

Beyond the Models: the Leadership Imperative in Credit Risk Management

Abstract

Credit risk management has traditionally emphasised technical proficiency. However, even the most advanced models and strategies are only as effective as their implementation. Leaders in credit risk and credit scoring must complement their technical expertise with essential leadership and strategic capabilities. Without these skills, organisations face increased risks, as this would undermine credit strategies, hinder cross-functional collaboration, and lead to suboptimal decision-making.

This paper explores the leadership competencies necessary for success in credit risk management, including team development, stakeholder management, communication and influence, strategic thinking, executive presence, relationship-building, cross-functional collaboration, change management, and adaptability. These "softer" skills are critical to ensuring that effective credit strategies are developed and deployed, promoting responsible business growth while maintaining controlled risk levels. Moreover, fostering diversity and inclusion within credit risk leadership drives innovation and mitigates decision-making bias. Ethical leadership, recognising the responsibility to serve societal needs, is also a key competency to ensure fair, equitable credit strategies.

Credit risk leaders operate at a unique intersection within financial services, engaging with diverse stakeholders such as data science teams, business and marketing units, senior risk leadership, operations, IT and technical teams, treasury, third-party partners (e.g., credit bureaus, vendors), regulators, and customers. Despite their technical expertise, many leaders find effectively navigating these relationships challenging.

Drawing from the author's experience as a qualified executive coach, non-executive director in fintechs, former scorecard developer, former McKinsey strategy consultant, and former head of Experian's global credit risk consulting and data science teams, this paper offers a unique perspective on the intersection of technical expertise and leadership. Additionally, it incorporates insights from a global survey of credit risk leaders, providing empirical data on their leadership challenges, priorities, and evolving roles within financial institutions.

The goal of this paper is to highlight the leadership challenges faced by credit risk professionals and foster a discussion on what it takes to be truly effective in this space. By drawing on real-world experiences, the paper will help current and aspiring leaders reflect on the skills and mindsets needed to navigate complexity, influence diverse stakeholders, and drive impactful credit risk strategies. The aim is not only to recognise the importance of these leadership dimensions but also to advocate for their development as a core component of credit risk management, to reduce organisational risk and enhance performance.

Authors & Affiliations

Mr Marc Gaudart¹, Elizabeth Reed²,

¹Trent, Nottingham, United Kingdom, ²Nationwide Building Society, London, United Kingdom