We can all learn from the collapse of the banks: the lessons from UBS on flawed top team behaviour, poor use of data, inappropriate reward and the danger of silos

A surprisingly transparent and public account from a Swiss bank

Plenty has now been written about the collapse of the banking system. Much of it has been focused on major flaws in risk management, balance-sheet strength and leverage in the banking sector. The banks themselves have said surprisingly little – except for adhoc remarks made under pressure from parliamentary committees or shareholders.

Perhaps we might be surprised that the most candid account comes from a Swiss bank, UBS. The Swiss regulators demanded a warts-and-all review conducted by lawyers and published openly. The drily-titled *Shareholder Report on UBS Write-Downs* makes very clear reading and does include four interesting lessons of interest to leaders of all organisations. Key to the UBS failures were:

1. ***The wrong executive team agenda:*** strategically vital items were not getting airtime in meetings and when concerns were raised, they were not properly addressed. The Executive did not take regular looks at marketplace issues – even when the bank's own research team were publishing reports on, for example, concerns about subprime assets.

   There were no agreed roles among the executive team to bring strategically important issues to the table - as they all stuck to their 'own agenda'.

2. ***Soft and missing data and feedback:*** there was too much reliance by the Executive team on trusting the word of others, rather than looking at objective evidence. When data did exist it was kept in the hands of technical experts.

   The chosen metric was the growth in new areas of business – which was given much stronger emphasis that, for example, balance-sheet strength or sustainable income.

3. ***Inappropriate reward and incentive:*** only one aspect of the business model was being rewarded, with insufficient understanding of how the investment bank business models worked. Topline growth was incentivised (using inappropriate metrics) at the expense of any focus on return, balance sheet strength, sustainability or risk.

   Added to that, bonuses were calculated on the value of transactions on the day – regardless of what happened in the following months or years.

4. ***Lack of strategic co-ordination across silos:*** risks, investments and balance sheet were being looked at in silos, with little overall strategic view. This meant that systemic risk was being under-estimated or missed, and that leaders did not have a whole view of the situation.

   There was no comprehensive view across all business of their biggest risk – subprime assets – with different, incomplete, data held by different teams and never brought together in an integrated way.

These flaws were all clearly identified in the report as being the responsibility of senior leadership. Special attention was drawn to: failure to address poor leadership process, poor governance, culture and lack of clarity around the business model. This is a good checklist for all leaders in all organizations.