

A SNAPSHOT OF SALES AND RISK RELATIONS AT HUNGARIAN BANKS IN 2022

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ABSTRACT

Banks' corporate lending strategy changes from time to time, but in any case, the implementation of that strategy requires cooperation between two functions, namely the business (corporate/project contact persons, sales) and the credit approval (risk management or risk) team. Smooth cooperation may foster optimised decision-making, and improve the efficiency of banks' processes, employee satisfaction and commitment, which, in turn, may reduce employee turnover. The benefits on the client's side are transparency, reliability and predictability, which may increase confidence in, and satisfaction with, the bank.

Therefore, it is worthwhile to review periodically how the two functions get along. We have taken such a 'snapshot' in our exploratory study of 2021/2022. In this study, we collected answers from 16 respondents working at banks in Hungary through an anonymous questionnaire and written in-depth interviews. The results show that the relations under scrutiny 'leave room for improvement'. Our survey also focused on how cooperation between the two functions could be made better and more efficient. Setting up transparent and well-regulated internal processes at banks and reinforcing risk-awareness in employees proved decisive in responding to the challenges of the future.

JEL codes: G21, G28, G29

Keywords: corporate lending, risk management, business function, cooperation

1 INTRODUCTION

Lending for corporate and project finance purposes, when it works properly, plays a substantial role also in economic development (*Bodnár, Katalin et al., 2014*). Banks face the challenge of adapting and reviewing their product portfolio to meet constantly changing market conditions, regulation, technological develop-

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ment and customer needs (Csiszárík–Kocsir, 2017). They cannot rise up to that challenge without efficient and constructive cooperation between different functions within the bank. Demand for improvement and adjustments may arise at all divisions, including front-end, risk management, legal, accounting, IT and others, and an appropriate response can only be devised with the contribution and collaboration of those divisions.

Research from around the world and in different economic sectors has revealed that corporate culture has a major impact on the functioning of organisations. But what does the term ‘corporate culture’ mean? It is a very broad concept that refers to implicit and explicit contracts governing behaviour within an organisation (Carretta et al., 2015) the harmonization of supervisory styles (regulation being equal. According to Pesuth’s definition, ‘banking culture is the sum of those norms and types of behaviour – which are the internal and external features of the banks – which account for the needed – fair – business practices’ (Pesuth, 2016:119). Our study focuses on a very narrow subsection of that vast topic, investigating the relationship and cooperation between sales and risk within lending for corporate and project financing.

Stricter regulations introduced in the aftermath of the 2008 crisis have already pointed to a need to increase risk-awareness, primarily among managers and direct risk-takers, and then at a basic level to all bank employees (Móra, 2019). That meant a marked shift away from a lending- and sales-orientation towards the importance and role of risk management, and might have launched a new dynamics in interfunctional cooperation. However, as Dancsik notes, the problems that led to the crisis are complex and multifaceted, and the macroeconomic effects of the respective transactions could simply not have been anticipated, assessed or reckoned with by individual banking employees taking part in the credit process (Dancsik, 2020). However, increased awareness to risks may ease the natural conflict of interest between the two functions.

We begin our study with a brief overview of the regulatory background, which illustrates the necessity of separating the two banking functions, also corroborated by references from the literature. Finally, we explain how separation is implemented in practice. After a presentation of our research methods we summarise and evaluate responses to our questionnaire and then reflect on the conclusions and insights of the in-depth interviews. It is our aim to highlight best practices – as a reinforcement to the organisations and managers applying them – as well as the activities that need improvement to facilitate their identification and adjustments. While our survey is not representative, we consider it a useful snapshot of the current practices followed by banks in Hungary in the above-mentioned segment.

1.1 The evolution of the current organisational structure

From the point of view of economics, the preservation of financial stability rests partly on banks and financial institutions inasmuch they keep up economic balance by efficiently managing (among others credit) risks. Zooming out, the responsibility obviously lies with the regulatory environment hosting the activities of financial institutions and bankers and providing the framework of banks' operational conditions and for individual (management) incentives and roles and responsibilities (Lentner, 2013). Neither the regulatory environment nor the institutional system are a constant, but change continuously (Várhegyi, 2010). Regulation is beneficial for the economy if it cushions the effect of economic cycles and meets the criteria of transparency, consistency, cost-efficiency and conditionality (Botos, 2012).

In terms of the regulation of financial activities, it was laid down already in Section 13 of Act CXII of 1996 on Credit Institutions and Financial Enterprises (as amended several times) that '[f]inancial service activities may only be taken up and pursued based on existing *internal rules and regulations in accordance with prudent operation, (...) controlling procedures and systems.*' Furthermore, Section 77 clearly provides that 'financial institutions shall draw up and apply internal rules and regulations that ensure the substantiality and transparency of placements and exposures as well as the controlled assessment and the mitigation of risks.'

It is also laid down in Recommendation No. 1/2000 of the Hungarian Financial Supervisory Authority that a system of embedded controls should be established among others in credit, credit approval and credit administration procedures. Attention is called to regular controls by the management, and the recommendation also proposes that 'credit institutions should preferably establish double reporting lines in business functions. Reports relating to positions and risks should preferably be received also by the head of risk management in addition to functional managers. The reporting and service lines are documented in the credit institution's relevant policies.'

In addition to causing contraction in the real economy, the world economic crisis of 2008 also cast serious doubt on the effectiveness of the then-current risk management practices of banks (Tamásné, 2018; Bánfi et al., 2010). Apart from introducing stringent capital adequacy and liquidity ratios as well as other quantifiable indicators, the subsequent revision of the EU regulatory framework placed special emphasis on the role of executives in strengthening the position of risk management and improving the efficiency of risk controls (Tajti, 2011). That was partly the basis for a change in banking culture, discussed in detail in Pesuth's Ph.D. dissertation, establishing that 'banking culture, fair banking

behaviour and conduct should be fundamental elements of the business model' (Pesuth, 2016a:93). The prudential regulation introduced after the crisis of 2008 have significantly improved capital and liquidity in banking, however, as Móra also points out '[a]ppropriate risk management (banking function) and competent supervision (function of the authority) cannot be simply replaced by the capital adequacy ratio' (Móra, 2019:381).

Today, Directive 2013/36/EU (or CRD IV) does not provide specifically for the separation of the two functions, only for a general requirement of independent risk management, which, however, entails the obligation of separation. The EBA Guidelines on internal governance promote a strong risk culture in which employees have a clear idea of their tasks and responsibilities, thereby fostering risk-awareness. Recommendation No. 12/2022 of 11 August 2022 of Magyar Nemzeti Bank on setting up and using internal safeguards and on the management and control functions of financial organisations reinforces these goals, and also discusses the setting up of risk acceptance and risk management committees and the management of conflicts of interest arising during operation.

Upon drawing up and at each subsequent revision of their loan policies, banks should clearly define the various responsibilities and limits of discretion of the persons involved in credit risk management and lending. These should be made clear and the scope of responsibilities unambiguously laid out, inter alia, so that potential conflicts of interest during operation can be handled. There is a natural conflict of interest between those who profit on generating new transactions (sales) and those who control the risks associated therewith (risk). Therefore, proper lines of responsibility and awareness of these issues should lead to the separation of the credit appraisal and credit management functions. There should be rules also on who finally signs off on credit decisions, and who has the authority to override criteria and the last word on acceptance or rejection in the case of non-standard transactions (Brown - Moles 2014). Refusing a credit application, reducing/withdrawing an existing credit line, or terminating an already disbursed loan has significant consequences for both customers and bank employees who have spent time and effort on the deal. It is therefore of utmost importance to properly regulate the matter in banks' loan policy and also at organisational level. As Figure 1 shows, managing credit risk is only one of the tasks of the risk management function.

Figure 1
Separation of the risk management function within the organisation



Source: authors' elaboration based on the figure of Kovács L.–Marsi, 2018

Credit risk stands for the possibility that loans disbursed by the bank will not be or will not be completely or timely repaid by debtors (Juhász–Kovács R., 2016). The purpose of credit risk management is to investigate and analyse factors behind defaults, as credit losses may cause severe harm to banks and may eventually jeopardise their profitability and liquidity. To adapt to the changing economic environment, the risk appetite of banks and the optimum level of credit risk in view of profit targets should be re-determined from time to time. An organisational structure and governance where the separation of risk management and front-end functions is ensured and endogenous conflicts of interest are addressed is a compulsory element of any risk management framework (Juhász–Kovács R., 2016)..

The study of Kalfmann confirms that bank executives grow increasingly risk-aware in times of crises, and reveals that these periods are especially suitable for reviewing the characteristics of existing risk management systems, to introduce risk considerations into management incentive schemes even in sales, and to clearly define the directions of improvement (Kalfmann, 2010).

The four-eyes principle is one of the most basic risk management methods, which is applied frequently even outside the banking sector by economic operators in any matter where risk management is relevant. The four-eyes principle is typically implemented in all stages of the credit process (client credit rating, specification of credit conditions, credit decision and disbursement) (Kovács L.–Marsi, 2018).

Initially, some banks designed the operation of their credit approval and risk management functions in a way that no contact was allowed between the staff of these functions and the client during the preparatory and the decision-making phase. After the credit decision, when all or part of the credit had already been

disbursed, there was more room for personal contact with credit approval staff (e.g. on-site visits during the term of the project, material amendments to the agreement). That practice has changed significantly at most commercial banks in the last 15 years. While front-end employees continue to be the first points of contact, at most banks, credit approval staff also participates actively in the preparations. They are allowed to be present at negotiations, and credit conditions are agreed at an early stage.

5-10 years ago, a new element was introduced into the decision-making mechanism to provide early access for credit approval staff. It is a pre-screening in the case of non-standard transactions with the involvement of managers from sales and risk. The result of their consultations is a guidance, which may be a rejection or indicative terms for the transaction. This practice has been adopted first at banks where credit approval had been involved only in later stages of client and transaction rating. Its objective is to minimise unnecessary work for more efficient cooperation. Timely acceptance of a prior guidance may also pre-empt many potential conflicts later.

2 RESEARCH METHODS

Our (Google Forms) survey questionnaire, comprised of 14 questions, was launched in the second half of 2021 by direct contact to respondents (via e-mail). The written interviews were conducted in 2022. The contact details (company e-mail addresses) of target respondents were obtained from the authors' own database (training). We reached out to the employees of 16 banks in total (MKB and BB were separate entities at the time of our survey). At 12 banks, we approached several employees, while only 1-2 people were invited from the remaining 4 banks. A total of 410 employees and 81 managers, i.e. almost 500 potential respondents were contacted in e-mail, of which 124 replied by completing the questionnaire attached to the e-mail. The responses were collected online, ensuring respondent anonymity.

For the written interviews, we have asked 5 managers and 6 employees from sales and credit approval, respectively (altogether 22 respondents). None of the samples is representative, but may be regarded as an assessment of the current state of affairs and as the groundwork for a subsequent representative study.

2.1 Evaluation and presentation of questionnaire results

The survey contained 14 questions, the first of which served the purpose of segmenting respondents along the business and credit approval functions (hereinafter 'sales' and 'risk'). For two questions, answers had to be provided in quantified form on a 10-point scale, where 1 was the weakest and 10 the strongest. For two other questions, predefined criteria or items had to be ranked. Half of the questions were open-ended, requiring respondents to share their ideas with their own words. In this case, the answers were quantified during survey evaluation by examining and ranking the words used by respondents by frequency.

Answers were grouped and analysed in three categories:

- rating of cooperation;
- other quantifiable answers;
- non-quantifiable descriptive answers.

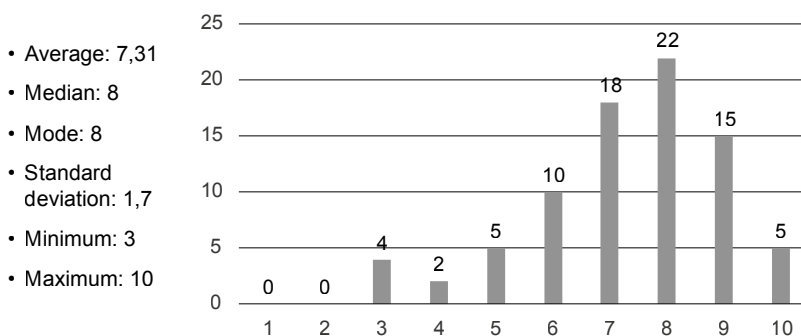
The survey was evaluated separately for the risk and the sales function, analysing both similarities and differences. As the name of the respective functions may differ from bank to bank depending on whether they deal in corporate or project finance, the terms 'credit approval', 'risk management' and 'risk', on the one hand, and 'front-end', 'business' and 'sales', on the other, are used synonymously.

2.1.1 Rating of cooperation

We asked first for a quantitative assessment of cooperation with the other function, the results and evaluation of which are summarised in *Figures 2 and 3*.

Figure 2

Rating of cooperation with the credit approval function by sales

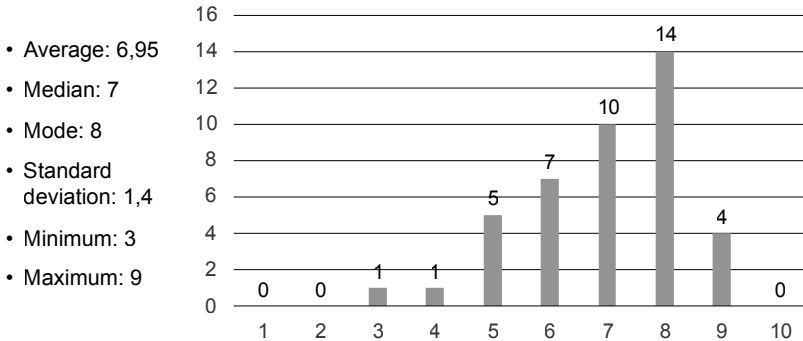


Source: authors' elaboration based on respondent input

Figure 2 displays relatively low standard deviation, with 68% of the respondents rating cooperation with their colleagues from risk with a score between 7 and 9. That corresponds to a median value and mode of 8, and an average of 7.31. Less than 8% of the respondents gave a very low rating below 5.

Figure 3

Rating of cooperation with the sales function by credit approval



Source: authors' elaboration based on respondent input

While only two respondents from credit approval rated cooperation with sales with a score below 5, the average rating was almost four tenths lower, at 6.95. Here again, we recorded a mode of 8, but the median value was only 7.

As a cross-check, survey respondents were asked to provide three words that come to mind about the other function. The words mentioned most frequently by the two functions are collected in Table 1.

Table 1

Of sales (42 responses)	Number of responses	Share of responses	Of credit approval (82 responses)	Number of responses	Share of responses
<i>Not thorough, sloppy</i>	11	26%	Cooperation	20	24%
<i>Aggressive</i>	10	24%	Risk mitigation	17	21%
Sales	9	21%	<i>Slow, cumbersome</i>	15	18%
<i>Pressure</i>	9	21%	Thorough	15	18%
Customer-oriented	8	19%	<i>Nerd</i>	12	15%

Source: authors' elaboration based on respondent input

It is obvious that sales is described more often by phrases carrying negative overtones, which is in line with their lower average rating received in the quantitative assessment. 'Not thorough, sloppy' was mentioned by 26% of the respondents, but the word 'inaccurate' signifying a similar trait or behaviour also came up in a few instances. We also analysed the answers having in mind that the same quality may be described by different terms. The most frequent terms for risk approval were 'rigid', 'inflexible', 'nerd' with a share of 25 to 30%.

That high figure may be explained also by the fact that negative experiences are 'harboured' and easier recalled by many people.

We also had a look at the share of negative, neutral and positive words in the responses. We observed that as high as 50% of the vocabulary used to describe sales was comprised of negative words, neutral words constituted more than 25%, while the share of positive words was the lowest. Risk received a more favourable rating with neutral and negative words making up 31-45% of the vocabulary. The share of positive words was the lowest in this case, too.

In our next question, we asked survey participants what characteristics colleagues working at the respective functions should have (who is the ideal sales, credit approval, risk management colleague?). The preferred behaviours are summarised in *Table 2*.

Table 2

Of sales	Share of responses	Of credit approval	Share of responses
Qualified, well-prepared	60%	Cooperative	40%
Thorough	43%	Expert, competent	39%
Cooperative	36%	Supportive	26%
Accurate	33%	Thorough	17%
Risk-averse	24%	Fast	16%

Source: authors' elaboration based on respondent input

Sales colleagues are first and foremost expected to be qualified, well-prepared and thorough in their work, while the most important criterion for colleagues from credit approval is a cooperative attitude, but expertise and competence were almost just as important. Cooperative attitude was a common preference, which was mentioned not only as an expectation but also as a value in both the questionnaire and the interviews.

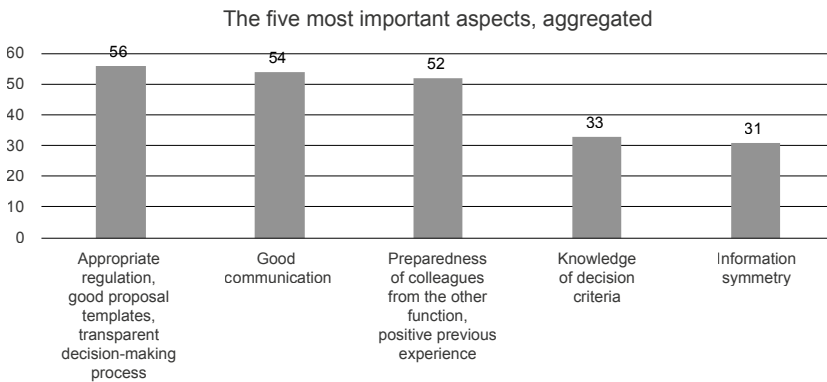
2.1.2 Other quantifiable answers

Respondents were asked to rate their workload on a scale of 1 to 10. High workload was reported by both functions, with an 8.6 average and a value of 9 calculated for medians and modes. Standard deviation was even lower than in the inter-functional rating of cooperation; only 4% of the 124 respondents assigned a rating lower than 7.

Our study had two main objectives: (i) to provide a detailed description of the current state of affairs from several aspects, (ii) to find out what would facilitate cooperation and make work between the functions better, more efficient and enjoyable. We included a targeted question for the second objective, providing 14 possible answers to respondents on how cooperation could be improved, of which they had to select and rank the five most important.

We analysed the ranking also by aggregating how many times each answer option was ranked in the top five by the respective functions. The results obtained on how cooperation could be enhanced are presented in the figures below:

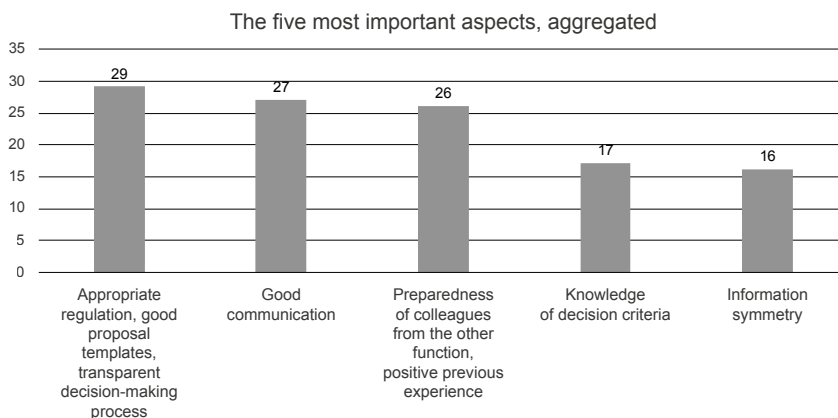
Figure 4
Answer options selected by sales on the improvement of cooperation



Source: authors' elaboration based on respondent input

Figures 4 and 5 show that, in aggregate, appropriate regulation and good proposal templates were ranked first by sales the most often. Both functions considered the same propositions the five most important, with an almost identical number of votes which was well above the number of votes cast for other 'remedies'. Reduction of workload, elimination of turnover, harmonisation of incentives for the two functions and good relations between managers did not make it in the top five, but each of these options received at least one vote.

Figure 5
Answer options selected by credit approval on the improvement of cooperation



Source: authors' elaboration based on respondent input

As this was a cardinal question in our study, in the next survey item we provided an opportunity to respondents to share their additional suggestions for the improvement of cooperation in descriptive form. Of the input received, special note should be made of the need to get a better understanding of each other's perspective, mutual respect, personal interactions and a previous history of cooperation, i.e. a closer personal relationship. With reference to the last point mentioned, several respondents suggested that more activities, workshops and trainings should be organised for the two functions. That need reappeared also in the interviews (to be discussed later) in answers to the question 'What could managers do?'. As a highlight, both functions felt that reduced workload would increase the efficiency and quality of cooperation significantly, as there would be more time for a careful preparation of proposals and for making informed decisions.

Another survey question requiring ranking and ordering concerned preferred channels of communication. Communication by telephone and meeting in person were the most preferred channels of representatives of sales and risk, respectively. E-mail correspondence, of course, was also marked by many respondents. If online consultation through Zoom/Teams/Skype, where participants see each other face-to-face, is considered physical, in-person communication is the top preferred communications channel. This preference is also reflected in descriptive answers to the survey item asking respondents to list valuable aspects of cooperation between the two functions, to be presented under the next heading.

2.1.3 Other non-quantifiable, descriptive answers

The question ‘*What are the most annoying aspects of cooperation to you?*’ was asked after the ‘*What could facilitate cooperation?*’ unit, assuming that identifying the most annoying aspects would automatically improve cooperation.

Answers from sales were grouped by frequency of occurrence. Lack of consultation (when new terms or items are incorporated without prior consultation) was a frequently reported problem. Some criticism was directed at over-securitisation or excessive caution. Many mentioned lack of trust and (apparently) conflicting interests in their answers. Several respondents reported that ‘risk and credit approval colleagues treat us as if we were the ones giving them extra work and not the client’. On the side of risk approval, lack of cooperation and hiding information were raised repeatedly. Based on the answers, the primary source of annoyance is a trust deficit due to a failure of sales colleagues to reveal the whole truth, and to the alleged practice of risk colleagues to ‘smuggle in’ new terms without prior notice, as described above.

Our next question was ‘*What do you value most in cooperation with the other function?*’. Respondents from sales indicated joint work, searching for solutions, common achievement and success as the most valuable aspects in their answers. The opportunity to learn, to understand different perspectives and complementarity of the two functions were other important aspects. The most frequently occurring phrases in descriptions of the values of the credit approval or risk function were ‘communication’, ‘joint’ and ‘trust’. Fairness in personal relationships, treating each other as partners, a supportive and a solution-oriented attitude, creative work, brainstorming and thinking together were listed among valuable features by both functions.

Respondents were invited to self-reflection by the question ‘*What could you do to improve cooperation?*’. The answers of both functions clustered around 4-5 themes. Many respondents from sales referred to the improvement of the quality of proposals and reserving more time for the decision. Respondents consider participation at professional trainings and courses, ‘more and better communication’ as well as greater attention and openness to colleagues important. Some risk representatives also mentioned providing an explanation for ‘what and why’ and a reasoning for queries/requests.

Our next question was ‘*What elements do you consider superfluous or over-regulated in the credit process?*’. Since the questionnaire was sent to associates of more than 15 banks, each having their own internal rules, the identification of similarities was more complicated. And yet we detected a few reoccurring points, such as the intricacy and over-regulation of the decision-making hierarchy, too much

paperwork and too detailed approvals, which often require extra rounds with decision-makers for no good reason, resulting in additional effort and loss of time.

At the end of the questionnaire, respondents were asked to recall cases in which they were very satisfied or very unsatisfied. This is a highly subjective question which invited the most divergent answers. Therefore, we cite below some of the most definite, intriguing and insightful answers:

‘When there is feedback from risk on what they disagree with and what they are expecting for the decision, and there is still time for us to respond.’ (+)

‘After the credit process had been closed, my sales colleague called me and thanked me for my work.’ (+)

‘In a potential financing deal, representatives of both risk and sales were delegated to the on-site inspection and meeting with the client, so colleagues from risk could also see the “human face” of funding.’ (+)

‘In decision-making applying the four-eyes principle, risk inserted completely irrelevant and out-of-touch additional terms.’ (-)

‘When sales does not know their client well enough, and they do not even show willingness or competence to notice red flags. Risk is not involved in due time and depth, and eventually we have to reject the transaction.’ (-)

2.2 Evaluation and presentation of interview results

Although the majority of our survey questions involved open-ended, i.e. exploratory questions, we considered based on the input received that we should collect more information to make our research, results and conclusions sufficiently well-founded and widely applicable. We therefore compiled an interview draft with 8 questions and sent it to a pool of respondents, half of whom worked at sales and half of whom at credit approval in management positions (5 each) or as employees (6 each). The selected respondents worked at 10 different banks as we aimed at diversity in sampling, just as with the questionnaire.

We started the study with the presumption that cooperation between the two functions has an impact on banks’ operation. This hypothesis was confirmed by answers to the first two questions (*Which factors may be positively vs negatively affected by improved and more efficient cooperation between the two functions?*). Turnaround time was the most frequent answer for positive effects, as the credit process could be accelerated and the same result could be achieved with less effort. 50% of the respondents mentioned employee satisfaction, and a lower share of them featured team spirit, higher quality of customer service, better and optimised decision-making and more ideal funding structures in their answers. Al-

though the aspects listed above indirectly include lower losses and higher profits, 25% of respondents addressed these aspects also directly. Answers concerning adverse effects mirrored positive answers, only negatively rephrased. Deceleration of processes, protracted decision-making, 'non-cooperation', negative customer experience or loss of clients in the worst case were the most frequent adverse effects. Several respondents referred to employee frustration and a negative workplace atmosphere.

We asked also how the current economic circumstances (war, energy crisis, inflation, etc.) influence cooperation between the functions. Answers reveal a potentially twofold effect. One third of the respondents perceived a positive effect and an equal share of them a negative effect. 20% of the respondents referred to a twofold effect in their answers. Among positive effects, several respondents cited that joint portfolio reviews are carried out more frequently in order to mitigate funding risks. Closer cooperation and greater cohesion ('the crisis has increased interdependence') were also included in several answers. The negative effects identified by the most respondents were intensification of conflicts and amplification of basic problems as well as potential tension due to the extra work and data requests.

In times of crises, banks tend to update and introduce more stringent industrial and sectoral lending guidelines. Stricter regulation leaves less room for debate, and the number and volume of deals also decreases.

Answers suggested that the regulation of roles and responsibilities contributes greatly to better cooperation, thereby confirming our own hypothesis and the propriety of regulatory provisions. It was expressed by respondents already in this interview item – and later repeated by others – that employees should be given more freedom and competence. A manager highlighted that the business function is banks' 'first line of defence', so rational risk-taking is also in their best interest.

Powers and responsibilities, in any event, are not necessarily indicators of the strength and dominance of the respective bank functions. The case may be that although more powers and responsibilities are conferred on credit approval, it is the business function that has the last word. This was also noted by some of the respondents, stressing that managers play an important role in this respect, too.

The structure of decision-making was found appropriate by half of the respondents. However, one third of the answers argued that decisions are escalated to higher levels for no good reason and greater individual responsibility in decision-making would be welcome by extending scopes of authority. That would improve processes and turnaround time. As one of the managers phrased it: 'We need more flexible decision-making platforms in addition to reduced bureaucracy.'

Decisions should be delegated to the level where the available information can be processed the most efficiently subject to the complexity of the request and its impact on the funding structure.'

While the answers of managers and employees to the four previous interview items did not differ significantly, answers to this item revealed satisfaction with decision-making mechanisms primarily on managers' side, while bank employees would prefer greater freedom and discretion in decision-making, and consequently, greater responsibility.

Our next question was '*What could managers do to improve cooperation?*'. 'Being a role model', 'giving guidance' were the most recurrent phrases. It is highly important for a manager to be able to cooperate, not only within their function, but also with managers of the other function to communicate the same credit standards. Several respondents mentioned better and open communication both between managers and between managers and employees. One third of the respondents called for more frequent consultation and dialogue between risk and sales. Due to the pandemic, many were forced to switch to online communication in the last two years, which, however, is no substitute for in-person meetings.

A demand for addressing and discussing problems on managers' initiative and listening to complaints from the other function were also voiced in the answers. Respondents stressed the importance of being motivated, striving for good relations and organising team-building and common activities (also for the two functions) to that end. In addition to the above – as suggested by several respondents – it is managers' responsibility to clearly define roles and responsibilities, not only within the respective functions but also between the business and the credit approval/risk function. Clear rules will eliminate much of the tension at the level of employees. Interestingly, the answers of managers (i.e. what they should do on their part) and employers to this item did not show major discrepancies apart from the phrases 'being a role model' and 'giving guidance', as discussed earlier, which featured mainly in employee responses on main expectations for managers.

To the question '*What do you enjoy in your work?*' many manager respondents replied that they relished solving complex and difficult transactions (in cooperation). Meeting business KPIs (approvals, execution of credit agreements, completed projects) is also a source of joy, just as much as client satisfaction and appreciative feedback. Several managers mentioned the success, satisfaction and good mood of their colleagues. Joyful aspects cited by the highest share of employee respondents were getting to know new things and diversity in work. They treasure positive feedback, satisfaction of the other party, and appreciation – not only from direct colleagues but also from associates from adjacent functions, which has a positive effect also on cooperation between the two functions. Teamwork,

good company and a pleasant workplace atmosphere are also important to bank employees. Of course, the enjoyable aspects of work, which are a strong motivating factor, are specific to each individual and are highly dependent on personal mindset and character.

3 SUMMARY AND CONCLUSIONS

Our ‘snapshot’ aimed to capture what bankers at Hungarian institutions think today about cooperation between the two main functions responsible for credit activities. Answers to the questionnaire and our more in-depth interview questions suggest that sales and risk relations are conflict-prone, but they can and should be improved with some effort, in which managers should play a central role.

Of the answers received to our set of questions on ways to improve cooperation, good and open communication should be highlighted as a facilitator of fast and efficient business processes and as a basis for trust. Loss of trust is the greatest obstacle to cooperation and is also a main source of dissatisfaction among colleagues. According to study participants, a well-regulated framework, clear guidance, optimised proposal templates and a transparent decision-making mechanism are the prerequisites for efficient cooperation. It rests mainly on managers to create an appropriate environment, bank culture and internal rules, and to communicate them towards the staff. Equally important is the attitude of employees and their readiness to understand, accept and comply with the ‘rules of the game’. Designing a good process and following-up on feedback well worth the effort as it may have a major impact on the bank’s profits, both directly (better decisions) and indirectly (less labour and time required for decisions, employee satisfaction).

A key question is whether banks consciously attend to developing the individual skills of employees and – to link this question to our study – the quality of cooperation between the sales and risk functions, its efficiency and to addressing problems in general. In his book *The 7 Habits of Highly Effective People*, Stephen R. Covey provides a detailed discussion of a matrix of important / not important / urgent / not urgent tasks (Covey, 2022). The most common error managers make is that they ignore the quadrant of not urgent but important tasks. Ignoring cooperation between the two functions does not have any imminent consequences, but could backfire in the long run. Addressing and discussing problems, more frequent – in-person – consultations, team building (also jointly for the two functions), common activities and trainings are all such not urgent but important tasks. The charisma, personality and guidance of managers is especially important in this respect.

The rationale of our study was partly that we are currently exposed to a set of economic and external stimuli which are quite complex and offer both challenges and opportunities. That setting may also influence – very positively or adversely – the joint work of the two studied bank functions, as it is different from what counted as ‘business as usual’ recently. It may forge a team, making business more open to stricter terms, but it may also give rise to conflicts due to extra tasks and increased workload.

Moreover, we are observing other changes in the economic environment of banks that will probably bring further modifications to the framework defining the *status quo*. As noted in the introduction, studies show that crises provide an opportunity for revising established practices and setting new directions. Back in 2016, Härle et al., among others, identified emerging and now already perceptible trends that banks have to be prepared for (Härle et al., 2016). Of those trends the most notable are increasingly extensive and profound regulation, rapid technological progress, constant pressure for cost optimisation and the appearance of new types of risks – to which (credit) risk management tasks should be adapted. Certain tasks are already assisted by and will eventually be replaced by automation and more sophisticated analytical and technological tools, forecasting shifts in the dynamics between the two investigated bank functions. Considering the direction of these changes, it can be expected that the detection, assessment and mitigation of risks will be part of the daily tasks of every bank employee, not only of risk management staff.

It is crucial to develop a solid banking (corporate) culture within banks that provides a sound basis for cooperation, for a sense of ‘being in the same boat’ and sensitivity to risks among the entire staff. Central rules and regulations set certain limits, but each bank has some room for manoeuvre within those limits. To cite one of the collected answers: ‘The rules serve as a basis, but the quality of cooperation depends on how much effort managers are willing to expend on it.’

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