monitoring and communicating risks</td>
<td>AT 2.5 Contingency plan</td>
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<td>AT 4.4 Internal audit</td>
<td>AT 3.1 Personnel and incentive system</td>
</tr>
<tr>
<td>AT 4.5 Risk management at group level</td>
<td>AT 3.2 Technical facilities and related processes</td>
</tr>
<tr>
<td>AT 5. Organizational guidelines</td>
<td>AT 3.3 Contingency plan</td>
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<td>AT 6. Documentation</td>
<td>AT 7. Resources</td>
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<td>AT 7. Resources</td>
<td>AT 7.2.1 Personnel and incentive system</td>
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<td>AT 7.2 Technical facilities and related processes</td>
<td>AT 7.2.2.1 Personelle und Incentivsystem</td>
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<td>AT 7.3 Contingency plan</td>
<td>AT 7.2.2.3 Organisationelles und Incentivsystem</td>
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<tr>
<td>AT 9. Outsourcing</td>
<td></td>
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</table>

Source: (BaFin, 2009)
3. Using MaRisk to Focus Strategic Orientation

MaRisk simultaneously takes Sections 22 and 123 of the Capital Requirements Directive (CRD), which regulates the Supervisory Review Process (SRP) i.e. the second pillar of Basel II, and translates them into German supervisory law. The main elements of the SRP are the Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP). The ICAAP requires banks and savings banks from now on to set up processes to ensure that they hold sufficient capital to cover all their main risks (generating risk-bearing capacity). In future, the quality of these processes will be evaluated in the form of the SREP by the supervisory authorities for financial services and banking. While the ICAAP represents the savings banks’ internal assessment process, the SREP is therefore a process carried out by the banking supervisory authorities to evaluate risk-bearing capacity.

The merging / development of the previous minimum requirements (MaK, MaIR, MaH), put forward by the BaFin since 22 December 2005 in the form of the new MaRisk, sets new standards for the quality of companies’ overall managerial responsibility (cf. Maifarth 2006). From now on, strategies often previously only laid down in directors’ heads must be set down firmly in writing and consistently integrated into a functional management system. By issuing MaRisk, the banking supervisory authorities are also, last but not least, requiring management boards to reanalyze the way they deal with standard managerial flows. Strategies and elements of strategies further down the line must be synchronized verifiably and effectively with the main strategic thrust of the company. They must not be allowed to contradict the strategic course. From now on, financial institutions’ orientation and management is to be based more strongly on the PDCA principle, standing for the sequence Plan, Do, Check, Act. At the heart of MaRisk is Section 25a, Subs. 1, Nos 1 and 2 of the German Banking Act (“Kreditwesengesetz” or KWG) which calls for each financial institution to have a proper business organization and appropriate internal control procedure to manage its main risks. This includes setting down an individual business strategy for each institution and a risk strategy consistent with it – a task which the management cannot delegate. The structure and degree of detail of this framework strategy will depend on the scale and degree of complexity of the planned business activities of each individual institute. Many banks have a large number of documented, or as yet undocumented, separate strategies. The main strategies are for counterparty risk, market price risk, OpRisk, investments, sales, IT, staffing, and in the case of larger institutes, sometimes outsourcing. In
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Future, these individual strategies are to be interlinked in a logical manner. This strategic reorganization in financial institutions should already be advanced to such an extent that a bank’s documented overall strategy will hold up to the scrutiny of audit procedures the supervisory authority has not yet planned. It seems logical that the much-described route to qualitative supervision could lead to a greater focus on issues of strategy definition.

Since 2007, thanks to the now-completed integration into MaRisk of the outsourcing rules previously in force, the need to establish an outsourcing strategy has gained in significance. The ensuing result is thus a set of administrative regulations which interprets standards and joins together the earlier MaH, MaK, MaIE, and the outsourcing circular previously in force, to form a coherent framework of rules.

Taking into consideration the worldwide financial capital markets and economic meltdown, the BaFin released a new version of MaRisk in August 2009, further developing the previous version from 2007 (cf. Bundesanstalt für Finanzdienstleistungsaufsicht 2009).

Figure 1. MaRisk as a Fusion and Extension of the Previous Minimum Requirements.

Source: Authors’ own elaboration based on: (Wimmer, 2006: 4).
4. MaRisk Conformity: Project Management to Ensure Basel II is Implemented

As an innovative guideline for the generation of MaRisk conformity, the formal regulatory requirements arising from Basel II are obligatory for all banks in Germany and thus must also be fulfilled by OSD. For this reason, a MaRisk subproject was started up as an internal innovative drive, along with seven other subprojects aimed at implementing the Basel II criteria at OSD.

One main core element of MaRisk is the principle of double proportionality. This says that on one hand, the bank’s internal (ICAAP) process must be in proportion to the size, risk structure and business volume of the institute in question. One the other hand, the assessment of ICAAP by the supervisory authorities (SREP) must be proportionate to the structure of the bank’s internal processes as regards the frequency and depth of the evaluation. To this extent, strictly speaking, MaRisk does not have to be implemented, but merely taken into account in the design of the internal processes and procedures. For this reason, processes classified as logical in terms of business management cannot as a rule contravene MaRisk. At the time of publication, the savings bank was already applying the requirements released by the BaFin in December 2005 (cf. Bundesanstalt für Finanzdienstleistungsaufsicht, 2005), to the extent that they could be directly transposed from the previous sets of rules (MaH, MaK and MaIR) into MaRisk. Its project organization meant that basically, OSD was able to fulfill the other requirements from 1 January 2007.

The project members carried out an analysis of each of the numbered items in MaRisk, taking into consideration the explanations by the BaFin and the guidelines to its interpretation published by the German Savings Bank Association (Deutscher Sparkassen- und Giroverband/DSGV) (cf. Deutscher Sparkassen- und Giroverband, 2006). This analysis was used as a basis to ensure that necessary changes were made to structural and procedural organization at OSD. It also took into account the results of an earlier audit regarding compliance with MaK / MaRisk.

One fundamental criterion in establishing requirements for implementation was the concept of dual proportionality. For the topic of calculating risk-bearing capacity, an innovative method of implementation was selected which extends well beyond the minimum requirements in the communiqués. This took place in that both a periodical and a value-based risk-bearing
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capacity concept were implemented. In reworking the organizational manuals and working instructions, great importance was attached to efficient implementation. Among other things, one result of this was that the reformulated requirements in MaRisk were the main feature incorporated into OSD’s documentation structure.

The main focuses of implementation during the project were firstly to calculate the risk-bearing capacity correctly, and secondly to formulate a consistent framework strategy (business and risk strategy) in connection with this. Figure 2 explains this connection.

Figure 2. Connection between Business Strategy and Risk Strategy at OSD.

Furthermore, as MaRisk had greater relevance to the bank as a whole in certain risk categories (e.g. liquidity risk) whole new processes and their documentation had to be developed. In the field of what was previously MaK, relatively little needed to be adapted. MaRisk was
implemented in the field of trading transactions, i.e. in the sphere previously regulated by MaH. Documentation in this field conforms with MaRisk. During the project, only minor changes were found to be needed.

There may possibly still be slight potential for optimization in the organization of the rules. MaIR was integrated almost without change into MaRisk, meaning that there was almost no need for adaptation in this field. Following the instructions of the management, the project was kicked off in April 2006 and finished punctually on 31 December 2006.

5. Extending MaRisk by the Topic of Outsourcing

The previous outsourcing circular by the BaFin was integrated into MaRisk, modernizing it extensively. MaRisk now also acts as a set of elucidatory administrative regulations on the interpretation of undefined legal terms in Section 25a, Subs. 2 of the KWG (cf. Ullrich, 2008: 6). Thus, the BaFin has initiated a transfer from the previous rule-based approach to a principle-based course of action rooted in increasing qualitative banking regulations. This modernization in the form of granting facilitating room for maneuver means that many outsourcing regulations until now applied from the circular of 11/2001 have been concentrated into a practically relevant minimum. This leaves the institutes greater and more flexible scope for administratively practical outsourcing solutions (cf. Bundesanstalt für Finanzdienstleistungsaufsicht, 2001, 2007). In this process, the banking regulatory authorities are taking steps towards strengthening risk analysis and risk management, as well as giving management more lasting long-term responsibility. In this context, the change in meaning of the term “quality management” can also be extended to include the subject of innovation management. In other words, banking legislators are not only condensing innovation management, but are deliberately encouraging management innovation and sustainability, or a move in that direction.

Over the past few years, innovative outsourcing has increasingly gained importance in banks, particularly in the field of back-office processing, IT and facility management. There are many reasons for this:

- strengthening core competences using economies of scale,
- avoiding investment in the parent company,
- more efficient operational controlling and limiting operational risks,
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- reducing locational costs by making the structure of wages and charges more flexible,
- gaining a more important position on the market by consolidating special skills to raise innovative ability.

From the point of view of supervisory regulations, outsourcing solutions may in some circumstances be significant in driving risk (cf. Deutscher Sparkassen- und Giroverband, 2007). Interdependence between the outsourcer and the outsourced part of the company, as well as the potential risks in terms of organization, structure and processes require responsibility for the outsourced processes to be laid down clearly. As MaRisk can more or less be understood as a regulatory control system for risks typical of banks (counterparty risk, market price risk and operational risk), it is therefore also appropriate to integrate outsourcing risks into it. Regarding the topic of outsourcing, the future benefit for the outsourcing company would be that according to the basic principle, all activities, organizational units and processes could be outsourced as long as they do not prevent the proper business organization of the institute in question. The directors’ managerial tasks, such as corporate planning or coordination, still cannot be subcontracted. The ISO standard requires management to accept overall responsibility. MaRisk does not conflict with this prerequisite. At the same time, when MaRisk is implemented, the outsourcer is no longer required to report to the BaFin or the Deutsche Bundesbank as previously required. Furthermore, in future, the regulatory authorities will largely abstain from the contract reviews previously performed. As regards risk ascertainment, one possible consideration for the outsourced unit could be to take stock of its process capability and risks as a basis for the analysis.

6. Revising MaRisk According to the Needs Created by the Capital Markets Crisis of 2007 to 2009

To halt the problems resulting from the financial crisis, the BaFin released its new version of MaRisk in August 2009, revising the previous publication from 2007 (cf. Bundesanstalt für Finanzdienstleistungsaufsicht, 2009). First of all, to put the current MaRisk-framework in concrete terms, several supervisory demands regarding the management of liquidity risks, stress testing and risk concentrations were intensified and improved. Thus, every German (savings) bank has to carry out stress tests to measure major risks in the future. Second, liquidity risks have
to be managed in such a way that growing shortages of liquidity can be identified at an early stage. Loss potentials resulting from risk concentrations have to be included into a bank’s risk management activities. Banks that are part of a corporate group structure have to manage their group wide risk management by formulating a risk strategy that encompasses the entire corporate group as well as being valid for the entire corporate structure. The BaFin’s special aim is to improve the control mechanisms between the supervisory and the management board in financial institutions. For this purpose, the supervisory board is now allowed to collect information directly from the internal administrative auditing department. It is no longer necessary to acquire CEO approval first.

In order to prevent short term windfall profits through a calculated toleration of disproportionately risky situations, banks have to pay their variable salaries proportional to their firm’s financial success. If there is evidence for management failures, managers have to pay back a part of their salary ex post. The 2009’s MaRisk is the result of the German interpretation of the Financial Stability Board’s recommendations that were addressed at the G-20 Summit (cf. Bundesanstalt für Finanzdienstleistungsaufsicht, 2009; Group of Twenty, 2009). The Financial Stability Board, formerly known as Financial Stability Forum, was tasked with working out problem solutions for the financial crisis and prepare them for the 2008 G-20 Summit in London. Furthermore, the new German government declared in its new coalition agreement the idea of shifting the focus of the banking supervision away from the BaFin towards the German Central Bank (“Deutsche Bundesbank”).

7. MaRisk and Certification - Synergy or Contradiction?

The international ISO standard describes standardized requirements applicable for any company for overall management, for the structure of its processes, for documentation and the regular evaluation of its management system. The methods, instruments, procedures and evaluation criteria used to do so are largely up to the company. Similarly to MaRisk, the standard is mainly focused on the company’s course and development in terms of its strategies and processes.
7.1. Requirements Regarding Strategy

Similarly to the requirements in MaRisk, in terms of strategy, the ISO standard requires, among other things, a quality policy to be in place and regularly evaluated, as well as being implemented throughout the company (cf. Normenausschuss Qualitätsmanagement, Statistik und Zertifizierungsgrundlagen, 2000). This can take place by means of appropriate communications measures using (individual) strategies, corporate visions and guiding concepts, management principles or goal systems (e.g. the Balanced Scorecard). OSD fulfills these requirements in that it has formulated a vision of this kind, culminating in a strategy (Figure 2). This, in turn, has been given concrete form as a corporate image and management principles which are visibly reflected in the aims of the bank as a whole and its departments.

7.2. Requirements Regarding Processes

From the point of view of processes, the ISO standard requires that processes which are essential to enforce the bank’s business strategy are to be defined and the influence they have on each other to be taken into account; that the processes are to be measured and analyzed regularly, and suggestions made for their improvement (cf. Normenausschuss Qualitätsmanagement, Statistik und Zertifizierungsgrundlagen, 2000). This means of implementation is a good basis for determining a financial institution’s overall risk profile, as required by MaRisk. Table 2 shows an overall comparison of the requirements regarding processes and strategies from the point of view of MaRisk and DIN EN ISO 9001:2000.

7.3. Process Model – a Bird’s-Eye View of a Company

As early as 2002, OSD began identifying its essential processes and combining them in a process model (Table 3) according to the PDCA flow. The processes in this model were described by those in charge according to standardized criteria. As well as a presentation of the aims, procedures, overlaps between processes, process inputs and outputs, etc. these criteria include figures on process control, defining risks and fixing on an evaluation to be carried out annually, to take stock of process capability and risks. The process descriptions form an essential basis for OSD to implement parts of MaRisk. They ensure that risks in the individual processes
are identified and kept up to date, and thus form the basis for the required stocktaking/evaluation
of risks in accordance with MaRisk.

Table 2. Comparison of DIN EN ISO 9001:2000 and MaRisk.

<table>
<thead>
<tr>
<th>Fulfilment of supervisory and legal requirements e. g. arising from: Basle III MaRisk; Section 25a of KWG, KonTraG (Control and transparency in business act)</th>
<th>Fulfilment of normative requirements: DIN EN ISO 9001:2000 requirements for quality management systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>=&gt; Specifying a business strategy, a risk strategy consistent with it and other strategies and strategy elements further down the line</td>
<td>Chapter on &quot;Managerial responsibility&quot; =&gt; Specify quality policy and targets =&gt; Plan (quality) management system =&gt; Carry out management evaluation (including evaluation of process performance changes which could affect the system) =&gt; Ensure resources are available =&gt; Check and communicate responsibilities and authorizations</td>
</tr>
<tr>
<td>=&gt; Requires reappraisal of the way to deal with standard managerial flows (following Plan-Do-Check-Act) as in the overall responsibility of the management board</td>
<td>Strategy point of view</td>
</tr>
<tr>
<td>=&gt; Requirements regarding risk management and the management of the bank as a whole, regarding proper business organisation and appropriate internal control procedures to manage main risks</td>
<td>Chapter on &quot;General requirements&quot; and &quot;Monitoring and measuring processes&quot; =&gt; define main processes =&gt; establish how they interact =&gt; specify instruments for process (and risk) management =&gt; regularly monitor, measure, analyze, evaluate the processes (and risks they involve) =&gt; implement process improvement measures</td>
</tr>
<tr>
<td>=&gt; Equity capital base for operational risks / sufficient equity capital</td>
<td>Process point of view</td>
</tr>
<tr>
<td>Aim: continuance / protection of investment</td>
<td></td>
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</table>

Source: (Ostsächsische Sparkasse Dresden)
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Table 3. OSD Process Model.

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<th>Management processes</th>
<th>Provision of services</th>
<th>Measurement &amp; analysis, continuous improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Processes for strategy and leadership</td>
<td>4 Business and operational Processes</td>
<td>6 Processes for measurement, analysis, continuous improvement</td>
</tr>
<tr>
<td>1.1 Leadership</td>
<td>4.1 Sales, private and corporate clients</td>
<td>6.1 Measuring staff-related results</td>
</tr>
<tr>
<td>1.2 Developing/communicating strategies and aims</td>
<td>4.2 Sales management, pc and cc</td>
<td>6.2 Measuring client-related results</td>
</tr>
<tr>
<td>1.3 Overall bank management</td>
<td>4.3 Sales support, pc and cc</td>
<td>6.3 Internal auditing</td>
</tr>
<tr>
<td>2 Personnel processes</td>
<td>4.4 Development and positioning of products and services (assets and liabilities)</td>
<td>6.4 Internal administrative auditing</td>
</tr>
<tr>
<td>2.1 Personnel planning</td>
<td>4.5 Treasury management</td>
<td>6.5 Tests, error analysis and introducing corrective and preventive measures</td>
</tr>
<tr>
<td>2.2 Personnel support</td>
<td>4.6 Restructuring/intensified loan management</td>
<td>6.6 Process evaluations (stocktaking of process capability and risk)</td>
</tr>
<tr>
<td>2.3 Personnel development</td>
<td></td>
<td>6.7 Quality analysis/management evaluation</td>
</tr>
<tr>
<td>2.4 Personnel services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Processes to manage partnerships and resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Management of outsourcings and external service partnerships</td>
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<td>3.2 Information technology managemen</td>
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</tbody>
</table>

Continuous improvement of corporate system

Source: (Ostsaechsische Sparkasse Dresden)

7.4. Stocktaking of Process Capability and Risk

This term describes the instrument developed at OSD to determine the bank’s overall risk profile as required by MaRisk. It is an annual stocktaking based on the process descriptions in question. The stocktaking of process capability and risk (cf. Deutscher Sparkassen- und Giroverband, 2003) is understood as a control instrument for those at the top and second levels of management in charge of the process. It is a managing instrument which supports the fulfillment of the regulatory and normative requirements demanded of systematic process and risk management, by means of the following goals:

- demonstrating strengths, weaknesses and risks, and deriving measures for further improvement, both for individual processes and in combining the individual results for the management system as a whole,
evaluating and determining process capability and risks for each process and in combining them for the management system as a whole (risk profile of the entire bank / risk-bearing capacity) so as to allow systematic, targeted process and risk management.

The stocktaking of process capability and risk is understood as a self-assessment by those responsible for each process, carried out under supervision. The stocktaking includes, among other things, an evaluation of the risks defined in the description of each process, as well as of the process capability as a whole. As a result, each process is appraised to decide whether, taking into account the risks it involves (risk evaluation), it is capable of fulfilling the requirements and goals it is set (process capability evaluation). To achieve this, the process and its description are compared and aligned. The risk profile of the bank as a whole finally results from combining the different process evaluations. One way this is evaluated is by type of risk. This differentiation answers the question: “What risks are critical for the bank as a whole, and to what extent?” The other form of evaluation is process-related. This answers the question of which processes contain the critical risks. In this context, one important issue would appear to be how the process risk and the determined process capability interact. When does a risk which has been determined affect a process to such an extent that it no longer fulfills the requirements it is set? The answers to this question result in concrete approaches to dealing with the desired process optimization and risk minimization, as any risk can be pinpointed specifically.

The stocktaking of process capability and risk thus supports an internal savings bank assessment with respect to self-assessment in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). In order to improve the objectivity of the process capability and risk evaluations by those in charge of the processes, OSD uses a procedure with several stages. In internal and external audits, which are required by DIN EN ISO 9001:2000, evaluations are verified by independent auditors and their plausibility tested. This ensures that the evaluation data is valid.

7.5. Internal and External Audits

If the stocktaking of process capability and risk is seen as self-assessment by those in charge of each process, then internal and external audits are an evaluation by independent, objective third parties. During the internal audits, which were brought in by OSD itself, OSD works with auditors from other savings banks and its own internal auditing department. The
external audits are carried out by auditors from another accredited certification body. The object of the internal and external audits is to evaluate the effectiveness of the management system and the processes defined in this system, and the way they interact. The basis for this is the international standard DIN EN ISO 9001:2000. Furthermore, OSD uses the internal audits to validate the evaluations made by those in charge of the processes during the stocktaking of process capability and risk. During this process, the auditors systematically examine the results of the evaluation once more and back them up with proof (plausibility check). The audit results provide valuable information about strengths and room for improvement, as well as ensuing risks, thus taking the lead for the management and further development of each of the processes, as well as the entire management system. This makes the internal audit another possible way of implementing the ICAAP process.

Similarly to the SREP, the supervisory evaluation process, the external certification audit is understood as a kind of evaluation. It relates to the effective implementation, in conformity with the standards, of the entire OSD management system and the processes defined in it. In the same way as the internal audit, the results provide important pointers about strengths and possible risks and how the management system can be further developed. When the certifying audit is passed, confirmation is provided in the form of a certificate which is valid for three years. This proves to the outside world that OSD orients its management system according to the internationally valid criteria of DIN EN ISO 9001:2000 and implements it accordingly. On this basis, the certificate can be used to attract customers or to demonstrate the managerial approach to other third parties. In future, this option may gain significance in the context of the supervisory audits.

During the time of validity, the certifying body carries out annual monitoring audits to check whether the certificate can be retained. This means that one advantage of the certification process is to put OSD under the voluntary constraint of having to check its processes, workflows and procedures regularly and adapt them to current conditions. This is supported by the structure imposed by the process model, which makes process management better. The case example of the introduction of MaRisk at OSD clearly demonstrated how a certified corporate structure can provide support with integrating and implementing exogenous requirements. The following
describes the lessons which can be learnt from this example for the implementing of management systems in banks by means of innovative processes and organization.

8. The Introduction of Management Systems as Multidimensional Innovation

The introduction of management systems has all the characteristics of multidimensional innovation (cf. Zahn and Weidler, 1995; Hübner, 2002; Hauschildt and Salomo, 2007). Innovation management distinguishes between the following basic dimensions used to structure the analysis of management system implementation: (1) object of innovation, (2) influences on corporate functions, (3) players involved and affected and (4) project management (business process perspective, decision rules). The introduction of management systems can be examined with regard to the object of innovation both as process innovation and organizational innovation (cf. Hauschildt, 2004: 11-12). From the functional perspective, the technological and organizational dimensions are addressed (cf. Zahn and Weidler, 1995: 362 et sqq.). The technological dimension embraces products, processes and technological knowledge. Structures, cultures and systems fall into the organizational dimension. As far as the players and the project management are concerned, the introduction must take into account management boards, sections of the middle management, staff representatives, experts, individual administrators (the future users) and banking supervisory representatives. Several approaches are discussed in innovation research to explain the success or failure of multidimensional innovation. Each of these approaches explains the four basic dimensions of multidimensional innovation from a different point of view. These complementary approaches can be summed up in the form of an integrative explanatory model for the introduction of management systems.

Those attempts at explanation which can be grouped together as the resource-oriented approach emphasize lacking or insufficient resources as an obstacle to innovation (cf. Pfeffer and Salancik, 1978; Wernerfelt, 1984, 1995; Morris, 2007). As well as equity and debt capital, the term “resources” includes protective rights (e.g. patents or copyrights), knowledge available within the company, opportunities to access external knowledge, and connections which are conducive to innovation. For the example of introducing MaRisk at OSD, from the perspective of the resource-oriented approach, the innovation-promoting factors can be condensed into the following points:

- necessary resources provided by the management without difficulty,
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The relevance of a certified management system for the implementation of MaRisk, taking into account sustainability aspects of innovation

- innovation process supported by professional external auditors,
- relevant in-house experts integrated across all hierarchical levels,
- overlaps in OSD processes noticeably reduced.

Attempts at explanation using the market-oriented approach lay emphasis on external influencing factors: the state of the competition, market and setting (summed up by Day, 1994 and Porter, 1999). From this point of view, innovative impetus comes from - perceived - changes in corporate environments. The organization of structures and processes, as well as the corporate culture, influence a company’s innovative activities directly to the extent that they shape the initial perception of the corporate environment by the different players in the company (cf. Deeg, 1998 and Töpfer, 2007). In the example of OSD, the successful introduction of a quality management system was supported by the fact that it simultaneously acted as a link between the long-term business and risk strategy and the short-term tasks of the various people responsible for the processes (antenna/radar function). On the other hand, the newly introduced management system helped stabilize the Dresden savings bank’s capacity for action in a dynamically changing market situation, by improving its operational processes (catalyst function).

Systemic explanatory approaches focus on the way the components (elements) of a corporate innovation system (CIS) interact and how the elements and interactions influence the outcome of innovation (cf. Montoya-Weiss and Calantone, 1994; Staudt, 2002; Hauschildt, 2004; Hauschildt and Salomo, 2007). The components of CISs are divided into: (1) corporate players and their resources, tasks and accumulated knowledge, (2) aims of innovation, (3) innovation tools used, (4) external relationships and (5) institutionalized rules, routines or - in quality management terminology - processes. Management systems come in at the point of the last element. Graphic proof of this was provided in the case of the introduction of MaRisk at OSD. By means of systematic knowledge management and the intensive training of all those responsible for processes and the support of professional external auditors, it was possible to raise the quality of all core processes to a quantitatively measurable degree.

In explanatory attempts which can be ascribed to the micropolitical approach, the spotlight is on innovation-promoting and innovation-restricting combinations of interests (cf. Küpper and Ortmann, 1988; Küpper and Felsch, 2000). Or, in other words, research focuses on power relationships inside and outside the company, and changes within these relationships.
Players’ innovator roles (cf. Gemünden et al., 2006 in summary) as promoters, barriers, enablers or passive observers are an expression of their expected change in position or status as the result of innovation. Here, position relates to a player’s formal tasks or decision-making power. Status goes beyond this, including informal capacity to influence and a player’s reputation both inside and outside the company. A player’s position and/or status can be raised or lowered, or stay the same, as a result of multidimensional innovation. Changes in position and status are not necessarily linked. From a micropolitical point of view, the following factors played an important role in the success of introducing MaRisk at OSD:

- raising status by giving people responsibility for processes,
- no rise in position as a result of organizational or process innovation,
- development and consistent implementation of a process-accompanying internal and external communication strategy.

Network approaches are various attempts at explanation all focusing on innovative drives extending beyond market factors and company organization structure (hierarchy) in the stricter sense (cf. Powell, 1990; Sydow and Windeler, 1990). Irrespective of whether networks are understood as hybrid organizational forms "somewhere between a market and a state" or as organizational forms with their own logic of exchange, they take on functions which neither markets nor hierarchies can achieve. The medium of successful networks is considered to be trust (cf. Nooteboom, 1996) based on personal contact and long-term, if often not simultaneous, benefit for all members of the network. Based on this characteristic, networks are often exclusive, to the extent that the number of members is restricted. In the network perspective, social interactional and communicational activities which have become routine promote (or restrict) innovation by means of knowledge transfer, evening out information imbalances, reducing transaction costs, exchanging experience, forming teams of promoters and maintaining the CIS’s external contacts. This function means that networks accompany the innovative drives mediated by markets and hierarchies. They can strengthen them, delay them, weaken them or – in extreme cases – prevent them. The implementation of management systems as a formalized platform for interaction and communication can promote or restrict existing informal network relationships, or may have no effect on them at all (cf. Davenport, 1998; Morris, 2007). In the case of OSD, the implemented QM system helped develop new formal and informal network channels between the
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members of what had been legally and administratively independent savings banks, with their own different corporate cultures.

If the influencing factors from the five explanatory approaches described are combined, a multidimensional investigative grid is produced, which can to a great extent explain the success of the introduction of MaRisk at OSD as a complex form of processual and organizational innovation (Figure 3).

Figure 3. Explanatory Model for the Introduction of Management Systems.

9. Lessons for the Management of Processual and Organizational Innovation in the Banking Sector due to the Sustainable Development

OSD’s experience in implementing MaRisk conformity using its QM strategy can be summed up as follows. The advantage of a management system which is certified according to the ISO standard and can be directed from a bird’s-eye perspective, is that although the basic
structure of the management system is defined, there is room for maneuver to adapt and develop it at any time using the PDCA process, to suit specific requirements. This can be done without losing the overview of the company as a whole, with all its complexities. By implementing the ISO standard it is possible to create a structural framework for entrepreneurial activities; the specific requirements of the supervisory authorities, the law and management can then be logically fitted into this framework. From the point of view of processes and control, this flexibility sustainably supports clear and unambiguous targets, structures, workflows, processes and responsibilities in a company. By regularly evaluating and improving business processes, in the long term, redundancy can be avoided, risks minimized and the value added increased. This also takes into account the ICAAP and SREP processes. Due to the permanent evaluation of the processes, their strengths, weaknesses and risks are clear, and in particular it is clear which measures can be used to counter them if required. This is also the case for taking appropriate action to anticipate the supervisory evaluation process.

By choosing a certified management system and voluntarily orienting towards the standard it is based on, DIN EN ISO 9001:2000, and its obligation to describe the company’s strategic configuration, the OSD management laid the foundations for MaRisk conformity as far back as 2002. This practical experience on the part of OSD is to a large extent compatible with the explanatory model described in the present work for the success or failure of management systems. By qualifying internal auditors and those responsible for processes, and implementing them in a goal-oriented manner, OSD was able to mobilize additional resources. Its integrative process model and annual stocktaking of process capability and risk contribute to reducing and improving overlaps within and between different processes. Extending beyond the Federal Financial Supervisory Authority, external auditors act as important external links providing professional, regular support for OSD’s internal process management.

The introduction of MaRisk illustrates how thinking in terms of unified, interconnected corporate process structures, seen from a bird’s-eye perspective, as well as structured process documentation and evaluation, helped OSD deal with an increase in the complexity of its structures resulting from numerous fusions and an according increase in the size of the company.
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Literature


Niniejszy artykuł, opierając się na przykładzie banku oszczędnościowego Ostsächsische Sparkasse Dresden, prezentuje dowody dla doniosłej roli, jaką przy wdrażaniu w bankach systemu MaRisk (niem.: Mindestanforderungen an das Risikomanagement; ang.: Minimum Requirements for Risk Management – minimalne wymagania dotyczące zarządzania ryzykiem) odgrywa certyfikowany system zarządzania. Innowacyjna strategia Ostsächsische Sparkasse Dresden, będącego głównym bankiem oszczędnościowym, wykorzystywana podczas wdrażania oraz zrównoważonego rozwoju strategicznego systemu zarządzania, stanowi przykład „najlepszej praktyki” dla niemieckiej organizacji banków oszczędnościowych German Sparkasse. Bazując na podanym studium przypadku, artykuł rozwija się w dyskusję nad alternatywnymi podejściami stosowanymi przy wyjaśnianiu sukcesu bądź porażki systemów zarządzania w bankach z punktu widzenia zarządzania innowacją oraz zrównoważonego rozwoju.

Słowa kluczowe: wdrażanie Basel II, systemy zarządzania, minimalne wymagania dotyczące zarządzania ryzykiem, zrównoważony rozwój, innowacje.