

Analysis of the article "danske didn't keep its guard up" by paul davies

[Literature](#), [Russian Literature](#)



This article discussed the financial state and laundering of money of Danske Bank of Denmark. The author begins by stating that the tracking of money which has been laundered or illegally transacted can be extremely onerous, more so when it is done through offsetting in different countries and use of unidentified shell companies to cover the tracks of these deals.

He goes on to mention that the handling of this crisis, which recently came to the known of the public, by the bank's management has been more than mediocre. He says that even with the numerous involvement by financial advisors and politicians in the effort to alleviate the bank's situation, the portrayal or image perceived by potential investors and the public is one that calls for caution when it comes to investing in banks, as they have shown to not only being incapacitated in the proper functioning of their duties, but also, incompetent to explain the fallout.

A report recently released by a law firm in the vicinity, on Danske Bank, showed more than 200 billion euros in dubious transactions, which apparently transacted via its Estonian branch alone in less than 10 years, from 2007- 2015. The scandal was so great that it prompted the resignation of the Chief Executive Officer of the bank.

The author attributes this downright debacle, to mismanagement by the various departments of the bank. He points out that the IT systems for instance, were apart, and most of the customer documents were in different languages. Efforts to reduce illegal transactions were therefore null and void, more so due to the manual screening of the people transacting and their

payments. There was no point in the process where suspicious behavior by customers was identified or any action taken towards it.

The scandal can be attributed to ignorance by the management of red flags raised and whistles blown about the Estonian branch being a center for money laundering. This is more so due to the fact that the branch had little to no information about the foreigners transacting at the branch. This is purely ignorance since the transactions at this branch totaled at over 40 % of all the transactions done during the stated period. It could also be that internal deception by its own employees contributed to the scandal, as 42 of the staff were found to be culprits. There was therefore very abject oversight on the staff at Danske leading to their involvement in the money laundering.

Investigations are ongoing to determine exactly how much went into the money laundering over the duration. The administration at Danske however clings on to the belief that these did not invade into Russia sanctions, as this would attract enormous penalties. The author points out that Danske's move to keep buybacks despite their scandal, is to say the least, a poor choice and they might regret it later.

Elton Mayo's Behavioral Theory of Management:

Elton Mayo discovered that the very essence of improved or degraded performance by employees was directly influenced by the psychological status of the employees, the effect of being secluded or discriminated, the effect of being involved in something and the value of feeling necessary and important in the company. This psychological situation of being influenced

by environmental factors at the workplace, is called Hawthorne effect. Mayo concluded that there will be a positive response to better working conditions and facilities by employees, since they will know they are being studied.

If Danske Bank had implemented this management theory in its operations, may be the 42 workers who had been caught as culprits in the money laundering would not have been involved in the first place. The increased money laundering was attributed to the issues of ignorance by the management and deception by the employees. If Danske had increased the situational environment at the Estonian Branch to realize intensive integrated screening of customer transactions, integration of the IT systems with customer documents, having customer documents in one language, and effective identification and response to suspicious customer behavior, the 42 employees would not have been involved in the money laundering.

The 42 staff members would have felt monitored and as such do everything possible to prevent illegal transactions from taking place. But since the management of Danske remained ignorant and oblivious to the evaluation of process at the Estonian branch, the staff members got involved in the money laundering. They responded exactly to what their situational psychology preempted, feeling secluded from the bank's interests and feeling unimportant despite their huge contribution to the total transaction at Danske (40%), according to the Behavioral theory of management by Elton Mayo.