

COMPREHENDING CORPORATE GOVERNANCE FAILURES AND RISK MANAGEMENT LESSONS: CASE STUDY OF CREDIT SUISSE

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Abstract

In the present reflective essay, an analysis of the failure of Credit Suisse which collapsed in the year 2023. From the analysis it was found that Credit Suisse as an organisation has a weak judgment of the risk and also engaged in unethical banking practices. Also, in the analysis it was found that their engagement of stakeholder was very weak which is why they never got the support in uncertain market conditions. I based my personal reflection on this learning and will make sure that my leadership will prevent such future disruptions from happening in the near future.

Introduction

Failure is Corporate Governance although not a consistent occurrence but has a very negative impact on the market and customer trust. In the present reflection, the discussion is based on the risk management of "Credit Suisse" which has made the bank face a number of scandals. In a recent case the Swiss prosecutor charged Credit Suisse and UBS over the scandals of "tuna bonds" (Kalyeena Makortoff, 2025). Similar scandals have been recorded against this financial institution which will be studied in the present reflection. Finally, after the analysis of the failure a personal reflection will discuss what was learned and what can be done to prevent such failures.

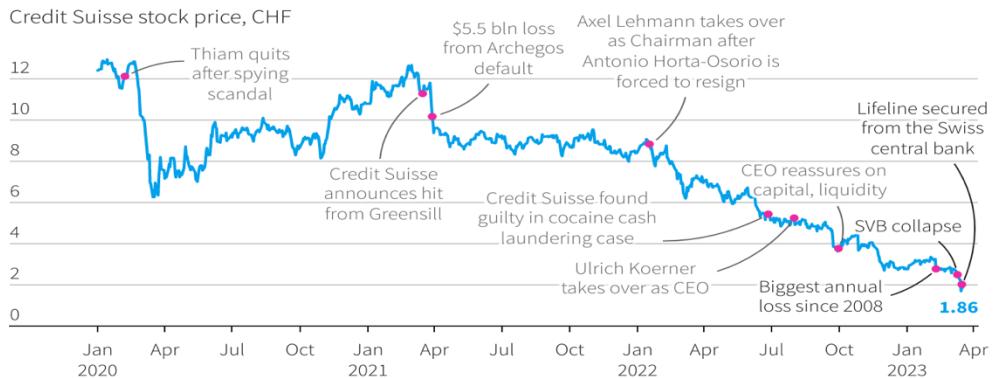
Problem Statement

Credit Suisse is a global bank and a joint stock investment in a global network whose headquarters are in Zurich, Switzerland. It was established by Swiss industrialist and politician Alfred Escher in year 1856. after that the bank open its office in New York City in 1870. The bank is now acquired by UBS and presently operates in about 50 countries and employs around 45000 employees who come from 150 diverse nations (World Economic Forum, 2024). This organisation is focused on supporting global entrepreneurship and provides all the suitable solutions and innovative financial support which are personalised for the needs of the client. This financial institution has about £1,512 billion in assets by the year 2022.

Despite their strong financial performance, the bank is now facing the risk of scandals due to their internal and external challenges which have put their brand positioning in the global market. The financial institution collapsed in the year 2023 and was acquired by its rival organisation UBS. Although the organisation came with its fair share of scandals, but they innovated the global financial institutions and changed the economic landscape of the world. This organisation is a clear picture of how failure in the management of governance can lead to the collapse of a major organisation.

The money laundering case of Greensill Capital which collapsed in 2021 saw that billions were withdrawn from the bank. When the Saudi National Bank which owns 10% of the Bank of Credit Suisse refused to make any further investment, their shares in the market drastically fell (Foulkes, 2023). Even though this bank was protected by the Swiss Government, the situation with the shares became so problematic that the collapse of such a global financial bank could not be prevented. Moreover, credit Suisse is the first top bank that got a criminal action due to money laundering, in year 2022. In year 2021, the bank also has to deal with \$5.5 billion loss which was a major setback.

Credit Suisse goes off piste



Source: Refinitiv Datastream | Reuters, March 17, 2023 | By Vincent Flasseur

Figure 1: Crisis of Credit Suisse
 (Source: Daga, 2023)

The government of Switzerland made a law where they introduced strict “Too Big to Fail” regulation which indicated that failure of a certain organisation will have a negative impact on the economy of the country and the government has to come to the rescue. Credit Suisse was one of such banks which is why its collapse was followed by acquisition by a rival organisation like the UBS which is a similar institution in Switzerland. Initially the collapse did not make much headlines in the region because of the ongoing stance of Switzerland during the Russia-Ukraine war. The fallout of the bank was so great that it completely threatened the entire financial sector of the EU.

Apart from the refusal from the funding of the Saudi National Bank, traders and investors from the UK dumped their stocks which led to the loss of £75 billion from the “London’s blue-chip index”. This has resulted in a sharp drop of 3.83% in the FTSE 100 Index (Makortoff and Wearden, 2023). The shares of Credit Suisse were still down significantly by 24.5% and because of these major European banks were shown in the news for their operations being down by significant percentages. The analysts have clearly explained that Credit Suisse’s downfall was not a sudden single downfall but was an accumulation of the scandals and activities that led to their downfall.

The multiple scandals of the bank over the decade have resulted in the loss of their clients and a loss of 7.3 billion Swiss Franc was noted in 2022.

Due to their poor performance in the market one of their major shareholders “Harris Associates” has left them. Major economists like Nouriel Roubini predicted this economic impact and called it the “ripple effect”. Ivanov (2022) has said that the ripple effect is the situation where a single event leads to a chain of events that has a long-term negative impact on the market. Therefore, in the case of Credit Suisse what started as small scale scandal resulted in the threatening of the entire financial institution of Europe and part of the global economy.

Therefore, from the above-mentioned summary of the issue it can be said that the multiple scandals and their failure of management of the market risks have led to their inevitable collapse in the year 2023. This collapse led to a series of global crises and showed how unethical governance and leadership result in the damage of the organisation at the same time jeopardising their stakeholders in the process.

Credit Suisse on multiple occasions has been associated with scandals that have ultimately led to its downfall. This global financial institution has been accused of multiple issues such as corporate espionage, tax evasion and money laundering. One of the prominent cases that began the downfall was the Greensill Capital Case of money laundering.

In this case Greensill Capital provided loans amounting to £418 million which were allegedly being repaid by the taxpayers if the company remained in default. Apparently, Credit Suisse

provided parts of funds around £7,474,740,000 despite repeated warnings from the market advisors. This shows that the organisation had a very weak judgment in monitoring their financial. Ahmad et al. (2024) have pointed out that any financial activity of the organisation must be closely monitored so that it does not have any negative impact on the financial operation. The study shows that risk management must be efficient, especially where financial institutions are an important aspect of an economy. Dahmen (2023) on the other hand, has explained that risk identification clearly explained that whenever a financial institution is on the verge of collapses, it happens mostly because organisations overlook the emerging risks that arise when the market is changing constantly. This is what was noticed in the case of Credit Suisse where their Risk Assessment and judgement was completely overlooked.

Other scandals of the organisation have been placed under the lens of unethical practices in the market. In 2021, they paid millions over the "Tuna Bonds" scandals which show that they have held millions of dollars to support the activities of global aristocrats, drug dealers and war criminals as well (ICLG, 2025). Siva et al. (2021) have pointed out that ethical leadership is important so that the trust of the stakeholders in the organisation is maintained. These unethical practices of Credit Suisse have led to the loss of important stakeholders and shareholders like the Saudi National Bank and "Harris Associates" have left them. Ethical leadership is important as it also takes into consideration the needs of the stakeholders and values all the principles of corporate governance. Ethical leaderships are often held accountable for their actions and take full responsibility. This was clearly absent in the case of Credit Suisse which led to their downfall in the year 2023.

Proposed Solution

From the above-mentioned discussion that the issues that have happened must not be repeated and proper measures must be undertaken so that the issues can be mitigated. The failure of the global banking system caused by Credit Suisse is a learning lesson as this exposed the gap in the regulatory measures and the unethical activities that happen in financial institutions. Therefore, the recommendation must make sure that the

Sari (2023) has pointed out that corporate governance has principles that must be adhered to at all times in organisations. The first principle of corporate governance is transparency in collaboration so that trust among the stakeholders is maintained. Credit Suisse has clearly failed to maintain its principles of transparency as can be seen in the case where mismanagement led to its failure in the share market. In the exposure the financial institute was strongly criticised for their lack of openness where the previous finance minister Ueli Maurer was accused of informal personal meetings to share personal information (Graham and Luthi, 2024). This shows that a lack of transparency leads to a drastic fall in trust among stakeholders. Accountability is another principle of corporate governance that must be adhered to because the financial performance of an organisation is not the sole goal of an organisation but also has to be answerable to the shareholders of the organisation. In fact, the leadership of the organisation has to be answerable to the stakeholders like the employees and the community of members who are affected by the operations of the organisation. Therefore, Credit Suisse's inability to be accountable for their actions against their risks has led to their loss in the financial year performance in 2022. Their unethical actions in the case of Greensill are a clear representation of the lack of accountability of the organisation which should be ignored at all. Zhao et al. (2022) have pointed out that shareholders have the right to be clear about all the operations in the organisation. If the transparency of the organisation is not maintained with their shareholders, then their trust is breached, and they will show resistance to cooperate. This was clearly observed in the case of Credit Suisse when their major shareholders were the Sudan National Bank and Harris Associates.

issues are mitigated immediately, and they maintain a firm ethical operation in the market. Another recommendation that can be observed in the study is that strong corporate governance on the principle of stakeholder management must be maintained. Rashid et al. (2024) have said that if the corporate governance follows the regulatory compliance and maintains ethical operation this will help in rebuilding trust among the stakeholders. Tanveer et al. (2021) on the other

hand, have recommended the use of ethical leadership practices so that brand value is maintained in the market. This in turn also helps in rebuilding commitment towards regulatory compliance and maintaining transparency in the organisation.

From the above-mentioned discussion, it can be clearly understood that these recommendations make sure that Credit Suisse's mistake cannot be repeated and that integrity is maintained across all the stakeholders of the organisation. This must be maintained with a strong power distribution in the organisation culture so that such an organisation is not exposed to such scandals as Credit Suisse did.

The failure of corporate governance is a learning experience for me which will help in my journey as a leader and manager of an organisation in the future. In the above case I have learned that ethical operation in the market is important if one wants to maintain brand trust. This will motivate the customers to retain and also the investors to be engaged in the growth of the organisation. In the case Study I have learned that corporate governance must have the principles of transparency, accountability, ethical behaviour and shareholder Rights. In the case of Credit Suisse, I learned that all these principles were lacking which led to Credit Suisse's massive controversies and failure in the market.

On the other hand, if I am setting up a company that is focused on global operation and maintains sensitive customer data, then I have to make sure my corporate structure and governances is strong. At the topmost of the structure will be the board of directors which will control the Committee of Governance and Ethics, Risk Management Committee and CARO who provide an independent check on the Audits and compliance to regulation. On the operations structure CEO will be the leader and will be supported by the Department of Committee of Risk Assessment, CFO, Chief Security and Data Management Officer and CHR (Refer to Appendix). This structure will be strictly distributed to maintain the principle of corporate governance and maintain a strong relation with all the stakeholders of the organisation.

From the Case analysis I learned the application of stakeholder theory which has helped in the development of the organisation's structure, which I developed personally for the organisation.

From the learning is the case study I have learned how important it is to be accountable to the community and employees of the organisation. This is why I intend to maintain an inclusive leadership so that I can take into consideration all who will be affected by the operations of the Organisation.

The case study has shown me a picture of what can happen when an organisation fails to comply with the regulations of the government. I learned that unethical practices not only lead to legal penalties but also hamper trust and reputation in the market as well. Therefore, in the organisation where I am about to be part of, I intend to maintain a strong awareness to reduce ethical risks in global operations so that brand trust is maintained. This will not only help me retain customers but will increase the value of the organisation as well. Finally, in the case study I have learned that I must be vigilant of the changes in the market because if I am to lead a global organisation then I have to make sure I contribute positively to the economy of the nation. The suggestion is based on the organization's ethical practices, corporate governance activities as well as stakeholder strategy. The bank's failure is not based on any one incident, but it is consisted with different wrong choice in strategy like laundering and scandals. This limited transparent, and responsibility effected stakeholder's trust. This outcome was a loss of significant investors such as Saudi National Bank and Harris Associates.

Project Management Tools

The failures are also a reflection of the lack of engagement of the stakeholders in Credit Suisse which has further contributed to their failure. Engagement of stakeholders helps in avoiding the majority of the risks that are present in the market. This aligns with the Stakeholder theory of organisational management. According to **the stakeholder theory** it is clearly that an organisation consists of stakeholders who provide or are affected by the operations of the organisation. This theory clearly posits that the organisation has to take an inclusive approach in taking into consideration the visions and needs of the stakeholders. This will help the organisation to succeed in the market and be responsive to risks that arise during disruption (Bansal, Garg and Singh, 2023).

The sudden fall of shares of Credit Suisse in 2021 had a very negative effect on its stakeholders as well. In light of their recent scandals such as tax evasion and association with major powers, they have led to the loss of investors which made it difficult for the organisation to recover from the losses. Mogaji and Nguyen (2022) have said that investors are important stakeholders who must be kept informed of all the developments of operations. It must be kept in mind that an organisation has to have strong governance so that better relationships with the investors and they are willing to invest in the growth of the organisation. The weak and unethical governance of Credit Suisse led to a significant loss of its investors.

The repeated scandals of the financial institutions have had a negative impact on their clients as well. Credit Suisse faced a loss of 7.29 billion Swiss Francs which led to an uncontrolled rumour of their demise (Daga, 2023). This uncertain position of the major global bank led to a loss of their clients and their major financial crisis became true. Due to such losses Credit Suisse lost at least 75% of its value in shares.

World Economic Forum (2024) has pointed out that Credit Suisse's organisation has around more than 45000 employees in their organisation. After UBS acquired Credit Suisse it announced the layoff of around 10,000 employees (The Economic Times, 2025). Blundo et al. (2021) have pointed out that any risk that impacts the organisation first affects the employee of the organisation and therefore, the leadership must be careful with their decision-making and management of the risk. This statement stood true in the case of Credit Suisse as well as their mismanagement leading to massive layoffs during the emergency acquisition.

A large number of entrepreneurs and rich institutions were part of the clients of Credit Suisse and when these controversies started to be exposed these affected the clients and the traders as well. The controversies like the

Greensill Controversy have resulted in a loss of trust among the customers and all of them started changing their operations and collaborating with other banks. Hidayat and Idrus (2023) have pointed out that in the financial segment customer trust is vital because only then will they retain and help gain revenue. Therefore, when the controversies surrounding Credit Suisse surfaced the client did not find the organisation reliable and they left. Also, in another controversy they have been caught helping their clients in unethical practices such as evasion of taxes which have further tarnished their brand name (Murphy, 2025). Therefore, all their unethical and financial malpractice brought down the organisation for good. Their poor performance was also attributed to a lack of proper risk management as well which led them to face massive losses in the organisation.

In the analysis, one of the primary weaknesses of Credit Suisse was the lack of proper management of risks. Braim and Mohammed (2023) have suggested that a proper framework must be adopted to reduce risks which effect the organisation and have suggested the **COSO framework**. COSO is a risk management framework that provides guidance on how internal and external governance and strategy must be developed so that proper regulation in the organisation can be maintained. The COSO framework is a suitable framework when the organisation is undergoing a phase of disruption in the external market conditions.

Conclusion

The failure of Credit Suisse has shown that compliance with regulations and ethical banking practices is important in the market. In the consequences, it threatened the economy of Europe. This analysis was also presented in my reflection, where I displayed a strong presentation of the organisational culture focused on ethical practices.

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