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RELEVANCE AND DEVELOPMENT OF A RISK CULTURE IN BANKS AS A FACTOR FOR NATIONAL SECURITY

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Abstract: *This paper examines the importance and further development of a stable risk culture as a key prerequisite for effective risk management in banks and thus for national security. Based on a comprehensive literature review, it shows that regulatory reforms following the 2008 financial crisis have improved structural conditions, but often fail to adequately address the underlying cultural and behavioral factors. Risk culture, understood as collective values, assumptions and behaviors in dealing with risks, has a significant impact on risk perception and decisions in organisations. An effective risk culture requires clear communication of risk appetite and tolerance by management, continuous training, transparent reporting channels and a constructive error culture without fear of sanctions. The integration of risk management into strategic and operational decisions and regular evaluations strengthen organisational resilience in the long term. Banks with a proactive, learning-oriented risk culture are better able to identify emerging risks at an early stage, increase their resilience and thus secure both their own stability and that of the financial system in the long term, resulting in a stable situation with regard to national security.*
Keywords: *risk culture; risk management; banks; national security*

INTRODUCTION

The increasingly volatile, uncertain, complex and ambiguous environment in which we operate is also referred to as the “VUCA” world. In this context, the examination of non-financial, immaterial success factors in organizations is also becoming increasingly important. In addition to strategy, structure and processes, corporate culture in particular is becoming the focus of scientific and practical discussions. It is a central factor influencing organizational performance. Closely linked to the corporate culture is the risk culture. This, in turn, has received increased attention, especially in the context of financial crises, claims and wrong business decisions.

At the same time, implementation and further development of risk management at many banks has accelerated considerably, partly as a result of the banking crisis in the mid-2000s, which had a considerable impact on national security as well as economic consequences for countries worldwide. Especially the aftermath of the 2008 global financial crises caused an increase in the development of risk cultures in organizations. It has also caused financial authorities to demand financial institutions for guidance on risk management, including risk culture, to regain their financial stability (Kanu 2020, p. 13). The financial system is a complex network of institutions, markets and regulations that controls the flow of capital in an economy. Banks play a central role as intermediaries between capital supply and demand. A stable financial system fulfils its central macroeconomic functions smoothly and at all times. In particular, this includes the efficient allocation of financial resources and risks as well as the provision of an efficient and secure financial infrastructure. Financial systems are therefore not only an essential component of national security, they also lead to a more efficient allocation of resources as they reduce the cost of moving funds between borrowers and lenders and ensure that the information asymmetry between borrowers and lenders is overcome. If they do not work well, the economy cannot function efficiently and economic growth is negatively affected (Afreen et al. 2025, p. 99). It was already clear beforehand that banks are an integral part of the financial system. However, historical developments have also highlighted their direct importance for financial security of the state as part of national security. Over time, but especially during the post-2008 economic crisis, there have been changes in regulation to control risks in the financial sector which never targeted the root of some issues. In this context, risk culture in banks is a key factor for national security, as weaknesses in internal risk awareness and behavior can intensify systemic and procedural vulnerabilities. The 2008 financial crisis demonstrated that failures were not only rooted in insufficient frameworks but also in weak risk cultures that allowed excessive risk-taking. Strengthening risk culture therefore contributes to the resilience of financial institutions and helps to ensure the stability of the whole economic and security environment.

Risk management as a framework is therefore quite easy to define. Risk management is understood to mean systematically identifying, recognizing, analyzing, treating and controlling the company's risks. The corresponding handling of risks is also referred to as risk management. If this is successful, the risks are managed. As part of risk management, critical situations within the company's activities should be recognized as early as possible in order to avoid them and/or reduce the risk. Ideally, this reduction and the ability to plan will also enable a company to better manage unforeseeable risks. A well thought-out and functional risk management system therefore also represents an early warning system for the company.

Now, globally, key regulators are focusing on developing the risk culture that drives enterprise risk management (ERM) and can impact all other risk types. Risk culture is hard to define, hence the range of approaches to address it. Ultimately, the best risk culture might be one that learns through stress. The onus of risk culture development should shift from regulators to Boards, where remuneration linkage could speed up this transfer. All regulators have embedded the incentive as one of the key elements of developing a risk culture. However, its administration is the key to its success. For proper development of risk culture, all elements should be carefully crafted, fitted to the jurisdiction, and reviewed often (Kumar 2025, p. 62). This raises the question of the importance of risk culture in risk management and throughout the company and the extent to which it can be further developed and improved.

In fact, there is a growing number of empirical studies that demonstrate the connection between risk culture and economic performance factors. Although it is difficult to compare the results of the various studies, as both parameters are multidimensional constructs, correlations have been identified (Sackmann 2002, p. 141). There are still some challenges in practical implementation. Even if clearly defined rules for decision making exist, people are prone to be influenced by unrelated factors, which leads to biased judgment and decision mak- ing. Such biases can stem from various sources such as the influence of emotions and affective reactions in the judgments of risks (Eller & Streicher & Zimmermann 2018, p. 224). Furthermore, current developments suggest that innovations in this area are far from over. Due to recent developments in cyber security, topics related to risk culture, operational resilience and an efficient, comprehensive risk management framework will also gain in importance in the future (Iyer & Raji 2025, p. 748).

Regulators are also paying increasing attention to the topic of risk culture. Following a transition in recent years from siloed risk management procedures to a holistic, integrated risk management approach, the focus is now increasingly on improving risk culture in order to strengthen risk management and resilience in companies in the long term. (Kumar 2025, p. 55).

In addition to internal organizational aspects, regulatory authorities have increasingly emphasized importance of a sound risk culture within financial institutions. International regulatory bodies such as the Basel Committee on Banking Supervision and the Financial Stability Board have repeatedly highlighted that effective risk governance cannot be achieved only through formal rules and capital requirements. Instead, behavioral and cultural aspects within institutions must also be addressed as well. Following the financial crisis, it was recognized that many failures in risk management were not caused by a lack of formal frameworks but rather by weaknesses in the risk culture and therefore in the implementation and internalization of these frameworks. As a result, supervisory authorities now expect banks to demonstrate that risk awareness is embedded in in the company and that risk considerations are integrated into strategic planning, performance evaluation and incentive structures. This regulatory shift reflects the growing recognition that a sustainable financial system requires not only technical risk management instruments but also a corporate culture that promotes responsible and transparent risk behavior.

RESEARCH METHODOLOGY

This article's findings on the relevance and development of a risk culture in banks mainly stem from a literature review. The literature was researched using various online databases. The attempt was to use sources that were as up-to-date as possible as well as some well-known basic literature. The goal is to assess the current state of and provide readers with a roadmap on how to develop the risk culture within banks.

The literature search was conducted using several widely recognized academic databases, including Scopus, Web of Science, and Google Scholar. These databases were selected because they provide access to a broad range of peer-reviewed journal articles, books, and conference papers in the fields of management, finance, and organizational studies. The search process focused on the most recent publications that address the conceptual foundations, practical implementation, and implications of risk culture in organizations.

To identify relevant publications, a set of key search terms was used. These included terms such as "risk culture," "corporate culture", "risk management", and "risk governance". In addition, combinations of these keywords were used to ensure a comprehensive coverage of the relevant literature. Particular attention was given to studies that analyze the role of risk culture within the financial industry, especially within banks and other financial institutions, as these organizations operate in highly regulated environments and face more complex risk structures compared to other industries.

While the concept of corporate culture and its theoretical models are applicable across a wide range of industries, the analysis in this article primarily focuses on literature addressing the financial sector in order to reflect the specific regulatory, organizational, and operational characteristics of banks. At the same time, general theoretical contributions on corporate culture were also included in order to provide a broader conceptual foundation for understanding the development and impact of risk culture in organizations.

RESULTS

Corporate culture refers to the totality of all shared values, norms, beliefs and fundamental assumptions that shape and influence the thinking, feeling and acting of the members of an organization. One of the most well-known and influential definitions comes from Edgar H. Schein, who describes corporate culture as a pattern of shared assumptions. This pattern is learned by a group and passed on to new members. Culture thus functions as a kind of informal control system. It complements formal regulations by reducing behavioral uncertainties and regulating expectations.

The three-level model developed by Edgar H. Schein distinguishes between artifacts, beliefs, and basic assumptions:

1. **Artifacts** comprise all visible, explicit, and accessible behaviors, structures, norms, processes, outcomes, and the like. Members are aware of artifacts and they are obvious to outsiders. Accordingly, artifacts are easy to observe and to measure.
2. **Beliefs** and values reflect the strategies, agendas, goals, philosophies, and principles associated with risks. Members are aware of them, yet they are not necessarily observable from the outside.
3. **Basic assumptions** include feelings, affects, un- or subconscious influences of personality and temperament, cognitive states and representations, thoughts, implicit group norms, hidden agendas, and shared implicit learning experiences.

In particular, the basic assumptions guide actions and are difficult to change. They form the basis for specific characteristics such as innovation, performance or risk culture.

Risk culture refers to the set of shared values, attitudes and behaviors in dealing with risk and uncertainty within an organisation. It determines how risks are perceived, communicated, assessed and managed. In contrast to formal risk management, which includes processes, methods and instruments, risk culture describes the informal dimension of dealing with risks. It answers questions such as:

- Are risks openly addressed or concealed?
- Is misconduct sanctioned or covered up?
- Are calculated risks seen as an entrepreneurial opportunity?

Risk culture is thus a specific form of corporate culture with a focus on risks, uncertainty and decision-making behavior.

With reference to the theory of corporate culture just described, the risk culture would therefore be located at the level of the basic assumptions. It touches on central beliefs, e.g.:

- Image of the human being (trust-oriented vs. control-oriented)
- Dealing with mistakes (learning opportunity vs. blame)
- Time horizon (short-term profit orientation vs. long-term stability)

For example, a company with a strong hierarchical background will tend to be less open in risk communication than a hierarchically flatter organization.

Leadership plays a decisive role in creating and sustaining a sound risk culture within an organization. In particular, the concept of "tone from the top" highlights the importance of senior management and board members as role models in establishing a desired behavioral standard. Employees often act not only according to formal rules but are also influenced by the implicit signals transmitted by leadership behavior. If management prioritizes short-term financial performance while neglecting risk considerations, employees may feel encouraged to take excessive risks in order to achieve performance targets. At the same time, leadership that consistently communicates the importance of responsible risk-taking and long-term stability can significantly strengthen the risk awareness of employees. In this context, governance structures such as independent risk committees, clearly defined responsibilities and transparent reporting lines contribute to strengthen a culture in which risks are openly communicated and discussed.

Therefore, when exploring risk culture, it is essential to dig deeply beneath the surface of artifacts into the in-depth understanding of basic assumptions. Unfortunately, from a methodological point of view, basic assumptions are some- times subconscious to members of a risk culture and not obvious to outsiders. In principle, risk culture refers to how people handle risks in a specific social context such as an organization. Risk culture is shaped by, for example, formal structures including shared expectations, experiences, beliefs, and values, as well as individual states and assumptions. At the same time, the risk culture of a specific social category (i.e., group, organization, society) influences how members of this social group perceive, assess, and handle risk. Accordingly, one could argue that risk culture determines how people and organizations respond to risks, and, therefore, it is essential to understand the relevant factors of risk culture and their interactions, in order to enhance risk competence (Eller & Streicher & Zimmermann 2018, p. 219).

However, if we examine the psychological factors involved in dealing with mistakes and risks today, we find that there is a general fear of mistakes and failure in today's society (Fortmann & Kolocek 2018, p. 118). Yet the importance of mistakes for human development should not be underestimated. It can even be said that mistakes are part of being human (Witte 2019, p. 93). In recent years in particular, there has been intensive reflection on the topic of error culture (Fortmann & Kolocek 2018, p. 119). It would be fatal to believe that dealing with mistakes and the resulting consequences and psychological effects are exclusively a feel-good factor. It is also a highly relevant factor in economic terms (Fortmann & Kolocek 2018, p. 119). Therefore, a bank's cultural orientation is also of considerable importance when it comes to influencing risk decisions and improving risk management. (Gani & Mashamba, p. 8).

In a sense, risk culture is stable yet changeable. For example, the societal risk culture regarding traffic risks is stable for a medium period of time, but changeable over a longer period of time. Second, risk culture includes shared learning experiences. For example, society has learned that driving unbuckled results in an unacceptable death rate, and, therefore, taking these specific risks should be avoided. Third, risk perceptions, assessment, and behavior of people, either as individuals or as members of a social group or organization, are modeled by risk culture. Accordingly, risk culture is a major force for explaining differences in risk perception and behavior between individuals, groups, and organizations (Eller & Streicher & Zimmermann 2018, p. 234).

A sound risk culture provides a solid base for the implementation of an efficient risk management. Risk culture should be managed and developed in full alignment with the risk appetite and the risk framework to improve organizational performance. These shall enable the promotion of a risk-aware culture and ingraining risk-related measures into performance management that help drive the organization forward (Kanu 2020, p. 13). Risk culture is not only the basis for the standard processes within a company, but also for projects and all other aspects within the company (Lorch 2025, p. 14). As risk is something that has potential harms to the company due to the occurrence of a certain event. The importance of risk management, especially in insurance companies, can provide opportunities for companies to avoid these risks or minimize the impact of losses that occur. The effectiveness of risk management depends on how it is integrated into the governance of an organization and significantly influenced by the characteristics of the organization Successful risk management is supported by the development of a risk management culture whereas employees and stakeholders realize the importance of monitoring and managing risks (Mita & Ramadhany 2025, p. 2582).

That being said, an organization can have an overall positive culture but still lack a sound risk culture because most of the employees see risk management as a compliance issue and not a means of arriving at sound business decisions (Kanu 2020, p. 14). Nowadays, the demand to fully deal with uncertainty and complex risks more efficiently not only stems from the finance and insurance industry but from society in general, as well as organizations operating in a complex and uncertain context. Accordingly, organizations recognized the contribution of social psychological insights on risk perception, risk judgment, risk behavior, and potential pitfalls (Eller & Streicher & Zimmermann 2018, p. 233). Despite the strong need to integrate ERM and risk culture, their implementation in organizations remain fragmented. Risk practitioners are increasingly focused on designing and implementing risk management frameworks with less consideration to the initial establishment of sound risk culture (Kanu 2020, p. 14). Ultimately, the main question is what measures can be taken to improve the risk culture within the company in order to make risk management more efficient and resilient.

The further development of risk culture in companies requires a holistic approach that takes both structural and behavioral aspects into account. A key prerequisite is clear communication of a company-wide risk and value orientation by management in order to establish a common understanding of risk appetite and tolerance. Training and awareness-raising measures promote risk competence among employees and strengthen their ability to identify risks at an early stage and address them appropriately. In addition, a transparent reporting and feedback system should be established that enables open discussion of mistakes and critical events without fear of sanctions. The integration of risk management processes into strategic and operational decisions ensures that risk considerations are not viewed in isolation, but rather as an integral part of corporate management.

Regular evaluations and adjustments to measures can improve the risk culture in the long term and adapt it to changing conditions.

While risk culture often evolves as an organization grows, organizations can and should conduct self-assessments, surveys, and use other techniques to understand the current state of risk culture (Mita & Ramadhany 2025, p. 2582). On this basis, it is then possible to continuously develop and optimise the risk culture.

Despite its growing relevance, measuring risk culture remains a challenge. Unlike quantitative risk indicators, cultural aspects are difficult to capture using traditional metrics. Nevertheless, organizations increasingly attempt to assess risk culture through a combination of qualitative and quantitative approaches. These may include employee surveys, structured interviews, behavioral indicators, internal audits and the analysis of decision-making processes. In addition, key risk indicators related to conduct, compliance breaches or operational incidents can provide indirect insights into the underlying cultural environment. The objective of these assessments is not only to diagnose potential weaknesses but also to identify areas for improvement and to monitor cultural change over time. A systematic evaluation of risk culture can therefore support management in aligning behavioral patterns with the organization's overall risk strategy and risk appetite.

CONCLUSION

Risk culture should not be understood as an isolated category, but rather as a component within the overall corporate culture. It is shaped by and interacts with various organizational dimensions: for instance, a strong strategic orientation toward innovation tends to promote a higher willingness to take risks, while centralized or authoritarian power structures can inhibit open communication about risks. At the same time, an ethics-oriented, value-based culture strengthens compliance, integrity, and a more sensible approach to risk-taking.

A discrepancy between the formal risk strategy and the lived culture therefore leads to inconsistencies. For example, a company may officially propagate "zero tolerance" for rule violations, while implicitly high sales and sales targets encourage risky behavior.

Corporate culture forms the foundation. An informal control system of an organization. On this basis, the risk culture develops as a specific manifestation of the collective handling of uncertainty. While formal risk management systems define structures and processes, the lived culture determines how risks are actually perceived and treated.

A sustainable and constructive risk culture requires consistency between strategy, incentive systems, leadership and lived values. In an increasingly dynamic environment, it is thus becoming a decisive competitive factor – not only for avoiding crises, but also for consciously exploiting entrepreneurial opportunities.

An analysis of the relevant literature and various theoretical approaches shows that a stable risk culture is a key prerequisite for effective and sustainable risk management in banks.

While regulatory measures in the wake of the 2008 financial crisis have contributed to a more comprehensive risk management framework, it is clear that purely structural compliance requirements are not sufficient to address the underlying behavioral and cultural factors that influence risk-related decisions. However, a further development of precisely these aspects becomes particularly clear against the background that the crisis of 2008 not only had economic consequences, but also had an impact on national security for society as a whole. The effective development of an appropriate risk culture depends largely on consistent support from senior management, transparent communication and psychological mechanisms that enable mistakes and critical events to be dealt with openly without fear of sanctions. A culture of error management that promotes mutual trust makes the company faster and more flexible. In order to establish such a culture of trust, trust must be generated at various levels (von Au 2017, p. 148).

It can be said that risk culture is both stable and adaptable; its further development therefore requires regular evaluations, learning from past events and adaptation to changing conditions. Banks that manage to establish a proactive and learning-oriented risk culture are better able to anticipate emerging risks at an early stage, strengthen their resilience and ensure long-term stability – for their own organisation, for the financial system and for national security as a whole.

The increasing digitalization of financial services and the growing importance of cyber risks further underline the relevance of a strong risk culture within banks. Technological innovations such as digital banking platforms, artificial intelligence and automated decision systems create new opportunities but also introduce complex and evolving risks. In such environments, rule-based risk management approaches may prove insufficient, as emerging risks cannot always be fully anticipated or regulated in advance. A well-established risk culture can therefore function as a complementary mechanism that guides employees in situations where formal rules only provide limited orientation. Therefore, risk culture is increasingly regarded not only as a compliance requirement but also as a strategic capability that enhances the resilience and adaptability of financial institutions.

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ЗНАЧЕНИЕ И РАЗВИТИЕ НА КУЛТУРАТА НА РИСКА В БАНКИТЕ КАТО ФАКТОР ЗА НАЦИОНАЛНАТА СИГУРНОСТ

Резюме: *В настоящата статия се разглеждат значението и по-нататъшното развитие на стабилна култура на риска като ключова предпоставка за ефективно управление на риска в банките и по този начин за националната сигурност. Въз основа на изчерпателен преглед на литературата се показва, че регулаторните реформи след финансовата криза от 2008 г. са подобрили структурните условия, но често не успяват да се справят адекватно с основните културни и поведенчески фактори. Културата на риска, разбирана като колективни ценности, предположения и поведение при справянето с рисковете, има значително влияние върху възприемането на риска и вземането на решения в организациите. Ефективната култура на риска изисква ясна комуникация на рисковия апетит и толерантност от страна на ръководството, непрекъснато обучение, прозрачни канали за докладване и конструктивна култура на грешки без страх от санкции. Интегрирането на управлението на риска в стратегическите и оперативните решения и редовните оценки укрепва организационната устойчивост в дългосрочен план. Банките с проактивна, ориентирана към ученето рискова култура са в състояние по-добре да идентифицират възникващите рискове на ранен етап, да увеличат своята устойчивост и по този начин да осигурят както собствената си стабилност, така и тази на финансовата система в дългосрочен план, което води до стабилна ситуация по отношение на националната сигурност.*
Ключови думи: *рискова култура; управление на риска; банки; национална сигурност*

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