

## **What is Behavioral Risk Management (BRM)?**

BRM is about improving the quality of financial outcomes through reducing behavioral risk that leads to increased financial risk.

BRM recognizes that financial outcomes cannot be improved just by apparently increasing recorded profitability. In order to improve the quality of financial outcomes, the right behaviors must be present so that the desired financial outcomes are sustainable, and not just a result of financial engineering.

## **What are the key Components of BRM?**

There are three key components of BRM. These are:

1. Behavioral assessments of financial behaviors
2. Training in awareness of the impact on financial outcomes of one's behaviors.
3. Implementing this awareness through changes to behaviors, internal processes and organization structures.

### **Behavioral Assessments**

BRM utilizes three advanced behavioral assessments. These assessments identify and measure a person's Financial Signature®, Financial Mission and Leadership Cockpit®. The Financial Signature® shows one's innate financial behaviors and their corporate impact. The Financial Mission shows how these behaviors are expressed in practice and the extent to which they are aligned with the company's financial mission. The Leadership Cockpit® shows how one's behavior needs to be changed in order to improve the financial impact of one's behaviors.

### **Awareness Training**

This training shows how the information captured by the behavioral assessments is linked with financial outcomes, including valuation

outcomes, and market and competitive dynamics. This training allows participants to interpret their own assessments and to use this awareness to create behavioral and process change that will improve financial outcome quality and reduce financial risk.

### **Implementation**

The training and outcome from the three assessments provides a road-map for changes at the individual, team and corporate level that can be implemented through changes to behavioral, process and organization. This framework is used as a transformational approach to corporate financial quality and valuation. This level can be supplemented by individual coaching and preparation of customized development plans that can increase execution focus and the likelihood of significant improvements in financial outcomes through reduction of behavioral risk.

## **What is the Background to the BRM?**

Perth Leadership Institute has been conducting research since 2002 on the behavioral drivers of positive financial outcomes. Its research is a new theory of behavioral finance, linking the cognitive biases of people to their decision-making and the financial outcomes of their decisions.

Behavioral finance shows us that positive financial outcomes are largely a matter of behavior, rather than knowledge. The mission of the Perth Leadership Institute is to apply this research within corporations to show how to leverage this knowledge to bring about added awareness of the link between behaviors and financial outcomes so as to improve the quality of financial outcomes in companies through behavioral risk reduction.

As a key part of this research, Perth has developed behavioral assessments that link behavior with their financial impacts. These financial impacts include profitability, valuation, innovation and corporate transformation. Perth conducts programs for companies that are based on these behavioral assessments to provide them with a totally new perspective on organizational transformation and improvement of financial and valuation outcomes.

[www.perthleadership.org](http://www.perthleadership.org)

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