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Dutch Banking Culture Six Years after the Fall of ABN AMRO Bank

Irene van Staveren, International Institute of Social Studies of Erasmus University Rotterdam[1] [2]

Summary:
This article presents the results of a survey among more than six hundred bankers in the Netherlands about banking culture. It addresses the question why trust in banks remains so low (45% of clients trust banks in the Netherlands). The key findings indicate that the problem is not so much immoral bankers or a few rotten apples but rather the dominance of a competitive banking culture. The findings suggest that clients' trust may be regained when banks leave behind their focus on performance targets, financial incentives, and behavioral regulation and move instead to a caring culture with a focus on relationships and open discussion of ethical dilemma's.

Keywords:
Banking culture; the Netherlands; trust; ethics; performance targets.

JEL:
G21; Z1.

In 2008, a top-four bank of the Netherlands, ABN Amro Bank, was saved by the state. A smaller bank, DSB, went bankrupt. And more than a million Dutch savers who had put their money on a savings account at the internet bank Icesave were compensated by the Dutch deposit guarantee system. In 2013, the second top-four bank was saved by the state, SNS Reaal, when not only the failure of Mortgage Backed Securities had left its marks in the banking sector, but also the euro crisis had shown its impact.

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The Dutch population turned furious at banks and bankers. They opposed bonuses, salary increases and golden handshakes, even when these had been agreed by supervisory boards and shareholders in a completely legal manner. Dutch consumers lost trust in their own banks. And they keep on distrusting their banks, as the 2016 survey by the Dutch Banking Association (NVB, 2016) indicates: 55 percent of bank clients do not trust banks.

I have conducted a survey among the detested bankers themselves, about trust, motivation, and leadership (see for the full report by Irene van Staveren and Rens van Tilburg, 2015). I wanted to find out what drives these professionals, how they relate to each other, and how they experience their leadership. I contacted all 7,000 bank employees who are member of the main three labour unions (FNV, CNV, and De Unie). This has resulted in 617 complete survey forms, filled in anonymously, online. Table 1 provides the descriptive statistics for the sample.

Table 1. Descriptive statistics (percentages between brackets). N = 617

sex	male	female		
	370 (0.60)	247 (0.40)		
age	under 50	50 and older		
	266 (0.43)	351 (0.57)		
salary (euro p/m)	<4,000	4,000-6,999	7,000-9,999	10,000 or more
	291 (0.47)	280 (0.45)	39 (0.6)	7 (0.1)
bank	ABN AMRO bank	ING bank	Rabobank	other
	188 (0.30)	153 (0.25)	206 (0.33)	70 (0.11)

Source: own results

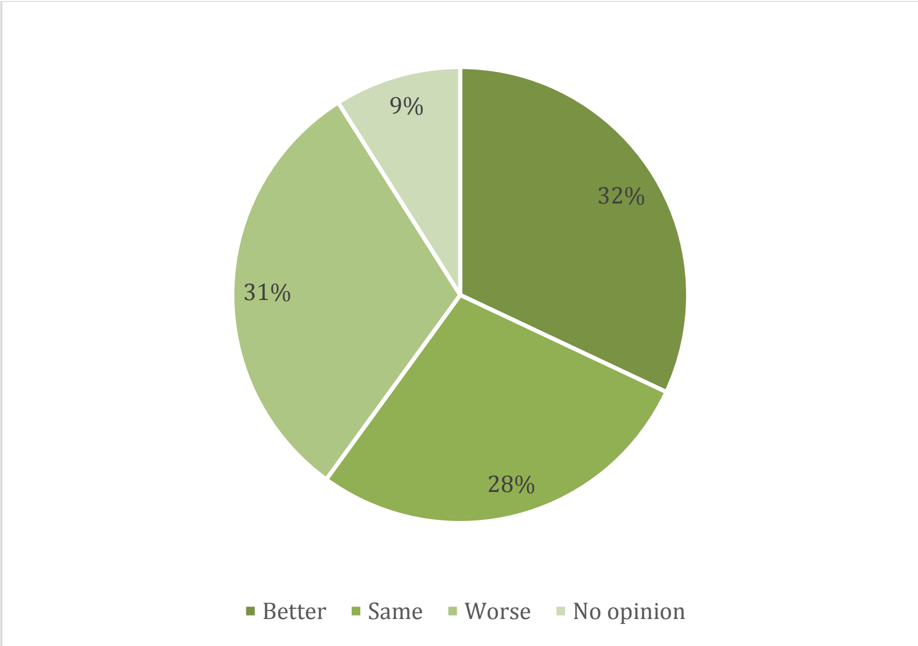
The general view from the descriptive statistics is that the sample does not seem to provide a very biased picture. The female/male ratio is quite similar to that of the statistics of the banking sector in total, and so does the salary distribution and distribution over the various individual banks. Only the age is a bit higher than on average for the sector (57 years versus 50 years).

In this article, I focus on the survey results that help to address the question of why it is that bankers in the Netherlands are so much distrusted and how that is related to the prevailing banking culture. The objective of this article therefore is to find out which elements of banking culture may help to explain the continued low trust of banks and bankers in the Netherlands.

1. Banker's own views of banking culture

The first indication that banks have not really improved their service delivery to clients since the crisis hit in 2008, is the response to the question whether the bankers themselves see an improvement in service delivery. Figure 1 shows the results.

Figure 1. Do you observe a change in the quality of service of your bank since the crisis?



Source: own results

The results indicate that on average, bank employees see no improvement in service delivery between 2008 and 2014. So, when clients complain about their banks, the ground for their grudges is not entirely irrational. Their view, which might be labelled as "nothing has changed", is actually confirmed by the average bank employee, based on inside knowledge. About a third of the bankers sees improvement, a third observes a worsening of services and another third finds no change at all.

One of the blames on bankers is that they would be greedy and selfish, driven by a highly competitive banking culture. Since the crisis, Joris Luyendijk, a Dutch journalist and anthropologist, has interviewed over two hundred London City bankers in order to learn about the banking culture in this sub-sector of *haute finance* (Luyendijk, 2016). He was struck by the highly competitive banking culture, characterized by low job security, fear for dismissal, distrust among colleagues, and intimidation by bosses, all for the sake of winning - a new client, a higher sales volume than colleagues, and eventually a bigger bonus. Of course, the consumer banking market cannot be compared to the trading and investment-banking sector, and the UK labour market context cannot be compared with the more regulated Dutch one. But it did seem reasonable to check if perhaps also here a competitive atmosphere is present and is valued and supported by the bank employees. Therefore, I asked the bankers about their favourite work atmosphere, comparing between a competitive environment, a structured, hierarchical environment and a warm, caring environment. The results of their preferences for a competitive work atmosphere are presented in table 2. To my surprise, the large majority did not prefer to work in a highly competitive environment. Only 16 per cent preferred to work in a competitive atmosphere.

Table 2. Competitive work atmosphere

I like to work in a competitive atmosphere	per cent	cumulative
strongly agree	9.72	9.72
agree	6.00	15.72
neutral	28.20	43.92
disagree	38.09	82.01
strongly disagree	17.99	100.00
total	100.00	

Source: own results

Another grudge of clients against bankers is about their salaries, in particular of those at the top. I therefore asked the bankers themselves what they thought of the salaries of their leaders. The results are presented in table 3. Three quarters of the bankers judge the top salaries too high. Again, we see internal support for the negative assessment of bankers from the outside.

Table 3. View of top earnings

I think the earnings of the top in my bank is:	per cent	cumulative
too low	1.13	1.13
correct	18.64	19.77
too high	56.73	76.50
no opinion	23.50	100.00
total	100.00	

Source: own results

This brings me to the next topic, namely variable pay. This is not very common in the Dutch labour market. Actually, the sector where it is most common is the financial sector (Kea Tijdens and Maarten van Klaveren, 2008). I asked three questions about the role of variable pay, as shown in table 4. The first question was whether it would be a motivating factor. The results show an equal split between those who agree and those who disagree. This is not a strong support for the effectiveness of variable pay. This is in line with the earlier result showing low support for a competitive work environment. The second question was about the standard reply by bank leaders supporting variable pay, namely that it would help banks to attract the best bankers, which in turn would help to serve the clients best. But the average bank employee does not show wide support for this view. A majority (55 per cent) clearly disagrees with this argument. The third question about variable pay was about a critique that supports client's view that variable pay would have perverse incentives. I asked about a possible short-term focus that may be reinforced by variable pay. The results point out that the large majority of bankers (71 per cent) support this critique.

Table 4. Views on variable pay

	Do you think that variable pay motivates?		Do you think that variable pay helps to attract the best bankers?		Do you think that variable pay can result in short term focus?	
	per cent	cumul.	per cent	cumul.	per cent	cumul.
strongly agree	5.51	5.51	2.43	2.43	30.47	30.47
agree	34.04	39.55	17.99	20.42	40.68	71.15
neutral	21.39	60.94	24.64	45.06	16.53	87.68
disagree	27.39	88.33	36.47	81.52	10.86	98.54
strongly disagree	11.67	100.00	18.48	100.00	1.46	100.00
total	100.00		100.00		100.00	

Source: own results

In Dutch banks, variable pay is either absent since the crisis or plays a relatively small role, up to ten per cent of annual salary.

What may be more influential is the human resources system of motivation and measurement of performance through targets. I asked whose performance was measured with clearly defined targets. 74 per cent said that their performance was assessed by such targets. When I asked whether they felt motivated by their targets, only 14 per cent indicated this was the case. So, again, a management tool fitting a highly competitive environment is not having the expected motivating effect on ordinary Dutch bank employees. But it is precisely one of the key HRM tools, next to variable pay, that dissatisfied clients often refer to when judging bankers. These findings indicate a puzzle: if banks want to regain trust from their clients but they continue with HRM policies that are distrusted by clients and not perceived as motivating by bank employees, why do banks stick to such policies?

Connecting the two HRM tools that are most criticised by clients (as well as by politicians who stand up as spokespersons for the dissatisfied bank clients), I show in table 5 the results for the question on the relationship between targets and variable pay. As the results indicate, for almost 30 per cent of the sample, the two were related. So, for this group, targets may have a relatively strong perverse effect. But the majority does not receive financial incentives when they perform above-target. However, this does not imply that there is no perverse incentive driven by the targets themselves. Not meeting targets will of course influence management decisions in terms of promotion, fixed salary raises and job security.

Table 5. Targets and variable pay practices

	My performance is controlled by targets which are linked to variable pay	
	per cent	cumulative
strongly agree	3.89	3.89
agree	25.93	29.82
neutral	21.72	51.54
disagree	29.34	80.88
strongly disagree	19.12	100.00
total	100.00	

Source: own results

2. Solutions in banking culture?

The previous section has indicated that much of clients' dissatisfaction with bankers may not so much be a problem of individual bankers and their greed and self-orientation, but rather a problem of a dysfunctional banking culture. The problem does not seem to lie with a few rotten apples in the basket but with an overall management approach focusing on pre-defined performance targets, competition between employees, and carrots and sticks attached to performance. Firing a few bankers and hiring new ones would in that case not be a solution, because the new hired employees would be expected to adapt to the culture they work in, if not by agreement, than by force of the pressures to make the best of it and ultimately to keep their job.

Banking culture is influenced from within but also from outside. An influential outside factor is regulation. Since the crisis, the Dutch Financial Market Authority (AFM), a government supervisory body, has developed some tools to influence and monitor banking culture (see, for information, the website: https://www.afm.nl/en). The tools include an integrity test for board members of banks, a dashboard for behavioural dimensions of financial decision-making, an innovation hub for testing new financial products, and non-financial criteria for reporting. But not only the government has imposed more rules on bankers, also the Dutch Banking Association, mentioned earlier, has agreed on behavioural regulation. The self-regulation package is quite extensive and includes a banker's oath, disciplinary law, and the trust monitor mentioned in the introduction.

In my survey, I asked the bank employees whether they think that the new behavioural rules will help to put the interests of clients more centrally. Table 6 shows the results.

Table 6. Behavioural rules and client interest

Do you agree that behavioural rules will help to put client interest more centrally?	per cent	cumulative
yes	23,18	23,18
no	57,05	80,23
no opinion	19,77	100,00
total	100,00	

Source: own results

The results show that the majority (57 per cent) has no confidence that the stricter behavioural rules will improve their bank's service delivery to clients. Only 23 per cent believes such rules will help to serve clients interests. How to interpret this finding? Are bankers cynical? Or are they realistic and feel that the problem is deeper rooted?

Well, the responses to other questions about changes to the dominant culture indicate that it is a bit of both. They indeed seem quite cynical when it comes to their leadership, who should set the example for adhering to the stricter behavioural rules. But they do not see their leadership to walk the talk. 78 per cent states that they see their leaders talk about the importance of serving client interests. While 28 per cent states that they actually see this in their leaders' policies, strategies, and behaviour. At the same time, the bank employees seem to be aware that the problem of clients distrust is a complex problem that cannot be solved simply with behavioural rules for bankers added to the prevailing competitive banking culture. They seem to recognize that the problem of clients distrust is full of ethical dilemma's. And that it relates to the very culture of banks as expressed in the leadership, performance measurement, systems of rewards, and perhaps even in the additional rules that were supposed to bring client trust back.

3. More rules as part of the problem, not the solution

The banking culture relies on individual performance targets, and for a third of the sample these are linked to variable pay. At the same time, the Dutch banking sector is downsizing, implying several rounds of dismissals of thousands of employees. The only bank that is growing in business and employees is the Triodos bank, which focuses on social and environmental sustainability. They have seen their number of clients more than double since the crisis - clients who left Main Street banks in favour of a bank that was not at all involved in the derivatives trade, the Libor manipulation, and the usury mortgage insurances.

The bank employees in my sample indicated that they feared dismissal in the next round. Indeed, 69 per cent indicated that they were afraid that they would become redundant. But this was not the only threat they felt in their endeavours to serve clients the best they can. A significant share of the bank employees also indicated that they feel very little or no space to make their own ethical judgments in serving clients. A quarter indicated to feel no autonomy and another quarter said that they have no space for taking any own initiative for serving client interests.

These results point out that there is probably a deeper problem than merely cynicism about the leadership not walking the talk. The bank employees themselves feel that they lack the room for manoeuvre to take the right decisions for their clients. In order to test for this possibility, I did two cross tabulations. One, shown in table 7, with a question about client interest being under pressure on the one hand and the question about space for taking own initiative on the other hand. The other one, shown in table 8, with the question about targets being motivating on the one hand and a question whether they think that sales targets are in clients' interests on the other hand. Let's first look at the results shown in table 7.

Table 7. Own initiative and client interest

	There is much space for own initiative						
Client interest under pressure		very much agree	agree	neutral	disagree	very much disagree	total
	often	7	54	82	80	24	247
	sometimes	24	112	69	51	5	261
	never	16	50	8	5	1	80
	no opinion	0	15	6	6	2	29
	total	47	231	165	142	32	617

Pearson $chi^2(12)=110.6703$; $p=0.000$.

Source: own results

The cross tabulation shows a statistically significant relationship between the two questions. It shows that 42% of those who say that work pressure often constrains client interest, has little space for own initiative. Only 25% of this group says that they have much space for own initiative. Apparently, those who feel most constrained by either targets or new regulation, recognize the most that client interests are under pressure. This may imply that additional rules trying to change banking culture, may not reduce the pressure on client interests but may rather increase this pressure.

Table 8 shows a statistically significant relationship between being motivated by targets and believing that sales targets are in the interests of clients. The results point out that of those who think that sales targets are not in the interest of clients, only 10% is motivated by targets, while 69% of this group dismissing sales targets is not motivated by targets in general. In other words, when targets are a motivating factor for bank employees, they are more likely to believe that sales targets are in the interest of clients. So, when targets constrain behaviour in the way that HRM policies like to see this being done, namely through extrinsic motivation, employees seem to justify those targets that are most directly contributing to client distrust. The distrust clients feel because they are advised to buy products that are not in their interest or which turn out to be expensive or which show to be very inflexible during hard times.

Table 8. Targets and client interest

	Motivated by meeting targets						
Sales targets are in the interest of clients		very much	much	neutral	little	very little	total
	very much agree	0	0	3	2	1	6
	agree	1	18	21	15	9	64
	neutral	5	22	58	63	9	157
	disagree	3	23	72	135	43	276
	very much disagree	3	9	12	34	56	114
	total	12	72	166	249	118	617

Pearson $chi^2(16)=126.1854$; $p=0.000$.

Source: own results

4. Conclusions

The results of my survey among more than six hundred bankers in the Netherlands indicate that the continued distrust of banks and bankers by clients may be related, at least partially, to the dominant banking culture rather than to the immorality of (some) individual bankers. This finding is in line with other studies, for example by Charles Ellis (2008) on the cultural difference between partnerships and publicly listed banks and by Alain Cohn, Ernst Fehr and Michel André Maréchal (2014) on dishonesty and banking culture. The dominant banking culture is not widely valued and supported by the very people who work in these banks. Only a minority feels motivated by targets and believes that sales targets are in the interests of clients. The majority observes a large gap between the walk and the talk of their leadership about serving client interests. And the behavioural rules forced upon them by government regulators and sector-level self-regulation seem not to increase but rather to reduce their opportunities to take the right decisions for clients.

Of course, more research is needed for a more detailed analysis of banking culture and for a better understanding of clients' distrust. That is precisely why more interdisciplinary studies are necessary, in particular by economists, taking into account insights from cultural studies, management studies, and the humanities on the why and how of motivation and morality. But the current study at least points at the need of banks in the Netherlands to move beyond dominant HRM practices and to work on cultural change towards cooperation, sharing, and reflection. For example by moving away from a dominant focus on utility maximization towards a focus on the ethics of care (Thomas Hawk, 2011; Ricardo Crespo and Irene van Staveren, 2012). If the leadership of Dutch banks really want to get clients' trust back, they might better start with an open discussion of the ethical dilemmas in their daily work, and setting examples of how to deal with these, instead of going for the easy option of adding more rules and relying on ever more refined performance targets. Money is a matter of trust. This implies that banking can only function properly when bank leaders trust their employees and when bank employees trust each other. This requires a shift away from a competitive banking culture towards a trusting culture, with sufficient space for discussion and reflection and without fear and taking own initiatives for improving client service. Only then, clients may begin to trust bankers again.

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