

The Distinctive Values of Bankers

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Credit is essential for economic development but banks are often characterized by dysfunctional culture that fosters dishonesty (Cohn, Fehr, and Marechal 2014). Particularly since the 2008 financial crisis, the crisis of values and culture within the sector has been the subject of much scrutiny and attempted modification (Thakor, 2015).¹ While much is assumed, little is known about what values employees within the banking sector hold and to what extent these reflect the values current in their broader cultural context.

In this paper, we gather data on values held by 38, 827 employees of a major multinational bank in 55 countries around the world. Using the same questions as those asked in the World Values Survey, we are able to ask how aligned or misaligned bankers are with the values of the

countries in which they work, and how this differs depending on their rank within the organization. We then turn to alignment *within* the firm by matching our values data to HR records. We provide evidence that it is the very values that are distinctive from society that drive performance and the potential for promotion within the firm.

I. Measuring Value (mis)Alignment

A. Value Alignment with Society

Is there a distinctive bank culture or are bankers a mirror of their society? We answer this question by looking within the same bank, across different societies, and comparing the same values questions asked of representative samples of each. Survey questions designed to elicit values are naturally subject to demand bias, particularly if they are asked of employees (Fisher, 1993).² Rather than asking about corporate values, or broader values such as

¹ A survey by Deloitte in 2013 found that 65% of interviewed senior leaders believed there were significant cultural problems in the banking

industry. Interestingly, they also thought that the problems were less extensive in their own banks than in others.

² Employee responses were kept strictly confidential and not shared with supervisors or bank leaders except in aggregate.

treatment of women and minorities, for example, we ask about personal values, all of which are arguably “good” values; there is no clear answer which respondents can select to project a favorable image of themselves. To ensure comparability with society we use the same question from the World Values Survey (WVS) that ask about the values one would like to pass onto one’s children: “Here is a list of qualities that children can be encouraged to learn at home. Which do you consider to be especially important? (rank top 5).”

To ensure consistency across all countries and with the responses posed in the WVS, all respondents choose among the following eleven values: Independence, Hard work, Feeling of responsibility, Imagination, Tolerance and respect for other people, Thrift and saving money/things, Determination and perseverance, Religious faith, Unselfishness, Obedience, Self-expression.

This measure has been shown to correlate with the intergenerational transmission of values (Guiso, Sapienza and Zingales, 2003; Aghion

et al., 2010; Bauer et al., 2014). More recently, Doepke and Zilibotti (2017) and Doepke et al. (2019) use them as proxies for parenting style.³ Consistent with our intuition that asking about values for (hypothetical) children functions as a less biased representation of one’s *own* values, we find no difference in distribution of values between parents and non-parents (see online appendix).

We then match this with the same WVS question across multiple countries.⁴ Figure 1 summarizes the differences between society and bankers, the latter divided between bankers at the top of the organizational hierarchy and those at the bottom. Each triangle (dot) represent a country-level banker pair, with red triangles (green dots) for bankers at the top (bottom). We find strong alignment for about half of the values, that is, bankers-country pairs are mainly near the 45-degree line. Notably, bankers are no more selfish than their society; self-interest is not a distinctive value, neither is hard work.

In sharp contrast to this, bankers are remarkably homogeneous on the remaining

³ Guiso, Sapienza and Zingales (2003) use this WVS question to study the link between religion and preference for thriftiness; Aghion et al (2010) use it as proxies for family civic education in relating trust and regulation; Bauer et al (2014) use these variables to study the role of children’s socialization in other-regarding preferences; Doepke and Zilibotti (2017) and Doepke et al. (2019) use these measures as proxies for different parenting styles (e.g., authoritarian, relaxed) and show that

they are correlated with a variety of country-level macroeconomic conditions such as income inequality, the return to education, and redistributive policies

⁴ For the purpose of this analysis we restricted our sample to countries for which we have more than 100 observations within the bank. This restriction limits our sample to 26 countries.

values, and hence different from the societies in which they live. While there is a lot of general variation across countries in the relative importance of thrift, obedience, and religious faith, there is hardly any variation across bankers of any country, who put less weight on these values than their societies do. Symmetrically, there is far less variation in imagination and determination across bankers - who put more weight on these values than their society does.

B. The Distinctive Values of Bankers

Figure 2 hones in on the distinctive values of bankers. The figure reports the median differences in values between bankers and society and between bankers of different ranks. We find that those values that we found to be homogeneous within bankers are also those that are significantly different between bankers and society. Remarkably, those distinctive between bankers and society are also the values where the difference between top and bottom ranks is largest. Importantly, the bottom ranks are always closer to society than the top ranks. Thus, for example, all bankers are more determined than the average citizen but top ranks are more determined than bottom ranks.

Note that this difference is also the same across countries, e.g. top ranks value imagination more everywhere.

This is important because it rules out the idea that banking attracts types from the outset that are different from the average person: instead, we find that those lowest in seniority are those *closest* in values to society. Rather, it seems that those who rise to the top are most distant from their society.⁵ In the next section, we test formally whether promotion is indeed dependent on having those values that form the distinctive bank culture we saw above.

C. The Benefit of Value Alignment: Promotion and Performance

Figure 3 reports the coefficient of two separate regressions of a) an employee's performance rating and b) the promotion potential assessed by the supervisor on individual values. The five distinctive values that we identified above have the greatest impact on performance: those who place determination among their top five values have higher performance; those who place thrift, obedience, and religious faith among their top five have significantly lower performance. The pattern is even more striking when it comes to

⁵ An alternative explanation is that it is a career in banking that causes a greater distance from society's values; if this were the case, we wouldn't see the effects on promotion that we next describe.

promotion: bankers are rewarded for aligning with, and punished for deviating from, precisely from those values that form the distinctive bank culture. Bankers who value imagination and determination are more likely to be promoted; those who value thrift, obedience or religious faith are significantly less likely to be promoted. Those values that are not distinctive to the bank have no effect on either performance or promotion.

Why is that? The next section tests whether shared values affect the way teams work.

D. The Benefit of Value Alignment: Communication and Coordination within Teams

To measure value alignment in teams we compute the share of team members who put each value in their top 5 or not, take the highest share and then average across values. Column 1, Table 1 shows that teams whose members have more similar values perform better. Columns 2 and 3 investigate why this might be the case. Column 2 shows that value alignment is positively correlated with ease of communication within the team. Column 3 shows that teams that are better aligned engage in fewer coordination activities. These correlations suggest, but by no means prove, that people who share values share information more easily and hence require less formal

coordination, both of which can lead to better performance.

E. Conclusion

Organizations benefit from a coherent set of values but coherence within the organization can create dissonance with society. The employees of the organization we study systematically value obedience, thrift and religious faith less than the average citizen, but put more weight on imagination and determination. The open question is whether there is any value in the values themselves or whether they are just a coordination mechanism: would another combination of distinct values achieve the same result? If so, organizations may face culture traps – that is, values can outlive the reason they were chosen in the first place- which can explain why organizational culture is impervious to change.

F. References

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II. Figures

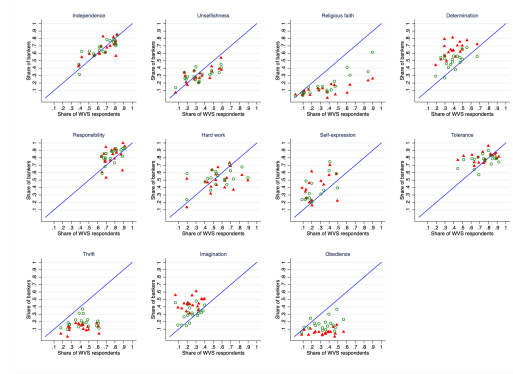


Figure 1 Correlations of bankers and society's values

Note: Figure 1 shows the differences between society and bankers, the latter divided between bankers at the top of the organizational hierarchy and those at the bottom. Each red triangle (green dot) represents a country-top (bottom) banker pair. A 45-degree line can be seen in blue. Share of bankers (WVS respondents) shows the share of respondents ranking a certain value among their top 5 values.

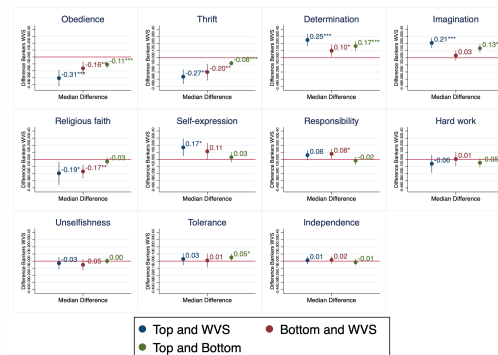


Figure 2 Mean distance between bankers and WVS respondents

Note: Figure 2 shows the median differences between the share of respondents ranking a certain value among their top 5 values across countries. The whiskers show the 95% confidence intervals. The blue estimates (Top and WVS) display the median difference between top rank bankers and WVS respondents. The red estimates (Bottom and WVS) show the median difference between bottom rank bankers and WVS respondents. The green estimates (Top and Bottom) show the median difference between top and bottom ranked bankers.

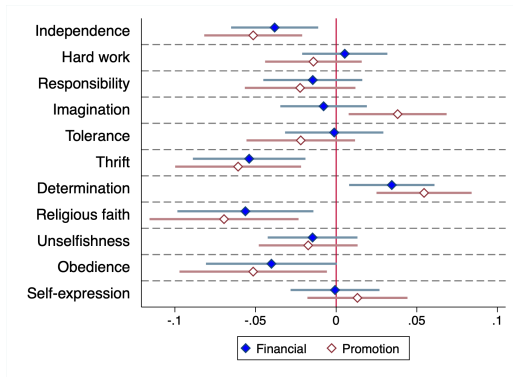


Figure 3 Values and Financial Performance/Promotion Potential

Note: Figure 3 reports the coefficient of two separate regressions of financial performance and the promotion potential assessed by the supervisor on individual top 5 values. those who place determination among their top five values have higher financial performance (promotion potential); those who place thrift, obedience, and religious faith among their top five have significantly lower performance (promotion potential)

III. Tables

Table 1 Heterogeneity of values rating within teams

VARIABLES	(1)	(2)	(3)
	Performance Rating Team	Communication Index Team	Coordination Index team
Avg Alignment Index	0.178* (0.095)	0.324*** (0.079)	-0.250*** (0.067)
Team size	0.000 (0.005)	0.029*** (0.004)	0.006* (0.003)
Constant	2.553*** (0.081)	3.347*** (0.067)	1.891*** (0.057)
Observations	8,855	9,705	9,705
R-squared	0.000	0.006	0.002
Mean DV	2.700	3.690	1.710

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Note: This table shows the effect of average values alignment within a team on performance, communication, and coordination on the team level. The communication index was created averaging the responses to the following responses: I fell able to speak up when I see behaviour which I consider to be wrong; Where I work, issues of right and wrong are discussed in team meetings and town halls; Where I work, colleagues take responsibility for their actions; Where I work, everyone has the chance to stay what they think about issues; Where I work, people can state their opinion without the fear of negative consequences. The coordination index was creating averaging the responses to the following question/statements: How frequently do you have team meetings? How often do you check-in with your manager to discuss your development? Have you participated in a BANK NAME general meeting in the last 3 months? We discuss Group strategy and how our work contributes to it; My manager gives me feedback to support and improve my behaviours. The variable Avg Alignment Index is constructed as such: First we calculate the share of employees ranking a certain value among the top 5 values and those of employees not ranking this value among the top 5 within each team. Next we apply a max function to these two values and take the average over all 11 values in our dataset.