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Corporate values of the 25 largest European banks: Exploring the ambiguous link with corporate scandals

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Corporate value statements communicate what a firm aspires for and what drives their value creation. In addition, corporate values often also define which behaviors are acceptable and which are not. Ideally, corporate values are representations of a firm's informal corporate values and organizational culture. However, in practice, there is an inherent tension between the aspirations and actual values and ensuing behaviors of and within a firm—let alone the potentially different interpretations of abstract corporate value statements. In this paper, we set out to provide more clarity on what corporate values are, how they are inherently ambiguous, and how in practice they compare to firm involvement in scandals. For this purpose, we study the corporate values of the 25 largest European banks after the financial crisis. "Integrity" appeared to be the most common value among the 25 banks, followed by "customer focus." Nonetheless, over the past 6 years, 15 out of the 25 studied banks were involved in one or more scandals. Scandals can be systematic or caused by rogue employees, and benefitting the firm or their customers—in the latter case, providing an interesting interpretation of the customer focus value. Additionally, we found that courage or its synonyms were barely mentioned among banks' corporate values, potentially providing an additional explanation for the fast size of the financial crisis. Finally, we found that banks that had inclusive social principles such as respect, solidarity, and equality did not face large-scale scandals.

1 | INTRODUCTION

Leaders of large firms cannot rely on interpersonal relations alone in inspiring their workforce to contribute to value creation and firm growth. One important way in which leaders communicate their vision to thousands of employees and set direction is by defining a set of corporate value statements.[1] Such corporate values signal what the organization stands for (Hollender, 2004; Humble, Jackson, & Thomson, 1994; Suda & Miyabe, 2016; Turnbull, 2001; Webley, 1999). Indeed, emphasizing ethical behavior and value-based decisions is part of entrepreneurial leaders' role next to visioning and creating and sustaining growth (Kuratko & Audretsch, 2009). Corporate values set boundary conditions on employees' search for value creation, that is, corporate values can aid decision-making in difficult moral situations, whereas nonetheless, the application in context and contradictions between values leave ample room for interpretation (Berlin, 1996). In other words, the corporate value of profit seeking is very important but usually not the only and unbounded corporate value a firm wants to follow. In this respect, we consider the financial sector an interesting ground for study as the sector has come under close scrutiny in the past decade for an overemphasis on profit seeking—often portrayed as to the detriment to their customers and society. Such behavior could be considered a form of Mertonian innovation in which actors aim to achieve institutionalized goals but reject institutionalized means (Merton, 1957). By looking at the financial sector postcrisis, we attempt to study corporate values after a period of great uncertainty and volatility for this sector.

Although most large corporations state their corporate values on their websites, the research into corporate values is rather scarce. The existing research studies the effect of corporate values on firm performance (Dibrell, Craig, Kim, & Johnson, 2015; Donker, Poff, & Zahir, 2008; Yoshimori, 2005) or managerial behavior (Cambra-Fierro, Polo-Redondo, & Wilson, 2008; Kamoche, 2000; Nwachukwu & Vitell,

[1]In this study, we focus on explicated corporate values as mentioned in company mission statements, not on implicit corporate values as part of organizational culture.

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1997; Singh & Point, 2006; Singhapakdi, Gopinath, Marta, & Carter, 2008), often in relation to corporate social responsibility (Mijatovic & Stokic, 2010; Panapanaan, Linnanen, Karvonen, & Phan, 2003; Vilanova, Lozano, & Arenas, 2009). Furthermore, the reinterpretation of corporate values in multinational corporation subsidiaries (Berlin, 1996; Gertsen & Zolner, 2002) or across different countries (Nelson & Gopalan, 2003; Norburn, Birley, Dunn, & Payne, 1990) has been studied. Finally, the potential negative consequences of corporate values have received some attention (Dempsey, 2015; Edmondson & Cha, 2002; Lencioni, 2002).

In our study, we build on the work of Donker et al. (2008), but instead of analyzing the relation between firm performance and corporate values, we look at the corporate values of the 25 largest firms in one specific sector. Additionally, we take an approach that also looks at the negative side of corporate values where economic value is not created but destroyed (following, Dempsey, 2015; Edmondson & Cha, 2002; Lencioni, 2002). Specifically, 15 out of the 25 studied firms were involved in one or more scandals in the past 6 years, albeit that the degree and type varied. We look for similarities and differences between the corporate values of the involved firms and potential involvement in scandals. In addition, we question which values appear to be mostly missing among these large banks.

Our study contributes to the literature in three ways. First of all, we provide an analysis of corporate values in a sector under close public scrutiny. This adds substantially to our understanding of the complexity and ambiguity of corporate values in relation to internal organizational dynamics and potentially ensuing scandals, that is, Mertonian innovation. Second, by studying the relation between corporate values and scandals, we contribute to a more fine-grained understanding of why in principle desirable corporate values—such as integrity or customer focus—do not prevent undesired behaviors focused on short-term economic value creation but possibly leading to economic and social value destruction in the long run (also see Mueller et al., 2015). Third, by comparing characteristics of the firms in our sample, we explore the possible effects of such characteristics on the selection and outcomes of corporate values.

2 | THEORY

Defining and implementing corporate values are top priority for leaders in their quest for value creation (Humble et al., 1994; Kuratko & Audretsch, 2009). Formalizing corporate values provides clarity for employees and mitigates employee convictions about right and wrong (Nwachukwu & Vitell, 1997). Also, corporate values are found to influence the perception of the importance of ethics (Singhapakdi et al., 2008). Moreover, they also have an impact on employees outside the work environment (Cambra-Fierro et al., 2008). Often, management development is used to transmit corporate values (Kamoche, 2000).

However, large-scale corporate values programs can lead to mixed and confused responses among middle managers although they are required to disseminate the message (Turnbull, 2001). Edmondson and Cha (2002) mention how employees can misinterpret corporate value programs and brand them as ambiguous or even hypocrite. In particular, Lencioni (2002) has pointed out how empty values statements create cynical and dispirited employees, alienate customers, and undermine managerial credibility. Thus, value statements can aid in value creation, but actually, they might just as well lead to value destruction.

Thus, exactly which corporate values, a firm should have, remain open to debate (Hollender, 2004). Various authors have composed lists of values often used by firms (e.g., Donker et al., 2008; Humble et al., 1994; Norburn et al., 1990). Corporate values that are often mentioned are integrity, responsibility, trust (Donker et al., 2008), people, competitiveness, customers, quality, and productivity (Humble et al., 1994). However, some firms may choose more outlandish corporate values to emphasize their distinctiveness.

Despite the possible variation in corporate values, links have been established between corporate values and firm performance (Donker et al., 2008; Yoshimori, 2005), often mediated through corporate social responsibility (Vilanova et al., 2009). Nonetheless, the sheer presence of explicit corporate values is not a predictor of corporate social responsibility (Mijatovic & Stokic, 2010). Also, corporate values were found to influence organizational innovativeness (Dibrell et al., 2015). Interestingly, one study found that corporate values only had an effect on firm performance when the market-to-book ratio was relatively low (Donker et al., 2008).

The importance and meaning of specific values vary across nations. For example, Norburn et al. (1990) found that corporate values are important for marketing effectiveness but the effects differ per country. In some countries, a people and quality focus has an effect, whereas in other countries, informality and innovation or a combination of both types of values. Furthermore, corporate values were found to take on a new meaning when implemented in a foreign subsidiary (Gertsen & Zolner, 2002; also see Nelson & Gopalan, 2003), especially over a longer time (Berlin, 1996). Also, companies with a global scope might encounter problems with the management of their corporate values (Panapanaan et al., 2003).

All in all, the defining and implementing of corporate values are a complex process—leaving plenty of room for ambiguity. Corporate values have inherent paradoxes that need to be actively managed (Vilanova et al., 2009). Verhezen (2010), for example, points out how a focus on compliance can lead employees to remain mute when personal or corporate values are undermined. Furthermore, large distance may exist between top management and employees, and therefore, different interpretations can lead to undesired behaviors. This may lead to value destruction instead of value creation, as we have already pointed out how corporate values might lead to backlash. Likewise, the same may hold for the effect on innovation, that is, Mertonian innovation instead of innovative activities that lead to value creation. Nonetheless, also those not working at top management are responsible for the extent in which they follow or not follow corporate values (Dempsey, 2015).

3 | METHODOLOGY

For our study into corporate values, we decided to focus on the financial sector as it has come under close scrutiny since the financial crisis of 2008. We consider the sector therefore to be in volatile and

uncertain times. Various stakeholders—including customers, politicians, and other financial institutions—have questioned the moral leadership in the sector. Indeed, quite a number of scandals have come to the fore over the past decade. In particular, so-called "systemic" banks, those that are considered to be too big to fail, have an inherent social responsibility and saw their reputations tarnished by scandals. One may expect banks to reconsider their business conduct during and after the crisis—and adapt their corporate values to bolster their reputations. Thus, we decided to study the 2016 corporate values of the 25 largest European banks.

We study the 2016 corporate values of large European banks for a number of reasons. First of all, corporate values can be changed easily, but the underlying values are considered to be rather stable as they represent corporate culture. Do the current corporate values statements match banks behavior—even be it only the externally visible behavior such as scandals? Second, the financial crisis will probably have led to the incorporation of additional values; however, our goal is not to study how corporate values have changed over the past decade but more to distill patterns, for example, in the relation between corporate values and types of scandals. Third, we focus on European banks because they all succumb to European Union banking regulation but, nonetheless, permit national-culture variations. Also, a focus on the biggest global banks would be very much distorted by a number of extremely large U.S. banks and Chinese state-owned banks.

We selected the 25 largest banks based on total assets in June 2016, as this is the most commonly used measure of bank size. By selecting the 25 largest European banks, we have banks headquartered in 10 European countries: the UK (5), France (5), Germany (3), Spain (2), Switzerland (2), Italy (3), the Netherlands (3), Sweden (1), and Denmark (1). Here, we need to point out that the banking sector in the UK, Germany, France, and to some extent Spain, is in total substantially larger than in the other mentioned countries. Additionally, we provide the market capitalization in April 2016 and the average total return on assets and equity in the past 5 years. Please note that we did not find a significant relation between bank size in total assets and the average return on assets or equity. We retrieved this data from Yahoo! Finance and YCharts. For an overview of our sample, see Table 1.

We collected corporate value statements from the banks' corporate websites at the end of November 2016. Additionally, we searched online sources, in particular Yahoo! Finance, Reuters, and Bloomberg for information on involvement of our sample in scandals since 2010 and the imposed fines for these scandals. We chose 2010 as our starting date as the focus of the financial crisis in that year shifted from the financial sector to the public sector. Unfortunately, the literature on corporate scandals does not provide clear definitions but rather defines types of scandals based on causes or motivations (e.g., Coffee, 2005; Grebe, 2012; Kuhn & Ashcraft, 2003). Jory, Ngo, Wang, and Saha (2015, p. 1723) describe corporate scandals as "the act of doing what is prohibited under the rules of good governance." Yet, because public exposure and the negative effect on reputation are missing in this description, we propose the following "reputational damage due to the public revelation of an act or acts of doing what is prohibited under the rules of good

TABLE 1 Overview of our sample, including total assets, return on assets, and return on equity

Bank	Country	Total asset (US$b)	Average return on asset 5 years (%)	Average return on equity 5 years (%)
HSBC Holding PLC	UK	2,608.15	0.54	8.13
BNP Paribas	France	2,417.00	0.23	5.14
Deutsche Bank	Germany	2,006.71	−0.03	−0.21
Crédit Agricole	France	1,970.40	−0.50	−2.01
Barclays PLC	UK	1,819.61	0.03	0.88
Société Générale	France	1,624.97	0.23	5.71
Banco Santander	Spain	1,494.39	0.44	6.91
Groupe BPCE	France	1,357.34	0.45	
Royal Bank of Scotland	UK	1,414.11	−0.39	−6.84
Lloyd Banking Group	UK	1,214.11	0.02	0.16
UBS Group AG	Switzerland	1,142.11	0.28	5.66
UniCredit Group	Italy	1,010.34	−0.45	−7.04
ING Group	The Netherlands	992.04	0.65	9.79
Credit Suisse Group	Switzerland	985.57	0.10	2.69
Banco Bilbao Vizcaya Argentina (BBVA)	Spain	898.55	0.37	5.30
Crédit Mutuel	France	830.20	0.61	−1.80
Intesa Sanpaolo	Italy	823.26	−0.25	−1.80
Rabobank Group	The Netherlands	798.21	0.28	
Nordea Bank	Sweden	764.04	0.50	11.82
Standard Charted PLC	UK	746.96	0.43	6.09
Commerzbank AG	Germany	660.99	0.05	1.11
KfW Group	Germany	592.68		
Danske Bank	Denmark	520.98	0.21	4.81
Cassa Depositi e Presiti	Italy	469.60		
ABN Amro Group NV	The Netherlands	466.20	0.40	

governance." Thus, we limited our search to illegal behavior that evoked a public outcry. Furthermore, we only included scandals for which the respective banks were sanctioned, as we deem this is an objective indicator of the severity and justification of the scandal.

We split scandals in two types: systemic and isolated. In this, we follow Kuhn and Ashcraft (2003), who distinguish between firm-specific structures and cultures that enabled manipulation and the character of individuals or so-called "bad apples." Systematic scandals are then form of Mertonian innovation where institutionalized goals are obtained by other ways than institutionalized means. Systemic scandals are those in which multiple segments of the bank, often including the board, were knowledgeable. Isolated are scandals that were caused by rogue employees without clear knowledgeability of wider segments of the organization. This distinction is important, as systemic scandals are a clear indication of widespread wrongdoing in the organization. Additionally, we distinguished if clients, the bank itself, or employees benefitted from the behavior causing the scandal, in other words, for whom value was created and for whom value was destructed.

We analyzed our data in four steps. First of all, we compared corporate value statements of the banks in our sample to find similarities and differences. For this purpose, we clustered the aforementioned statements in six overarching groups. Next, we compared and clustered the scandals into their various types. Then, we looked if we could establish a link between certain corporate value statements and types of scandals. Finally, we analyzed if bank size had a relation with corporate values in our sample.

4 | RESULTS

First, we present the clusters of corporate values we identified among the largest 25 European banks. Next, we discuss banks involvement in scandals, after which we relate corporate values to scandals. Finally, we check if other factors can be related to certain corporate values and/or types of scandals.

4.1 | Clusters of corporate values

Our analysis of the corporate value statements of the largest 25 European banks, indicated that these banks emphasize a diverse set of values, beliefs, and ethical standards. We have categorized these values in six overarching groups (see Table 2). We based the clustering of the corporate values on the targeted audiences and/or stakeholders of said values: (a) the profession, (b) customers, (c) shareholders, (d) regulators, (e) employees, and (f) other stakeholders and/or wider community. We chose to cluster along stakeholders based on our grounded analysis of the various value statements (see Glaser, 1992). Although service sectors firms somewhat differ with respect to suppliers, we do see substantial overlap with various stakeholder categories mentioned in stakeholder theory (Freeman & Reed, 1983; Donaldson & Preston, 1995). Where appropriate, we put the related stakeholder group in between brackets in Table 2. Although "doing the right thing" can be considered a more generic category, we do believe it mainly relates to the profession as such, and therefore, we relate it to the trade association group of stakeholders.

At the core of most mission statements is a focus on doing the right thing. Fifteen out of the 25 banks refer to values that promote good and righteous behavior, such as "fairness" and "professionalism," with a majority of these banks mentioning integrity. Integrity, in the words of Charles Marshall (2003), refers to "doing the right thing, even when no one is watching." It constitutes a virtue of wholeness and incorruptibility. Banks that refer to integrity in their mission statement indicate that they attach great value on "doing the right thing, not just what is allowed" (Deutsche Bank) and that they stimulate "showing the courage to do and say the right thing" (Barclays). Additionally, integrity includes "not ignoring, tolerating or excusing behavior that breaches the banks" values (ING). Interestingly, BNP Paribas, ranked number two on the list, promotes a culture of (rule) compliance. Thus, rather than being value-based in their business operation, their focus lies on following legislation and procedure. One can question whether following the rules automatically aligns with doing the right thing. Following the law does not by definition imply that behavior is conducted in a morally acceptable way in all situations—and additionally constitutes the bare minimum of acceptable behavior.

Another important value for most banks is a focus on clients or customers, with 14 out of the 25 banks claiming they attach great importance on serving their clients and customers with the best solutions and products. For example, Deutsche Bank presents itself as being "client centered," whereas Nordea Bank states that "a great customer experience is the essence of their work and identity."

A third core value mentioned is a focus on performance and shareholder value. Thirteen out of the 25 banks mention the importance of specific standards that can be linked to the performance of the bank and the creation of shareholder value, such as "sustainable performance" (e.g., Deutsche Bank, Royal Bank of Scotland, and Credit Suisse), "excellence" (e.g., Barclays, Credit Suisse, and Intesa Sanpaolo) and "prudence" (e.g., BBVA and ING). Fourth, eight out of the 25 bank mention values that refer to being responsive to (financial) regulators,

TABLE 2 The six overarching groups of corporate values, their primary stakeholder (between brackets), and some examples

Categories	Examples
(1) Doing the right thing (trade association)	Integrity, professionalism, fairness
(2) A focus on clients (customers)	Client centricity, commitment to customers, putting customers first, client focus
(3) Performance/shareholder value (investors)	Sustainable performance, excellence
(4) Regulators (government)	Discipline, transparency, responsiveness, honesty
(5) Working environment/employees (employees)	Good place to work, team spirit, best bank for employees
(6) Other stakeholders/wider community (communities and political groups)	Local presence, best bank for communities, responsibility, be trusted by stakeholders

such as being transparent as “a rule that offers access to clear and truthful information within the bounds of the law” (BBVA) and acting in a disciplined (Deutsche Bank) and honest manner (ING Bank).

Fifth, 10 banks mention values that are related to the working conditions and working environment of the bank. These banks emphasize that their employees have the freedom to act within an open and team-orientated environment. For example, Banco Santander claims that they are “the best bank for employees” whereas Société Générale and Commerzbank AG prize the team spirit within their bank. Nordea bank promises “One Nordea Team” as the essence of their identity and work.

Sixth and final, 14 out of the 25 banks adhere to the importance of various other stakeholders. These banks value being responsible for what they do and indicate that they are mindful that “every aspect of their business has a social and environmental impact” (ING) or that their business operations contribute to “the economic, social and sustainable environmental development of the economies” in which they operate (Société Général). Additionally, HSBC states that it is “open to different ideas and cultures,” ABN AMRO prizes itself for being “trusted by stakeholders,” and Banco Santander claims that it is “the best bank for communities.”

Only Standard Charted and Barclays explicitly referred to “courage” as a principal core value, where Barclay mentioned it as a subcomponent of integrity. Standard Chartered states that it “takes measured risks and stands up for what is right.” In addition, we only encountered two banks that mentioned equality in their mission statement (Credit Mutuel and Intesa Sanpaolo). Only three banks mentioned aiming for long-term sustainable performance. Notably, missing in the studied mission statements is gender diversity, and finally, only one bank (Standard Charted) referred to international diversity as a core value.

4.2 | Involvement in scandals

Next to identifying and clustering the corporate values of the European largest banks, we examined whether banks had to deal with major scandals since 2010. Out of the 25 largest European banks, 15 have faced severe internal rule violations and/or had to pay significant fines to financial and banking regulators.

These violations ranged from the facilitation of money laundering (e.g., BNP Paribas, Banco Santander, Danske Bank, and Standard Chartered), dark pool activities (Barclays), and unauthorized trades (UBS) to manipulating the Libor and Euribor interbank interest rates (e.g., UBS, Royal Bank of Scotland, Lloyd Bank, and Rabobank) and facilitating “lucrative” business with individuals and organizations in sanctioned countries (BNP Paribas, Deutsche Bank, Credit Agricole Group, ING, and Commerzbank). In addition, banks such as UBS, HSBC, and ABN AMRO were mentioned in the Panama Papers for tax avoidance-related incidents and were subsequently fined for the systematic aiding of tax avoidance of wealthy clients. Several banks faced multiple forms of misconduct. For an overview, see Table 3.

A majority of these banking scandals were systematic rather than isolated in nature, where unethical behavior occurred over a longer period of time and involving several employees and/or upper management. For example, 30 staff members at Rabobank were involved with and subsequently punished for the manipulation of the interbank interest rates and related “improper conduct” (Webb, 2013). Furthermore, deficiencies in the antimoney laundering and compliance requirements at Standard Charted, BNP Paribas, and HSBS were, although identified by upper management, ignored over a period of several years (White & Barlyn, 2016), allowing for a large amount of financial transactions to be carried out without them being properly monitored. As such, behaviors that lead to short-term value creation but long-term value destruction were apparently commonplace in the larger firms in the sector.

Based on our analyses, individual or small group violations are the exception rather than the rule, although such isolated misconduct might be settled out of court. Nonetheless, we do point out that isolated scandals only occurred in banks that also had systemic scandals. Most scandals were rooted in a context where structural deficiencies in the regulatory compliance requirements were recognized but not corrected. The resulting penalties were considerable, with BNP Paribas sentenced to a record $8.9 billion settlement resolving claims that it violated sanctions against Sudan, Cuba, and Iran (Raymond, 2015). In addition, UBS paid $780 million in fines, interest, and restitution to avoid prosecution by the United States on charges that it helped wealthy Americans evade taxes (Vicini, 2009). Furthermore, Rabobank, Royal Bank of Scotland, and Lloyd Bank paid fines of, respectively, £1 billion, £399 million, and £218 million for manipulating the Libor interest rate (Webb, 2013).

4.3 | Relation between corporate values and scandals

Having discussed the occurrence of scandals, we will now examine whether there is a connection between specific corporate values and the occurrence of scandals. One clear finding is that although 15 banks value integrity, professionalism, and fairness, this does not mean that large-scale unethical behavior and compliance infringements did not occur. Rather, the opposite seems to be the case: Out of the 15 banks that mention integrity as a core value, only UniCredit Group, BBVA, and Intese Sanpaolo have managed to prevent involvement in a major scandal. The banks that did face large-scale scandals were thus unable to maintain the integrity of and professionalism within (parts of their) organization.

In addition, a majority of the scandals can be traced back to illegal financial transactions for customers, with 14 out of the 25 banks having faced fines for facilitating tax evasion, money laundering, and financial transactions to individuals or organizations in sanctioned countries. In 2014, Credit Suisse, who promises its stakeholders to be client focused, was fined $2.5 billion after pleading guilty for helping wealthy Americans avoid taxes (Rushe, 2014). In addition, Nordea Bank promises its clients a great customer experience although the bank has recently been fined for helping wealthy customers dodge taxes and was mentioned in the Panama Papers (Farrell & Kocieniewski, 2016). A similar focus on serving clients can be found at banks that were fined for money laundering, such as BNP Paribas (“client satisfaction”), and banks that performed lucrative transactions for individuals or organizations in sanctioned countries, such as Banco Santander (“great bank for customers”). The exception to this rule is Lloyd Banking Group, which was fined £28 million after it pressured employees into selling

TABLE 3 Specific type of misconduct and type of scandal (isolated or systematic)

Bank	Type of misconduct	Type of scandal
HSBC Holding PLC	Facilitation of tax avoidance and facilitations of money laundering	Systematic
BNP Paribas	Transactions to sanctioned countries and facilitation of money laundering	Systematic
Deutsche Bank	Manipulation of interbank interest rates and facilitation of money laundering	Systematic
Crédit Agricole	-	-
Barclays PLC	Manipulation of interbank interest rates, dark pool activities, and predatory trading	Isolated and systematic
Société Générale	-	-
Banco Santander	Facilitation of tax avoidance and facilitation of money laundering	Systematic
Groupe BPCE	-	-
Royal Bank of Scotland	Manipulation of interbank interest rates	Systematic
Lloyd Banking Group	Manipulation of interbank interest rates, structural miss-selling to customers	Systematic
UBS Group AG	Unauthorized trades by rogue traders, facilitations of tax avoidance, and manipulation of interbank interest rates	Isolated and systematic
UniCredit Group	-	-
ING Group	Transaction to sanctioned countries	Systematic
Credit Suisse Group	-	-
Banco Bilbao Vizcaya Argentina (BBVA)	-	-
Crédit Mutuel	-	-
Intesa Sanpaolo	-	-
Rabobank Group	Manipulation of interbank interest rates	Systematic
Nordea Bank	Facilitations of tax avoidance	Systematic
Standard Charted PLC	Facilitations of money laundering and transactions to sanctioned countries	Systematic
Commerzbank AG	Transactions to sanctioned countries	Systematic
KfW Group	-	-
Danske Bank	Facilitation of money laundering	Systematic
Cassa Depositi e Presiti	-	-
ABN Amro Group NV	Facilitations of tax avoidance	Systematic

products that were deemed unnecessary for some clients (Jones, 2013). Here, we found that a value that in general would be considered “good” can be interpreted and implemented in a way that is detrimental to society (for a more detailed discussion in another sector, see Koelewijn, Ehrenhard, Groen, & Van Harten, 2014), the financial system, and—in the end—the bank itself, as short-term profit is canceled out by value destruction in the form of fines and reputational damage.

Another important finding is that banks explicitly mentioning values emphasizing inclusive social principles, such as “respect” (e.g., UniCredit Group, Intese Sanpaolo, and KfW Group), “solidarity” (e.g., Group BPCE and Credit Mutuel), and “equality” (e.g., Credit Mutuel and Intese Sanpaolo), did not face large-scale scandals. Such values indicate a wider social interest as opposed to human factor-oriented values that are mostly internal to a bank and are known to contribute to performance, for example, “team spirit” and “creativity.” Also, words that can be interpreted in various ways or considered to be rather generic might be more a case of window-dressing, than providing vision when contextualization is lacking. For example, the value responsibility can be viewed from legal, ethical, and economic perspectives—and thus the interpretation of what is responsible behavior can differ substantially (see also Salls, 2005). More concretely, when competitors are seen to take a very economic approach, for example, by predominantly focusing on shareholder value creation, this creates a vicious run to the bottom in terms of a narrow economic responsibility perspective (Jory et al., 2015; Kuhn & Ashcraft, 2003).

4.4 | Relation between bank size and corporate values

In addition to the analyses of clusters of corporate values, involvement in scandals, and possible links between the two, we also checked if other factors might explain differences. For example, do Europe's 10 largest banks differ from the other 15 banks in our sample? For most banks, the emphasis is placed on both “integrity” and a “focus on clients.” Integrity was evenly distributed among the sample and did not occur more with the largest banks. The value of focusing on clients, however, was observed more often at larger banks. Specifically, seven out of the 10 largest banks mentioned “a focus on clients” as a core value, whereas only three out of the 15 smallest banks explicitly referred to being focused on customers. Because the larger banks have a more international presence, client orientation might be more important in an internationally competitive market, but it might also be easier for them to help their clients in avoiding taxes.

Also, smaller and less international banks will have more difficulty in shifting irresponsible practices to countries with less tight oversight regimes (see Surroca, Tribó, & Zahra, 2013). In support of this point, we found that the largest banks were less inclined to be transparent in their business operation: None of top 10 banks referred to transparency as a core value. The largest bank that mentioned transparency in its mission statement was UniCredit Group, which is ranked 14th on the list. Finally, we tested statistically if there was a relation

between bank size and average return on assets and equity over the past 5 years, but both relations were not significant and (very) small effects.

5 | DISCUSSION AND CONCLUSION

The goal of our study was to shed light on corporate values, and how they relate to firm behavior after a period of substantial upheaval. For this reason, we focused on the 25 largest European banks and studied if certain corporate values meant that firms would not be involved in scandals—or only in isolated cases.

5.1 | Key findings

In this study, we analyzed the corporate values of the 25 largest European banks and examined whether there was a relation with the occurrence of scandals. Values that refer to doing the right thing, such as "integrity," appeared to be the most common values among the 25 banks, independent of bank size, followed by "customer focus" and "performance focus." To a lesser degree, banks attach value to being open and transparent to regulators and providing a good working environment for its employees. Finally, the analyzed banks valued acting in a responsible way toward their stakeholders and the community at large. Large and small banks differed in the fact that the larger banks were less inclined to being transparent in their business operation toward regulators. In contrast, larger banks did mention a focus on customers more often that the smaller banks. Only banks with social inclusive principles were not involved in large-scale scandals.

Out of the 25 largest European banks, 15 have faced severe internal rule violations and had to pay significant fines to financial and banking regulators. The majority of the scandals were systemic in nature, involving several groups and/or management and occurring over a longer period of time. These banks aimed for achieving institutionalized goals such as profit making but via additional means that were not institutionalized. Such Mertonian innovation illustrates how short-term value creation can lead to long-term value destruction. Although a majority of these banks mentioned values that are related to doing the right thing ("integrity," "professionalism," and "fairness"), these banks could not prevent employees from behaving in an unethical way. In addition, one could argue that the importance that banks attach to serving their clients has taken extreme forms: The various scandals were often related to actions that were favorable to the clients of the banks, such as the facilitation of money laundering and tax avoidance. Furthermore, the biggest banks in our sample were not too keen on transparency. Although too nuanced to draw hard conclusions, very big banks that are global players appear to have different ways of working and aims than the other banks.

Although the imposed sanctions were considerable, our analysis shows that the sanctions did not have lasting effects on the financial stability of the bank. This is in accordance with the findings of Armour, Mayer, and Polo (2011), who studied the impact of announcements of enforcement of financial and securities regulation by the UK's Financial regulators on the market price of penalized firms. They concluded that reputational losses are confined to misconduct that directly affects second parties who trade with the firm such as customers and investors. The value destruction caused by scandals is thus limited.

5.2 | Limitations

The study has a number of limitations. First of all, we did not study if the corporate values of our sample firms had changed over the course of 6 years, because data on corporate value statements of our sample were difficult to obtain for all banks. Nonetheless, we looked for scandals and financial performance over a period of 6 years, which is at least 3 years after the start of the financial crisis: at the moment when attention shifted from the financial sector to the public sector. Second, we focus on the 25 largest European banks: We might expect our results to be similar for U.S. firms but perhaps not for Asian banks for example. Also, none of the largest Eastern European banks are large enough to be included among the top 25; thus, this is a study biased toward Western European banks with a sample dominated by the big three countries with regards to the financial sector: England, Germany, and France. Third, our findings could be very different for smaller banks, as for example already due to their smaller international presence. Also, smaller banks could be expected to have less of a distance between top management's espoused corporate values and the actual practices.

5.3 | Research implications

Our study has provided an analysis of corporate values in a sector that is being questioned for its moral behavior. We indeed found that the corporate values are perhaps aspired for, but certainly over the past 6 years cannot be considered practices for most banks in our sample. As such, we demonstrate that a set of corporate values by itself do not provide a sufficient condition for preventing corporate wrongdoing—and can potentially lead to a public image of hypocrisy and undermine the bank's reputation. Interestingly, these effects seem to be limited when it comes to shareholders (Jory et al., 2015; Kuhn & Ashcraft, 2003). Thus, although Mertonian innovation, in the form of short-term economic value creation, leads to long-term economic and social value destruction, the economic impact for the firm involved seems to be limited.

Second of all, we found that corporate values can lead to undesired behavior, most prominently with the corporate value of customer or client orientation. Employees were indeed in some occasions very customer focused, perhaps also in relation to their bonus structure and consequently behaved in ways that served the customer and sometimes the bank but definitely not society. Furthermore, transparency was not a prominent value among the bigger banks in our set. We wonder if both culture and practices at the "global players" differ substantially from banks that are relatively smaller but also more local. More research is needed to compare the big global banks to banks that are more regionally oriented. An interesting finding to explore further over a larger set of banks is whether banks with inclusive social principles indeed engage less in undesired behaviors.

Future research could study the development of corporate values over a longer period of time and see if external shocks affect values or

top management turnover. Additionally, future studies could expand the sample to include other regions and smaller banks or, alternatively, other sectors of the economy. Future research would also benefit from a more in-depth study of the scandals that occurred and map top management responses, as these will strongly affect the interpretation of corporate values. Finally, future research could attempt to establish a link between specific categories of corporate values and performance, as studies on performance so far have mostly focused on the presence of corporate values. Even better would be studies over longer periods of time to see if changes in values affect various types of performance.

5.4 | Practical implications

That banks value integrity does not automatically mean that their business operations are sufficiently sound and responsible. Stating that integrity is valued is one thing; implementing this corporate value in business operations and decision-making process is another (Stevens, Steensma, Harrison, & Cochran, 2005). Not just banks but also other firms need to be more careful with the choice of corporate values—else they might backlash and tarnish a carefully built reputation. Top management needs to make sure that these corporate values are sufficiently "felt" by other employees and perceived as important in the decision-making process of these employees. Additionally, government and regulatory agencies could follow two routes with regards to corporate values. The easiest route would be to take these values with a pinch of salt. However, we would propose the opposite. Because corporate values do guide behavior and are linked to firm performance in various aspects, governments and regulatory agencies could strengthen the financial sector by auditing firms to what extent in what way values are internalized. Finally, customers should be careful in selecting banks based on corporate values, even if they state to be customer focused. The price might not be paid directly but then indirectly by society as a whole as evidenced by the consequences of the financial crisis.

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