

How do CEOs Lead Values-Based Financial Institutions?

By

Dwayne Naylor

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Advisors:

Richard Boland, Ph.D.

John Paul Stephens, Ph.D.

CASE WESTERN RESERVE UNIVERSITY

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“Nothing in this world is so powerful as an idea whose time has come.”

Victor Hugo 1802 - 1885

ABSTRACT

The banking industry is ripe for disruption (Gomber, Kauffman, Parker, & Weber, 2018). A primary threat to the banking model is industry leadership not adapting to the paradigm shift (Mackintosh, 2014) in consumer and employee demands towards a collective good and businesses that make a difference (Bhattacharya & Sen, 2004). Only a few studies have focused on values-based banking leadership. Thirty-four CEOs in seven countries were interviewed for this study. The findings are 1) positive organizational development, 2) doing well by doing good and creating a 3) vibrant ecosystem. The research contribution includes a framework for CEOs to transition to a values-based financial institution.

Key Words: Social capital, values-based banking, triple bottom line, sustainability, positive psychology, positive organization development, network theory.

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INTRODUCTION

The banking industry is ripe for disruption (Gomber, Kauffman, Parker, & Weber, 2018). A primary threat to the banking model is industry leadership not adapting to the paradigm shift (Mackintosh, 2014) in consumer and employee demands towards a collective good and businesses that make a difference (Bhattacharya & Sen, 2004). Banks and credit unions have an opportunity to grow their stakeholders' trust that can allow them to flourish, rather than being disintermediated, or removed from financial transactions, by fintechs (financial technology companies). Simply providing extrinsic value and offering competitive financial services may not be sufficient to produce a sustainable banking model of the future.

“Banking on Values,” or “Values-Based Banking” aspires to sustainability through involvement in the communities that are served. A sustainable enterprise is one that simultaneously delivers economic, social, and environmental benefits – the so-called triple bottom line – to all stakeholders (Hart & Milstein, 2003). A shared vision towards Banking on Values, which focuses on people, planet, and prosperity, may increase the engagement of stakeholders and improve financial performance (Barrick, Thurgood, Smith, & Courtright, 2015).

As a researcher, I am studying this research question as a scholar-practitioner. I serve as the President and CEO of Civic Federal Credit Union (Civic), which serves local government employees, family members, and small businesses. During the research journey, Civic joined the Global Alliance of Banking on Values (GABV) to gain a better understanding of how the CEOs share knowledge and best practices. I meet with CEOs every month in a closed forum that allows unguarded sharing of ideas and information. During the

monthly meetings, I do not use this information for my research, but it does allow me to better understand the passion and life purpose of these leaders. It is important to disclose there is a formal association, but as mentioned in the methods section, research was conducted in a manner that consistently managed biases related to the research.

Problem of Practice

The banking industry continues to consolidate as expected for a commodity market (McCord, Prescott, & Sablik, 2015). This consolidation has increased the size of banks, thereby reducing risk and benefiting investors (Hughes & Mester, 1993). The rapid consolidation of banks and credit unions and the significant reduction of community financial institutions has positioned large banks to focus on profit (Akhavain, Berger, & Humphrey, 1997). Ironically, this shift has created a niche opportunity for financial institutions that focus on people before profit; that is, “Banking on Values.” Financial services institutions, especially in the United States, may be missing an opportunity to position themselves as mission-driven organizations that create sustainable value (Hart & Milstein, 2003). Fintech payment platforms and the pain point of retailers losing interchange fee income is threatening to decouple the banking relationship. Rather than simply focusing on technology upgrades, sustainable financial institutions should leverage the coevolution of social and intellectual capital that is of significance in explaining the source of organizational advantage (Nahapiet & Ghoshal, 2000).

The Great Recession decreased the trust in financial services systems worldwide. As a result, consumers now demand intrinsic and extrinsic motivations for choosing companies with which to do business (Benabou & Tirole, 2003). Strategically positioning a financial

organization to Banking on Values will enhance stakeholder engagement and community development impact, ultimately leading to higher profits and sustainability.

There is only limited literature that addresses how consumers and employees view this shared vision of sustainability. To address this gap, I propose conducting a qualitative study to reveal how the phenomena comprising a shared vision of Banking on Values influence employee engagement with consumers to impact the performance of the financial institutions that employ them.

Values-Based Banking Model

According to the 65 member organizations of the Global Alliance of Banking on Values (GABV), values-based banking features six key attributes, as follows: (1) intentionality (a “triple bottom line” approach); (2) community service (serving the “real economy” of goods and services rather than financial instruments); (3) long-term client relationships (informing risk); (4) resilience (long-term commitment); (5) transparent and inclusive governance; and (6) a pervasive culture (Weber, 2013).

Community Service. Grounded in communities, serving the real economy and enabling new business models to meet the needs of both. Values-based banks serve the communities in which they work. They meet the financial needs of these geographic and sector-based communities by financing enterprises and individuals in productive and sustainable economies.

Long-term relationships. Long-term relationships with clients encourage a better understanding of their economic activities and the risks involved in doing business with them. Values-based banks establish strong relationships with their clients and are directly

involved in understanding and analyzing their economic activities and assisting them to become more values-based themselves.

Resilience. Long-term commitment facilitates outside disruptions. Values-based banks adopt a long-term perspective to make sure they can maintain their operations in the face of external disruptions. At the same time, they recognize that no bank, or its clients, is entirely immune to such disruptions.

Transparent and inclusive governance. Values-based banks maintain a high degree of transparency and inclusiveness in governance and reporting. In this context, inclusiveness means an active relationship with a bank's extended stakeholder community, and not only its shareholders or management.

Culture. All of these principles are embedded in the culture of a values-based bank. Values-based banks seek to embed these principles in the culture of their institutions so that they are routinely used in decision-making at all levels.

LITERATURE REVIEW

Scholars have been slow to include values-based financial institutions' leadership theory (Gladwin, Kennelly, & Krause, 1995). Since the late 1990s, sustainable design has grown as a field of study but there is much more opportunity for growth in this field of practice. As Kuhn outlined, the new paradigms tend to emerge without a full set of rules, standards, or understanding (Kuhn, 1962). Organizational science and the development of

management theory has disassociated human organizations from the environment and the full human community. This fact suggests that a logical expectation derived from traditional management theory is that organizations ultimately behave in ways that destroy their natural and social life-support systems (Gladwin et al., 1995).

It is a sobering fact that banking megamergers increase shareholder value, which is not passed on to the consumer through lower pricing (Lazonick & O'sullivan, 2000). Management theories historically position organizations to redistribute wealth from the poor to the rich, which is not sustainable. Because the world has limited resources, the inequitable distribution of wealth does not support an efficient distribution of resources (Gladwin et al., 1995). Furthermore, Gladwell challenges academic methods and incentives to accept a transdisciplinary approach in sustainable modes of inquiry (Gladwin et al., 1995).

As Kuhn has stated, paradigms tend to emerge without being fully recognized or respected, but that does not decrease the importance of the field. When Peter Drucker recognized the importance of management theory in the 1930s, his observations of the practice of management were not always well received by practitioners and academics. Sustainability as an academic field is still developing but is positioned to be the next evolution of management.

Banking on values and corporate sustainability requires a long-term strategic horizon, as the initial expense associated with sustainability initiatives may place the organization at a disadvantage in the short-term. The initiatives studied long-term indicates that any differences in competitiveness decrease over time. Also, cultural changes that are increasing expectations on corporate responsibility in society (Garcia & Rodriguez, 2007), support sustainable strategic positioning. The changing of societal expectations towards companies

they choose to business with may provide the Banking on Values financial institutions with a first movers advantage (Lieberman & Montgomery, 1988). Strategically working towards sustainability early in the market or paradigm shift should create a competitive advantage as other institutions try to catch up with market demands.

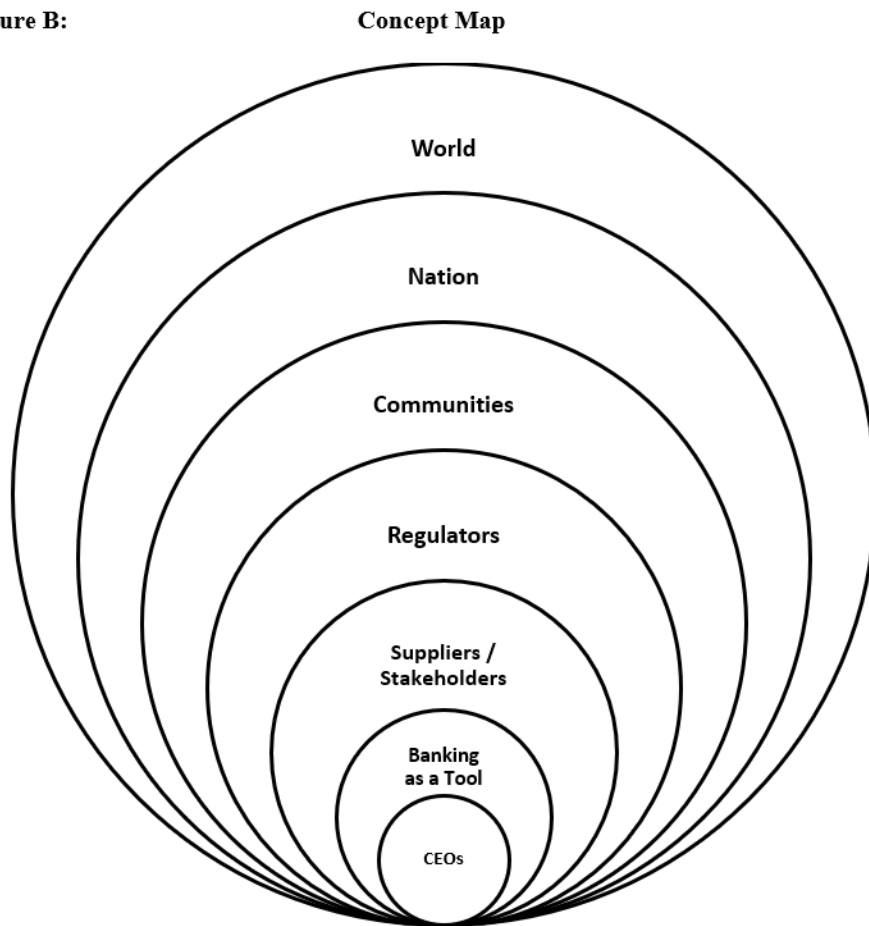
People occupy roles in an organization through various means including, physical, cognitive, and emotional states. The more frequently people draw on their selves to perform a role the greater their performance in that role (Kahn, 1990). Subsequent research focused on individual antecedents and performance-related outcomes relating to engagement (Rich, Lepine, & Crawford, 2010). This research was expanded to include shared perceptions of members of an organization that collectively invest their full selves in work roles (Hofmann & Morgeson, 1999). This collective motivational state can be highly contagious and can move throughout the organization (Pugh, 2001).

This contagion of collective motivation also supports the context of creating sustainable value through a shared vision. Global sustainability, for example, is a multi-dimensional concept based upon four sets of broad drivers that create value: (1) reducing consumption and pollution, (2) operating with a greater level of transparency as driven by civil society, (3) developing new disruptive technologies and (4) meeting the needs of those at the bottom of the pyramid (Hart & Milstein, 2003).

Conversely, research has been produced that concludes that there is no direct relationship between corporate responsibility and financial performance. Rather there is an indirect relationship relying on the mediating effect of the firm's intangible resources (Surroca, Tribó, & Waddock, 2010). These intangible resources include innovation, human capital, reputation, social capital, and culture. It is difficult to understand how bankers that

are not values-based understand the benefits of serving people and communities as a competitive advantage. Figure B depicts the opportunity for CEOs to change finance and return to banking based on relationships, trust, and building strong communities.

Figure B:



GAPS IN LITERATURE

Research has been completed on how values-based banks exceed the financial performance of other financial institutions(Global Alliance for Banking on Values (GABV), 2012), in all economic cycles. While Strong’s work is thorough and includes leadership aspects, the focus is on organizational transformation and innovation as a competitive

advantage. The current research examines how CEOs lead values-based financial institutions, across the expansive ecosystem in the concept map in Figure B.

RESEARCH DESIGN

Methodology

The purpose of the research is to gain a deeper understanding of how CEOs lead values-based financial institutions. A qualitative study was conducted that focused on member financial institutions of Global Alliance on Banking on Values (GABV), which is an association of 65 international financial institutions on six continents that focuses on banking on values. GABV's goal is to change the banking system so that it is more transparent and supportive of economic, social, and environmental sustainability. The research also included members of the Credit Union National Association (CUNA) in the United States.

There is little or no research focused on how CEOs lead values-based financial institutions. To allow my practitioner knowledge to be present while ensuring biases were acknowledged while conducting the research, an inductive inquiry was used to allow emergent theory to develop, (Edmondson & McManus, 2007). This approach required controlling my practitioner mindset in the analysis of the qualitative data to reveal the richness of the lived experiences of the CEOs to emerge.

The research methodology used was grounded theory, (Glaser & Strauss, 1967), which requires the collection, coding, and analysis to allow generation of emergent themes and theory. Memoing and notes after the interviews allowed for a greater understanding of the shared experiences and the connections relating to their experiences. This grounded theory research was further refined by, (Corbin & Strauss, 2014)and, (Charmaz, 2014)by

providing a systematic approach for discerning the connections and meanings in the data. The interviews were conducted, the audio transcripts were listened to identify emotional themes relating to their lived experience. The semi-structured interviews allowed for follow up questions that ensured understanding of how the cultural context and language were being communicated. The research methodology required that all participants spoke fluent English, but as expected many international participants spoke English as a second language. In these cases, as well as participants that spoke English as their first language, follow up questions allowed the researcher a deeper understanding of the cultural context and language of the experience being shared,(Charmaz, 2014).

Sample

During the research gaining access to the international CEOs became challenging as they have global researchers, think tanks, and journalists trying to access their knowledge, as identified in this paper. The initial “cold call” approach for requesting interviews with many of the most successful leaders in banking, was not effective. This is understandable, as the questions related to intimate leadership qualities and approaches. This realization led me to a different approach to work towards building trust and credibility in a new domain.

At this point, it would have been more efficient to interview CEOs only in my network and not to take the time to gain access to international leaders. After much reflection, it was clear that researching a global movement to change finance required the collection of lived experiences both in my practitioner network and internationally. After about a year of conversations and emersion in their network, Dr. Marcos Eguiguren,

Executive Director of GABV at the time, and the Board of Directors formally endorsed my research.

Table 1, summarizes the geographic location and the association affiliation of the CEOs interviewed. The sample consisted of 34 CEOs from 34 different financial institutions, which included banks, mutual banks, and credit unions on five continents. The CEOs interviewed lead financial institutions ranging from \$400 million to 60 billion Euros, with 200 to 9,000 employees.

Table 1: Sample Summary by Interviews

Country	Affiliation	Firms
Bangladesh	Global Alliance Banking on Values (GABV)	1
Canada	GABV	2
Switzerland	GABV	1
Mongolia	GABV	1
Netherlands	GABV	1
Italy	GABV	1
Nigeria	GABV	1
Australia	GABV	1
India	GABV	1
Nepal	GABV	1
Germany	GABV	1
United States	GABV & CUNA	3
	Credit Union National Association (CUNA)	19
	<i>Total Firms</i>	34

The sample consisted of 15 CEOs that are members of GABV, 19 members of CUNA, and three of those financial institutions are members of both associations. Twelve

countries are represented in the sampling. Table 2, summarizes how the interviews were conducted.

Table 2: Sample Summary by Interviews

Criteria	Characteristic	Respondents
Responsibility	Chief Executive Officer	34
Interview	Face-to-Face	8
	Web Conference Call	22
	Phone	4
	<i>Total Interviews</i>	34

Language restrictions in the research protocol did not allow the usage of interviews in Japan and South America. All CEOs invited the researcher to visit their organization and country for field research, but this was not possible due to the global pandemic.

Data Collection

Data were collected during seven months between July 2018 through January 2020. Semi-structured interviews of approximately 40 minutes to 1.5 hours were conducted with each CEO to provide data relating to how they lead their organizations based on values. The average time for the interviews was 60 minutes. The interviews were digitally recorded and were transcribed verbatim by a professional transcribing service. International interviews were directed to professional transcribers that were native to the CEO's first language. While the actual transcribed words were not altered, this process allowed for increased quality of the transcriptions. As mentioned in the Introduction section, the banking industry is being disrupted and there are a group of new leaders that are trying to change banking globally. The interviewer wanted to hear how CEOs lead values-based financial institutions. Listening

to CEOs share what motivates them and how they invest their time in leading a values-based organization could allow the emergence of a new phenomenon or pattern.

The interview protocol that was used during the research is presented in Appendix A. The interview questions were developed to better understand how the CEOs inspire organizational culture, how they communicate with different stakeholders, and provide a common vision for different internal and external groups.

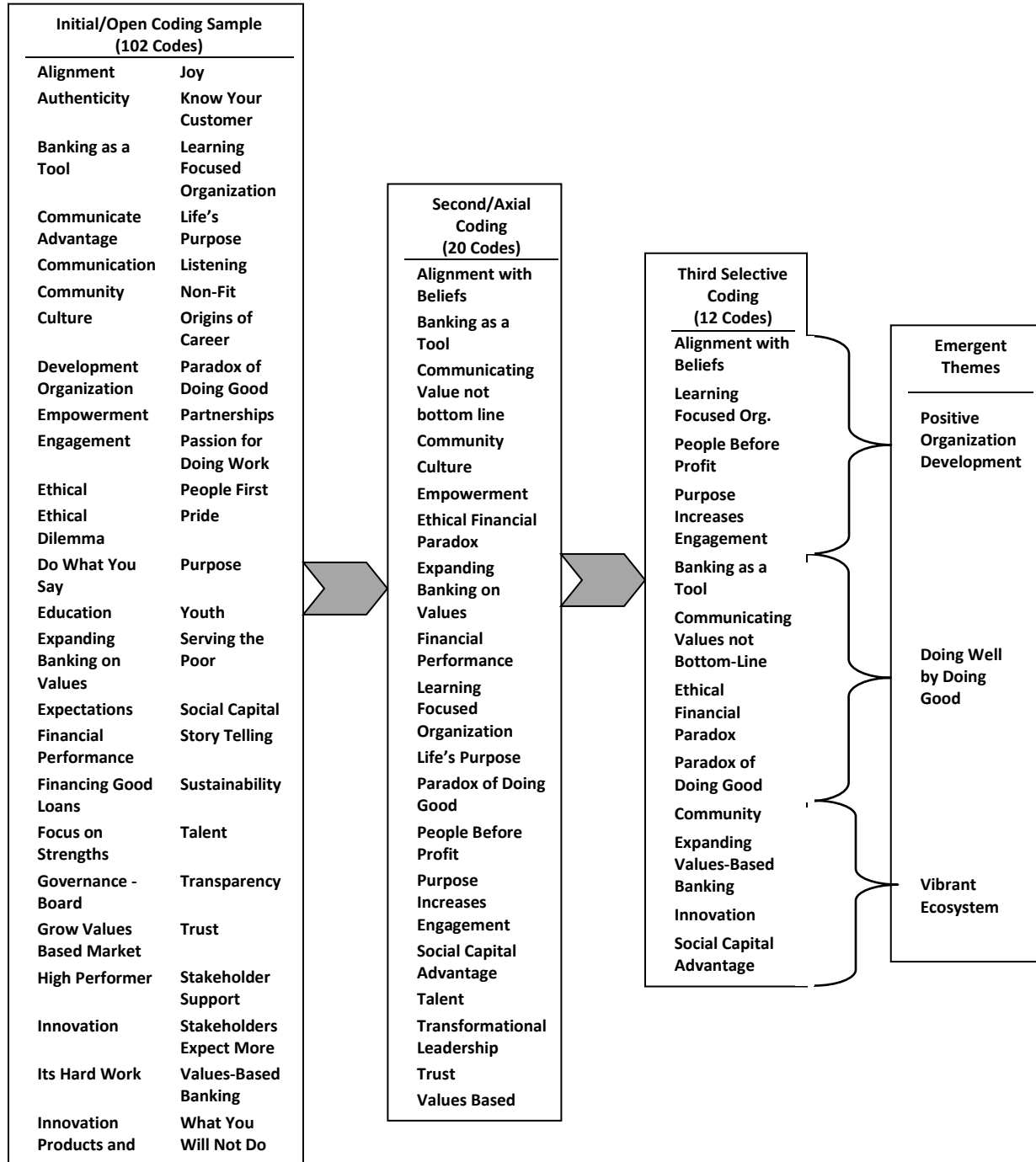
Data Analysis

The researcher did not take extensive notes during the interviews as 30 of the 34 interviews were conducted face to face or by video conference calls. Notes were made during the interview if there was certain emotion or emphasis placed on an answer or experience being shared. The intentional observations of the CEOs during the interviews allowed for a symbolic interactionism understanding of how the CEOs perceive meanings as they relate to their diverse constituents(Blumer, 1986). The printed transcripts were coded manually, with many readings of each interview(Saldana, 2015). This process included extensive notes in the margins and color-coding of different original open coding.

Subsequently, the manual codes were transferred to NVivo to better organize the data. Furthermore, the transcripts were further coded in the software to provide a further understanding of the data. The automated data coding enhanced the author's ability to retrieve and organize data, while the manual coding and memoing allowed for unencumbered observation and analysis. Using both processes increased the understanding of relationships and emerging phenomena.

The process of coding data was not initiated until much of the data was collected. The first stage open coding and subsequent iterative coding process were used for the analysis until theoretical saturation was reached and no new categories emerged(Corbin & Strauss, 2014).

Figure C: Coding Summary



Open coding was conducted following a line-by-line reading and re-reading of each transcript to capture the essence and richness of the codable moments in the respondents' voice, to evolve into themes. As an experienced practitioner, grounded theory methodology was used to control intrusions of perspectives, biases, and assumptions that I had during coding. While it is understood all assumptions could not be negated, constant comparisons of the data were used throughout the research process would also include raising a red flag inserting my thoughts into meaning(Corbin & Strauss, 2014).

The codable moments were entered in NVivo, assigning the first level of open coding. The second phase of coding called axial coding was carried out to further refine the categories of codes to evolve the process into the emergence of patterns and themes. The next process required selective coding which allowed an additional reduction into emergent themes. The 34 interviews provided 830 codable moments with 102 distinct codes in the open coding phase. These codes were refined into 20 categories in the axial coding phase, which were further reduced to 12 main selective categories. The selective codes allowed the emergence of three themes. Appendix B summarizes the emergent themes, including supporting themes and definitions. This document can provide an additional explanation of how the coding process formed the final themes and findings.

FINDINGS

This *Positive Organization Development*, Finding 1, is provided by the culture CEO focusing on a values-based approach rather than on the bottom line financial performance. The values-based approach includes placing people before profit. While this may seem to be common sense, the financial sector most often focuses on profit before people. The caring

approach to leadership increases engagement and provides a positive safe environment to explore and innovate.

Consistently the CEOs stated they are performing well during all economic cycles. These experiences demonstrate counterintuitively value-based financial institutions *Do Well by Doing Good*, which is Finding 2. Employee engagement, recruitment of the best talent, and customers wanting to be a part of an organization that is doing good increases the influence and financial performance.

The engaged stakeholder contributing to the culture expands well beyond the communities and the financial institutions, as the CEOs spend a significant amount of time and resources to create a healthy and *Vibrant Ecosystem*, Finding 3. The CEOs understand that expansion of sustainable markets will create a greater good, which requires the inclusion of competitors, regulators, and the broader financial services system. The intuitive understanding of inclusion for all is a surprise, as this strategy does not exist in the hyper-competitive, eat or be eaten merger mania financial services market.

Finding 1: Positive Organization Development

The interview data reveal the CEOs are constantly engaged in positive communications with boards, employees at all levels, executive leadership customers, community leaders, and industry competitors. The data reveals the CEOs spend much of their time communicating values, trust, and purpose. The CEOs lead by leaning heavily on their life's purpose and commitment to manage in a different way that makes a difference in the world. Table 3 provides CEOs' personal stories:

TABLE 3

Data Supporting Interpretations of Positive Organization Development	
<i>Theme</i>	<i>Representative Quotations</i>
Alignment with Beliefs	“And I think it's the value-based part of that that continues to be a driving force and a source of fulfillment for me personally. And that is, you feel good about getting up in the morning because you know you're going to come in and try and do something that will improve the lives of your members.” I-11 “The sense of fulfillment and satisfaction of helping people, and a huge source of satisfaction is when we take people out of lousy products and poor loans and abusive loans and put them, you know..” I-11 “Well, you really don't align people, people choose to align...Where tellers are being pressured to cross-sell their best. And Wells Fargo is the classic off the rails example. The people I think don't... their customers, their members are important to them and they serve them and they have a relationship with them. They don't want to offer them bad products. I think how people align to the credit union is, if we wanted to offer a bad product could never do it because the organization wouldn't implement it. Again, all right, you are held to a standard, tell us I'm not gonna do that. That's not fair to my member.” I-14
Learning-Focused Org.	“Say, for instance, we provide scholarships to the children of our clients. We do realize that a poor woman has to where have an aspiration and also a concern. The first concern is about the future of their children. The aspiration is about the future of their children and that future of their children is by education of their children. Many of them see that they are poor because they never had the benefit of formal education. That's what we would do.” I-4 “That piece is that we have a full-fledged institute led by a Ph.D. holder and there, they go through two weeks of presentation and all that. Then, they go to the field for fieldwork. They have attached branches, and they come back, and they are finally deployed. When they are deployed every week, every Saturday for the next nine weeks the older staff will be conducting a sort of course or training for them and eventually they are certified ...” I-4
People Before Profit	Speaking to a consultant about the bank. “And now what he was doing was avoiding the word that I don't avoid, and that is the word love. There are many, many kinds of love and when you say you care about your people or you have affection for your people. So he uses a different word but we love one another that my executive team and my senior management team, and as much as why does that circle can get, I hope that people know that I love them and I care about and they love me back.” I-13 “My style is really all about bringing out the best in people because I believe that, fundamentally, people are good, people want to do good things. They need a rallying cry to get around. And if they can get around that and feel that they can contribute, their spirit and their sense of self can be elevated through work and through purposeful work.” I-24 “And if you go back to sort of Scripture and the central themes of Judaism, Buddhism, Islam, all the central religions, it's really about caring for others, loving others, and they see that we're doing that and that sort of feels good to them.” I-24 “So, everything we do should be around, should create value to people. So we wanted to reach out to the marginalized community, so people should benefit. So, we should not do anything, which destroyed the environment, make damage, destroy the planted. #23
Purpose Increases Engagement	“And these folks, young and older, I think demonstrate a tremendous level of pride in what they do and why they do it, and how it helps them and their families. There's a lot of really good stories of people who have just grown, taken on more responsibility, been successful cause they're buoyed by a belief that their work is purposeful, the organization cares for them and the organization's going to be there to help them as they make mistakes and grow.” I-24 “We get a thousand people applying a month to our organization, probably hire 12 to 15 every month and we pass on a lot of really, really, really smart people and spend a lot of time on who we hire.” I-25

Finding 2: Doing Well by Doing Good

The data revealed that values-based banking is simply the way that banking used to be provided. Banking should begin with being close to the customers, knowing their businesses and market sectors building trusting relationships. One CEO stated that banking needs to return to the way it was 40 to 50 years ago. Knowing the customer, building trust, and understanding how to use information, knowledge, and understanding to mitigate risk and build a foundation for success.

The data also provided recurring examples of what the values-based banks would not do, more than an emphasis on what they would do. By turning down lucrative loans that hurt people, like shipbreaking activities that require the dismantling of retired ships, which have a high rate of injury and deaths in addition to environmental degradation in the county. Other lucrative businesses such as fossil fuels that harm the environment and tobacco products that do not support a healthy community are not provided:

TABLE 4

Data Supporting Interpretations of Doing Well by Doing Good	
<i>Theme</i>	<i>Representative Quotations</i>
Banking as a Tool	“I always begin by saying that BANK delivered financial services, but essentially it's not a purely financial institution. Genetically is a development organization.” I-4 “Doing bank with values, a part of the world is doing bank in an old-fashioned way, if you look back 40 or 50 years, being a banker means to really take care of your customers, and to really use money as a common good, because you share ... we are talking about sharing economy” I-2 “Through the university, I learned to look on the whole and the economics, and also just to an enterprise. These two fuse, that's helps me a lot. Of course, I learned that, when I joined BANK in 1977 so that banking is only an instrument, which should serve through your economy. Then I have already in my mind when I went to university.” I-3
Comm. Values not Bottom-Line	“So I do not drive this institution focused on numbers and I have to be aware of them and make sure that they're within certain parameters, but our real focus is trying to be more connected to our members and our communities to make our communities stronger and better and give our members a fair price for the services that we provide.” I-2. “So to give the example that I mentioned before, by stating we are, if you look at our statutes or our articles of incorporation, they say we're not here to maximize profits. We're here to do good. We're here not to do harm.” I-4 “Why would you want to be our customer even perhaps? It's because we're something more than just a commercial bank. Looking at us, we wanted to do well financially in every respect,

	but we also wanted to say, we do things differently. We care for people, we care for our environment, we care for our society.” I-31
Ethical Financial Paradox	“And I said, You're wasting your time. With all due respect, we're not going to do this. It's good for the credit union perhaps, but it's not good for the members so we're not going to do it.” I-4 “It's like a house with four pillars, and the four pillar are that governance, compliance, transparency, ethics. We said that this is what we'll use as the how to get to that vision of being the best in the country. And we wanted also to use it to motivate our people, to motivate our customers and to also create a branding differentiation between us and everybody else.” I-31 “From the beginning, transparency was a very important goal we had, and we publish every given loan besides private loans. We only published in the total amount, for what is used, and how many people get those loans. We are totally transparent, and that's the reason why our clients have their savings accounts, or current accounts with BANK because they want to know where the money goes.” I-3 “We feel that goes, does not match, it kind of goes in the same saying of like profit maximization, it sets the wrong incentives because if you have bonuses, you do what is right for the organization, not what is right for clients.” I-15
Paradox Doing Good	“Well, we're growing like crazy, if you want to look at our financials we're top performer over all ... our ROI's been over two percent. We're growing 10 percent member growth, I'm trying to drive my ROI down. The more I try and drive it down, it keeps on kicking back up because of the brand loyalty, the love, all that kind of stuff.” I-25 “Well, to me it was always trying to create something that confounded the notion that you had to screw people all the time in finance. Or the notion that poor people didn't pay their debt..” I-14 “Italy is a country where credit loss are incredible higher than the rest of Europe, and we have a credit loss percentage which is four time less than Italian market. We think that this is one of the reason. We really look in the face the people, and you got more information, and you know that in finance, information is reducing risk.” I-2 “Everything is going how it's forecast. It's not true. If you look at the theory, to lend money to a non-profit is more risky than an enterprise. It was the opposite, so it was quite funny.” I-2

Finding 3: Vibrant Ecosystem

The vision of the CEOs is to not vertically grow banking on value institutions but to horizontally grow and change the financial system through sharing and inclusion. The data surrounding this theme was consistent with profound CEO stories supporting their strategic reasons. One of the most interesting included a metaphor of a strong oak tree standing in a field is not as strong as an oak in a forest:

TABLE 5

Data Supporting Interpretations of Vibrant Ecosystem	
<i>Theme</i>	<i>Representative Quotations</i>
Community	"We want to add value to our society. We want to add value to our people, our economy. We're very, very concrete, we want to make a difference." I-31 "It was very clear that we were an organization that joined for a different line in the sense that we are very much environmental stewards, but ours is more around social justice and peaceful and prosperous communities." I-2 "We basically have to work to inspire people that we are working with in communities so it says you can do more harm than good if you say no to a borrower in the wrong way. If you tell them that they're worthless and I'm so smart, I understand the numbers and the rest of you are just worthless. It's worse than you had never engaged with them. The goal is to figure out how to legitimately instill confidence in people who have been beaten down and oppressed for their entire lives, largely." I-17
Expanding Values-Based Banking	"We regularly publish research, for instance, in how the social banks act better than the others, or we make talk, or there's somebody writing book, about how bad is the traditional financial system." I-2 "I personally spend somewhere between 40 and 50% of my total time in half for decades working to promote organizations that are not in any way part of BANK." I-17 "We more or less as BANK embarks almost everything and then I think that the more I participates in the activities, conferences and programs of the Global Alliance, I think the more that we'll continue to do and need their support, especially in the area of try to spread the concept, the values of their lands in Nigeria and in Africa." I-4 "And then local banks, our competitors, kind of envy for us and even those competitors went for triple bottom line mission. We were kind of along a unique path until five years ago, but now all Mongolian banks have signed so-called sustainable finance initiative, which is basically initiative to implement triple bottom line mission in Mongolian banking sector." I-5
Innovation	"I think that is the trick from a sort of economic entrepreneurial point of view. You are early adapter in markets. You do not stop if others come in, but you leverage of your, of effect that you were ahead of it, that you have the trust, you know certain things, and do not worry so much if others stay there sharing the pie as well, but relatively you take quite a lot." I-28 "So it gives you a unique opportunity, a chance to be creative, to explore, to be challenged and come out with some products and services for people in the environment which never existed before. So, it gives you more, I think, freedom for action. You are not kept within some boxes or standards." I-5
Social Capital Advantage	In reference to negative interest rates: "But then it was also means how do we, we need a form of income. That's the point where we are stronger afterwards as we have been before? Then we set up, we thought about, "Are our clients willing to pay an additional fee for our special services?" Then we call it, it's a fundamental fee, every client has to pay five Euros per month for the special purpose of BANK, just for this service. Then it was motivation, we lost 25 thousand clients, but at the same time we get more than 50 thousand new clients." I-3 "I think that is the trick from a sort of economic entrepreneurial point of view. You are early adapter in markets. You do not stop if others come in, but you leverage of your, of effect that you were ahead of it, that you have the trust, you know certain things, and do not worry so much if others stay there sharing the pie as well, but relatively you take quite a lot." I-28 "So, relatively, we've benefited a lot from the growing of the market. So you, from a now pure market economic perspective, it's actually quite interesting, if you're new in certain markets but you should not keep them for yourself, you should sort of share them with others, and the good thing about it is that the market then accelerates, because much more demand, multiple things are going to happen, and if you do it well, and you have the knowledge in your bank that you can actually relatively benefit a lot from that." I-28

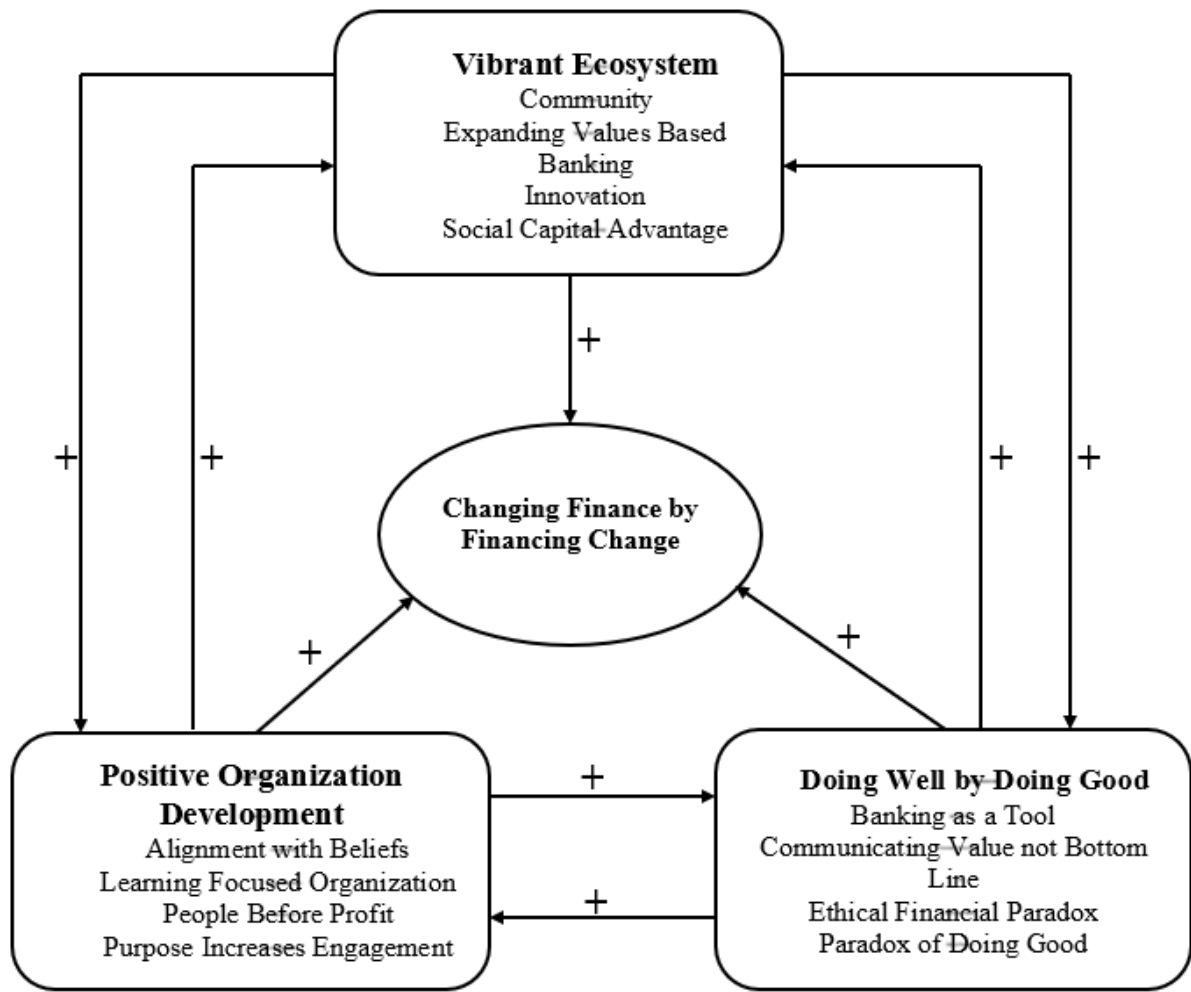
Summarizing the three key findings of the study; the *Positive Organization Development* provides a solid foundation for aspirational alignment and collective action; the *Doing Well by Doing Good* is an outcome of the purpose-driven model and engaged employees, and the *Vibrant Ecosystem* expands the values-based influence in changing finance by financing change.

DISCUSSION

The 34 values-based financial institutions CEOs were interviewed to increase understanding of how CEOs lead values-based financial institutions. All 34 of the CEOs interviewed lead complex cooperative financial institutions with innovative products and services. The data reveals a consistent positive dialog across all intersections of the organization and communities.

Positive Organization Development, Finding 1, is provided by the CEOs consistently focusing on a values-based approach rather than on financial performance. The consistently positive feedback to all stakeholders provides alignment with a personal and professional sense of contributions. These experiences demonstrate counterintuitively value-based financial institutions *Do Well by Doing Good*, which is Finding 2. The engagement of employees allows them to bring their whole self to work that leverages work to improve financial performance. CEOs spend a significant amount of time and resources to create a healthy and *Vibrant Ecosystem*, Finding 3. The CEOs understand that expansion of sustainable markets will create to include regulators, competitors, businesses, and vendors was communicated by a large majority of the CEOs. Listed in the conceptual map of the findings:

Figure D: Conceptual Model of Findings



Design Citation: Modified from
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The conceptual model in Figure D introduces the values-based banking ecosystem, based on the interview data, that depicts a more dynamic system than the author expected to discover in the research. At the beginning of the research, the CEOs' focus on sustainability and the environment was hypothesized to be the primary business model differentiation. While

sustainability is important, it is only part of a dynamic ecosystem that requires many parts to work together to change finance.

As noted in the conceptual map, to finance change and change finance, the values-based CEOs intuitively or with shared knowledge understand that they cannot do it alone. To change finance, the strategic focus should not be just to vertically scale your bank, rather it should be on horizontally scaling to include all stakeholders. The conceptual map depicts the three findings as positively reinforcing each other. The system's foundation is *positive organizational development* that creates culture, alignment of beliefs, and increased engagement towards a purpose.

The ecosystem metaphorically is like a three-legged stool, as the only way to change finance by financing change is for all three of the pillar findings to work together. The forces interconnecting the three pillars are positively reinforcing each other and expanding opportunities. If the CEO does not develop a positive organization, they are not likely to sustain performance. If the CEOs do not build social capital and market share, other financial institutions may not enter the values-based approach. If competitors do not expand the values-based lending markets, the ability for the values-based CEOs to leverage their first mover's advantage is reduced.

Banking needs to change:

The rapid consolidation of banks and credit unions and the significant reduction of community financial institutions have positioned large banks to focus on profit, as profit increases with a merger, but not prices (Van Esterik-Plasmeijer Pauline & Van Raaij, 2017). The consolidation represents at least a 55 percent reduction or 17,000 financial institutions in

the last 30 years according to the National Credit Union Administration (NCUA) and the Federal Deposit Insurance Corporation (FDIC). The consolidation continues to decrease branches in smaller communities and is reducing access to trusted bankers in underserved areas.

According to Gallup, confidence in banks has been slow to recover after the great recession and remains low. The decrease in financial institutions and trust not improving provides an opportunity for values-based financial institutions to change finance.

Banking as an Agent of World Benefit

The rapid consolidation of financial institutions and the drive for profit at all costs has created an opportunity to pivot and use finance as a tool for change. The Global Alliance on Banking on Values (GABV) focuses on six key attributes that the CEOs use to align stakeholders toward a collective vision of a better future.

This excitement and engagement provide a clear example that there is a paradigm shift in the intrinsic and extrinsic values that potential and current employees demand of who they work for and who they do business with. This model and purpose are the secret weapon for businesses to be an agent of world benefit.

LIMITATIONS

The original research design was to include GABV member CEOs on six continents to participate in the research. While 15 of the CEOs are GABV members, the constraints of the pandemic created challenges for connecting with the CEOs to conduct the interviews. I accessed my network of credit union CEOs to reach the saturation level of the data. Credit unions are financial cooperatives that are values-based; however, the majority of the CEOs

interviewed in the United States support all principles of values-based banking, except for the sustainability of the environment. Several of the CEOs did actively have environmental sustainability embedded into their culture. As values-based banking continues to spread the environmental sustainability will continue to expand in the United States market.

A limitation of this research also was that no delineation of gender, age, or nationality was included in the research. During the research, an emergent theme was seven women CEOs were interviewed and they consistently communicated and managed differently. My experience in the industry required self-awareness to listen as a scholar rather than a practitioner. Deliberate caution was applied to remain neutral about the risk of researcher bias by providing open-ended questions to elicit the lived experiences from the research participants(Corbin & Strauss, 2014).

IMPLICATIONS

The discussion section represents a challenge for scholars to research this relatively new field and deepens the understanding of how banking can evolve with businesses and consumers' expectations. The stakeholders in this research demonstrate value-based financial institutions can be an agent of world benefit. The discussion session provides a working framework for change. The opportunity to reinvent the financial system, a framework for building a values-based organization is provided, and reasons to move with societal expectations for the business, based on theory and the evolution of management is outlined.

Finally, I provided a presentation of these findings to business leaders in my area on request and there were no bankers present. The findings and path to conducting business in a new way were fully supported across the audience, as many are already moving towards this

new paradigm. The values-based approach is generalizable to all industries. Financial services have an opportunity to serve these emerging businesses by funding these businesses and financing change to change finance.

FUTURE RESEARCH

To address the small sample of women leaders in my study, future research could investigate whether woman leaders are better prepared than men to move traditional financial institutions towards the coevolution of techno-socio systems to arrive at a new dimension. A longitudinal study could be conducted to measure stakeholder feedback and financial performance. There is extensive research demonstrating the difference in women's and men's leadership effectiveness and styles(Eagly, 2007). Men often default to problem-solving and focusing on a key strategic direction or solution. Women leaders have shown a capacity to communicate more effectively, grasp many potential outcomes, and have greater flexibility when implementing technology and organizational design.

What is the phenomenon of the paradox of tensions between regulators and values-based CEOs? Banking on Values requires innovation and entering emerging markets and green industries that need access to capital. Creating new lending products for new markets can create regulatory tension that needs to be managed.

CONCLUSION

The opening quote of this paper by Victor Hugo reveals the contribution of this research *“Nothing in this world is so powerful as an idea whose time has come.”* The financial services industry continues to consolidate at a rapid pace, trust in banks remains

low, removal of trusted financial services in communities that need capital to grow businesses and provide opportunities for their families. As one CEO stated there has to be a better way than trying to extract money from every person's pocket. This research has inspired this researcher and practitioner to research this area further and share the story with others.

My approach to this research and as the scholarly methods required, I trusted the data. The finding of *Positive Organizational Development* was not expected as it requires the consistent intensity to be effective. The second finding of *Doing Well by Doing Good* was much more dynamic and interrelated to culture, motivation, and engagement than expected. The third finding of the CEOs spending much of their time speaking to extended networks, stakeholders, and competitors as a strategic initiative to change finance by financing change was completely unexpected and counterintuitive. My research and my practitioner experience did not prepare me to the hypothesis that finding. But the data is clear and supports the metaphor of the oak tree standing alone in a field. There is greater strength in a forest and expanding the value-based market allows for expanded opportunities.

Appendix A

Interview Protocol Interview Questions

Introduction (interviewer): “Hello (name _____). Thank you so much for taking the time to meet with me today. I’m really grateful. Before getting started, there are a couple of things I would like to cover.”

Purpose and Format for the Interview (Interviewer): “As a current student in the Case Western Reserve University Doctor of Management (DM) program, I am interested in developing a greater understanding of how CEOs lead values-based financial institutions. I will ask you a series of open-ended questions on this topic, and I will also ask one or more follow-up questions as you respond. The interview will last approximately 60 minutes.”

Confidentiality (Interviewer): “Everything you share in this interview will be kept in strictest confidence, and your comments will be transcribed anonymously – omitting your name, anyone else you refer to in this interview, as well as the name of your current organization and/or past organizations. Your interview responses will be included with all the other interviews I conduct.”

Audio Taping (Interviewer): “To help me capture your responses accurately and without being overly distracting by taking notes, I would like to record our conversation with your permission. Again, your responses will be kept confidential. If at any time, you are uncomfortable with this interview, please let me know and I will turn the recorder off.”

“Any questions before we begin?”

Part 1 – Initial / Background Questions:

1. Please tell me what desires or goals that brought you to this organization?
 - a) Can you provide a summary of your career and what lead you to the CEO position at a values-based banking financial institution?

Sample probing questions:

- *How did your childhood, education or career experiences affect your direction?*
- *Tell me more about that experience..*
- *Did you expect to be leading this type of organization?*

- b) Did you move the bank/credit union to a values-based banking strategic position?

- c) What aspects of your role to you find the most enjoyment?

Sample probing questions:

- *Can you share additional examples of experiencing joy and fulfillment in what you do?*
- *How does your joy affect the people around you?*
- *Can you provide a story around this interaction?*

Part 2 - Lived Experience in Leading a Values-Based Financial Institution

- 1) Describe an initiative that brought you to your core in terms of a struggle between your principles and a business decision?

Sample probing questions:

- *How difficult was it for you to decide what to do?*
- *How were others involved in the decision?*
- *Can you describe how this decision affected your culture?*

- 2) Please describe a time that you built a strategic partnership with an external organization, or a long-standing important partnership, and the partner began conducting themselves in a way that did not support your core principles. How did you respond to or handle the situation?
- 3) Describe an impactful partnership that you are most proud of that has yielded exponential results that you did not anticipate?

- 4) Banking on values seems to be in opposition to most of the competitors that focus on profit? Why is your organization heading in a different direction?

Part 3 – Stakeholder Value

1. How do you create a vision of a successful triple bottom line focused organization, that inspires your stakeholders towards a shared vision?
 - a. Shareholders / Members?
 - b. Board of Directors
 - c. Management team?
 - d. Employees?
 - e. Strategic partners?
 - f. Communities?
2. How do you balance the conflicting demands of multiple stakeholders during difficult times, and keep them moving together towards a different future?

Part 4 - Organization and change:

3. Human capital and organizational development
 - a. Provide an example of a highly passionate model employee that has made a significant impact on your organization? What attributes make this employee special?
 - b. Provide examples of employees that may not fit or support the core principles, and how the organization responds to this possible misalignment?
 - c. Does the bank/credit union focus on improving employee and organizational weaknesses or focusing on building strengths?
 - d. Provide examples of how your team develops new ideas, makes decisions, and implements the solution?
 - e. How would you rate the success of your organization's innovation initiatives and speed of change?

4. Communication:
 - a. Provide a challenging public relations experience that was not positioning your organization in an honest context? How did you address the miscommunication of the organization's true values?
 - b. Provide an example where your bank/credit union received remarkable coverage for your good works?
 - c. How do you communicate a vision of a successful triple bottom line focused organization, that inspires your stakeholders towards a shared vision?
 - d. If you were not positioned as a values based bank, provide examples of how you think the organization's culture or performance may be different?
5. If you could start a financial institution, knowing what you know now, would you do anything differently? If so, what?
6. Is there anything that you would like to add in regard to this interview?

Thank you very much for your time and for sharing your experiences with me. In the event that I have a need to clarify some your responses, would it be okay for me to give you a short follow up phone call?

Appendix B

Themes and Extended Sub-themes with Definitions

Theme	Definition
Extended Sub-themes	(Derived from Informants' Interview Data)
Positive Organization Development	Treating people with respect, dignity and aligning all stakeholders in a purpose driven organization increases happiness and engagement.
Alignment with Beliefs - Transformational Leadership - Life's Purpose - Learning Focused Organization People Before Profit - Culture - Empowerment - Talent Purpose Increases Engagement	People are looking for purpose-driven organizations that improve the world The recognition that the evolution of management requires making a difference Experiences during childhood, development work, education inspire leadership Consistent investment in learning and education at all levels. Treating people with respect and dignity, leveraging diversity and inclusion of ideas provides a solid foundation for innovation and learning. Living the values, doing what is right, being fair and encouraging each other creates a powerful platform for change Listening, decision-making authority, and acceptance of failure increases trust Values Based banking attract and retains the most talented team Values based purpose is an attractor they draws like minded people to change the world
Doing Well by Doing Good	Sustainable resiliency and financial performance through all economic cycles demonstrates a better way
Banking as a Tool Communicating Values not Bottom Line Ethical Financial Paradox Paradox of Doing Good - Financial Performance	Development organizations realized the best way to improve society and provide access to capital was to start an ethical bank. Talking only about values, not numbers, improves engagement and performance Rather than extracting profits at all cost, leading with ethics increases profits Treating people, the planet and communities well improves financial performance
Vibrant Ecosystem	CEOs are focused on creating a healthy ecosystem that improves the lives of employees, customers, vendors, communities and the global banking systems.
Community Expanding Values-Based Banking Innovation Social Capital Advantage - Trust - Valuesholders	Building strong communities, businesses, environment and the real economy A counterintuitive understanding by financing change, they can change finance Entering new markets, e.g., green energy, requires innovative products and services Making a difference in the community builds a connection and exponential impact Transparency, doing what you say, and doing what is right builds trust Stakeholders are all people, businesses, regulators, competitors and communities that are impacted by the activities of the values-based financial institution.

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