

'Financial Complexity'

*Tijo Salverda*¹

Thinking about the (financial) world involves a degree of abstraction. This, however, also bears a risk because abstractions may end up leaving essential aspects out of the analysis. The 2008 financial crisis, indeed, has proven the limits of abstractions as many patterns and behaviour in the financial markets were left unnoticed. Numerous experts involved, consequently, realise that it is essential for financial services companies to challenge abstractions and conventional wisdoms.

Stemming from this observation, it appears crucial to also include knowledge about behaviour, morals and culture² in financial services companies' strategy and (risk) management. This will not be an easy task, because culture is difficult to translate numerically. But the widespread recognition that economic behaviour is not solely rational, evidently show that economic and legal parameters only are not a sufficient means for setting out strategies. Starting, then, from the diagram below,³ I can help to further the strategic planning process as well as enhance (internal) awareness about moral and ethical issues involved.



¹ Email: tijo@tijosalverda.nl
Phone: +31 (0) 629123647

² Briefly put, I refer to culture as the referential system of meaning, knowledge, beliefs and values, though I am aware that culture is a highly debated concept.

³ The diagram is based on one developed by Mr. B. Braakhuis, former head of CSR at Van Lanschot Bankiers.