

Learn to build an error management culture

Error
management

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Abstract

Purpose – Emphasizing that errors are unacceptable and will be sanctioned does not prevent that errors are made – but can cause workers to cover up mistakes. Making an effort to identify things that go wrong to learn from them and prevent errors in the future offers a more fruitful approach. By sharing an applicable LEARN framework, this paper aims to inspire and give direction to financial corporations in building an error management culture within their organizations.

Design/methodology/approach – The behavior and culture team of the Dutch Authority for the Financial Markets (AFM) collaborated closely with social and organizational psychologists from Utrecht University to study error management. The results of a literature study were combined with the findings obtained from a survey ($N=436$) and in-depth interviews ($N=15$) among employees of 13 Dutch financial corporations that are active within the infrastructure of the capital markets.

Findings – Tone at the top and direct managers' behavior were positively related to error management culture, which in turn related to more learning. Combining these findings with relevant psychological literature resulted in the LEARN framework, which can guide organizations in developing actions and interventions to build an effective error management culture: *Let the board take ownership, Engage employees, Align structure and culture, Refocus from person to system and Narrate the best examples.*

Originality/value – Stimulating financial corporations to start building a healthier corporate culture by offering the LEARN framework – and recruiting insights from social and organizational psychology to do so – extends traditional supervisory approaches.

Keywords Psychology, Supervision, Behavior and culture, Change, Error management

Paper type Research paper

“Culture in financial services is widely accepted as a key root cause of the major conduct failings that have occurred within the industry in recent history, causing harm to both consumers and markets”. – Jonathan Davidson, Director of supervision, foreword Transforming Culture in Financial Services (FCA, 2018, p. 3).

Since the financial crisis, financial corporations, politicians and the general public have been pushing for “a cultural change” in the financial sector. Moreover, an increasing number of external supervisors worldwide, such as the Financial Conduct Authority (FCA), the Financial Stability Board (FSB) and the Dutch Central Bank (DNB) are of the opinion that transforming

