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PRESS RELEASE

MANAGEMENT CONTROLS: THE SOLUTION FOR BANKS IN ICELAND AND DENMARK FOLLOWING THE 2008 FINANCIAL CRISIS

New research from The Copenhagen Business School and Reykjavik University and sponsored by the Chartered Institute of Management Accounting (CIMA) examines how banks in Iceland and Denmark responded to the 2008 financial crisis. The report, *Financial crisis and changes in management controls in Banks*, concluded that while Icelandic banks' reactions were geared towards survival, their Danish counterparts largely focussed on improving their business. Despite the difference, banks in both countries recognised an update to their management control systems was crucial to successfully moving forward after the crisis.

The research involved 26 in-depth interviews with a range of staff in each participating bank, including each chief financial officer and chief internal auditor.

The interviews revealed that banks based in Iceland formalised their risk management compliance and internal auditing practices and hired more people to operate in this area of the organisation. They also strengthened and formalised their policies and procedures to ensure consistent practices. In contrast, the Danish banks adapted their administrative controls to new regulatory requirements. Their risk systems were already relatively mature so the adjustments they had to make to meet regulatory requirements were not as big.

Peter Spence, head of performance management research, CIMA said: "The crisis showed us all how important management control systems are to organisations being able to successfully tackle and move on from crisis. These systems control so many elements of organisations, they are vital to the sound stewardship of assets and central to good management decision-making – not to mention managing behaviour of individuals through processes that embed the culture of an organisation. As a

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result, they are crucial to the long-term success of an organisation – something which has been emphasised by the financial crisis.”