Copyright Statement

Hidden in Plain Sight – An Analysis of the Influence of Strategic Leadership Characteristics and Styles of the Chair, Chair/CEO, CEO and CFO in Banking Failure, Recapitalisation or Bailout 19992017. A Grounded Theory Approach

By

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Dedication

To my family: Richard, Katy and Martha, with all my love and gratitude.

Declaration

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award without prior agreement of the Doctoral College Quality Sub-Committee. Work submitted for this research degree at the University of Plymouth has not formed part of any other degree either at the University of Plymouth or at another establishment.

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Signed ………**……………………………………………………………..**

Date…………17 Sep 2019……………………………………………………………

Alison Louise Miles

Abstract

The global financial crisis (2007-2009) caused the most severe global economic downturn since the Great Depression and in the 10 years since, the global banking sector has witnessed an onslaught of banking scandals such as: LIBOR, FOREX, money laundering, and tax avoidance. In the wake of these ongoing issues, there is a clear need to explore alternative methods to tackle failures and scandals in the banking sector.
A key weakness in the current discourse is the lack of analysis of the leadership characteristics and styles of board members of leading banks.

This study responds to this weakness, contributing in three principle ways. Firstly, by extending the use of grounded theory, it investigates the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the 30 largest banks by market capitalisation with autonomous boards (taken from the Banker Top 1000 banks 2017), and those of the 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999 – 2017) and presents a substantive theory of 'Strategic Leadership Influence in Banking'. Secondly, it adds to the strategic leadership debate finding successful leaders exhibit characteristics and traits of more than one leadership style. Thirdly, the research adds to the conversation on shared leadership by analysing the relationship between the Chair, Chair/CEO, CEO and CFO, which is found to be an influencing factor in banking failure, recapitalisation or bailout.

In highlighting the influence of leadership characteristics and styles in banking failure, the research also provides a useful risk analysis tool for policy makers and regulators as they attempt to avoid future banking collapses.

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Part I

Introduction and Review of Literature

Chapter 1

Introduction to the Thesis

> 'Banks do not create money for the public good. They are businesses owned by private shareholders. Their purpose is to make a profit.'
>
> (Rogers, Scotti and Wright, 2014)

1.1 Introduction

The banking sector is complex, volatile and significant to the global economy (topping 7.7 trillion Euros in the 4th quarter of 2017[1]). Despite the recovery from the global financial crisis (GFC) of 2008–2009,[2] ongoing scandals and the fear of future crises continue to be of concern to the UK Government, regulators and the Banking Standards Board.[3]

In 1997, a conference was organised by the Federal Bank of Chicago and the Economic Development Institute of the World Bank. It included 120 participants from 36 countries, representatives from central banks, experts from the World Bank and the International Monetary Fund (IMF). Its purpose was to learn lessons from the previous 15 years of banking failures in order to avert future crises. It failed. Fast forward 10 years and the sector saw the greatest economic downturn since the Great Depression (Wilmarth, 2009, 2016). In the 10 years since, it continues to be embroiled in scandal including LIBOR, FOREX, ISDAfix, mis-selling, money laundering, tax avoidance and industrial espionage. An attempt to improve banks' market discipline (Claessens, 2006) has led to reforms by international agencies, i.e. the Basel Committee on Banking Supervision (BCBS), the Organisation for Economic Cooperation and Development (OECD) and the Report on the

[1] https://www.statista.com/statistics/265135/market-capitalization-of-the-banking-sector-worldwide-since-2004/
[2] https://www.ey.com/Publication/vwLUAssets/ey-global-banking-outlook-2018/$File/ey-global-banking-outlook-2018.pdf
[3] http://www.westminsterforumprojects.co.uk/publication/financial-services-17

Observance of Standards and Codes (ROSC). However, it is clear that past reforms have done little to curb future banking losses and scandals.[4] This research calls for an alternative lens through which to view banking failure (Ball, 2009).

The academic and policy work concerning the GFC predominantly focusses on the role and complicity of the banking sector (Crawford, 2011; Kakabadse et al., 2010a; Wilmarth, 2009), together with the complexity of the financial markets (McFall, 2009). The dominant theme suggests the causes of the crash were a combination of globalisation, financial sector innovation, moribund regulation, short termism and interconnectivity (Crawford, 2011). There was a genuine belief by banks and regulators that they had overcome the problems of past crashes with the development of new financial products allowing the distribution of risk. This was ultimately proved wrong and instead the world saw a classic credit and asset boom with excessive lending and leverage (Buiter, 2007).

Governments and regulators, rather than giving a helping hand to ease market failures, are often seen as giving a grabbing hand for political gain (Shleifer, 1998). Regulation is needed (La Porta, Lopez-De-Silanes and Shleifer, 2002), but as recent events suggest, regulation and recapitalisation measures do not curb banking failures (Goodhart and Schoenmaker, 2009) and instead result in increased complexity of decision making, as vocalised by Jes Staley (CEO Barclays 2015 to date) at the World Economic Forum 2016 in his statement: ‘Which law to do you want us to break?’ In this context, it is hard to believe that regulatory reform will succeed when it has failed so enormously and repeatedly in the past (Boone and Johnson, 2010).

This thesis calls for an alternative perspective on banking failure, recapitalisation or bailout arguing a key weakness in the current discourse is a lack of understanding of the

[4] https://www.parliament.uk/business/publications/research/key-issues-parliament-2015/economy-public-finances/regulating-banks/

influence of leadership characteristics and styles of board members leading banks pre -, during and post failure, recapitalisation or bailout. There is a need to open the debate on this issue, finding support from the World Economic Forum 2017, which focussed on responsive and responsible leadership.

Banking collapses, bailout and recapitalisation are nothing new. There have been over 400 documented since the Medici bank was the first to be recorded in 1494 (Laeven, 2011). Following the GFC and fuelled by subsequent scandals over the mis-selling of PPI insurance and manipulation of LIBOR, media attention has focussed on blaming the bank leaders, condemning them as greedy 'banksters' and giving them nicknames and monikers such as 'Fred the Shred' (Sir Fred Goodwin, former CEO of RBS (Martin, 2013)) and 'Mack the Knife' (John McFarlane, after his cost-cutting days at Citibank[5]). It is therefore strange that the leadership characteristics and styles of those at the top of the banks has not been the subject of academic scrutiny. This thesis addresses this major gap in both the literature and empirical studies.

Emerging literature, including parliamentary[6] and treasury reports into the banking sector (McFall, 2009) start to explore the issues of leadership influence. The Parliamentary Review into HBOS states that 'managers bear a disproportional share of the responsibility for what transpired'[7] and Mintzberg (2009) argues that the GFC was not so much a financial crisis, as a management one. However, the focus of those tasked with averting future crises remains on prescriptive, adapted historical policy measures in an attempt to secure financial stability and protect shareholder interests, rather than looking more closely into the influence of the board leadership as a potential cause of failure.

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[5] http://www.wsj.com/articles/john-mcfarlane-barclays-braced-for-mack-the-knife-1426172628
[6] www.publications.parliament.uk/pa/jt201213/jtselect/jtpcbs/../144.pd; www.publications.parliament.uk/pa/jt201213/jtselect/jtpcbs/.../144.pd
[7] www.publications.parliament.uk/pa/jt201213/jtselect/jtpcbs/.../14402.htm

The subsequent review of literature (Chapter 2 below) to date shows no robust academic studies addressing board leadership influence in banking failures, recapitalisations or bailouts. There is also a dearth of research considering whether large banks differ from other global corporations and if so, whether they require a different set of board leadership characteristics or styles.

This lack of research represents a major gap in the literature and this thesis argues that unless issues of board influence in banking failure, recapitalisation or bailout are considered, it is impossible to say whether the current regulatory reforms will be effective or just result in ‘ring jumping’ by boards to avoid regulatory restrictions. Until this is addressed, we are likely to move forward into the next crisis (Kindleberger and Aliber, 2011).

1.2 Aims and Objectives

The overall aim of this thesis is to investigate the leadership characteristics and styles of the board members (Chair, Chair/CEO, CEO and CFO) leading the world’s largest banks, and to consider their influence in banking failure, recapitalisation or bailout in order to develop a substantive theory of the strategic leadership influence on banking failure, recapitalisation or bailout. Further aims are to contribute to the existing literature on strategic, heroic and post heroic leadership theories, and grounded theory methodology. Specifically, the research objectives are:

To review the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the 30 largest banks by market capitalisation (the Banker Top 1000 banks 2017) and those in the 17 largest banks by market capitalisation to fail, need recapitalisation or bailout (1999–2017) in order:

i. To increase knowledge and understanding of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the 30 largest banks.

ii. To develop and test a theoretical model to explore leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in these organisations.

iii. To explore whether specific leadership characteristics and styles are influencing factors in banking failure, recapitalisation or bailout during the research period.

iv. To develop a substantive theory of strategic leadership influence in the banking sector.

1.3 Methodology and Data Collection

This thesis addresses the gap in extant studies through the longitudinal analysis of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO of the 30 largest banking institutions (by market capitalisation) with board autonomy, as identified by the Banker Top 1000 banks 2017[8] from 1999–2017, and the 17 largest banks to fail, need recapitalisation or bailout during the same time period using a grounded theory approach.

The Chair, Chair/CEO, CEO and CFO are identified using secondary data from annual reports. Speeches, triangulated with analyst transcripts, parliamentary, treasury and federal inquiry reports are then collected longitudinally from 1999–2017. The same process is carried out for 17 of the largest banks that failed, needed recapitalisation or were bailed out during the same time period.

The data is then analysed using systematic, line by line content analysis combined with open, axial and selective coding units adapted from grounded theory (Strauss and Corbin, 1994) which is then linked to traditional and emergent leadership theories in order to determine the leadership characteristics and styles of the board members in the study. Content analysis was chosen at this stage as it increases credibility (Krippendorff, 2012) and enables large amounts of data to be analysed in a systematic fashion (Elo and Kyngäs, 2008). The

[8] The list of banking institutions are listed in Appendix 1

results are then tabulated to form a picture of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the banks during the research period (1999–2017). The resulting substantive theory of strategic leadership influence on banking failure, recapitalisation or bailout captures the complexities of real life by providing a structure where the leadership phenomenon is embedded in the context of the sector and takes account of the actions and interactions of the global banking environment.

1.4 Overview of the Thesis

This thesis is divided into ten chapters.

Chapter 1 (above) outlines the thesis in terms of the research problem, the nature of the phenomenon and the research objectives. It briefly highlights the research methods and outlines the building of the substantive theory.

Chapter 2 presents the integrative literature review and is divided into two parts: Part A provides an overview of the banking sector and then reviews the literature covering reasons for banking failures and crises. This part highlights the special features of banks and the complex issues faced by policy advisors tasked with preventing and dealing with banking failures, recapitalisations or bailouts. In Part B, extant theoretical and empirical leadership research is reviewed and shows the influence of strategic leadership, together with the shared leadership dynamics between the Chair, Chair/CEO, CEO and CFO in banking failure, recapitalisation or bailout is a key but neglected issue.

Chapter 3 (the first chapter in Part II) identifies the research problem within the complexity of the banking sector. It justifies the use of grounded theory as an appropriate methodology to answer the research question before discussing the development of the substantive theory of ‘Strategic Leadership Influence in Banking’.

Chapter 4 explains the rationale of the selection of the Strauss and Corbin method of grounded theory, selected as it provides flexible strategies that may be adapted as the inquiry proceeds. The chapter details how grounded theory was developed at the data analysis stage to allow for the incorporation of extant leadership theories in the development of the substantive theory.

Chapter 5 identifies the research propositions and presents the building of the grounded theory model. It outlines the data collection and analysis process which in grounded theory is carried out simultaneously but is shown in this thesis sequentially for clarity. The chapter justifies the use of secondary data sources (annual reports, analyst conference transcripts, parliamentary, treasury and federal inquiries and press releases) to answer the research question and outlines the sampling process, which in grounded theory is used for theory construction rather than for ensuring a representative sample as per other methodologies.

Chapter 6 represents the first chapter in Part III of the thesis and considers data analysis. The chapter begins with a discussion of methods appropriate for dealing with secondary data before justifying the use of discourse and document analysis. The chapter finishes with details of the open coding process and category development.

Chapter 7 justifies the axial coding process together with the link between the open and axial coding stages. It describes how the data, which was fractured in the open coding stage, is reassembled to form the paradigm model. The chapter outlines this process, detailing the causal conditions, context, intervening conditions, action/interaction strategies and consequences that make up the paradigm model of strategic leadership influence in banking. It then explains the next stages of theoretical sampling – relational and variational (outlined in Chapter 5) – before finishing with the details of how the leadership characteristics and traits were coded.

Chapter 8 shows the selective coding process which focusses on refining and integrating the categories determined at the axial coding stage (above) and represents the final stage of the grounded theory analysis. The chapter begins with the identification of the properties of the core category, outlining the process used to link it to the subcategories by further use of the paradigm model. In the selective coding stage, the axial coding categories of 'banks', 'leaders' and 'decision making' are linked to leadership characteristics through the paradigm model. The chapter details the final stage of the adapted grounded theory process, verifying how the findings from the analysed statements are linked to extant leadership theories. The chapter presents the findings of the data analysis together with the identification of the core category which is found to be 'Strategic Leadership Influence in Banking', and verifies it within the context of paradigm model. The chapter finishes with an outline of the substantive theory of the influence of strategic leadership on banking failure, recapitalisation or bailout which answers the research question 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout (1999–2017)? The findings show a prevalence of leadership characteristics and styles within the Chair, Chair/CEO, CEO and CFO in the sample banks, and find this is different in those banks that failed, needed recapitalisation or bailout. They also highlight the importance of the mix of leadership styles within the shared relationship between the leaders in each bank.

Chapter 9 explores the relevance of the substantive theory of 'Strategic Leadership Influence in Banking' in the light of the extant leadership theories. Explaining the substantive theory in this way does not make a formal theory but formalises the substantive theory. The substantive theory is interpreted in terms of extant leadership styles, showing prevalent leadership styles in the sample banks. Significantly this interpretation finds leaders with characteristics suggesting a dominant style but also characteristics suggesting a secondary style. For example, Jamie Dimon (Chair/CEO JP Morgan) is found to have dominant characteristics found in charismatic leadership and secondary ones found in transactional leadership. This pattern of dominant and secondary styles is replicated through the data set. The interpretation of the substantive theory with existing literature shows a clear difference in the leadership styles of those leaders in banks that failed, needed recapitalisation or bailout, and those that did not. The chapter finishes by restating the substantive theory within the existing literature.

Chapter 10 is the final chapter of the thesis and provides an overall summary together with the contributions and limitations of the study. The significance of the influence of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in banking failure, recapitalisation or bailout is found to be a significant and hitherto neglected issue in academic and policy discussions alike. The chapter argues that this thesis extends the existing theoretical and empirical literature concerning strategic leadership by contributing to the 'heroic' theories of charismatic, transformational, transactional, and significantly providing an empirical, longitudinal study of authentic leadership characteristics. It significantly contributes to the 'post heroic' theory of shared leadership through the analysis of the shared relationships at board level. It is also shown to contribute to the leadership and corporate governance literature showing the significance of the relationship between the Chair, Chair/CEO, CEO and CFO when looking at risk factors for banking failure, recapitalisation or bailout.

The thesis has practical and policy contributions showing the significance of leadership styles in the risk of banking failure, recapitalisation or bailout and provides a new lens through which policy makers and regulators can view the issues of banking regulation and risk.

Chapter 2

Literature Review

This chapter covers the review of literature used to inform this study. Part A outlines the methodology for the review together with the context of the banking sector. It covers the causes of banking failures, financial crises and leadership in banking. Part B evaluates extant literature informing the theoretical basis of the research, covering strategic leadership/upper echelon theory and trait-based leadership perspectives. It finishes with the identification of the initial research question.

Part A The Context of the Banking Sector, Banking Failures, Financial Crises and Leadership in Banking

2.1 Introduction

This part lays the foundation for the research. It begins by discussing the context of the banking sector before evaluating the extant literature concerning the causes of banking failure and financial crises. It presents the methodology for the review and identifies the influence of board leadership in the banking sector as an important but neglected issue.

2.2 Methodology of the Literature Review

The purpose of this part is to complete an integrated review of literature in order to understand the current scholarly and policy narrative concerning the reasons for banking failure.

An integrated literature review systematically reviews, critiques and synthesises the representative literature on a topic in such a way that new frameworks and perspectives are generated (Torraco, 2005). It is characterised by a concentrated focus on a broad topical area (Callahan, 2014).

As this thesis is concerned with the influence of leadership characteristics of the Chair, Chair/CEO, CEO and CFO in banking failure, recapitalisation or bailout, a broad review of literature covering streams of work on banking failures, banking crises and leadership in banking was conducted using an interdisciplinary approach (Shuck, 2011). As the narrative concerning banking failure is formed from both policy and academic sources, documents from both areas were considered.

The search utilised the ScienceDirect, JSTOR, and Academy of Management databases, together with an independent search of key journal and policy publications using the keywords ‘banking failure’, ‘financial crises’, ‘leadership risk’, ‘strategic leadership in banking institutions’, ‘leadership in financial services’, ‘strategic leadership’ and ‘leadership characteristics and styles’.

Articles were identified with the keywords in the abstracts, title, introduction and conclusions. The search was conducted in 2013 and again in 2017 to ensure currency of the literature.

2.2.1 Article Identification

The initial search of the databases generated several hundred articles for review. These were then screened for relevance by reviewing each against the keywords above (Torraco, 2005). Conference papers and those relating to specific industries outside financial services and banking were discarded and relevant articles saved for further reading. Screening of abstracts, introductions and conclusions for relevance to the study was completed and those papers found to be useful to the research were then analysed. For this stage, the collected literature was read and organised using open coding and constant comparison (Glaser and Strauss, 1967) in order to identify distinct characteristics (Merriam, 2002). Influential works, definitions and contributions were noted in a field notebook (Shuck, 2011). The articles were then synthesised and the following categories developed: ‘banking failure and causes’, ‘leadership and risk management in banks’, ‘financial crises and causes’, ‘strategic leadership’, ‘trait-based leadership perspectives’ and ‘leadership theories’.

The details of the search and findings are found in Table 2.1 below:

Table 2.1: Details of the literature review search findings

	Categories from keyword search	**Reviewed number of articles**	**Academic journals**
	Banking and financial institutions literature:		
1	Banking failure and causes	118	*Organisational Studies*; *International Journal of Banking and Finance*; *Journal of Banking and Finance*; *Journal of International Financial Markets*; *Journal of Finance*; *Journal of Money, Credit and Banking*; *Corporate Governance an International Review*.
2	Leadership and risk management in banks	24	*Journal of Finance*; *Journal of Financial Economics*; *Journal of Financial Services Research*; *Journal of Banking and Finance*; *Journal of International Money and Finance*; *Management Science*; *Journal of Financial Stability*.

	Categories from keyword search	Reviewed number of articles	Academic journals
	Banking and financial institutions literature:		
3	Financial crises and causes	89	*Journal of Banking and Finance*; *Journal of International Money and Finance*; *Journal of Monetary Economics*; *Journal of Financial Economics, Economic Policy*; *American Economic Review*; *Journal of Risk and Insurance*; *European Accounting Review*; *Corporate Governance an International Review*.
	Leadership literature:		
4	Strategic leadership	90	*Leadership Quarterly*; *Academy of Management Journal*; *Journal of Management*; *Journal of Business Ethics*; *International Journal of Business*; *Strategic Management Journal*; *Leadership*; *Leadership and Organisational Studies*.
5	Trait-based leadership perspectives	162	*Journal of Applied Psychology*; *Academy of Management Perspectives*; *Harvard Business Review*; *Leadership Quarterly*;

	Categories from keyword search	Reviewed number of articles	Academic journals
	Banking and financial institutions literature:		
			Organisational Culture; *Administrative Science Quarterly*.
6	Leadership theories	352	*Leadership Quarterly*; *Journal of World Business*; *Journal of Applied Psychology*; *International Review of Management and Business Research*; *Journal of Management*.
	Total	835	

2.3 Findings

The review finds the current theoretical and empirical work covering board leadership influence on banking failure is scant. Articles covering banking failure rarely cover leadership influence, and empirical articles covering banking performance are limited by a narrow focus (i.e. the investigation of one leadership theory) or a narrow range (i.e. one country or a small sample of banks). Articles from leadership and management journals rarely review leadership in financial institutions, the literature from the financial journals consider regulation and moral hazard, the law journals consider corporate governance issues surrounding boards in financial institutions, but not specifically the influence of leadership characteristics. This highlights the need for a greater understanding of the influence of board leadership on banking failure.

Consistent with the integrated nature of this review, the following parts give a critical evaluation of the literature (Torraco, 2005). Part A considers the categories: banking failure and causes; leadership and risk management in banking failures; and causes of financial crises. Part B considers: strategic leadership; trait-based leadership perspectives and leadership theories.

2.4 Context and Environment of the Banking Sector

The basis of the banking and finance industry is the taking of risks in conditions of uncertainty (Carey, 2001). Banks are financial institutions licensed to receive deposits and make loans. The term 'banking' can be applied to a large range of financial institutions from those offering savings and loans to large money centre commercial banks in the USA, from smaller mutually owned building societies to the big four shareholder-owned banks in the UK to the regional/cooperative banks found in many European countries. The provision of savings and loans normally distinguishes banks from other financial institutions with the banks acting as intermediary between depositors and borrowers. Deposits are paid out on demand or at short notice and are liabilities for banks. Banks also manage assets created by lending.

2.4.1 Types of Banks

Changes in regulation around the world have led to the creation of different types of banks, distinguished by their by offerings. These include:

Commercial/retail banks: These are concerned with managing withdrawals, receiving deposits, personal and business loans. Retail divisions deal directly with retail customers and include personal and savings accounts, credit cards, mortgages and other financing (such as cars), while corporate divisions deal with business and corporate clients offering loans and credit products, cash management, customised loans/leases, trade finance and commercial real estate. Notably for this study, they include Lloyds bank (UK), Group BPCE (FRA) and Bank of Nova Scotia (CAN).

Investment banks: The term ‘investment bank’ originated in the US and, under one of the four Glass-Steagall provisions of the Banking Act (1933), they were separated from commercial banks. Commercial banks were not allowed to underwrite securities (with the exception of government and mutual bonds) and investment banks were prohibited from offering commercial banking services. Since its repeal in 1999 by the Gramm-Leach-Bliley Act, banks such as HSBC (UK) and BNP Paribas (FRA) offer both types of services.

Investment banks provide corporate clients with services such as underwriting, assistance with mergers and acquisitions, brokers or financial advisors for institutional clients and act as financial intermediaries between securities issuers and the public. They also provide financial products such as equities, commodities and derivatives. They were involved in the development of financial products such as the mortgage-backed securities (MBS) and collateralised debt obligations (CDOs) in the 2000s, and more recently carbon emission trading and insurance-based projects. Their clients include corporations, pension funds, other financial institutions, governments and hedge funds. Many also have some retail operations. In this study, they include JP Morgan (US), Goldman Sachs (US), Credit Suisse (SUI) and Deutsche Bank (GER).

Financial conglomerates: Deregulation of the stock market and financial sector in the UK on the 27 October 1986 ended the separation between those trading stocks and shares, and those who advised on them. It also allowed foreign firms to own UK brokers with resulting increases in competition. These changes led to the creation of the Financial Services Authority (FSA) which regulated the industry between 2001 and 2013 before the Financial Conduct Authority took over. This deregulation trickled around Europe and allowed the creation of the financial conglomerates that now dominate the sector as a whole (Briault, 2000).

Financial conglomerates offer a range of services including: acting as intermediaries, providing insurance services, securities/corporate finance, fund management and investment products. Given this range, virtually all conglomerates are global (Heffernan, 2013).

Multinational banks: These are defined as having cross-border, legally dependent branches or subsidiaries. Leading UK, French, US, German, Japanese and Chinese banks have a major presence in international banking. Swiss banks are also of international importance due to the leading position of the Swiss Franc coupled with the financial centres in Basel, Zurich and Geneva. Canadian banks also have extensive overseas coverage. These banks largely operate in the commercial/wholesale sector (with some retail presence, e.g. Citigroup).

These institutions diversify their financial functions with global branches/subsidiaries. This, it was imagined, would make them less vulnerable to a downturn in one economy or region. The diversification of services also spreads risk as, for example, a decrease in securities may be accompanied by a rise in banking activity (Briault, 2000). However, diversified firms encountering problems may 'go for broke' adopting high-risk/return strategies (Staikouras and Wood, 2003). If their size and interconnectedness means a failure could trigger the collapse of other financial institutions worldwide, it is likely that they will be bailed out by governments. This in turn can lead to moral hazard, i.e. excessive expenditure due to eligibility for insurance benefits (Marshall, 1976, p. 880) with the result that systemic threat to the global financial system is increased.

Universal banks: These offer a full range of banking services together with non-banking offerings such as insurance, under one legal entity. Their activities include acting as financial intermediaries, trading financial instruments (such as bonds, equity, currency) and their related derivatives, corporate advisory services, investment management and stockbroking.

Germany is the home of universal banking with Deutsche Bank offering all the services above along with major shareholdings in Daimler-Benz and Allianz among others (Bank, 2013). Regulation is in place to restrict their activities in other countries; for example, in the UK, Italy and Switzerland banks are not allowed to hold major shareholdings in other corporations.

Global Systemically Important Financial Institutions: In 2011, the Financial Stability Board, in consultation with the Basel Committee on Banking Supervision and national authorities identified a number of global systemically important financial institutions (G-SIFI's). To determine this cohort, a sample of banks reported a set of indices to their national authorities. These figures were then used to calculate scores for each bank with a 'cut off' identified. Banks above the cut off are deemed globally systemically important. The list is updated on a yearly basis. In this project, banks considered globally systemically important in 2017 included: Bank of America, Barclays, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Dexia, Goldman Sachs, Groupe Credit Agricole, HSBC, ING, JP Morgan Chase, Lloyds Banking Group, Royal Bank of Scotland, Santander, Societe Generale, UBS, Unicredit and Wells Fargo.

In sum, the banking industry is complex and dominated by large organisations. This thesis is concerned with leadership influence in the largest banks by market capitalisation (The Banker, 2017) and as such covers banks offering many of services identified above.

2.5 Literature on Causes of Banking Failures

2.5.1 Introduction

As seen above, banks have a critical role to play in the economies of every country and consequently the world economy as a whole (Carey, 2001). Banking failures leading to financial crises such as the GFC are both disruptive and costly with the 2008 banking crash wiping out more than US$11 trillion in household wealth (Commission and Commission, 2011). Post the GFC, calls for better understanding of the causes and conditions of banking failure have led to a resurgence of the topic as a research domain (Kaminsky and Reinhart, 1999; Pretorius, 2009). The rest of this chapter considers the current academic and policy debate concerning the causes of banking failure, recapitalisation or bailout.

2.5.2 Overview of the Causes of Banking Failure, Recapitalisation or Bailout

The 1970s and 1980s saw a 'sea change' in banking theory, practice and regulation (Bryce et al., 2016) with globalisation, technological change, deregulation and growing competition bringing further evolutionary changes to the industry (Lee, Sameen and Cowling, 2015). Banks fail because they are unable to meet their financial obligations but the reasons for this are varied with existing academic studies unable to identify a standard reason. As the section above shows, there are many different types of banks from regional to multinational with a variety of offerings. The existing literature considers banking failures pre- the GFC, and reasons for failure during and post the GFC. While not giving an overall reason as to why banks fail, it does attempt to provide an independent analysis of what went wrong and what to do about it. Experts greet the news of failure with post mortems of what could have been done and the literature is predominantly quantitative, concerned with financial prediction models (using bankruptcy as an independent variable) based on past events (Muller, Steyn-Bruwer and Hamman, 2009; Ooghe, Spaenjers and Vandermoere, 2005). However, the credibility of these studies can be questioned for taking a normative view (about how banks ought to behave to avoid failure in the future), from a positive, descriptive account of what happened in the past. The rest of this section considers the nature of the banking and whether banks are different from other organisations, before looking in detail at the existing reasons given for banking failures.

2.5.3 Are Banks Different?

Although financial institutions are broadly similar to non-financial firms in terms of having shareholders, debt holders and executives, banks differ from other industrial firms in terms of their capital structure, the composition of their balance sheets, and the complexity of their business structures (De Haan and Vlahu, 2016). Banks are further distinguished due to their central position in the economy and the resulting deposit guarantees given to them by their governments.

In terms of differences of capital structure and composition of balance sheets, the simple theory of banking is that banks act as intermediaries between depositors and borrowers (Diamond and Rajan, 2001) so the banks' asset side of the balance sheet consists of loans funded by deposits, non-deposit debt and equity. Investment banks and those offering financial products such as securitisation are intermediaries between investors and borrowers (Acharya and Richardson, 2009).

Banks also differ due to their central position in the economy, both domestically and globally. After the recessions of the 1990s, and as the financial markets recovered, banks dealing in financial products began to extend their range such as using mortgage securitisation models for other more risky assets. Risk was transferred to the wider capital markets including pension funds, hedge funds and insurance companies. Structured security grew from US$767bn in 2001 to US$1.4 trillion in 2004 and US$2.7 trillion at the height of the market in December 2006 (Acharya and Schnabl, 2010). Guarantees by governments, regulation and deposit insurance of banks, while establishing confidence in the banking system, also created issues with moral hazard with some banks engaging in excessive risk taking (Macey and O'Hara, 2016).

The literature also suggests that financial institutions tend to be more opaque and have greater information asymmetries than non-financial companies (Furfine, 2001). Banks can change the mix and hide the quality of their assets quickly compared to non-financial firms and the opacity of banks during the financial crisis was found to be different compared to the ones before the crisis (Flannery, Kwan and Nimalendran, 2013).

Given that financial institutions are highly connected and the failure of one large bank can spread insolvency to other banks (Farhi and Tirole, 2012), the shocks in the banking system tend to be correlated and associated with bank runs, systemic crisis and macroeconomic uncertainty.

2.5.4 Causes of Banking Failure

Modern studies of institutional failure began with the use of financial ratios to predict bankruptcy (Beaver and Engel, 1996) with early warning prediction models using multivariate techniques to predict failure. However, the criterion for identifying banking failure can be an issue as many failure situations are resolved by merger or bailout (Martin, 1977). Alternative approaches compare the characteristics of the banks that failed with those that did not, and include a wide range of policy and formal reports to try to identify what went wrong (Jones and Pollitt, 2016). These reports often involve individual banks, such as Royal Bank of Scotland (RBS) and Halifax Bank of Scotland (HBOS) and give some insight into the inner working of the banks and the decision makers within them (Salz and Collins, 2013; Walker, 2009).

On a macro level, recent literature is concerned with the economic conditions contributing to banking failures during the GFC, macro policies affecting liquidity and issues with regulatory frameworks (Blundell-Wignall, Atkinson and Lee, 2008). There is almost universal agreement that the causes of banking failures since 1999 were due to expansive monetary policy from 2000, together with falling interest rates, the housing boom and low interest rates (sending investors to look for yield elsewhere) (Acharya and Richardson, 2009; Kirkpatrick, 2009) but notably, Acharya also argues that the behaviour of the banks during this time was a significant factor. Fahlenbrach, Prilmeier and Stulz (2012) consider why banks are prone to performing poorly during crises and look at stock returns linked to performance during 1998 as a predictor of performance and the probability of failure, questioning whether there is something unique that makes banks perform worse in a crisis (Fahlenbrach, Prilmeier and Stulz, 2012).

Much of the literature is quantitative, using accounting and audit variables to consider the contributory role of sub-prime lending and loan securitisation (see section 2.5.6) with reliance in risky assets as causes of failure (Jin, Kanagaretnam and Lobo, 2011; Oshinsky and Olin, 2006).

2.5.5 Financial Deregulation and Regulation

The years preceding the GFC from 1999–2007 were the latest phase in the evolution of financial markets under de-regulation which began in the 1970s and finished with the repeal of the Banking Act (1933) by the Gramm-Leach-Bliley Act (1999). More specifically, deregulation in the US, which continued throughout the 1980s and 1990s, allowed banks to expand into neighbouring cities and to offer financial products and services that were previously reserved for non-banking financial institutions resulting in growing competition in the sector (Crotty, 2009).

Recent UK policy focus has been on initiatives to rebuild trust and confidence in banks (Wheatley, 2012) including the ‘treating customers fairly’ initiative, but ‘given the behaviour of rogue individuals, the inadequacies of large organisations such as RBS and HBOS and failings of the industry as a whole, as evidenced by scandals such as PPI and Libor' (Bryce, Cheevers and Webb, 2013) there is need to go beyond risk culture and consider the influence of the leadership of the board.

Cycles of deregulation accompanied by rapid financial innovation result in the growth of individual banks. This in turn stimulates 'booms' which threaten society when they end in financial crises (Crotty, 2009; Kindleberger and Aliber, 2011). The complex relationship between innovation and regulation is the subject of a growing body of work (Power, Ashby and Palermo, 2013) with innovation seen as a root cause of the banking failures during the GFC (Brummermeier, 2009).

2.5.6 Innovation

Financial innovation reduces costs, reduces risks and provides improved products and services (Frame and White, 2004). Deregulation from the 1970s–1990s saw many banks diversify into insurance and mutual fund sales, private banking and asset management (Tett, 2009) and this created an environment for financial innovation with the 1980s and 1990s seeing the development of derivative trading teams and the growth of financial products. This combination of innovation and deregulation led to 'excessive risk taking' (Commission and Commission, 2011) which was a major cited cause of the GFC (Crawford, 2011). It is a fundamental feature of financial innovation to focus on augmenting marketability. The more intertwined the banks and financial institutions are, the more opportunistic decision making and herding behaviour is seen, resulting in market forces at odds with financial stability (Boot, 2011).

Initially financial innovation in the form of derivatives were thought to be beneficial, improving efficiency by sharing risk (Merton, 1995) with Ben Bernanke suggesting that the increasing sophistication and depth of financial markets promotes economic growth by allocating capital were it can be most productive (Bernanke, 2007). Since the GFC, however, 'financial innovation' are two words that should strike fear into investors' hearts (Krugman, 2007).

Despite an active academic and policy debate on the role of financial innovation in banking failures, there is a paucity of empirical studies investigating this issue mainly due to lack of data (Frame and White, 2004, 2014).

True to form, the policy response to the GFC was to re-regulate, with proposed limits on the size of banks and capital structure (Thakor, 2012). Given how complex, global and interconnected financial institutions have become, this cycle of regulation, deregulation and re-regulation resulting in boom and bust represents a key policy issue (Gofman, 2017; Kindleberger and Aliber, 2011).

The post GFC crisis reforms have had the unintended consequences of spurring the rise of new financial technologies (i.e. Fintech 3.0) and the growth of the shadow banking sector (Arner, Barberis and Buckley, 2015).

'Fintech' covers digital innovations and technically enabled business model innovations including crypto currencies such as bitcoin, blockchain, new digital advisory and trading systems, peer to peer (P2P) lending, crowdfunding and mobile payment systems (Philippon, 2016). Unintended consequences of the Basel III regulations (which require the upward revision of capital adequacy requirements), was a squeeze on capital for small-/medium-sized companies who then turned to P2P lending platforms for credit. This area now plays a fundamental role in the functioning of finance and infrastructure (Arner, Barberis and Buckley, 2015).

Shadow banking includes the market in residential mortgage originators which has shifted from traditional banks to non-depository institutions which fall outside the increasing regulatory and legal burden on banks operating in this area. This is illustrated by the case of Quicken Loans (the third largest mortgage lender in 2015) who process online mortgage applications with no need for a loan officer using big data to screen borrowers (Philippon, 2016). The main banks still hold c. 30–50% of originated loans on their balance sheets whereas the shadow banks work almost entirely through securitised loans and originate to distribute, with Fannie Mae and Freddie Mac in the US playing a dominant role in guaranteeing the shadow banking loans (Buchak et al., 2018).

'Blockchain' is a digital ledger of economic transactions that can be programmed to record financial transactions and also almost anything of value. Blockchain uses computer algorithms to validate transactions and notably major banks including Bank of America, Citigroup, Morgan Stanley, Deutsche Bank and Barclays now have blockchain labs. IBM suggest that 66% of banks will have commercial blockchain by 2020 and Goldman Sachs now see themselves as a technology company as well as a bank (Guo and Liang, 2016). The emerging literature on blockchain comments on the permission-less and self-governing characteristics of the industry with calls for alternative regulation to avoid the next banking crises (Guo and Liang, 2016; Philippon, 2016).

As shown above, the literature concerning new financial innovations is scant and post the GFC, Fintech 3.0 is posing new challenges to regulators on the risk/benefit of new innovation (Arner, Barberis and Buckley, 2015). By considering the influence of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO on banking failure, recapitalisation or bailout, this thesis provides an alternative lens through which to view the banks' response to Fintech 3.0, shadow banking and blockchain in the effort to avert the next set of banking failures and resulting systemic financial crises.

These events followed deregulation of the UK financial services industry in 1986 (the Big Bang) and combined to allow the growth of the 'mega' banks in the US and Europe.

This review of the context of the banking sector together with extant causes of financial crises have identified the importance of regulation, deregulation and financial innovation on the growth of the banking industry. Although deregulation in the UK began in 1986, the effect of the repeal of the Banking Act (1933) by the Financial Services Modernisation Act (1999) known as the Gramm-Leach-Bliley Act (1999), led to growth strategies characterised by merger and acquisition post the recessions of the 1990s. It was also the year of the introduction of the European currency, together with the beginnings of the Financial Services Action Plan which proposed market freedom by 2005, both giving further stimulation to the integration of markets and increased competitiveness. This suggests 1999 to be a sensible start point to consider the influence of leadership in the decisions that may ultimately lead to the bank's failure or need for recapitalisation or bailout. The review also highlights a number of cited reasons for why banks fail, including excessive risk taking linked to deregulation and financial innovation. The next section considers the role of leadership in banking failures.

2.5.7 Leadership and Banking Failure

The previous section considered the macro approach and reasons for banking failure, recapitalisation or bailout. This section looks at the literature concerning the leadership within the boards of banks and the effect on banking failure, recapitalisation or bailout. On a micro level, the boards of large banks face challenging, competitive conditions where collapses and wrongdoing occur when good board governance is lacking (Alexander, Coleman and Li, 2006).

The literature on leadership in banking in focussed mainly at management and team level, considering performance rather than failure and is narrow in its focus, e.g. the impact of the characteristics of members of the management board of German banks on portfolio risk is considered by Berger, Hunter and Timme (1993), and transformational leadership influence on 218 financial service teams in a multinational bank in Nigeria is considered by

Schaubroeck, Lam and Cha (2007). Emerging literature examines the relationships between board process and corporate financial risk with McNulty, Florackis and Ormrod (2013) interviewing 141 company chairs and finding board cohesiveness leading to less risk of corporate failure (McNulty, Florackis and Ormrod, 2013), but does not consider the influence of leadership characteristics on failure. The literature concerning board leadership in banks linked to failure is generally divided into two themes: literature considering the power of the board and the CEO; and literature considering the relationships between the board, corporate governance and risk. Each theme is explored below.

The power of the board and the CEO: Emerging empirical literature begins to attribute banking failures to a failure of management (Birkinshaw, 2010) but the literature generally focusses on the interviewing of banking staff with notable contributions from Fleming and Spicer (2014) who report on the results of 57 interviews with frontline staff in 11 retail banks, finding an aggressive sales culture to be a major contributor to the failure of the bank. Liu (2015) looks in detail at the behaviour of board members in failed bank Northern Rock, bailed out banks RBS and Barclays, together with Lloyds and HSBC in the period 2004–2009 and finds evidence of greed, recklessness and dishonesty being contributory factors in failure and bailout in both the retail and investment sides of the banks during the run up to the 2008 crisis (Liu, 2015). This behaviour is also found in the introduction of a sales-driven banking culture (Fortado and Fadil, 2014).

Literature considering the power of the CEO and subsequent impact on corporate performance is found to be linked to the influence the CEO has over crucial decisions (Adams, Almeida and Ferreira, 2005). This paper focusses on CEO power and organisational variables finding them to be an important factor in the consequences of firm performance, but does not consider leadership characteristics and only considers 336 US firms in the Fortune 500 (1992–1999). Leader egos, together with the ambiguity and complexity that characterise the tasks at the top of the organisation, are also found to impact performance (Crossland and Hambrick, 2007).

The quality of the bank management's decision making as a key contributor to institutional collapse is acknowledged in early work looking at the rise in US banking failures during the 1980s (Barr, Seiford and Siems, 1994), but does not consider leadership styles. Later work looking at the influence of the CEO in banking culture is considered by Fraser (2015) who interviewed approximately 120 employees of RBS finding the bank was driven by the ambition and hubris of its CEO Fred Goodwin, which led to the unwillingness to listen to any voices raised against his strategy. This view is supported in Martin (2013) who discusses how a 'previously modest, Presbyterian, cautious Scottish institution … went bust' (p. 2) and again blames CEO Fred Goodwin, but also the (then) Financial Services Authority (FSA) for lack of regulatory control (Martin, 2013). While useful, the research only considers the role of the CEO up to the bank's failure rather than post bailout and is confined to just one bank therefore limiting its usefulness in understanding the sector as a whole.

In sum, the literature considering the power of the board concentrates on the role of the CEO and therefore misses the influence of other notable board members such as the Chair and the CFO. The literature is generally concerned with overall performance rather than failure and, due to access issues, is confined to empirical studies involving bank staff rather than board members. This supports the need for an empirical study into the influence of the leadership of the wider board on banking failure, recapitalisation or bailout.

Relationship of the board, corporate governance and risk: The literature shows general findings that financial institutions with efficient governance make better decisions and are less likely to fail in a crisis (Graham and Narasimhan, 2004). However, this view is challenged by emerging literature considering bank performance during the GFC which includes analyses of the influence of CEO incentives and finds no evidence of better performance (Fahlenbrach, Prilmeier and Stulz, 2012). Beltratti and Stulz (2012) consider the question: ‘Why did some banks perform better in the GFC than others?’ Their research is wide ranging in its use of an international sample of 98 banks, and found that those with more shareholder-friendly boards performed significantly worse (Beltratti and Stulz, 2012). However, Erkens, Hung and Matos’s (2010) study looked at 296 financial firms in 30 countries finding those with independent boards and higher institutional owners performed worse, arguing that this is due to the board taking more risks (Erkens, Hung and Matos, 2010). This view is supported by Aebi, Sabato and Schmid (2012) who looked at compliance with the UK corporate governance code and found that board independence was the least effective monitoring mechanism and was negatively associated with the performance of the board (Aebi, Sabato and Schmid, 2012).

Policy makers have recently started to question the appropriateness of corporate governance regulations applied to financial institutions with recent policy documents (Basel Committee on Banking Supervision, 2008; FSA, 2008; Walker, 2009) comparing risk management frameworks outlined in corporate governance structures (Aebi, Sabato and Schmid, 2012). Financial institutions that are focussed on high rates of return may use structure to minimise managerial self-interest or employ obscure and sophisticated financial instruments to engage in risky lending activities without the appropriate risk assessment (Morgan, 2002; Zagorchev and Gao, 2015).

The sector as a whole was criticised for its role in the GFC with weak corporate governance identified as a major cause (Kirkpatrick, 2009). However, most studies of board effectiveness exclude financial firms from their samples (De Haan and Vlahu, 2016) and as a result we know little about the effectiveness of governance within banking (Adams and Mehran, 2012). The literature that does exist is scattered in diverse journals lacking cross references (De Haan and Vlahu, 2016) with the IMF review (Laeven and Valencia, 2013) of extant literature on bank performance finding the research is largely concerned with the impact of corporate governance and risk. This leads De Haan and Vlahu (2016) to call for the need for better knowledge on how banks are governed, arguing this to be crucial in order to evaluate recent changes in regulation. This thesis answers this call by providing a new lens through which to view and understand the way banks are governed.

2.5.8 The Influence of Boards in Banks

Board governance has received increasing global academic and policy attention in the aftermath of the GFC with the Walker Report (2009), the Netherlands Banking Code (Netherlands Banking Association, 2010), and the Federal Reserve (Board of Governors of the Federal Reserve System, 2010) all considering the qualifications of the board members, and the alignment of director's pay to protect bank stability.

Collapses of financial institutions and misconduct within the financial sector illustrate that highly developed financial systems are exposed to systemic risks, weaknesses and wrongdoings when good governance is lacking (Alexander, Coleman and Li, 2006) with recent policy involvement from the regulators and central banks stressing the need for effective corporate governance practices to guard against future banking failures (Zagorchev and Gao, 2015).

Existing studies on corporate governance focus on non-financial firms but there are limited studies concentrating on banks (Adams and Mehran, 2012; Caprio, Laeven and Levine, 2007; De Andres, Azofra and Lopez, 2005). Empirical studies explore the board as a governance structure (Beasley, 1996) and the effect of bank boards on corporate value (De Andres et al., 2012) suggesting board size, composition and activity affect bank effectiveness. This is contrary to findings in non-financial organisations which show a positive effect on overall value (Adams and Mehran, 2012).

Recently, banking regulators and central banks have stressed the need for effective corporate governance practices in order to avoid future financial crises (Basel Committee on Banking Supervision, 2010; Board of Governors of the Federal Reserve System, 2010; Kirkpatrick, 2009) with the Basel Committee on Banking Supervision (2006) stating that better understanding and supervision of corporate governance is essential to guarantee future bank performance increasing the clear need for more research on bank boards and their linkages (Wilson et al., 2010)

Corporate governance, with strong management oversight and better board practices, is required to avoid excessive risk taking linked to performance. In banks, this has important implications for society as a whole (Zagorchev and Gao, 2015). The literature concerning the influence of the role of directors and the relationship between the directors is scant, and generally confined to impact on profitability rather than failure (Erkens, Hung and Matos, 2012).

Bank governance has been the centre of a resurgence of literature and heated policy debate since the GFC (Fraser, 2015) with the IMF conducting a review of extant literature (Laeven and Valencia, 2013) and arguing that research largely looks at the impact of corporate governance on risk and considers board governance through a select few government mechanisms in isolation (Fund, 2014).

2.5.9 Risk and Risk Culture

The cited reasons for the GFC include failures of risk management systems due to inadequacies in corporate governance, moribund regulation and ineffective board oversight (Kirkpatrick, 2009). The aftermath of the GFC has seen a growth in both academic and policy literature exploring the issues of organisational and risk culture (Ring et al., 2016). Many financial institutions are primarily focussed on higher rates of return, which can lead to an engagement with risky lending or innovative activities without appropriate risk assessment (Morgan, 2002).

The literature considering risk taking in banks is scant, mainly analysing governance, share ownership, CEO compensations and operational risk control (Chernobai, Jorion and Yu, 2011; Fortin, Goldberg and Roth, 2010), but does not consider the influence of leadership characteristics on risk-taking behaviour and its relationship to banking failure, recapitalisation or bailout.

2.6 Conclusion

In sum, the dominant theme of the extant literature covering banking failures suggests that dominant causes are a combination of global complexity, financial innovation and moribund financial regulation (Crawford, 2011). While these issues are undoubtedly a factor, they do not tell the whole story. The mainly quantitative studies focus narrowly on failure, rather than including recapitalisations and bailouts. The further weakness is the failure to look in detail at the influence of board leadership in the banks at the time. Emerging literature (Dewing and Russell, 2014; Liu, 2015), begins to explore these issues, but there is no comprehensive, robust study to date. This lack of research is a barrier to understanding the nature of banking failure, recapitalisation or bailout.

This thesis takes the view that if each crisis is met with the same pattern of popular fury with financiers, increased regulation, followed by deregulation and 'back to business as usual' then the cycle of boom and bust will be repeated (Kindleberger and Aliber, 2011). It is only by looking at the causes of banking failure, recapitalisation or bailout through a different lens that new paradigms to avoid future banking crises can be formed.

The review finds that leadership influence in banking failures is a neglected issue. Having considered the extant literature to date, an initial research question is: 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?'

As such, Part B of this literature review will consider the extant leadership literature relating to boards.

Part B Leadership Literature

2.7 Leadership Literature: An Overview

Part A of this chapter has outlined the methodology for this integrative literature review, provided the context for the study, considered the extant literature on banking failures and proposed the initial research question: 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?'

This section deals with the leadership literature and covers: strategic leadership, leadership characteristics and traits, and extant leadership theories. As such, it begins with an overview of leadership and conceptual issues.

2.7.1 Evolution of Leadership Theories and Conceptual Issues

The theoretical study of leadership began over a hundred years ago when Thomas Carlyle's 'Great Man' theory argued that the concept that leadership was for people with extraordinary traits and characteristics taking a leader-centric view that the characters and personality of the leader are central to the matter (McCleskey, 2014). Since then, a vast and bewildering array of literature has evolved, through the consideration and development of leadership as learned behaviours (Yukl, 2008) with the traditional theories of trait, behavioural, contingency and situational approaches focussing on the traits and behaviours of leaders (Carsten et al., 2010). This led to arguments of a 'cult' of leadership, whereby leaders seek to benefit themselves rather than their followers (Bones, 2012) and the outcomes of the organisation can be over attributed to the one ‘heroic’ leader at the apex of the organisation (Meindl, Ehrlich and Dukerich, 1985). From the late 1990s, this model was challenged by a ‘post heroic’ perspective on the basis that changes in technology and regulation made it increasingly difficult for one person to have all the answers (Cohen, Chang and Ledford, 1997; Dutton, Glynn and Spreitzer, 2008; Dutton and Jackson, 1987; Tichy and Cohen, 1997).

Conceptualising strategic leadership has been a constant challenge (Pye, 2005) with Bennis noting that leadership is like the Yeti, with tracks everywhere but it being nowhere in sight (Bennis and Nanus, 1985). However, when talking about leaders, we intuitively describe them in terms of characteristics, traits and skills (Achua and Lussier, 2013) with Bass and Steidlmeier (1999) stating that ‘in leadership, character matters’ (p. 193).

The above literature review on banking failures finds that leadership influence in this area is a neglected issue and suggests the initial research question: ‘Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?’ As such, the literature concerning strategic leadership, characteristics and traits of leaders, and extant leadership theories will be considered.

2.8 Overview of Strategic Leadership

Boal and Hooijberg (2000) argue that since the 1980s, leadership literature has undergone a rejuvenation and metamorphosis (Boal and Hooijberg, 2000). This coincided with the growth in the major economies of the world and the subsequent development of global companies including financial institutions. The leadership literature of the time shows an emphasis on the changing environment and a requirement for a new set of skills, considering a more strategic view. This thesis is concerned with the board leadership influence in large banking institutions pre-, during and after failure, recapitalisation or bailout, as distinct from crises leadership. Its contribution is to look for prevalent leadership characteristics and styles in board members, consider the interactions between differing leadership styles within the shared leadership of the board, and identify whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are different in banks that failed, needed recapitalisation or bailout, and those which did not, during the research period (1999–2017). This is undertaken through the lens of leadership.

As such the review of leadership literature begins with a consideration of leadership styles at board level and the development of strategic leadership and upper echelon theories. It then goes on to look at the leadership theories in general, starting with the 'heroic' theories, which seek to identify a universal theory of what leadership is, focussing on leadership traits (Stogdill, 1974) and the characteristics of the leaders. Within the 'heroic' tradition, the review considers: 'trait theories', due to the recent resurgence in literature (Colbert et al., 2012; Judge, Piccolo and Kosalka, 2009; Nichols and Cottrell, 2014); 'transactional leadership' (Forrester and Clegg, 1991); 'transformational leadership' (Bass and Riggio, 2006); and 'charismatic leadership' (House and Howell, 1992).

The behaviour of 'rogue traders, the requirement for bailout and recapitalisation of banks during the financial crises and subsequent scandals over mis-selling PPI and market manipulation (LIBOR) have renewed calls for a more ethical approach, and a wish to put the trust back into banking.[9] In response to this, this literature review also considers the 'charismatic dark side' of leadership (Bass and Steidlmeier, 1999; Conger, 1990).

In further response to these calls, and in analysing the leadership characteristics of the Chair, Chair/CEO, CEO and CFO at the top of the organisation, this review then considers the literature on 'authentic leadership' where the pattern of leader behaviour draws upon positive psychological capacities and a positive ethical climate (Walumbwa et al., 2008).

[9] rumprojects.co.uk/publication/financial-services-17

The theories above are all based around the ‘heroic’ concept of leadership, and are essentialist in their outlook (Bolden and Kirk, 2009) and largely positivist in their approach (Grint, 1997). Alternatively, the emerging ‘post heroic’ theories see leadership in terms of collaboration between two or more persons (Crevani, Lindgren and Packendorff, 2007). As this research is concerned with the leadership characteristics and styles of a triad of board members (Chair or Chair/CEO, CEO and CFO) within the complex, uncertain, volatile and demanding context of the banking sector, the review then moves on to consider the emerging literature, challenging the perspective of unitary command (Pearce and Manz, 2005) and arguing that leadership is too demanding and complex to be undertaken by one person (Crevani, Lindgren and Packendorff, 2007). The concept of shared leadership as it applies to top management teams is considered in order to understand leadership in terms of collaboration between two or more people (Pearce and Sims, 2000). In considering those banks that failed, required recapitalisation or bailout, it contributes to the work of Lambert (2002) who argues that shared leadership can help prevent immoral actions as co-leaders can control each other.

2.8.1 Strategic Board Leadership

Since the 1980s, the corporate world has changed significantly, but fundamentally much still rests on human relationships and human judgement, with the relationship between the Chair and the CEO standing out as critical to effective board conduct (Pye, 2013). In the decades following the deregulation of financial markets in the UK and the enactment of the Gramm-Leach-Bliley Act (1999) (repealing the Banking Act 1933), leading a bank has become a more demanding, unrelenting job with enormous pressures and responsibilities (Kirkpatrick and Locke, 1991). The effectiveness of the leadership at the top of the company is considered to be the central reason why some perform better than others (Hewitt, 2012) with Grint (2011) wryly suggesting that the leader is also responsible for steering the corporate ship ‘straight onto the rocks of catastrophe' (p. 5).

The concept of 'strategic leadership theory' and its antecedent, 'upper echelon' theory, focus on executives who have overall responsibility for the organisation (Finkelstein, Hambrick and Cannella, 2009) and are based on the principle that they ultimately account for what happens to the organisation (Hambrick, 2015). It has grown in importance in recent years, with early researchers attempting to understand the role of human factors in strategic choice, organisational design and performance (Hambrick, Finkelstein and Mooney, 2005). The literature is generally concerned with 'what a leader does', rather than how leadership is conceptualised (Boal and Hooijberg, 2000) and with the leadership '*of*' organisations rather than the leadership '*in*' organisations (Hunt, 1991). Roe (2014) considers strategic leadership to be a field in its own right and separate to the other leadership theories experienced within organisations (Roe, 2014), while Boal and Hooijberg (2000) consider how 'new' and 'emergent' leadership theories can be integrated within the 'essence' of strategic leadership (p. 515).

Literature questioning whether strategic leadership matters began in the late 1970s and 1980s (Meindl, Ehrlich and Dukerich, 1985; Pfeffer, 1977) with Day and Lord (1988) undertaking a comprehensive review of the empirical research to date, concluding that top-level leaders have a direct and significant impact on organisational performance (Day and Lord, 1988), although Hunt (1991, p. 545) suggests 'some do, some don't and more should'. However, the traditional focus has been on demographic and background characteristics of CEOs with limited success in predicting a firm's performance (Boal and Hooijberg, 2000; Cannella and Monroe, 1997; Crossan, Vera and Nanjad, 2008; Finkelstein, Hambrick and Cannella, 2009), and there has been limited integration between theories with the exception of 'charismatic' and transformational leadership (Bass and Steidlmeier, 1999). This lack of research has prompted a special edition of *Leadership Quarterly* designed to address the critical weakness seen in the lack of integration connecting strategic leadership theories, and in particular how leader character impacts strategic decision making, risk-taking initiatives and firm performance.[10]

The literature considering executives personalities and how they can affect organisational outcomes is considered (Bantel and Jackson, 1989). In Western societies, our leaders are often seen as either heroes or villains lauded as part of the solution or for the success of the organisation and blamed for the failure (Collinson, 2011). The banking crises and scandals over the last 18 years have led to greater interest and scrutiny of those leading the banking organisations, with a public fascination with the vilified characters, such as Fred (the Shred) Goodwin (Royal Bank of Scotland CEO 1999–2008) and Dick Fuld (Lehman Brothers CEO 1994–2008). The early critics (Meindl, Ehrlich and Dukerich, 1985) suggest this is an exaggerated view of what leaders can achieve, arguing that in complex organisations, the contribution of leaders is inevitably constrained and closely tied to external factors outside their control, with Miller and Dröge (1986) suggesting that 'no insights into the degree of challenge will affect the task conduct, strategic actions or performance' (p. 472). Bones (2012) questions that if strategic leaders are not capable of making the right decisions, then is strategic leadership needed at all, and argues that the modern leader is 'egoistical, blind to their own faults and surrounded by people created in their own image' (p. 7).

By analysing the leadership characteristics and styles of the board leaders in banks and contextualising them in terms of extant leadership theories, this research addresses these issues and makes new advances in the field of strategic leadership, shedding light on the

[10] https://www.journals.elsevier.com/the-leadership-quarterly/call-for-papers/strategic-leadership-and-strategic-management

currently unanswered question: ‘Why do some strategic leaders in banks lead more successfully than others in the same highly complex environment?’

Strategic leadership is typically the role of a dominant coalition of people who occupy positions at the top of an organisation (Boal and Hooijberg, 2000; Cyert and March, 1963; Ireland, Hitt and Vaidyanath, 2002). As financial institutions exist in a volatile, dynamic and complex environment, the make-up of the board varies considerably; some boards include chief operations officers, some chief risk officers. In order to ensure consistency across the subject area, this study looks at those members who appear on every banking group board; namely, the Chair (or Chair/CEO combined), the Chief Executive Officer (CEO) and the Chief Finance Officer (CFO). The shared influence of this ‘leadership triad’ is the leadership powerhouse behind the direction of the company.

With this power comes responsibility and a unique ability to be able to change or reinforce existing action patterns within organisations. There is an assumption in the early literature that executives largely understand their strategic situations and will logically pursue actions from the context of the situation they face (Porter, 1996). This is challenged by emerging literature suggesting that executives now have too many stimuli and are under too much pressure to comprehensively, objectively and accurately weigh up situations (Hambrick, Finkelstein and Mooney, 2005). In this case, the Chair–CEO relationship becomes pivotal for effective board performance (Boal and Schultz, 2007; Kakabadse, Kakabadse and Barratt, 2006; Pye, 2013).

The extant strategic leadership literature shows three competing views: The first sees it as a product of a leader’s values, experiences and personalities (Bantel and Jackson, 1989; Hambrick, 2015; Miller and Dröge, 1986); the second suggests models and frameworks through which the strategic leaders can practise their craft (Ansoff, 1969; Drucker, 2012; Porter, 2005); and the third concentrates on what strategic leaders do (Kotter and Cohen, 2012; Mintzberg, 1987). There is agreement that strategic leaders influence the organisations they run, but the literature is 'incomplete' with 'inconsistent explanations of strategic behaviour' (Hambrick, Finkelstein and Mooney, 2005, p. 472) which largely ignore the links between strategic leadership, leadership theories and the role that styles play in the success and failure of the organisations, leaving important issues unaddressed.

There is agreement that the complexity, turbulence and extraordinary changes during the 1980s and 1990s led to the rapid development of an ultra-competitive global economy (Hitt, Ireland and Santoro, 2004). As early as 1963, Cyert and March argued that executives face too many stimuli and are under too much pressure to objectively weigh up situations (Cyert and March, 1963) with Crevani, Lindgren and Packendorff (2010) suggesting that a collective approach to leadership is more practical (Crevani, Lindgren and Packendorff, 2010). Hambrick and Mason (1984) argue that leaders rely on personal experiences, and so the direction of the company becomes a direct function of the values, experiences and cognitive abilities of those at the top. They suggest that a complex and unknown world is interpreted differently by different people. This can be seen in the differences in perception of what it takes to succeed in global banking between John Strumpf, CEO of Wells Fargo in 2007, who stated: 'In financial services, if you want to be the best in the industry, you first have to be the best in risk management and credit quality' (Fargo, 2007) and the statement by Chairman Marcel Ospel of UBS in 2005 suggesting that 'success in the financial services industry depends on expertise and the talent of human beings'.[11]

For Hambrick and Mason's (1984) 'upper echelon theory', the leader's perception of the situation 'combines with his/her values to provide the basis for the strategic choice' (p. 195) and it is the leader's biases and perception of the 'right thing to do' that creates the strategic decision. This was later expanded to examine the psychological make-up of top

[11] UBS Annual report and accounts 2005

managers and how this influences strategic decision making (Finkelstein, Hambrick and Cannella, 2009).

The findings from Part A above suggest the banking industry is more complex than in other industries therefore requiring more than the experience combined with biases and perception advocated by Hambrick (2007). Experience in the sector does not always produce the ‘right’ strategy; for example, Dick Fuld (Chair/CEO Lehman Brothers, 1994–2008) started his career as in intern in 1969 and only ever worked in the one bank, taking over as Chair/CEO in 1994. His experiences led to successful strategic decisions for 14 years returning over US$4bn in earnings at the end of 2006. If making the ‘right decision’ was based just on biases and perceptions then there is no explanation for why he then made ‘wrong’ decisions which led to the collapse of Lehman in 2008. Alternatively, Jamie Dimon, CEO and Chairman of JP Morgan, has been in post since 2005. Although JP Morgan have been embroiled in scandal, their strategic choices centre on risk evaluation and the need for a ‘fortress balance sheet’ (Tett, 2009) which may have contributed to their successes over the last 13 years.

This review therefore suggests that ‘strategic leadership’ is not enough on its own to determine the leadership influence on success and failure in organisations, and that more detail on the leadership characteristics and styles of those at the top of the organisation also play a key role.

2.9 Leadership Characteristics and Traits

The leadership characteristics and traits of those at the strategic apex of the organisation are considered in the literature with activities focussing on making decisions, creating and communicating a vision and infusing ethical value systems (Mintzberg, 1987; Selznick, 2011; Zaccaro, 1996).

The literature is generally confined to consideration of the ability and power of the executives to make important decisions, and focusses on the vision of executives on a fundamental level, suggesting their characteristics and mind set play a key role in these decisions (Finkelstein, Hambrick and Cannella, 2009). For Gill (2011), strategic leadership involves 'showing the way through strategies, informed by shared values, in the pursuit of a vision and purpose' (p. 227), whereas for Rowe (2001) this must incorporate both visionary and managerial leadership behaviours with the CEO, in particular, seen as pivotal to the success of the company (Rowe, 2001). Notably, Kakabadse and Kakabadse (1999) suggest that 'visionary leadership is transformational by nature and as such quite different from planning which is a managerial or a transactional process' (p. 9). It is apparent, however, that strategic leaders need to be capable of wearing many hats and performing multiple roles for their organisation, together with the ability to recognise and exploit opportunities, all of which can add considerable value to an organisation (Boal and Schultz, 2007; Yukl, 2008).

Hamburger (2000) argues that the vision of the strategic leader is a false one, suggesting it is a narrative aimed at producing the most efficiency from the organisation as a means of motivation, ultimately resulting in a dysfunctional relationship between the leader and organisation (Hamburger, 2000). However, Rouse (2015) cited in Haycock (2012) notably suggests that the vision created by the strategic leader varies according to the leadership style and these differences allow the organisation to adapt or remain competitive in a changing economic and technological climate.

The influence of strategic leaders on the long-term performance of the organisation is generally considered to be a key determining factor (Wheelan and Hunger, 2012), with motivation of both employees and executives found to be linked to the successful performance of companies (Donaldson and Lorsch, 1983; Rowe, 2001), although Hambrick, Finkelstein and Mooney (2005) find that aspirations vary widely arguing this is due to personality factors, such as the need for achievement (Hambrick, Finkelstein and Mooney, 2005; Miller and Dröge, 1986). Performance-related bonus culture is considered in part A above to be a causal factor in banking failures and the alignment between motivation and executive rewards are also shown to be influencing factors in performance through stock options and bonuses (Fama and Jensen, 1983; Raviv and Landskroner, 2010). Roe (2014) argues that this can lead to the 'tsunami of greed' (p. 36) seen in the run up to the GFC. From a performance view, there was an element of 'winning the game' which can be seen in the competition between Bob Diamond (CEO Barclays) and Fred Goodwin (CEO RBS) during the sale of ABN AMRO in 2006, but this does not explain why some leaders take more risks than others, and why some joined in with the 'games' while others watched from the side lines. Bass (2008) argues that the role of the CEO in the 21st century is about 'defeating the competition' (p. 682), but Hamburger (2000) suggests that the era where CEOs possess dominance over a company has passed.

What is clear from the literature is that an environment such as the banking sector, which is characterised by hyper-competitiveness combined with a focus on innovation, needs leaders with flexibility in order to take advantage of future opportunities (Sanchez and Heene, 1997).

The contextual reviews of leadership in the literature consider characteristics and traits but when focussed on executive board level, attention to the personal characteristics of the Chair and CEO, along with board relationships has been sparse, with the studies that do exist taking only 'charismatic', 'transformational' and 'visionary' perspectives in isolation (Crossan, Vera and Nanjad, 2008; Kakabadse, Kakabadse and Knyght, 2010b). The comprehensive study of 850 CEOs in the largest US corporations by Khurana (2002) found that CEOs of corporates are specifically sought for their charisma, fame and force of personality (Khurana, 2002). They need to be able to impress analysts and the business media. This can been seen by contrasting the media and analyst coverage of Bob Diamond when he took over as the CEO of Barclays to that of Antony Jenkins, his successor, a so-called 'Captain Mainwaring'[12] bank manager. The banking leader favoured by politicians and the public may not be the same as those required by the financial markets and shareholders. By considering the influence of board leadership characteristics and styles in banking failure, recapitalisation or bailout, this research makes a contribution to academic work in this area.

As outlined above, board characteristics in general have featured in the extant research into corporate governance (Musteen, Datta and Kemmerer, 2010) with the characteristics of CEOs thought to contribute to success (Wood and Vilkinas, 2005). However, due to changing business environments and partly due to an evolution of thinking, the leadership role of the CEO has arguably entered a new era (Conger and Hunt, 1999) requiring CEOs with character, integrity, courage, tenacity, learning ability and HR skills (De Vries and Florent-Treacy, 2002). Brower, Schoorman and Tan (2000) argue that this new era calls for more rational dialogue with new skills needed to cope with a fiercely competitive global economy, a highly educated workforce and rapidly changing business technology. However, the strategic leadership literature focusses on demographic and background characteristics of CEOs, which has limited success when linked to corporate performance (Boal and Hooijberg, 2001; Cannella and Monroe, 1997). A key factor for this research is how this can and should be applied to the global economy's largest banks.

In sum, the extant literature takes the view that strategic leadership is more than the direct function of the values, experiences and cognitive abilities of those at the top argued by Hambrick and Mason (1984) and Mason (2007). Complexity and chaos in 21st-century organisations suggest that strategic leaders need to take an approach that considers strategic definition, strategic thinking, strategic alignment and strategic enactment (Finkelstein and

[12] http://www.bbc.co.uk/archive/dadsarmy/

Peteraf, 2007), interestingly combined with a transformational leadership approach (Bass, 1985) to be successful. As this thesis is concerned with the influence of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO on banking failure, recapitalisation or bailout, it will not consider the 'how' approach of strategic leadership but will instead concentrate on the influence and prevalence of differing leadership characteristics and styles on the success or failure of the banks.

Boal and Hooijberg (2000) argue that for real progress to be made in strategic leadership theory, researchers must be 'willing to learn from other theories and streams of research and incorporate them into their own work' (p. 524) and include trait theory (Kirkpatrick and Locke, 1991), 'new' theories (Bryman, 1992) such as 'charismatic' (Conger and Kanungo, 1987, 1992; House and Howell, 1992) and 'transformational leadership' (Bass, 1985) as areas where a contribution to the literature can be made.

This research therefore stands on the shoulders (Howard, 1999) of extant and emerging leadership theories by developing a substantive model that is applicable for explaining first the leadership characteristics and styles of the board members in the largest banks by market capitalisation, and, secondly, the influence of those leadership characteristics and styles on the success or failure of the bank.

2.10 Trait Theory

In psychology, trait theory is an approach to human personality, which is seen as habitual patterns of behaviour, thought and emotion. As with leadership, there are many definitions of 'traits' but they are broadly psychological or biological characteristics that are measurable and vary with individuals (Antonakis, 2011; Day and Antonakis, 2012). They can be used to predict attitudes, decision of behaviours and consequently outcomes (Ashton and Lee, 2009).

Early studies into personality traits sought to identify and categorise them, with Allport and Odbert (1936) identifying over 4000 words linked to 'traits' which are further defined as: cardinal, i.e. those that define a life (such as Machiavellianism); those that are central to the person's values, i.e. honesty, intelligence; and those which are secondary, i.e. relate to performance and approach to certain situations. Research that followed sought to distil the number of traits with Cattell and Cattell (1995) developing a 16 factor model, consisting of primary and secondary traits based on a measure of normal personality and Eysenck and Eysenck (1987) who finally identified universal traits of introversion/extraversion, neuroticism/emotional stability and psychotism (i.e. hostility, tendency to be antisocial). These traits were incorporated into the five factor model (Fiske, 1949) and expanded by Goldberg (1981) and McCrae and Costa (1987). The 'big five' personality traits are: extraversion, openness to experience, agreeableness, consciousness and neuroticism (Digman, 1989; Goldberg, 1990) with Ashton and Lee (2009) adding 'honesty-humility'.

Interest in traits linked to leadership began in the 19th century with Carlyle's ([1840] 1887) study of great men, and with it the idea that the ability to lead comes from the inheritance of certain personality characteristics (Galton, 1869). Systemic studies mainly involving military leaders followed leading to the identification of physical qualities and intelligence (Kohs and Irle, 1920). However, conflicting results and inability to distinguish between the leader and non-leader led to a fall from favour (Lord, de Vader and Alliger, 1986; Zaccaro, 2007) with early studies plagued with methodological errors and meta-analysis unable to synthesise results (Zaccaro, Kemp and Bader, 2004).

Hogan, Curphy and Hogan (1994) distinguish between personality traits and leadership traits, arguing that leadership can be conceptualised into the broad categories of 'leader emergence' and 'leader effectiveness', which they suggest 'refers to a leader's performance in influencing and guiding activities ... towards the achievement of goals' (p. 797), and Judge et al. (2002) arguing that together the big five will predict both the 'emergence' and 'effectiveness' of leadership. Personality traits have informed the study of leadership over a number of decades, with links between personality traits and leadership traits investigated by Bono and Judge (2004) whose meta-analysis of the big five showed links to 'transformational leadership'. However, notable oversights include traits such as power and achievement, which are not explicitly measured (Winter et al., 1998) despite 'power' being shown to be an important antecedent for leadership (Antonakis and Atwater, 2002). Leadership models such as 'charisma' and 'transformational' (considered below) recognise the importance of situation, but also incorporate traits as determinates of effectiveness (House, 1977, 1988).

Emotional intelligence is our ability to recognise emotions in ourselves and others. Developed by Goleman (2006) from research by Salovey and Mayer (1990), it is practitioner liked but with limited tests linking it to performance, notably from Van Rooy and Viswesvaran (2004) which measured work performance but not leadership, leading to criticism that it has 'undue reliance on popular ideas and fads without sufficient consideration given to the validity of those ideas' (Zaccaro and Horn, 2003, p. 779).

The Myers-Briggs Type Indicator is another popular model for testing personality traits but its psychometric properties have been criticised (McCrae and Costa, 1989; Pettigrew and Whipp, 1993), in particular for weak results linking it to leadership types (Zaccaro and Horn, 2003).

Psychologists have shown that situations can influence behaviour (Milgram, 1963 then redone by Burger, 2009). Research in the early 2000s began to consider context, with studies from Antonakis, Avolio and Sivasubramaniam (2003), Antonakis (2004) and

Antonakis, Day and Schyns (2012), with calls for more research identifying contextual constraints that operate on the leadership phenomena (Day and Antonakis, 2012).

Lord, de Vader and Alliger's (1986) meta-analysis looking at the relationship between personality traits and leader emergence finds variability across studies, which they argue misrepresents the leadership effect on performance. Findings show variability across studies could be explained by methodological factors.

Comprehensive reviews of qualitative studies including Mann (1959) and Bass and Stogdill (1990) concluded that the traits found are all different, leading Judge et al. (2002) to suggest that 'if you ask 5 different researchers in general which traits are valid, you will get five different answers' (p. 766).

It is clear that leadership includes complex patterns of behaviour, likely to be linked to attributes, but rarely do studies consider how the combination of particular leader characteristics influences behaviour. As this research is investigating the influence of leadership characteristics on banking failure, it needs to address this reality (Yukl, 2008; Zaccaro, Kemp and Bader, 2004). Accordingly, the next section considers the relationships between leadership characteristics and traits in order to inform the theoretical perspective of the thesis.

2.10.1 Leadership Characteristics and Traits

Extant research concentrates on measurable and quantifiable traits and their relationship with effective leadership. This approach dominated leadership literature in the first half of the 20th century (Colbert et al., 2012) before falling out of favour 'followed by years of scepticism and disinterest' (Judge, Piccolo and Kosalka, 2009, p. 871). A recent resurgence in the approach (Burch and Anderson, 2008) sees Judge, Piccolo and Kosalka (2009) arguing that it is the 'most venerable intellectual tradition on leadership research' (p. 855) and that it is an individual's traits that provide a reason 'why leaders are not like other people' (Kirkpatrick and Locke, 1991, p. 49).

Notably, Uhl-Bien, Marion and McKelvey (2007) note that the conditions in which leaders lead can change quickly, posing new and complex requirements on the leaders and causing differences and a potential mismatch of required traits (Judge, Piccolo and Kosalka, 2009; Uhl-Bien, Marion and McKelvey, 2007).

Effective leadership linked to personality traits was identified by Hogan, Curphy and Hogan (1994) with the big five traits being surgency, agreeableness, conscientiousness and emotional intelligence (Hogan, Curphy and Hogan, 1994) with Bentz (1990) finding correlations between leadership effectiveness in 'surgency, emotional stability, conscientiousness and agreeableness' (Bentz, 1990). However, for Kirkpatrick and Locke (1991), in order to become a leader, people need to possess a talent that can be nurtured and for those leaders to be successful they need to possess the 'the right stuff' and that 'stuff is not equally present in all people' (p. 59).

Conversely, Kassin (2003) defines a trait as a habitual pattern of behaviour, thoughts, and emotion. Kirkpatrick and Locke (1991), while noting that possession of traits alone does not guarantee successful leadership, argue that key leaders' traits include: drive (achievement, motivation, ambition, energy, tenacity and initiative); leadership motivation (desire to lead but not to seek power as an end in itself); honesty; integrity; self-confidence; cognitive ability; and knowledge of the business.

From the review above, it seems that the literature considering the influence of traits linked to why leaders fail is scant (Horner, 2003). Notably, Hogan and Hogan (1994) argue that success depends on both exhibiting positive traits, and not exhibiting negative traits, i.e. arrogance, untrustworthiness, moodiness, insensitivity, compulsiveness and abrasiveness (Bentz, 1990).

It seems that the literature is stronger when arguing for essential characteristics of leadership, with Sternberg (2007) citing ‘creativity’ as an essential characteristic of leadership and Bennis (2007) arguing that leadership is a ‘performance art’ (p. 4) which is necessary to convey and share a vision with followers (Ladkin and Taylor, 2010).

The literature concerning board leadership is also considered in psychology literature, with intelligence regarded as the most important trait in this field (Sternberg and Ruzgis, 1994) and Mann (1959) describing it as one of the greatest traits of leadership. Judge and Piccolo (2004) acknowledge it to be a critical trait and argue that it must be possessed by all leaders. Certainly a lack of understanding of the complexity of banking is a much cited reason for the banking crises (Mehran, Morrison and Shapiro, 2011) and the lack of understanding of investment banking is one of the reasons given for the sacking of Antony Jenkins as CEO of Barclays (Jones and Pollitt, 2016).

Judge et al. (2002) argue that traits of ‘extraversion’, ‘openness’, ‘conscientiousness’ and ‘neuroticism’ are required for organisational effectiveness, with Brunellet al. (2008) adding the need for ‘power’, ‘self-confidence’ and ‘energy’. Arguing later, Judge, Piccolo and Kosalka (2009) consider both the positive and negative traits of leadership in their Leader Trait Emergence Effectiveness model which includes: ‘extraversion’, ‘agreeableness’, ‘conscientiousness’, ‘emotional stability’, ‘openness’, ‘core self-evaluation’ (self-esteem), ‘locus of control’, ‘generalised self-efficacy’ and ‘emotional stability’, ‘intelligence’, ‘charisma’, ‘narcissism’, ‘hubris’, ‘dominance’ and ‘Machiavellianism’ (Judge et al., 2002).

Summing up the extant literature in a comprehensive review linking core traits and executive leadership, Hiller and Hambrick (2005) note that executives who have an internal locus of control and who feel in control of their fates are associated with strategies involving innovation and product differentiation. Interestingly, Matthew Barret (the ‘flamboyant CEO’ of Barclays in 1999) is found to comment that if the ‘stars are right, he might move into mortgages'.[13] High levels of core self-evaluation in CEOs are also found to lead to faster decision-making processes and a greater number of large stake initiatives (Hiller and Hambrick, 2005).

Interestingly, the resurgence of research in this area is predominantly quantitative, focussing on middle managers and supervisors. Judge et al. (2002) conducted a quantitative study analysing 222 correlations from 73 samples finding that the traits of 'extraversion', 'conscientiousness', 'emotional stability' and 'openness to experience' were directly correlated to leadership effectiveness. However, quantitative studies on the 'big five' personality traits are criticised on the validity of the size of the coefficients (Murphy, Dzieweczynski and Zhang, 2009), with Kaiser, Hogan and Craig (2008) arguing that while personality traits may reveal whether a leader is perceived as 'leader like', personality traits do not show whether a leader is successful in 'helping organisations prosper' (p. 102).

Bennis (2007) states that after studying leadership for six decades, he believes that exemplary leaders have six 'competences': to create a sense of mission; to motivate others to join them; to create an adaptive social architecture for followers; to generate trust and optimism; and to develop other leaders and get results. Interestingly, all of these characteristics can be seen in Dick Fuld[14] 18 months before the collapse of Lehman Brothers, so it seems that the competences on their own are not enough to ensure success and avoid failure, at least in the global banking sector. It is clear that more research is required to understand the influence of characteristics and traits of the leaders of those banks that failed, required recapitalisation or bailout and those that did not.

[13] https://www.managementtoday.co.uk/andrew-davidson-interview-matt-barrett/article/407273
[14] https://knowledge.wharton.upenn.edu/article/ceo-richard-fuld-on-lehman-brothers-evolution-from-internal-turmoil-to-teamwork/

By considering the influence of leadership characteristics of the Chair, Chair/CEO, CEO and CFO in those banks that failed, needed recapitalisation or bailout, this research also addresses the gap identified by Judge, Piccolo and Kosalka (2009) that 'despite empirical support for the perspective, conceptual work in this area lags behind' (p. 855).

There has also been a recent resurgence in the trait personality approach to strategic leadership theory (Burch and Anderson, 2008). The majority of research in this area is aligned to Goleman's big five personality traits (Cherniss et al., 1998) with Judge et al. (2002) finding a positive correlation between the traits of extraversion, openness, conscientiousness and negative relation to neuroticism, while Hoffman et al. (2011), found that the need for power, self-confidence and energy were linked to leaders' effectiveness (Hoffman et al., 2011).

In sum, as the review of literature has shown, the recent resurgence in trait theory and developing frameworks has sparked renewed interest in trait approaches to understand leadership effectiveness (Judge et al., 2009). However, the literature is predominantly focussed on middle managers and supervisors with exceptions from Hiller and Hambrick (2005), and there are a few studies (Judge et al., 2002) addressing the links between traits and other leadership theories. However, 'To this day, psychologists have not sorted out which traits define leaders or whether leadership exists outside of specific situations, and yet we know with absolute certainty that a handful of people have changed millions of lives and reshaped the world' (Zacarro, 2007, p. 3).

2.11 Strategic Leadership Theories

As identified above, 'traits' continue to inform our understanding of leadership theories. The next section considers the extant leadership theories in terms of traits and characteristics, together with their relevance to this study.

2.11.1 Charismatic Leadership

Weber (1947) was the first to apply the concept to leadership, defining it as: 'A certain quality of an individual personality by virtue of which he is set apart from other men and is treated as endowed with supernatural, superhuman, or at least specifically exceptional power or qualities' (p. 358), and despite representing a key component of strategic leadership, it still remains 'an elusive target' (Potts, 2009, p. 3).

The last century has seen differing theoretical approaches to the concept of charisma with House and Howell (1992) and Conger (1989) seeing it as a theory, and Judge, Piccolo and Kosalka (2009) seeing it as a 'trait'. It was largely overlooked by organisational theories arguably due to lack of a systematic conceptual framework (Conger and Kanungo, 1987) and is still an elusive factor in organisational effectiveness (Conger, 1989). What is clear, as Bennis (2007) points out, is that since Joan of Arc miraculously recruited French soldiers to follow her into battle, 'charismatic leadership' is an essential and unsolved part of the puzzle of great leaders.

Theories of charisma stress the personal identification of the followers with the leader (Boal and Hooijberg, 2000). For House (1977), charisma operates on an individual level, with empirical studies from Shamir, House and Arthur (1993) focussing on the leader– follower relationship, defining charisma as a self-referential concept whereby the leader creates self-mental images and seeks to affirm self-identity linked to the achievement of a vision. Weber (1947) also argues that charismatic leaders influence by articulating a compelling vision of the future. The leader focusses on the intrinsic values rather than extrinsic rewards (Conger and Kanungo, 1992), and followers identify with this shared mental picture creating a dominant belief that only by working together can the objective be achieved (Conger, Kanungo and Menon, 2000). This can be seen in the comments of Dick Fuld, CEO of Lehman Brothers, commenting 'that no one individual can deliver a whole firm to a client'.[15]

For Conger and Kanugo (1998), the 'trait' of charisma is an observable and behavioural process, whereby followers attribute it to a person whose behaviour appeals to them, through experience, and the situation facing them. Bass et al. (2003) address the criticisms of a lack of situational context, arguing that charismatic leaders must have abilities relevant to the situation with Jensen (2009), arguing that having the trait of 'charisma' is not sufficient in itself, a leader needs to understand both the needs of followers and the demands of the situation. However, for Conger and Hunt (1999) the definition is not important, as long as the follower attributes the characteristics to the leader (Conger and Hunt, 1999).

Later literature focusses on providing process maps for the development of attributional and relational aspects (Conger, Kanungo and Menon, 2000; Shamir, House and Arthur, 1993), but Bennis argues that more leaders have been made by accidental circumstances, sheer grit or will than all the leadership courses put together (Bennis, 2007).

So it seems that traits are an integral part of what it means to be charismatic (House, Hunt and Larson, 1977), with the charismatic leader showing dominance, a desire to influence, self-confidence and strong moral values. Friedman et al. (1980) include verbal and non-verbal signals, with Bass (2008) observing that charismatic leaders show 'complete confidence in their position' (p. 585). This conviction can be seen in the approach of Fred Goodwin during the takeover of ABN AMRO keeping his determination to buy the bank even though the markets had 'cracked'[16] with the 'desire to influence' seen in Hank Poulson

[15] https://knowledge.wharton.upenn.edu/article/ceo-richard-fuld-on-lehman-brothers-evolution-from-internal-turmoil-to-teamwork/
[16] https://www.ft.com/content/dbcc20aa-02a0-11de-b58b-000077b07658

(Goldman Sachs), Sam Weill (Merrill Lynch) and Charles Prince (CitiCorp) (McDonald, 2009).

The success of the charismatic leaders has also been linked to environmental conditions, rather than the leaders themselves, with followers attributing ‘charisma’ to leaders as a result of the need for hope in times of change and uncertainty (Bryman, 1992). The success or failure of an organisation is often attributed to a dynamic, charismatic leader rather than other environmental factors and economic cycles (Meindl, Ehrlich and Dukerich, 1985; Pfeffer, 1977).

Useful to this research is the distinction made by Boal and Bryson (1988) who suggest two forms of charismatic leadership: ‘visionary charismatic’ leadership, and ‘crises responsive charismatic’ leadership. ‘Visionary charismatic’ leadership is similar to that outlined above, where the leader creates a world that is intrinsically valid for the follower with behaviours linked to values through the articulation of goals. ‘Crises responsive’, however, is extrinsic, with outcomes that are linked to behaviours. Boal and Bryson (1988) argue that in times of crisis, these links are severed and need to be re-established by the leader. It is ‘crisis’ that distinguishes between the sociological theories of charisma, which see it as a key condition (Beyer, 1999; Weber, 1947), and the psychologically orientated theories of Conger and Kanungo (1998) and Shamir, House and Arthur (1993), who see it as a facilitating, but unnecessary condition (Boal and Hooijberg, 2000).

Charismatic theories generally focus on individual-level outcomes, i.e. loyalty, identity, commitment, motivation and performance (Holtzblatt and Beyer, 1993; Hunt and Dodge, 2000; Shamir, House and Arthur, 1993), and Yukl (1999) suggests that personal identification with the leader is a key variable in the charismatic theories.

Conger (1990) argues that charismatic leaders are usually skilled and animated public speakers, often using rhetoric, imagery and anecdotes such as those seen in Bob Diamond, ex-CEO Barclays, when talking of his new venture in Africa. He is described as 'frequently leaping to his feet, grabbing a golf club or a wad of bills from his wallet. He's theatrically dismissive of past failings and resolute about a future that will prove him right'.[17]

Bryman (1992) and House and Aditya (1997) treat 'charismatic' and 'transformational' theories as interchangeable, with Bass and Riggio (2006) arguing that 'charisma' is not a separate theory but the 'idealised influence' dimension of 'transformational' (Bass and Riggio, 2006). Bass's original concept of 'transformational leadership' combined with 'transactional' leadership to include seven leadership constructs: 'charisma', 'inspirational/motivation', 'intellectual stimulation', 'individual consideration', 'contingent reward', 'management by exception' and 'laissez faire' (Bass, 1985). In 1998, Bass noted that although 'charisma' and 'inspirational leadership' were unique constructs, empirically it is difficult to distinguish between them. Conger and Kanungo (1998) suggest 'there are far more similarities overall between the two than there are differences' (p. 1) and argue that transformational leaders should aspire to charisma. Yukl (1999) and Diaz-Saenz (2011) disagree, finding a distinction hard to define due to the lack of correspondence between the two theories. Roe (2014) suggests the difference can be seen in 'charismatic' leadership's focus on the attributes of the leader, and 'transformational' leadership's focus on the influence of the leader on the follower.

Hunt and Dodge (2000) argue the crucial contribution of transformational/charismatic leadership has been its rejuvenation of the leadership field, regardless of the content of the contributions made.

[17] https://www.bloomberg.com/news/features/2016-10-11/bob-diamond-s-misadventures-in-africa

Important to this research is the work carried out by Waldman et al. (2001) who conducted a quantitative analysis of 48 Fortune 500 firms, assessing both ‘transactional’ and ‘charismatic’ CEO leadership as predictors of financial performance in environmentally uncertain environments. The findings show that ‘charisma’ predicated performance in uncertain conditions but not those of certainty.

As this research is concerned with analysing the influence of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO on banking failure, recapitalisation or bailout, it will consider both ‘charismatic’ leadership and ‘transformational idealised influence’ characteristics.

2.11.2 The Dark Side of Leadership

Despite ‘charismatic’ leadership’s positive capability, it can show a ‘dark side’ (Mayo, 2017) which can diminish organisational potency and curtail its likelihood of producing successful organisational outcomes (Ciampa, 2016).

Yukl (1999) and Kakabadse et al. (2010a) argue that certain leadership traits found in ‘charismatic’ and ‘transformational’ styles can lead to negative, unethical and immoral direction, especially in target-driven environments. Research by Conger (2002) supports this, finding blind drive to create a personal vision can result in failure to see problems and opportunities. Leader behaviours become exaggerated and leaders can lose touch with reality (Conger, 1990). Characteristics and traits associated with dark side leadership include the triad of psychopathy, narcissism and Machiavellianism (Khoo and Burch, 2008), with grandiosity, arrogance, self-absorption and entitlement found in many powerful leaders (Rosenthal and Pittinsky, 2006).

However, the models of ‘dark side’ leadership are based in general on follower perceptions (Hogan and Hogan, 2001; Shaw, Erickson and Harvey, 2011). CEOs are considered, notably showing the bright side linked to ‘transformational’ leadership and a ‘dark side’ related to ‘transactional contingent reward’ when considering the effects of creativity, motivation and staff turnover (Liu, Liao and Loi, 2012; Mathieu et al., 2014; Resick et al., 2009).

2.11.3 Contingency Theory

The late 1960s and 1970s’ development in leadership theory, while still contextually essentialist, began to focus more on the organisational context and role of followers. Fiedler’s (1967) influential and controversial ‘contingency approach was the first to argue for a model dealing with both leader traits and situational variables’ (Vroom and Jago, 2007). Taking the view that leadership styles are effective in combination with the features of a given situation, performance becomes a function of leaders’ style together with key features of the context, i.e. leader–follower relations, task structure and position power. Fiedler did not believe the leader could change their style to suit the situation, but that certain styles would be effective in certain situations (Fiedler, 1964). In doing so, he moves ‘trait theory’ from the confines of the ‘one best way to lead’ by allowing analysis of leader traits within the context of a given situation (Horner, 2003).

The influence of ‘personality traits’ are also considered by Fiedler, with leader effectiveness found to depend on ‘personality’ within the confines of the situation (Fiedler, 1978). His model has two stages:

The first seeks to find the ‘leadership style’ by the use of a self-completed ‘Least Preferred Co-worker’ (LPC) questionnaire which focusses on the people the leader would find most demanding to work with.

The second stage measures ‘situational favourableness’ and is established by the interaction of the leader with ‘member relations’, ‘task structure’ and ‘positional power’

(Fiedler, 1964). The outcome of the LPC scores is determined by the leader's personality traits, which in turn suggests how a leader may fail in circumstances where their traits do not match the situation. The implication is for the leaders to be placed in a situation that is favourable to their style (Vroom and Jago, 2007). This controversial outcome was softened in later work with the argument that the leader can change the situation to suit their personality (Fiedler, 1978).

Fiedler's model advances the previous trait-based theories (Guerra et al., 2005) but is criticised for being difficult and misleading (Hunt, 1991), with Roe (2014) arguing that a highly task-focussed leader is likely to drive hard towards an output and resent anyone who is seen to obstruct this goal.

Later developments in contingency approaches consider top management teams (upper echelons theory) who are responsible for self-leadership, and shared leadership, where the traits and characteristics of an elite group are considered in a particular context (Antonakis and Day, 2017; Houghton and Yoho, 2005).

As the first stage of the contingency model requires self-completion of the Least Preferred Co-worker questionnaire by the leader, it is not practicable for use in this research.

2.11.4 Situational Leadership

'Situational leadership' considers there to be one consistently sound style for exercising leadership in different situations (Blake, Mouton and Bidwell, 1962) and effective leadership requires a rational understanding of the situation along with an appropriate response (Graeff, 1997a).

It differs from 'contingency' leadership by considering the maturity of the followers and asserting that the leader can change their style accordingly. Originally developed by Hersey and Blanchard in 1977, the 'Life Cycle Theory' of leadership moved the debate away from a ‘one size fits all’ approach towards a consideration that leaders should adapt their style according to different environmental conditions. Their resulting ‘Situational Leadership Model’ (Hersey, Blanchard and Natemeyer, 1979) considered the behavioural traits of successful leaders, suggesting that the leader–follower relationship goes through different phases according to the maturity of the followers. Leadership is based on the interplay and extent of the leader’s directive (task) behaviour, socio-emotional (relationship) behaviour and the followers’ readiness/maturity for performing a certain function (Blanchard, Zigarmi and Nelson, 1993; Hersey and Blanchard, 1982).

Situational leadership develops around the leader’s task orientation mentality rather than a people-oriented continuum (Bass, 2008) with effective leadership seen as the ability to adapt leadership styles to manage particular situations (Giltinane, 2013). It is essentialist in its outlook, considering idealised and universal personality traits which match the leader’s orientation to organisational situations, with the conclusion that specific contexts require specific leadership traits (Grint, 1997; Kezar and Eckel, 2005).

The model is practical in its focus and lacks the theoretical justification of how the components of maturity combine (Graeff, 1983). The ‘task-oriented’ leaders define roles for subordinates, give definite instructions, create organisational patterns and establish formal communication channels, whereas ‘people-oriented’ leaders have a concern for reducing emotional conflict (Bass, 2008). However, these two approaches are not mutually exclusive (McCleskey, 2014) and effective leaders can engage in a mix of both (Graeff, 1983). Howell (1999) considers how leadership can be affected by organisational factors, arguing that if delivered inappropriately it can make situations worse, with Grint (2011) taking the view that effective leadership requires a rational understanding of the situation together with an appropriate response.

The review of the literature finds that although much has been written on situational leadership, the lack of a sound theoretical foundation for the hypothesised relationships between the variables make studies into its robustness rare (Thompson and Vecchio, 2009).

In sum, the extant research into ‘contingency’ and ‘situational leadership’ attempts to answer the criticisms of previous ‘trait-based’ approaches by highlighting the relationship between leadership traits and ‘situations’ (Zaccaro, Kemp and Bader, 2004), but the empirical research is still confined to investigating the micro relationships between leaders and their employees. The models tend to look for simple answers to complex questions, and the ability to adapt is still due to combination of traits (Yukl, 2008; Zaccaro, 2007). While a ‘situational’ approach at board level may be possible in some circumstances, in complex global corporations which are subject to volatile environments, by the time the leader has gained sufficient detail to think about adapting, the situation will have changed (Grint, 2010).

As this research is concerned with the influence of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO on the success and failure of banks, the ‘situational approach’ does not offer a model that can be applied retrospectively due to issues with access and historical bias, so will not be used.

2.11.5 Transactional Leadership

The development of ‘transactional leadership’, like ‘contingency’ and ‘situational’, is concerned with followers, but focusses on the social process of leader influence (Bass, 1985). Forrester and Clegg (1991) originally looked at the relationship in politics classifying ‘transactional’ and ‘transformational’ leaders and arguing that ‘transactional’ types motivate followers by ‘exchanging one thing for another, jobs for votes or subsidies for campaign contributions’ (Forrester and Clegg, 1991, p. 28).

‘Transactional leadership’ is framed in terms of characteristics and traits with Kirkpatrick and Locke (1991) including those of: practicality, resistance to change, emphasis on corporate structure, and rewarding performance. Avolio and Locke (2002) also included egoistic behaviour with Yukl (2008) arguing that it may also involve values, such as honesty, responsibility and reciprocity, but only where they are relevant to the exchange process.

The relationship between leaders and followers is a series of exchanges of gratification designed to maximise both organisational and individual gains, with the ‘transactional leader’ initiating the contact with subordinates in an effort to exchange something of value.

Bass (1985) identified factors in ‘transactional leadership’ which differ according to the leader’s activity, and the interaction of followers (Howell and Avolio, 1993). ‘Contingent reward’ is seen as an active exchange between leaders and followers, whereby followers are rewarded for accomplishing agreed objectives. These rewards include recognition and bonus payments. The banking sector has a culture of bonus payments with executive board members’ pay including bonuses linked to objectives such as increased shareholder value. This has formed much of the UK policy debate following the financial crisis of 2008 and the UK press has also highlighted issues with payments being made despite the objectives not being met. Bonus payments linked to performance are also made to employees in investment banks, and can be seen in trading teams in both banks that survived (e.g. HSBC) and banks that failed (e.g. Lehman Brothers). By considering the characteristics of ‘contingent reward’ leadership as part of the ‘transactional’ leadership style, this research will add to the academic and policy debate on bonus payments linked to the success and failure of banks.

Hater and Bass (1988) looked at leaders who only focus on mistakes (management by exception – active) and those who delay decisions or avoid intervening until something has gone wrong (management by exception – passive). ‘Management by exception – passive’ can been seen in the cases of ‘rogue traders’; for example, Nick Leeson, who was blamed for the failure of Barings Bank (Barings no. 2, 1995). Leeson was allowed to trade in excess of his trading limits in a leadership environment where risk was rewarded (Carter and Protess, 2011). It is interesting that in the cases of Baring, UBS and Credit Suisse, the action of the traders in question was not motivated by personal gain, but by a risk reward culture.

So it seems that ‘transactional leaders’ show distinct leadership traits, such as a focus on short-term goals, favouring structured policies and procedures, following rules and doing things correctly (Spahr, 2016) and appeal to subordinates’ traits of self-interest by establishing exchange relationships with them (Forrester and Clegg, 1991; Sadeghi and Pihie, 2012) allowing the theory to evolve for the marketplace of fast, simple transactions in search of gratification (McCleskey, 2014).

Forrester and Clegg (1991) argue that ‘transactional leadership’ can tend to produce shallow, temporary exchanges of gratification with Ames and Flynn (2007) suggesting the lack of charisma in the relationship can lead to resentment. Bass and Stogdill (1990) go further, stating that organisations whose leaders are ‘transactional’ are less effective than those whose leaders are ‘transformational’. Notable to this study is the work of Odumeru and Ifeanyi (2013) who suggest that ‘transactional’ leaders are most effective in crisis situations.

This research study will contribute to this debate by investigating the existence and influence of ‘transactional’ leadership traits in the Chair, Chair/CEO, CEO and CFO on banking failure, recapitalisation or bailout.

2.11.6 Transformational Leadership

Bass (1985) extended Burn’s (1978) qualitative work on ‘transactional’ leadership and argued for the dichotomy, i.e. the transformational leader (Bass, 1985), where the leader ‘raises followers to transcend their own self-interests for the good of the group or organisation, and to work harder than they originally expected they would' (Bass, 1985, p. 29). In this case, the leader does more than set up simple exchanges or agreements (Bass and Riggio, 2006). This marked a paradigm shift in the development of leadership theory away from the exchange processes of the 'behavioural' and 'transactional' approaches to one of leader influence (Roe, 2014). In contrast to Forrester and Clegg (1991), Bass (1985) did not see 'transformational' and 'transactional' leadership at opposite ends of a continuum, but instead argued that characteristics or traits of both can be displayed by the same leader (Bass and Stogdill, 1990).

'Transformational leadership' has attracted much academic interest over the last few decades (Gardner et al., 2010; Lowe and Gardner, 2001). Useful to this research are a number of studies looking at the relationship between 'transformational' leadership and the efficacy of organisations (Avolio and Bass, 1995; Avolio, Bass and Jung, 1999; Bass et al., 2003) with meta-analytical reviews from Judge and Piccolo (2004) considering positive correlations between transformational leadership traits and the performance of followers, and studies by Bono and Judge (2004) and Judge et al. (2002) finding relationships between intelligence, personality traits and transformational leadership.

In order to measure transformational/transactional leadership, Bass developed the 'Multifactor Leadership Questionnaire' (MLQ) which uses seven scales of 'characteristics' of 'transformational' leadership (Avolio, Bass and Jung, 1999; Bass and Stogdill, 1990; Hater and Bass, 1988). These include:

- 'Idealised influence', closely linked to charisma (above), with associated characteristics of trust, confidence in others, and a strong sense of mission and purpose.
- 'Inspirational motivation', associated with characteristics of vision, confidence, enthusiasm and fostering team spirit.

- ‘Intellectual stimulation’ which includes encouraging innovation.
- ‘Individualised consideration’ which gives personal attention and makes followers feel valued.

‘Transformational’ leadership has grown to become the most researched style of leadership with Lowe and Gardner (2001) finding that it accounts for a third of articles published in *Leadership Quarterly* and Howell and Avolio (1993) suggesting that research on it ‘expanded the range of leadership characteristics being systematically developed’ (p. 891). Characteristics such as trust, admiration and respect seen in a leader which cause followers to do more than expected (Bass and Riggio, 2006) can be seen in the development of the derivative trading teams during the late 1980s (Tett, 2009). The MLQ had been examined in over 75 research studies by 1995, in several countries and in a variety of organisations (Lowe, Kroeck and Sivasubramaniam, 1996), but although popular in the US and UK, this is not the case in Asia (Blunt and Jones, 1997).

The extant studies generally report significant relationships between leader effectiveness and the transformational scales (Yammarino and Bass, 1990). However, it is difficult to assess the connection between leadership and performance when the respondents are the source of the information about both leader behaviour and effectiveness (Geyery and Steyrer, 1998).

Useful to this study is the work of Geyery and Steyrer (1998), which used the MLQ to look at transformational leadership and objective performance in banks. Despite being comprehensive in its use of reports from 116 branches of 20 Austrian banks, the study was limited to reports by branch managers rather than an investigation of board members, and was narrow in its focus, only considering characteristics found in the MLQ and linked to financial performance in Austrian banks.

In sum, the review shows that although ‘transformational’ leadership has been empirically tested, there is little research testing the linkages between its components. By using the characteristics and traits described in the theory to analyse the leadership of the Chair, Chair/CEO, CEO and CFO, this research study will contribute to the extant literature in this area.

2.11.7 Transformational and Transactional Leadership Combined

The traits that make up ‘transformational’ and ‘transactional’ leadership are described together as ‘dimensions’ (Bass, 1991), with ‘transformational’ leaders being those who focus on increasing performance by creating a supportive environment (individual consideration). This can be seen in the Deutsche Bank model of staff development in 2000–2001 which encourages leaders to communicate a vision of the future and create team spirit (inspirational motivation), encourage creativity and innovation (intellectual stimulation) and act as role models who are admired and respected by followers (idealised influence).[18]

Bass (1985) describes ‘transactional’ leaders as those who reward the delivery of objectives (contingent reward), either by monitoring progress towards the goal, taking corrective action where necessary (managing by exception – active), or waiting for an exception to be found before correcting behaviour (managing by exception – passive).

Bass and Riggio (2006) argue that ‘every leader displays each style to some amount’ (p. 9) but ‘transformational’ leaders are seen more frequently than ‘transactional’, with Bass (1995) suggesting that while ‘transformational’ leadership does not substitute for ‘transactional’, the ‘best leaders are both transformational and transactional’ (p. 474). However, he does not clarify in which areas of the continuum this is. By considering the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the largest

[18] https://www.db.com/ir/en/annual-reports.htm

banks (by market capitalisation), this study will show any relationships between the leadership styles and contribute to the knowledge in this area.

2.11.8 The Relationship between Charismatic and Transformational Leadership

The issues surrounding the link between 'charismatic' leadership and 'transformational' leadership have been the subject of much academic focus. Bass (1995) found that during his research leading to the four components of 'transformational' leadership (idealised influence, inspirational motivation, individual consideration and intellectual stimulation), the original factor of 'idealised influence' seems to be 'consistent with charismatic in its trust of the leader and its identification of the leader with the follower' (p. 471). His study was quantitative and found that repeated factor analysis 'never supported the extraction of "inspiration" from charismatic' (p. 471). Ready to abandon the 'charismatic' tag for a single factor of 'idealised influence' he was persuaded by Abe Zaleznick to keep it. Despite the separate bodies of literature on the two theories, the research found some leaders to be 'charismatic' and others to be 'inspirational' with different behaviours, attributions and effects involved. He goes on to argue that for qualitative study, a single use 'idealised influence' encompassing both should be used (Bass, 1996; House and Howell, 1992). As 'charisma' represented flamboyant, celebrated and existing traits, it was also linked to the darker side of leadership found in the dictators Hitler and Mussolini. For these reasons, Bass dropped the 'charismatic' term and substituted it with 'idealised influence'.

As this research analyses the influence of leadership characteristics and traits of the Chair, Chair/CEO, CEO and CFO in banks, it will consider the leadership traits found in 'charisma' in its own right (see para 2.11.1 above), and will also consider the four 'I's of the transformational approach.

2.11.9 Authentic Leadership

In response to repeated lapses in ethical judgement by highly visible leaders, there is growing public demand for greater accountability of organisational leaders (Dealy and Thomas, 2006). Corporate boards are being held more accountable (Aguilera, 2005) and executives who fail to display consistency between their words and deeds can expect to lose the trust of followers (Simons, Mintzberg and Basu, 2002).

The concept of 'authentic leadership' is a relative newcomer to the leadership literature (Ladkin and Taylor, 2010), first appearing in the fields of sociology and education (Chan, 2005) with work on defining the concept still ongoing (Avolio, Walumbwa and Weber, 2009). Authenticity as a construct, however, dates back to at least the ancient Greeks, captured by admonition to 'be true to oneself' (Harter, 2002). Over the last decade, the theory of 'authentic leadership' has been developed, originally from the intersection of leadership, ethics and positive organisational behaviour (Walumbwa et al., 2008). As a theory, it also defines leadership in terms of traits and characteristics with its roots in both 'transformational' and 'charismatic leadership' (Yammarino et al., 2008). The research to date is seeing an emergence of multiple practitioners as well as the academic conceptions of the concept (Gardner et al., 2011).

Authenticity as a concept was related to organisations and defined as a process which comes from both positive psychological capacities, and a highly developed organisational context. This results in greater self-awareness, self-regulated behaviours and leads to positive self-development (Luthans, Norman and Hughes, 2006). Avolio and Gardner (2005) argue that while leadership has always been more difficult in challenging times, the unique issues facing global organisations today call for a renewed focus on what constitutes genuine leadership. The increase in corporate scandals, management malfeasance and broader societal challenges facing organisations has also contributed to the recent attention placed on authentic leadership (Walumbwa and Schaubroeck, 2009), with George (2003) suggesting that in the global, complex world, ‘we need leaders who lead with purpose, values, and integrity; leaders who build enduring organizations, motivate their employees to provide superior customer service, and create long-term value for shareholders’ (p. 9).

Following the global banking crisis of 2008, political and media attention turned to blame ‘greedy banksters’ and requirement for leaders with values and integrity was a central theme in the media coverage of the time and is also considered in emerging literature (Salz and Collins, 2013). This can be seen in practice with the recruitment of Antony Jenkins as CEO of Barclays, who was given the role due to his high ethical values and integrity (and dubbed ‘Saint Antony’ by the analysts) following the sacking of Bob Diamond over the LIBOR scandal.

The literature focussing on authentic leadership converges around several underlying dimensions (Walumbwa et al., 2008) and this lack of a unified, agreed definition is the current issue with the theory (Cooper, Scandura and Schriesheim, 2005). Ladkin and Taylor (2010) suggest that these definitions are centred around themes of ‘the true self’, requiring self-awareness and moral leadership, while Luthans and Avolio (2003) see it as resulting in greater self-awareness and self-regulated behaviours from leaders and followers.

Avolio et al. (2004) suggest it is seen in leaders: ‘who are deeply aware of how they think and behave and are perceived by others as being aware of their own and other values/moral perspectives, knowledge, and strengths; aware of the context in which they operate; and who are confident, hopeful, optimistic, resilient and of high moral character’ (p. 4).

Bringing these earlier theories together, Walumbwa et al. (2008) offer the definition of authentic leadership as:

‘A pattern of leader behaviour that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalised moral perspective, balances processing of information and relational transparency on the part of leaders working with followers, fostering positive self-development’ (p. 94).

One of the main intentions in the initial development of the theory was to make it multidimensional, answering criticisms levelled at earlier theories of not recognising the complexities of context. However, this has led to perspectives varying from leader to leader (Luthans and Avolio, 2003) and makes measurement difficult, with the initial conceptualisation including traits, behaviours, contexts and attributions (Cooper, Scandura and Schriesheim, 2005).

In their study of over 1000 leaders with over 3000 pages of transcripts, George et al. (2007) failed to identify any universal characteristics, traits, skills or styles that led to success, but instead found leadership to emerge from life stories (p. 2) which they concluded to be a major part of the development of authentic leaders (Shamir and Eilam, 2005).

Authentic leadership requires self-awareness together with unbiased processing, authentic behaviour/acting and authentic relational orientation (Ilies, Morgeson and Nahrgang, 2005) leading to an integration of the components into the self-based model focussing on self-awareness and self-regulatory components (Gardner et al., 2005). Avolio and Gardner (2005) argue that ‘authentic’ is a root construct underlying all positive forms of leadership, suggesting that authentic leaders foster the development of authenticity in themselves and followers by increased self-awareness, self-regulation and positive modelling. They argue that for leadership to be authentic, a self-referential viewpoint should be taken, focussing on being true to oneself. Erikson (1995) agrees that authenticity is defined ‘wholly by the laws of its own being' (p. 25) and this is a central issue in the analysis of authentic leadership within a strategic concept.

From a practical viewpoint, leaders should take an emergent view adopting the most appropriate style in the circumstances (George, 2010). He suggests a model where leaders pursue purpose with passion, practise solid values, lead with the heart, establish enduring relationships and demonstrate self-discipline.

Useful to this research is the work of Shamir and Eilam (2005) who suggest that characteristics of authentic leaders include being true to themselves rather than conforming to the expectations of others, being motivated by personal convictions rather than status or personal benefits, leading from their own personal point of view, and actions that are based on personal values and convictions.

Avolio and Gardner (2005), however, suggest that this is linked to the development of authentic leaders rather than authentic leader development and propose the Authentic Leader Development (ALD) theory, which also includes the characteristics of moral capacity, courage and resiliency (Avolio and Gardner, 2005; May et al., 2003). The ALD includes the self-awareness trait seen in the definitions above which also includes the concept of values, cognitions of identity, emotions and motives/goals together with the leader self-regulation seen in self-control. In its development, the authors argue that authentic leadership can make a fundamental difference in organisations, and the focus of the ALD will help them to understand how authentic leadership can promote 'sustained and veritable performance' (p. 332).

The authentic leaders also show traits of confidence, hope and optimism which stem from their strong belief in themselves and in their positive psychological capital (Luthans, Norman and Hughes, 2006). Such leaders recognise that they have weaknesses, which they accommodate by surrounding themselves with capable followers building an inclusive, engaged and positive organisational context.

In recognition of the self-referential nature of authenticity, the authentic leader does not need any explicit consideration of others, nor are they entirely authentic or inauthentic; rather they achieve levels of authenticity (Erickson, 1995).

So, it seems that ‘authentic’ leadership is a normative collection of characteristics concerned with how a leader ‘should’ act. Zaleznick (1992) argues the ability to lead is directly linked to personality traits with leaders seeking to transform what **is** into what **should be**. Leaders, he argues, differ from others in their motivation, personal history and how they think and act. A clear problem with this normative argument is the subjective differences in ideas of what ‘should be’. For example, the US and UK listed banks operate in an outsider-dominated market with the owners of the businesses being predominantly large institutional shareholders. Shareholder theory dictates that the board should act and make decisions that are in the interests of the owners of the business (Friedman, 2009). Where these owners are seeking a high short-term return on their investment, the board can be driven to making decisions that are not always seen as ‘right’ by the public and the regulators. For example, the ‘ethical champion’ Antony Jenkins was sacked by Chairman John McFarlane as investor disappointment grew with the return of capital of 5.1% against the target of 12.5%.[19]

The concept of inauthenticity was considered by Seeman (1982) who developed a scale for its measurement when looking at the increasing ‘plasticity’ of a leader when coping with the pressures of public office (Seeman, 1982), and these ideas were developed to define a leader as ‘inauthentic’ when they are overly compliant with a stereotype and the demands

[19] https://www.managementtoday.co.uk/exclusive-interview-new-barclays-ceo-antony-jenkins-save-banks-reputation/article/1164616

related to the role. It involves a lack of accountability, manipulation of subordinates and the salience of the role over the self (Henderson and Hoy, 1982).

By considering the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in banks that failed, required recapitalisation or bailout, and comparing with those that did not, this research will identify any authentic or inauthentic leadership behaviours, thereby contributing to the scant literature in this field.

2.11.10 Overlap between Authentic Leadership and Other Theories

Notable for this research, Avolio and Gardner (2005) compare their authentic leadership development (ALD) theory with the traits described in 'transformational', 'charismatic', 'servant' and 'spiritual' leadership theories, finding an overlap with 'transformational' but finding authentic leadership 'may or may not be charismatic' (p. 329).

Walumbwa et al. (2008) also consider their findings in context with other theories, in this case 'transformational' and 'ethical', finding an overlap between 'authentic' traits and those found in 'idealised influence', with Bass and Avolio (1993) suggesting such leaders become role models. Although Walumbwa et al. (2008) agree that 'authentic' leadership is closely related to 'transformational' leadership, they suggest that it is the 'sense of self-awareness' that is the key distinction; an authentic leader knows 'where they stand on important issues, values and beliefs, and they are transparent with those they interact with and lead' (p. 104).

By considering the leadership characteristics and traits of the Chair, Chair/CEO, CEO and CFO in the largest banks (by market capitalisation), this research can make a significant contribution to this area, heeding the call by Avolio and Gardner (2005) to 'facilitate comparisons with other theoretical perspectives' (p. 322).

A distinction within the literature is the relationship between the leaders and their followers. 'Transformational leaders' are described as developing followers **into** leaders whereas authentic leaders develop followers **to achieve their best**, which may not be to become leaders (Avolio and Gardner, 2005; Walumbwa et al., 2008). Followers are drawn to the character, personal example and dedication of the authentic leader rather than the transformational characteristics of 'vision' and a 'clear sense of purpose' (Gardner et al., 2005). Interestingly, Bass and Steidlmeier (1999) use the term 'authentic' to distinguish between pseudo and genuine transformational leadership arguing a 'manipulative' element is needed if the leader considers it to be for the common good (p. 186).

Useful for this research is the distinction between 'charismatic' and 'authentic' leadership. While charismatic leaders employ rhetoric to persuade, influence and mobilise followers, an authentic leader energises followers by creating meaning and a positive, socially constructed reality for themselves and their followers (Avolio and Gardner, 2005), with Bennis (2007) noting that, although it offends our notion of 'authenticity', leadership involves 'acting as if one were a leader' (p. 4).

This research is concerned with analysing the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the largest banks (by market capitalisation). In order to do this, collected data will need to be analysed in the context of the traits used to contextualise extant theories, rather than to look specifically for certain leadership styles in the industry. This removes any biases to pre-existing theories, allowing the researcher to consider overlaps between them, adding to the debate concerning inherent 'authentic' leadership traits, and making a major contribution in this area.

It will consider the call from Walumbwa et al. (2008) for longitudinal studies using qualitative and quantitative data collection looking at the integration of authentic leadership with other related literature (see Chapter 3 below). From a design viewpoint, the call is for new ways to analyse the causal effects and consequences of ‘authentic’ leadership, and include the use of ‘content coding of speeches, email, scenario, videotapes and other correspondence’ (p. 119) to examine the impact on the performance of the overall organisation.

2.12 Post Heroic Leadership Theories

This research is concerned with whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout and, as such, it considers leadership from a strategic perspective, i.e. is concerned with leadership ‘of’ not ‘in’ organisations (Bryman, 2013). The review of literature above represents the ‘heroic’, unitary command approach (Pearce and Conger, 2002). The following section considers the emerging ‘post heroic’, collaborative view of ‘shared’ leadership.

2.12.1 Shared Leadership

The traditional approach to leadership discussed above takes a narrow view, focussing on those individuals who occupy formal leadership positions (Pearce and Manz, 2005). In recent years, there has been an emerging debate away from the ‘heroic’ ideal of a lone leader (Eicher, 2006) who ‘single handed, saves followers’ (Pearce and Manz, 2005, p. 130), and is seen as a ‘hero’ or ‘villain’ solely responsible for organisational success or failure (Collinson, 2011). The ‘post heroic’ ‘shared’ leadership perspective disagrees with this top-down approach and, rather than focus on a set of personal traits of one leader, conceptualises leadership as a set of shared practices which can be enacted by people at all levels of the organisation (Kouzes and Posner, 2006). Leadership is seen as a ‘social process’ of human interactions through networks of influence (Fletcher, 2004) with the post heroic leader taking responsibility, gaining knowledge, encouraging innovation, seeking input and aims for a consensus in decision making (Eicher, 2006).

As this research is concerned with the influence of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO on banking failure, recapitalisation or bailout, this 'relational' element looking at the interaction between two or more people can provide some useful insights (Carson, Tesluk and Marrone, 2007). The quality of the relationship between the Chair and CEO plays an increasingly important role in decision making, information sharing, resource mobilisation and employee well-being (Wheatley, 2012), but is still under researched, especially where leadership influence occurs in the context of the team member relationships (Bedeian and Hunt, 2006; Yukl, 2008).

Emerging literature calls for more research considering 'shared' leadership as the world is seen as too complex for one 'heroic' leader to be able to make effective decisions (Crevani, Lindgren and Packendorff, 2007), and for more academic attentiveness to the interplay between the Chair and CEO (Kakabadse, Kakabadse and Knyght, 2010b) as the most important factor in ensuring long-term corporate success is deemed to be an effective executive team, i.e. one not dominated by a single voice and where open challenge and debate can occur within a cohesive board (Walker, 2009). There is still much to be learned about board dynamics, highlighted by the response of the board of Barclays to the LIBOR fixing scandal when, during the aftermath, Marcus Agius, the Chairman, stepped down, prompting suggestions that he was not tough enough to stand up to the headstrong CEO Bob Diamond (Brummer, 2015).

As this research is concerned with the triadic relationship between the Chair, Chair/CEO, CEO and CFO, the shared leadership influence will be reported if found, adding to greater understanding in this area.

2.13 Conclusion

The aim of this part of the thesis was to review the literature relevant to the research question:

‘Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?’ As such, it was divided into two parts: Part A explored the nature of banking failure, and Part B explored the literature covering strategic leadership, trait theory and extant leadership theories.

In sum, this literature review has shown that the extant research on leadership uses ‘traits’ to describe and identify leadership theories including: ‘charismatic’, ‘transactional’, ‘transformational’, ‘authentic’ and ‘shared leadership’ (Cherniss et al., 2006). These are also shown as areas where the contextual research into board leaders in financial institutions is lacking. The trust in business leaders, especially those in financial institutions, is ‘low at present’ (Pye, 2013, p. 10) so there may be a requirement to postulate a different style of board leadership within financial institutions.

This thesis is concerned with the influence of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the failure, recapitalisation or bailout of banks during the research period (1999–2017). The review of literature shows:

1. There is agreement that strategic leaders influence the organisations that they run, and their role is concerned with leadership ‘of’ not ‘in’ organisations (Hitt, Ireland and Hoskisson, 2012), but the literature largely ignores the links between strategic leadership, leadership theories and the role traits play in success and failure, leaving important issues unaddressed.
2. The review of the literature concerning leadership theories from trait theory through to authentic leadership finds that although the theories differ in terms of their view on what makes an effective leader, all the theories are described in terms of characteristics, traits and competences of the leaders under investigation. Trait theory itself is undergoing a renaissance with emerging literature examining the traits

required to be an effective leader, but it does not consider board leadership per se, and rarely links to other theories (Judge et al., 2002).

3. The literature examining leadership focusses on the development of individual theories mainly in isolation, resulting in the loss of valuable connections between leadership styles which could advance our understanding of the intrinsic nature of the subject.
4. The extant literature is predominantly review based (Gardner et al., 2010; Graeff, 1997a) or empirical, testing an extant theory in context (Cavazotte et al., 2012). It is almost all quantitative with notable exceptions (Kakabadse, Kakabadse and Barratt, 2006) leading Bennis (2007) to suggest there is a 'need for longitudinal studies of leaders' (p. 4).
5. The literature on leadership in banking is sparse and narrow in focus, generally considering single leadership theories, confined to small numbers or countries. When directed at financial crises and failures, the extant literature considers failures in corporate governance and regulations but not in leadership. Emerging literature (Salz and Collins, 2013; Walker, 2009) begins to consider the possibility of board leadership in banks being a contributory factor in failure, but there is no robust study to date.
6. There is agreement that the banking sector today is complex and volatile. Emerging 'post heroic' views concur that such environments are too complicated to be run by a single leader (Collinson, 2011) and call for a shared, relational approach (Fletcher, 2004), but the literature does not consider the strategic leadership perspective which is seen as fundamental in the post-crisis inquiries (Walker, 2009). The literature concerning the shared relationship between the CEO and Chair is considered by corporate governance literature (Kakabadse, Kakabadse and Barratt, 2006; Kakabadse, Kakabadse and Knyght, 2010b), but does not examine the relationship

between the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO or their shared influence on failure, recapitalisation or bailout. This represents a significant neglected issue.

7. It is also clear from the review that people in the financial industry need leadership, but this has been largely overlooked by bankers, regulators, policy makers and scholars, especially when trying to discern the causes of the global financial crisis (McCalman and Paton, 2010), with the current analysis failing to consider executive leadership as a factor in averting future crises (Board, 2010). One issue hindering research in this area is access to data. Failed firms disappear and leaders rarely want to talk about their experiences, and when they do the explanations are likely to have a self-reporting and retrospective bias (Shepherd, Wiklund and Haynie, 2009).

In sum, following the review of literature above, there is a clear need for a longitudinal, qualitative investigation which does not seek to contextualise a particular theory but instead considers the influence of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the failure, recapitalisation or bailout of the largest banks (by market capitalisation) from the enactment of the Gramm-Leach-Bliley Act (1999) until saturation is reached (2017).

The next stage of this thesis considers the research design required to answer the research question and related propositions. This will be considered in Part II below.

Part II

Research Methodology and Data Collection

Chapter 3

Research Methodology

3.1 Introduction

The first part of the thesis has defined and discussed the concepts, theories and practices of leadership relating to large banking institutions as defined in Chapter 2. This chapter marks the start of Part II and is concerned with the methodology used for the study.

Research methodology covers the overall approach to the research process and includes the theoretical underpinning, collection and analysis of data (Collis and Hussey, 2013). The main aim of this chapter is to identify the appropriate methodology to answer the research question defined in the literature review as: 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?'

Part II provides a review of research design and strategy, considers appropriate paradigms of inquiry and finishes with the rationale behind the methodology chosen for the study.

3.2 Research Design

The literature review in Chapter 2 above identified the need to answer the research question 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?' and as such, the research is concerned with understanding 'how' and 'why' leaders within banks, as organisations within an industry context, make decisions in the way they do. In doing so, the research needs to consider the biases and dispositions of their top executives (Chatterjee and Hambrick, 2007).

Therefore, the primary aim of this research is to discover the interaction between the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO within the bank, and to analyse the influence of this on whether the bank failed, needed recapitalisation or bailout.

As such, the research design process starts with the identification of procedures that will allow the research to move from broad assumptions to a detailed method of data collection and analysis (Creswell and Clark, 2007). The process conceptualises the research question above and moves towards the development of an appropriate research methodology. This then guides the data collection, analysis, interpretation (Taylor, Bogdan and Devault, 2015) and contextualisation of the research (Cheek, 2008).

In terms of research design, this thesis will follow the sequential steps suggested by Schwandt (1994) starting with 'leadership' as its field of inquiry. It will select a research paradigm that is capable of informing and guiding the research process, linking it to the empirical world of the banking sector through an appropriate methodology. The chosen methodology then guides the process of data collection and the subsequent techniques for analysis.

3.3 Research Strategy

The first consideration is whether to use a quantitative or qualitative strategy. As this research is concerned with the analysis of the characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the banking industry, the review of literature was concerned with extant theories of strategic and organisational leadership. These were shown in Chapter 2 to be predominantly quantitative in design (Judge et al., 2002).

Usefully, Bryman (2004) conducted a review of leadership literature prior to 2004 and found that qualitative research also made important contributions in areas such as leadership in the change process (Bryman, 2004).

Generally, researchers consider themselves to belong to either the qualitative or quantitative camp, which traditionally employ different paradigms (Layder, 1993). As this thesis covers board leadership in banking institutions, either a quantitative or qualitative approach could have been used. This section deals with an analysis of each before justifying the chosen strategy.

3.3.1 Quantitative Methods

Quantitative strategies were originally developed to quantify phenomena in the natural world and include surveys, experiments and statistical/numerical modelling (Creswell and Clark, 2007). Notably for this research, a quantitative strategy using ratio analysis to consider corporate bankruptcy was used by Altman (1968). Quantitative models also proved successful in identifying potential bankruptcies in distressed companies (Agarwal and Taffler, 2008) and in exploring the relationship between environmental and organisational variables (Burns and Stalker, 1961; Morgan and Smircich, 1980). Quantitative methods were used for research underpinning management accounting control systems (Otley and Berry, 1980) and a quantitative contingency theory approach was used to explore links between management control systems and performance (Chenhall and Chapman, 2006). However, although this strategy can produce models which are statistically correct, the approach and subsequent theories can result in weak underpinning theory, i.e. in terms of ratios (Smith, 2017), and technical inconsistencies (Luft and Shields, 2003).

Despite these criticisms, in an examination of leadership characteristics and styles in banking, a quantitative approach would be possible as it emphasises the measurement and analysis of causal relationships between variables, not processes (Denzin and Lincoln, 2000). However, as this research requires analysis of the characteristics and traits found in leadership styles, a purely quantitative methodology in isolation could miss the nuances of language and the valuable connections within the nature of leadership (Ospina and Sorenson,

2006) which is ‘intrinsically relational and social in nature’ (p. 188). This finds support from Kaplan and Maxwell (2005) who argue that the goal of understanding a phenomenon from the point of view of the participants in a particular social and institutional context is largely lost when textual data is quantified.

3.3.2 Qualitative Methods

Qualitative research takes place in the natural setting, and uses multiple research methods that are both interactive and humanistic (Creswell et al., 2003). The researcher views ‘the social phenomena holistically … reflects on who he or she is in the inquiry ... (and) uses complex reasoning that is multifaceted, iterative and simultaneous’ (pp. 181–182).

The qualitative methodological approach was developed to enable researchers to study social and cultural phenomena (Saunders, Lewis and Thornhill, 2009). The emphasis is on process and meaning which are not rigorously examined or measured in terms of quality, amount, intensity or frequency. Instead, the researcher seeks answers to questions that stress how social experience is created, and the strategy allows an emphasis on process and meaning (Denzin and Lincoln, 2000). This makes it effective for studying attitudes and behaviour over time (Babbie, 2013).

It involves the assumptions and use of theoretical frameworks that inform the study of research problems, addressing the measurement of individuals or groups assigned to a social or human problem (Creswell and Clark, 2017). It is capable of accepting the background of the study in the context of the information, but can lead to differing interpretations and a lack of generalisability (Corbin and Strauss, 2014).

The design of qualitative research is influenced by the topic under investigation, and the rules for doing the study in general (Blackmon and Maylor, 2005). There is a clear need for robust data collection techniques which should include: the procedure for documentation, detailed information about how the study was designed and how it was conducted (Collis and Hussey, 2013).

The decision to undertake qualitative research is related to the nature of the research problem, the degree of uncertainty surrounding it and the researcher's theoretical assumptions (Trauth, 2001). This research is concerned with board leadership in banking and, as shown in the literature review above, the predominant strategy used in leadership research is quantitative (Gardner et al., 2010; Lowe and Gardner, 2001). However, in their comprehensive review of leadership literature from 2001–2009, Gardner et al. (2010) call for 'more qualitative papers to provide meaningful insights and enhance our understanding of leadership processes' (p. 22). This finds support from Parry (1998) who argues that a qualitative strategy is important for dealing with human behaviour, attitudes, beliefs, values and actions, as it allows the researcher to concentrate on the words and actions of the people being studied (Corbin and Strauss, 2014) resulting in a holistic account of the area under study (Creswell and Clark, 2017).

Qualitative research was developed in the social sciences and can be positivist, interpretive or critical (Crotty, 1998). For example, case study research can be positivist (Yin, 2011), interpretive (Walsham, 1993) or critical, just as action research can be positivist (Clark and Chase, 1972), interpretive (Elden and Chisholm, 1993) or critical (Carr and Kemmis, 1986). A strength of qualitative research design in analysing leadership within organisations includes its ability to generate rich descriptions (Creswell and Clark, 2017; Gardner et al., 2010).

As this research considers the influence of leadership in banking failure, recapitalisation or bailout, the appropriateness of using qualitative methods in accounting research is also considered. Accounting researchers have voiced concerns over the quality of qualitative methods (Ali and Yusof, 2011), but recent trends in its use, especially in management accounting, have confirmed it as both a credible and valid alternative to quantitative methods, particularly in theory development, where it can provide guiding principles (Vaivio, 2008).

Qualitative research design characteristics have evolved over time. However, all forms occur within a natural setting, involve complex inductive or deductive reasoning and accept multiple forms of data methods, allowing researchers to reflect on the background to the study and how it informs their interpretation of the information (Creswell and Clark, 2017).

3.3.3 Choice of Research Strategy

As discussed above, the nature of the research problem determines the choice of research strategy and the nature of what one wants to learn determines how one should go about learning it (Trauth, 2001). This research question is concerned with whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout and, as such, attempts to uncover the nature of the leadership phenomenon. Such cases lend themselves to qualitative design (Corbin and Strauss, 1990) which can accommodate different theoretical lenses, paradigms or philosophies (Schwandt, 2001). The review of literature shows a clear need for more qualitative research (Gardner et al., 2010; Lowe and Gardner, 2001) and the need for a more balanced approach (Morgan and Smircich, 1980). Accordingly, a qualitative strategy will be adopted.

The selection of a qualitative design affects the decisions relating to the methodology and research methods (Trauth, 2001). The design of the research model is influenced by the topic being studied and the rules for doing that study in general (Maylor, Blackmon and Huemann, 2016). The following section therefore outlines the paradigm of inquiry, together with the research philosophy before giving the justification for the chosen methodology.

3.4 Paradigm of Inquiry and Research Philosophy

A paradigm is a loose collection of logically related assumptions, concepts or propositions that orientate thinking and research (Bogdan and Biklen, 1998). It represents a shared worldview highlighting the beliefs and values in a discipline that guide how problems are solved (Schwandt, 2001). The paradigm is a way of describing the world and is informed by philosophical assumptions about the nature of reality, such as what we believe we can know about the nature of that reality (ontology), and the ways of knowing it (epistemology) (Patton, 2002). The chosen paradigm then leads to the use of appropriate approaches in order to construct a systematic inquiry concerning how the world should be studied (methodology). The choice of the research paradigm therefore sets down the intent, motivation and expectations of the research (MacKenzie and Knipe, 2006).

Qualitative research can encompass positivist, post positivist, constructionist/interpretivist and participatory paradigms (Heron and Reason, 1997; Lincoln, Lynham and Guba, 2011). The decision of which paradigm to adopt affects the final outcome of this research and its relevance to leadership issues. The choice of a paradigm therefore needs to suit the research objectives, research problem and also match the nature of the phenomenon under investigation, i.e. the importance of leadership characteristics and styles on the success or failure of banks.

The paradigm of inquiry deals with the philosophical issues underpinning qualitative research (Denzin and Lincoln, 2000) and involves the framework of ideas, procedures and outcomes within which a piece of work is structured (Howell, 2012). Paradigms determine how members of research communities view the phenomena under investigation and the research methods that should be employed to study them (Knowles and Cole, 2008).

Lincoln and Denzin (2000) argue that as knowledge is constructed and not discovered, the philosophical assumptions underlie the validity of the research and the choice of an appropriate method. The three aspects through which the paradigm can be identified (ontological, epistemological and methodological) (Denzin and Lincoln, 2000) are distinguishable and interconnected (Lincoln and Denzin, 2000). They are explained below.

3.5 Paradigms of Inquiry in Qualitative Research

The chosen strategy for this research is qualitative which, due to its interpretive nature (Denzin and Lincoln, 2000), places particular boundaries on the research in terms of the questions asked by the researcher and how the responses are interpreted.

3.5.1 Ontology

Ontology refers to the nature of reality and its characteristics (Creswell and Clark, 2017). It defines the social world and its structures as having an empirical, concrete existence which is independent of the individual (Hopper and Powell, 1985). As this research is concerned with the analysis of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in banks, the ontological nature of the questions asked will relate to what can be known about the form and nature of reality within the banking context.

Positivist/post positivist: As stated above, ontological paradigms include positivist, post positivist, constructivist, interpretivist and participatory (Lincoln, Lynham and Guba, 2011). Positivist/post positivist paradigms are based on rationalistic, empiricist philosophy originating from Aristotle, Bacon, Locke, Comte and Kant (MacKenzie, 2003). The positivist looks for the discovery of universal truths (Lincoln, Lynham and Guba, 2011) independent from the knower, with the post positivist believing that truths cannot be known for certain, instead seeing the world as ambiguous, variable and with many realities (O'Leary, 2017).

Both positivism and post positivism can be applied to the social world as the researcher observes and measures a theory or experience in order to predict or control the forces that surround it (O'Leary, 2017). Traditional research in leadership with its questionnaires and surveys are based on positivism, but they pay insufficient attention to the role played by institutional contexts (Gronn and Ribbins, 1996) and lack depth when considering the essence of leadership (Grint, 2005). As a result, there has been a shift towards non-positivist paradigms as social science researchers have moved from quantitative methods to qualitative (Knowles and Cole, 2008) with Bryman calling for greater engagement with ideas and standpoints from different paradigms (Bryman, Stephens and Campo, 1996).

As this research is a qualitative study concerned with the leadership styles and characteristics of the key board members in banks, the institutional context together with the essence of leadership are a key focus of this research and therefore the positivist/post-positivist ontology outlined above is not considered to be the most appropriate (Grint, 2005; Gronn and Ribbins, 1996).

Interpretivist: Alternatively, the constructivist/interpretivist paradigms are related concepts that address the world as others experience it. From an ontological perspective, interpretivists believe that the world is socially constructed with as many intangible realities as people constructing them (Creswell and Clark, 2017), so the reality is limited to context, industries or groups. It has grown in popularity for qualitative inquiries into leadership issues (Ospina and Sorenson, 2006) as the researcher seeks to understand the world of human experience (Cohen, Manion and Morrison, 2007) within a socially constructed environment (MacKenzie and Knipe, 2006). It allows for accepting and seeing multiple perspectives (Willis and Jost, 2007) with the researcher relying on the views of the participants, recognising the impact of their background and their experiences on the research (Creswell et al., 2003). These experiences are then used to construct and interpret understanding from the gathered data.

The interpretivist starts with the assumption that access to perceived reality (given or socially constructed) is only through social constructions such as language, consciousness and shared meanings (Johari, 2009). Interpretivist studies generally attempt to understand phenomena through the meanings that people assign to them and interpretive methods of research are aimed at producing an understanding of the context of the information system, and the process whereby the information system influences and is influenced by the context (Walsham, 2006). Interpretivist research does not pre-define dependent and independent variables, but focusses on the full complexity of human sense-making as the situation emerges (Kaplan and Maxwell, 2005), with the emphasis on insight and in-depth information (Creswell and Clark, 2017). Interpretivists seek methods that enable them to understand the relationship of humans to their environment and the part these people play in creating the social fabric of which they are a part (McQueen and Zimmerman, 2006).

So the interpretivist perspective is founded on the view that the social world is something constructed within individuals. People, including the researchers and participants, define their own meaning, their 'subjectivities, interests and emotions' (Sparkes, 1992, p. 25) within the social, political and cultural setting. What exists in the world is what we as individuals think exists (Coe, 2012) and the emphasis is on personal meaning making. Meaning is founded on social consensus, rules that guide the course of an individual's life and come to be regarded as objective (Scott, 2012). This perception of reality can be influenced by political, cultural and social rules which then support the construction of shared meanings (Howell, 2012), but, crucially, this sense-making changes depending on individuals' experiences (Sparkes, 1992).

Social constructionism: Alternatively, social constructionism takes the view that people interpret and construct reality at the same time as these interpretations take place within granted industry norms (Giddens, 1984), and considers the interaction between people and their environment. It is particularly useful for answering 'how' and 'why' questions. The social constructionist approach takes the view that leadership is constructed in the social interaction between the individuals and the task of the research is to enhance our understanding of those interactions (Drako, 2007; Steyaert, 1997). The extant literature covering both leadership styles and banking failures is preoccupied with deductive, quantitative, hypothesis testing research which depicts this as being caused by certain variables and affected by others, therefore reducing its capacity to enhance understanding of the context within society or the economy. Leadership characteristics in particular are reduced to simplistic models focussing on psychological or leadership traits, rational decision making, and economic exchange. This thesis argues that this approach represents leadership in a much simplified world.

Social constructionism is accepted as a major research perspective in organisational and gender studies (Gergen, 1999), but is still underused in both leadership research and particularly research considering the reasons for banking failure.

Having considered the options above, this thesis will adopt a social constructionist perspective as it will allow for the conscious and critical treatment of the basic research assumptions, i.e. that the leadership characteristics of the Chair, Chair/CEO, CEO and CFO within the boards of banks are influencing factors in banking failure, recapitalisation or bailout. Its approach is to focus on the individual actors, but crucially the interaction between them (Drako et al., 2007). By using this approach, the thesis argues that leadership characteristics emerge dynamically in the social interactions between people and it is therefore insufficient to talk about single leaders. Instead, it takes the view that leaders create the leadership process together (Hitt, Ireland and Santoro, 2004) and even where one leader has performed the 'leadership act' (i.e. Fred Goodwin's decision to buy ABN Amro), the interaction between the board members in a social context has still taken place. Previous literature considering leadership styles takes the ‘heroic’ view that a leader is a special kind of individual (Sorensen, Iedema and Severinsson, 2008). Even if different people have differing impacts and importance to the process, the leadership process is still part of a complex web of reciprocal interaction between culturally embedded actors who are closely connected (Lindgren and Packendorff, 2003). Consequently, the single leader cannot be seen to influence on their own, but instead as part of this social interaction. While the empirical source of knowledge of leadership is still the individuals, the focus of this research is how the leaders interact and create meaning together and over time.

This makes social constructionism particularly suitable for this research study as it is concerned with the nature of leadership characteristics and styles within a group of individuals (Chair, Chair/CEO, CEO and CFO) within the banking industry setting. Their actions are seen as a result of external influences within a structure of rules that bind the participants (regulation and markets) (Howell, 2012; Smith, 2017). Therefore, a social constructionist paradigm is deemed most effective for this inquiry.

3.5.2 Epistemology

Epistemology refers to the relationship between the knower and what can be known. The answer to this question is already constrained by the research strategy and ontology above (Lincoln, Lynham and Guba, 2011). Epistemology considers the nature of knowledge, the justification of how we know what we know (Creswell and Clark, 2017), what form it takes and how it can be obtained (Hopper and Powell, 1985). It is an alternative way of expressing knowledge which it assumes can be found by objective observation (i.e. through reason and logic, or subjective observation, where the standards of rational belief are those of the individual believer or those of the believer’s community) (Saunders, Lewis and Thornhill, 2009). The goal of the social constructionist is to embrace and value the subjectivity (Willis and Jost, 2007).

As this research is a qualitative study considering whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout, the knowledge created will be subjective (i.e. expressed as a standard of rational belief) and assumed to be true as it is developed as the investigation progresses (Lincoln, Lynham and Guba, 2011) rather than the objective view adopted more generally by quantitative, positivist/post positivist studies that the findings ‘are’, or ‘are probably’ true.

In sum, this thesis takes the view that leadership is a socially constructed phenomenon (Grint, 2005), a product of socio-historical and collective meaning (Fairhurst and Grant, 2010) with multiple rather than single socially constructed realities (Lincoln, Lynham and Guba, 2011). Its aim is to explore the influence of the leadership styles and characteristics of the Chair, Chair/CEO, CEO and CFO in banking failure, recapitalisation or bailout with emphasis on the specific cultural and historical contexts that underpin the phenomena and, in doing so, generate new understanding of the world in which they are embedded (Howell, 2012). Following the consideration of possible research methodologies discussed above, a qualitative strategy using a subjective, social constructionist paradigm is considered the most appropriate method to answer the research question: ‘Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?’

3.5.3 Paradigm of Inquiry for this Research

Leadership as a phenomenon is a process with the emphasis on the dynamic nature of social reality (Fairhurst and Grant, 2010; Grint, 2005; Meindl, Ehrlich and Dukerich, 1985), and so the issue here is to choose the paradigm that best suits both the research objectives and the research problem, while at the same time being suited to the nature of leadership as a phenomenon. As outlined above, this thesis adopts a subjective, social constructionist paradigm for the following reasons:

Firstly, the nature of leadership is a social construction and is context specific. Secondly, as board leadership is a ‘neglected issue’ (Edwards and Clough, 2005), the researcher needs to understand the phenomenon from the perspective of actors who inhabit the particular context and who are in the best position to view the construction of the phenomenon. As this research uses leadership theory as a basis, the social constructionist approach is appropriate as it uses theory to provide explanations of human actions (Taylor and Trujillo, 2001). This research is concerned with understanding the subjective nature of leadership within the context of board members of global banking institutions, as defined in Chapter 2 above, while at the same time maintaining an open mind about the context so as not to place any constraints that obstruct discovering the nature of the phenomenon.

3.6 Research Approach

The choice of research approach is tied to the philosophical assumptions of the researcher and the research strategy (Saunders, Lewis and Thornhill, 2009), and can be deductive or inductive.

Deduction starts with a general or abstract concept and considers how it applies to specific circumstances (Charmez, 2006), so the inferring of particulars from a general statement is a matter of logic and the approach in establishing a causal relationship between two variables is scientific (Mantere and Ketokivi, 2013). It involves testing a theoretical proposition by employing ‘a research strategy specifically designed for the purpose of its testing’ (Saunders, Lewis and Thornhill, 2009, p. 590). The limitation that this places on permissions for alternative explanations are important for business and management (Sekaran and Bougie, 2016) and, together with the potential for the construction of rigid methodology, have led to it being generally associated with the positivist paradigm (Creswell and Clark, 2017). As this research considers the leadership characteristics and styles of the Chair,

Chair/CEO, CEO and CFO in the banking industry using a qualitative, subjective social constructionist design, the deductive approach is not considered suitable for this research.

Alternatively, the inductive approach is rooted in qualitative research where data is often generated in a non-standard fashion. The emphasis is on the individual's interpretations and the experiences of the participants, with a concern for the relationship between theory and research (Bryman, 2004). The inductive approach allows the researcher to make informed decisions about research design and the appropriateness of the strategies that could be used, while also catering for likely constraints (Easterby-Smith, Thorpe and Jackson, 2012). This gives a more flexible approach than deductive reasoning, allowing the researcher to make changes during the research process, permitting facts to be discovered and conclusions to be drawn from the analysis of the collected data. It will therefore be used in the analytical process of this thesis.

3.7 Research Methodology

Research methodology is concerned with how the researcher can find out what they believe can be known and is constrained by the chosen ontology and epistemology above (Ospina and Sorenson, 2006). Methodology is an overall approach in the research process (Collis and Hussey, 2013) and is a strategy of inquiry which moves from the underlying philosophical assumptions to research design and data collection thereby reflecting the ontological and epistemological premises of the research (Schensul and Lecompte, 2012). It guides the researcher in carrying out the research within the constraints already identified (Saunders, Lewis and Thornhill, 2009) and the knowledge, strategies and methods used by the researcher determine the methodology, suggesting a causal link between the paradigm of inquiry and the adopted methodology (Creswell and Clark, 2017). The purpose of social constructionism in research is to understand people's experiences and as such, the research takes place in the environment in which the participants work (Creswell et al., 2003). Positivist paradigms tend to use experiments and surveys, whereas the social constructionist paradigm chosen for this study typically uses action research, ethnography, case studies or grounded theory (Bryman and Bell, 2011). The choice of methodology is constrained by the objectives and research questions that have been established (Collis and Hussey, 2013) and those choices are outlined in the following section.

3.8 Choices of Methodology

3.8.1 Action Research

Action research is generally used to find an effective way of bringing about a conscious change in a partly controlled environment (Collis and Hussey, 2013). The inquiry is completed through a cycle of planning, acting, observing and reflecting (Saunders, Lewis and Thornhill, 2009), relying on the researcher and client collaborating in the diagnosis of a problem and development of a solution (Coghlan and Shani, 2005) in the belief that the actions or behaviour can only be changed by testing them (Fisher and Phelps, 2006).

Action research is accepted as a valid research method in applied fields such as organisation development and education (Kemmis and McTaggart, 1988) as it answers the practical concerns of people and is often used to resolve organisational issues, such as change, by consulting with those who are experiencing them (Eden and Huxham, 1996). It adds to the goals of social science research by enlarging the stock of knowledge (Clarke and Egan, 1972) and promoting joint collaboration within a mutually acceptable ethical framework (Rapoport, 1970).

As this research is concerned with analysing the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the largest banks (by market capitalisation) that failed, needed recapitalisation or bailout (1999–2017), the collaborative nature of this methodology makes it inappropriate for this study.

3.8.2 Ethnography

'Ethnography' means the study of people (Howell, 2012) and comes from the disciplines of social and cultural anthropology where an ethnographer is required to spend a significant amount of time in the field. Ethnographers immerse themselves in the lives of the people they study (Lewis and Russell, 2011) seeking to place the phenomena studied in its social and cultural context. The focus is on the manner in which people interact and collaborate in observable, regular ways (Gill and Johnson, 2010) with the aim of looking beyond what people say to identify a shared system of culture (Goulding, 2005). Ethnography has become widely used in the study of information systems in organisations (Hughes et al., 1993) and can include any system which fully or partially describes a group by identifying common threads such as management style (Goulding, 2005). It allows for multiple perspectives to be incorporated (Holtzblatt and Beyer, 1993) providing a general approach for exploring beliefs and contextual factors, particularly in the investigation of information systems (Pettigrew, Fidel and Bruce, 2001) and document analysis (Bowen, 2001). A key feature is direct contact with group members (Goulding, 2005) with the voices of the participants heard in the end narrative (Boyle, 1994).

As the research question for this thesis is concerned with the leadership styles and characteristics of the Chair, Chair/CEO, CEO and CFO in the largest banks (by market capitalisation) from 1999–2017, the embedding of the researcher would not only be too hard to accomplish, but would also not be possible during the research period. For these reasons, an ethnographic approach is not appropriate for this study.

3.8.3 Case Studies

The case study methodology involves empirical investigation of a particular phenomenon within its real-life context and involves the systematic investigation of a single individual event or situation (Yin, 2011). As it does not start with a set of questions or ideas about limits, it requires a high degree of energy at each stage of the process (Bennett and Elman, 2006) and can either result in massive, unreadable documents or report only the researcher's findings (Saunders, Lewis and Thornhill, 2009).

Case studies are widely used in organisational studies, especially in the social science disciplines of sociology, industrial relations and anthropology (Hartley, 2004). A study consists of detailed investigation of one or more organisations, or groups within organisations, with a view to providing an analysis of the context and processes involved in the phenomenon under study (Meyer, 2001).

Case studies are tailor-made for exploring new processes or behaviours that are little understood (Hartley, 2004), hence the approach is particularly useful for responding to 'how' and 'why' questions about a contemporary set of events with the main aim of exploring and understanding the phenomena within a particular context (Yin, 2011).

Accordingly, case studies are pertinent to descriptive research questions such as 'What is happening or has happened?' or explanatory questions such as 'How or why did something happen?' (Bromley, 1986). By emphasising the study of a phenomenon within its real-world context, the case study method favours the collection of data in natural settings. However, the credibility of case study methodology has been criticised for a perceived lack of procedural trust which may not sufficiently protect against biases such as a researcher seeming to affirm what she or he had set out to find. There is also a perceived inability to generalise case study findings to any broader level (Zainal, 2007).

Case study research can be positivist, interpretivist or critical depending upon the underlying philosophical assumptions of the researcher (Yin, 2011), and is particularly favoured for in-depth interpretative studies (Walsham, 1993).

Despite the apparent applicability to this study, as the research is concerned with the study of leadership styles and characteristics of the Chair, Chair/CEO, CEO and CFO of the largest banks (by market capitalisation) (1999–2017), it is likely that the research project would generate too much data and take too long to be a viable method (Yin, 2011).

3.8.4 Grounded Theory

Grounded theory is a methodology that seeks to construct theory about the issues of importance in people's lives (Corbin and Strauss, 1990). The researcher has no preconceived ideas to prove or disprove (Mills, Bonner and Francis, 2006) and the methodology seeks to develop a substantive theory, grounded in data, which is systematically gathered and analysed. Grounded theory is inductive and allows the researcher to develop a theoretical account of the general features of a topic while simultaneously grounding the account in empirical observations or data (Martin and Turner, 1986). It is a general method of comparative analysis (Strauss and Corbin, 1997) which focusses on the development of a new theory, identified by people who have experience of the phenomena in question (Corbin and Strauss, 2008), allowing the researcher to give accounts of these personal experiences while explaining why they may have impacted the study (Creswell and Clark, 2007). It therefore stands out as a theory that allows investigation of 'how' and 'why' problems in a systematic way (Jones and Noble, 2007).

The approach uses 'categories' to highlight the data, which are then saturated to demonstrate their importance allowing a general framework to be developed (Silverman, 2013). As such, it allows for flexibility of data collection (Strauss and Corbin, 1967). However, predetermined sample sizes are argued to be inappropriate as the level of sampling can determine the findings (Sandelowski, 1995).

The grounded theory process develops context-based descriptions and explanations of the phenomena (Orlikowski, 1993), making it increasingly important in qualitative research within the social science and management fields (Altheide et al., 1998) and for inductively generating deep insights into leadership processes (Bryman, Stephens and Campo, 1996; Parry, 1998).

The major difference between grounded theory and other methods is the specific approach to theory development – grounded theory suggests that there should be a continuous interplay between data collection and analysis (Charmez, 2006). However, without a theoretical framework, the researcher can stray into providing description without meaning (Hartley, 2004).

In sum, grounded theory is a primarily inductive methodology (Howell, 2012) through which the researcher pursues the interpretations of those involved in the situation under investigation in relation to the data. It is particularly suited to a social constructionist approach as it allows the researcher to address the 'why' questions, enabling the researcher to generate new understandings and novel interpretations of the studied lives (Charmez, 2006).

In order to explore the question 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?' a grounded theory methodology is consistent with a social constructionist approach which will allow the actions of the board members to be a central focus within socially created situations and social structures. This will offer a consistent and appropriate methodology for investigating the research question.

3.9 Methodology Chosen: Grounded Theory

As the review of methodology shows, researchers do not reach a conclusion about their view of the nature of truth and reality quickly or easily (Mills, Bonner and Francis, 2006). In seeking to analyse whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout, this research has chosen an social constructionist ontology, acknowledging that there can 'exist as many such constructions as there are individuals' (Guba and Lincoln, 1989, p. 43). Epistemologically, the research is subjective with the researcher being part of the process rather than an objective observer (Lincoln, Lynham and Guba, 2011). In seeking a research methodology that fits with this position, grounded theory has been chosen as it provides both a methodology and mode of analysis for this study allowing the researcher to delve into an unknown area of human nature and behaviour (Nwanji, 2006). The theoretical explanations of behaviour can allow for process, thereby recognising context and change (Goulding, 2005). This becomes important when studying human behaviour as, in many cases, although people may be calculated and rational when making decisions, they typically turn to established routines to attain their purposes (Hall and Taylor, 1996).

Given the identified need in the literature review to understand the influence of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in banking failure, recapitalisation or bailout, a grounded theory methodology allows the data to emerge from the accounts and statements of those leaders involved in the particular situational context (Strauss and Corbin, 1997) and also allows for a wide range of data sources to be used in the gathering of various perspectives on the problem (Strauss and Corbin, 1967).

Grounded theory starts from a point of exploration rather than a specific research question, with the research question coming instead from this initial exploration (Charmez, 2006). The research is an emergent product of certain times, social conditions and interactions (Bryant, 2002). Grounded theory also provides a powerful argument that legitimises qualitative research as a credible methodological approach in its own right, rather than simply as a precursor for developmental qualitative studies (Charmez, 2006).

As this research is concerned with investigating the influence of board leadership characteristics and styles within banks, a grounded theory methodology was adopted as it involves research 'about' and 'with' people (Howell, 2012). It has been used to examine organisations and cultures (Turner, 1983), organisational change (Dunn and Swierczek, 1977), financial reporting practices (Hussey and Ong, 2005) and corporate growth (Johnson, 1981). However, the majority of these studies are concerned with findings and discussions, devoting little time to the methodological approach adopted (Martin and Turner, 1986). Using previous, well-formulated leadership theories would have made it possible for this project to concentrate on collecting data (Martin and Turner, 1986) using only one or two theories, such as 'charismatic' or 'transformational' leadership (Suddaby, 2006). However, it was felt that this would not allow for any variation in leadership styles, nor would it allow the richness of the theories to develop from the data.

Using a grounded theory approach, this study is therefore concerned with the generation of a substantive theory of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in banks. In its original form, the theory comes from data that has been 'systematically obtained and analysed' (Glaser and Strauss, 2009, p. 1) in areas where the researcher 'does not know what they are looking for' when they start (Glaser, 2001, p. 176) and aims to provide a fresh slant on existing knowledge (Charmez, 2006; Goulding, 2005; Locke, 2002). The conceptual theory is then developed to account for patterns of behaviour that are relevant to those involved (Glaser, 2003). In this approach, a literature review prior to data collection is not required (Heath and Cowley, 2004) as it can derail the process by leading to assumptions of what the data might present (Glaser, 2003). Grounded theorists code data as it is collected allowing categories and properties to emerge through the process of consistent comparison of incident with incident and incident with concept (Glaser, 2003). Coding is iterative and interactive, carried out 'line by line' so as not to impose the researcher's beliefs on the data interpretation (Karim Sorour and Howell, 2013).

This approach was criticised by Strauss, who argued that it results in a few concepts loosely strung together, and therefore cannot satisfy the requirements for formulating social theory. He suggested an alternative approach using coding matrixes to conceptualise ideas beyond the immediate field of study (Strauss, 1987). The disagreements between Strauss and Glaser are based on the emphasis on deductive and inductive processes (Karim Sorour and Howell, 2013). For Strauss, induction, deduction and verification are the very basis of grounded theory (Strauss, 1987). Induction is based on the experience of the phenomena, which can include personal experience, previous theories or exploratory research, while deduction requires the ability to both think logically and draw on previous experience to aid success (Corbin and Strauss, 1990).

This development of a formal structuring process for the coding of data and the generating of the substantive theory (Parker and Roffey, 1997; Suddaby, 2006) is suited to this research study as the areas to be studied (leadership characteristics and styles), together with the subsequent literature review, suggest a source of data which can lead to direct theoretical sampling (Charmez, 2006). Therefore the method proposed by Strauss and Corbin (1997) will be adopted.

3.10 Conclusion

In sum, this research is concerned with the influence of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the largest banks (by market capitalisation) that failed, required recapitalisation or bailout. This chapter has considered the potential research strategies that could be used, deciding on a qualitative approach as it allows for flexibility and the opportunity to develop new ideas (Ospina and Sorenson, 2006). As leadership is a socially constructed phenomena (Meindl, Ehrlich and Dukerich, 1985), a social constructionist, subjective view is considered the most appropriate. These decisions then influenced the selection of research methodology which, following the review of possible methodologies above, resulted in the Strauss and Corbin approach to grounded theory being chosen.

The next chapter focusses on the data collection and analysis techniques to be used.

Chapter 4

Adapted Grounded Theory

The aim of this research is to analyse the influence of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the largest banks (by market capitalisation) that failed, needed recapitalisation or bailout. As outlined in the chapters above, it will use a qualitative strategy based on a subjective epistemology within a social constructionist ontology. Following the review of suitable methodologies, the Strauss and Corbin method of grounded theory was selected with the aim of building a substantive theory of leadership in the global banking sector (Corbin and Strauss, 2008). Grounded theory was selected for its flexibility (Charmez, 2006) with the researcher having the latitude to create methods as the inquiry proceeds. It is important to note that grounded theory does not encourage research that ignores existing empirical knowledge, rather it should observe a direct and necessary link between the extant area (in this case 'leadership') and grounded theory (Suddaby, 2006).

4.1 Introduction

As discussed in Chapter 3 above, grounded theory provides a way of generating a substantive theory through the collection of data, comparative study and coding. The social constructionist ontology chosen rests on the assumption that humans do not passively react to external reality but impose their own internal perceptions on the world, and in doing so, create their own realities (Morgan and Smircich, 1980). Grounded theory is considered most appropriate to elicit fresh understandings of these realities in cases where researchers have an interesting phenomena (in this case banking failures) without explanation, e.g. why did some banks fail, need recapitalisation or bailout, and others not? (Glaser and Strauss, 1967). It also allows for analysis of the meanings and concepts used by actors (in this case the Chair, Chair/CEO, CEO and CFO) in real settings (Gephart, 2004).

The Strauss and Corbin (2008) version of grounded theory uses analytic categories constructed from data (Charmaz, 2014), which are then coded in order to understand the contribution made to the participants' lives. The methodology involves analysing actions together with processes, rather than topics or themes (Charmaz and Bryant, 2011), and requires persistence and creativity during the inquiry process (Karim Sorour and Howell, 2013).

Grounded theory has been consistently adopted by researchers working with qualitative data (Denzin and Lincoln, 2005). This research considers the fundamental question 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?' and, as such, the Corbin and Strauss (1990) approach gives the structure needed to code and analyse the data, together with the flexibility to allow the procedures to vary according to the circumstances (Corbin and Strauss, 1990). However, the literature review identified the need for an assessment of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO linked to the pre-existing leadership theories. The coding process will therefore need to be adapted in order to focus on links between the data and the pre-existing theories while allowing the nuances of the leadership characteristics and styles to emerge. Although the purpose of grounded theory is theory construction rather than application of existing theories (Charmaz and Bryant, 2011), it is more desirable and often necessary to start the quest for a formal grounded theory from a substantive one, as this gives initial direction in developing categories and properties (Suddaby, 2006). Notably, Charmaz (2006) took an approach that focussed on themes occurring within the data, rather than concepts and categories (Charmaz, 2006), and Huxham and Vangen (2000) used a derivation of grounded theory to develop themes around leader collaboration (Huxham and Vangen, 2000).

By adapting the grounded theory approach to develop a substantive formal theory around leadership while using, but not being restricted by, extant leadership theories, this research adds to the literature ‘demonstrating the strengths of grounded theory as a tool for inductively generating deep insights into leadership processes’ (Gardner and Lowe, 2009, p. 22). It provides a major contribution to the development of the use of grounded theory and heeds the calls for more open forms of inquiry (Ospina and Sorenson, 2006), more radical thinking of the relationship between data and theory construction (Timmermans and Tavory, 2012), and the need to address the ‘how’ and ‘why’ questions which are still missing from the process (Harry, Sturges and Klingner, 2005).

4.2 Procedures and Adaption to the Strauss and Corbin Approach

Grounded theory has grown to be a dominant data analysis model (Timmermans and Tavory, 2012). In spite of this popularity, questions over its promise to create new empirically based theories remain (Bryant, 2002; Charmaz, 2006), partly due to incomplete searches and a lack of well-articulated strategies (Suddaby, 2006). This has led to the call for radical re-thinking of the relationship between data and theory construction cited above (Timmermans and Tavory, 2012). This thesis heeds this call by adapting the Strauss and Corbin method to develop a more formal way to ‘find the middle ground between the theory laden view (of leadership) and unfettered empiricism’ (Suddaby, 2006, p. 635).

In grounded theory methodology, the researcher systematically develops a theory from collected data. The Corbin and Strauss (1990) method requires that data collection and analysis occur simultaneously in order for the researcher to capture all the potentially relevant aspects of the study (Corbin and Strauss, 1990). The data collection, analysis and conceptual theorising occur in parallel from the beginning of the process (Charmaz, 2006). It is the idea of beginning with an area of study and allowing a theory to magically emerge that has exposed grounded theory to ridicule (Wacquant, 2002).

In answer to this criticism, this thesis employs a strategy where the constant comparison of the data allows for conceptually similar incidences to be ‘grouped together under a higher level descriptive concept’ (Corbin and Strauss, 2008, p. 73), i.e. extant leadership theories. This allows the researcher to identify ‘a higher level of abstraction, higher than the data itself’ (Martin and Turner, 1986, p. 147). The process keeps the validity of this type of research (Silverman, 2013) and allows for the generation of a theory that is integrated, consistent and plausible (Corbin and Strauss, 2008).

4.3 The Coding Approach

Coding of actions in grounded theory differs from coding used in other methodologies as it involves comparative methods, discerning meaning by the contextualisation of actions and events (Charmaz and Bryant, 2011). Coding is the initial phase (Charmaz, 2006) of basic data analysis carried out by the researcher (Corbin and Strauss, 1990). It provides the bedrock of grounded theory (Howell, 2012), the pivotal link between data collection and the development of the emergent theory (Charmaz, 2006). It allows for data to be broken down, conceptualised and put back together in new ways, and involves ‘open, axial, and selective processes’ (Corbin and Strauss, 1990, p. 9) which are discussed below.

4.3.1 Open Coding

Open coding is the ‘process of breaking down, examining, comparing, conceptualising, and categorizing data’ (Corbin and Strauss, 1990, p. 61). Comparison is essential with the data continually compared, critiqued and questioned (Charmaz and Bryant, 2011). It begins with the use of memos, where the researcher assesses and re-assesses the phenomena under investigation. This differs from grounded theory in its original form, where the creation of codes comes from the interpretation of the data, rather than placing the data into predetermined codes (Collis and Hussey, 2013).

In the adaption to grounded theory used in this study, the researcher keeps the comparison, critique and questioning stages required for validity, without change. Data is broken down, examined and labelled without any limitations of scope or application of filters. Codes are then organised into patterns allowing the initial concepts to emerge. Labels are chosen by the researcher but can come from technical literature, interviews and documents (Corbin and Strauss, 2008; Glaser, 2003). This research project uses labels that reflect leadership characteristics and styles, which are taken from existing literature, but crucially allowed to emerge from the data. This allows a new theory to emerge, rather than an elaboration of an existing one (Suddaby, 2006).

4.3.2 Axial Coding

Axial coding is a set of procedures whereby open-coded data is put back together in new ways by making connections between the categories (Corbin and Strauss, 1990). This is done by relating and restructuring categories to subcategories through their properties (Strauss and Corbin, 1997). The purpose of axial coding is to sort, synthesise and organise data (Creswell and Clark, 2007). It is an extension of open coding, which may take place concurrently (Collis and Hussey, 2013), and includes:

- The development of properties and categories of concepts.
- The linking of those categories and subcategories to form relationships.
- The linking of relationships with the development of mini theories about the relationships within the phenomenon.
- The deduction of how the mini theories may come together to form major theories.

As this research is concerned with analysing the influence of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO of banks that failed, required recapitalisation or bailout, the adaption of grounded theory in order to link to the extant leadership literature happens at this stage. There is a perceived danger that using prior knowledge in grounded theory will contaminate the researcher's perspective or force the researcher into testing propositions, rather than directly observing them (Suddaby, 2006). To avoid this, the prior knowledge is drawn from several sources, i.e. leadership characteristics and styles in general, rather than a specific leadership theory (Spindler and Spindler, 1982).

4.3.3 Selective Coding

Selective coding is the integration of the categories used in the open and axial coding stages in order to form an initial framework. It is 'the procedure of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development' (Corbin and Strauss, 1990, p. 116), and is the 'analytic power that explains the whole' procedure (Strauss and Corbin, 1998, p. 146).

The process of selective coding allows themes to be developed by the identification and integration of concepts, focussing on how the subjective experiences of individuals can be abstracted to theoretical statements about causal relationships between the actors (Wimpenny and Gass, 2000); allowing the interpretation of a situation to inform the course of action, rather than calculation alone (Howell, 2009).

4.4 The Adapted Grounded Theory Model

This research is concerned with the influence of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in banks. As detailed above, grounded theory provides the most appropriate method for addressing the research question but has been adapted to allow for the emergence of pre-existing leadership theories without forcing the data into those theories from the outset.

Table 4.1 below illustrates the difference in focus from the original model (Strauss and Corbin, 1998).

Table 4.1: Difference in focus between the original grounded theory model and the adapted model

Stages of theory building	**Data analysis method**	**Strauss and Corbin (1998) model**	**Model used in this research**	**Adaption to grounded theory**
Stage 1	**Open coding:**	**Open coding:** Use of line by line analysis to break down data into categories. Subjective, chosen by the researcher.	**Open coding:** Use of line by line analysis to break down data into categories. Subjective, chosen by the researcher and includes banks that failed, needed recapitalisation or bailout and those that did not.	**Open coding:** No adaption of coding at this stage.
Stage 2	**Axial coding:** Procedure whereby data is put back together again in new ways by making	**Axial coding:** Reconstructing data with the intention of revealing links and relationships;	**Axial coding:** Adaption	**Adaption:** Reconstructing the data revealing links and relationships which form

Stages of theory building	Data analysis method	Strauss and Corbin (1998) model	Model used in this research	Adaption to grounded theory
	connections between the categories (Corbin and Strauss, 1990).	construction of mini theories linked to the paradigm model.		around the phenomenon of 'leadership characteristics and styles'.
Stage 3	**Selective coding:** Selecting the core category and subcategories. Systematically relating them to other categories, validating the relationship and filling in categories that need further refinement.	**Selective coding:** Asking questions such as: 'What is the idea presented in this research?' 'What does this action/interaction seem to be about?' 'How can I explain the variation between and among this data?' (Corbin and Strauss, 1990, p. 424).	**Selective coding:** Adaption	**Adaption:** Asking questions such as: 'Are there any links between the data and the leadership theories?' 'Is there a variation in the data?' 'Does the category link to one or more of the theories?' It involves inductively gaining information that is apparent in the data and leads to the identification of

Stages of theory building	Data analysis method	Strauss and Corbin (1998) model	Model used in this research	Adaption to grounded theory
				the **core category** according to the **paradigm model**.
Stage 4	**Theoretical framework:** Alternating between inductive and deductive reasoning.	**Theoretical framework:** Inductively gaining information that is apparent in the data. Deductively turning away from the data to think rationally about what is missing and forming logical conclusions. Leads to the development of the substantive theory.	**Theoretical framework:** Adaption	**Theoretical framework:** Proposes linkages that validate and refine the unclear links to extant leadership theories within the paradigm model.

Source: Strauss and Corbin (1998)

4.5 Conclusion

This chapter has outlined and justified the use of the adapted grounded theory model in order to analyse the influence of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the largest banks (by market capitalisation) that failed, needed recapitalisation or bailout during the research period, and to build a substantive theory of leadership in the banking sector. Grounded theory methodology was chosen for its appropriateness for the qualitative strategy adopted in this research. Following a review of the development of grounded theory methodology, the model used by Strauss and Corbin (1998) was adapted, allowing analysis of links to extant leadership theories to be used and, in so doing, enabled the research to develop without restrictions to predetermined outcomes. Such adaptions are justified within grounded theory, which is flexible in order for the researcher to choose and create methods as the inquiry continues (Charmaz, 2008). This research considers the fundamental question: 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?' As such, the grounded theory coding process (Strauss and Corbin, 1998) is adapted at the axial and selective coding stages to allow for comparison between the collected data and the characteristics described in extant leadership theories.

The next chapter considers the process of grounded theory building, starting with theoretical sampling, data collection and data analysis stages, and, finally, the development of the substantive theory.

Chapter 5

Data Collection, Sampling and Chronology

5.1 Introduction

This research uses a qualitative, social constructionist approach based on a grounded theory methodology to consider whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the largest banks (by market capitalisation) are an influencing factor in banking failure, recapitalisation or bailout.

Chapter 2 reviewed the literature and identified the fundamental research question. Chapters 3 and 4 discussed research design and methodologies, outlining the reasons for the chosen model. Having decided on the adapted grounded theory methodology (Corbin and Strauss, 2008), this chapter outlines the process of grounded theory building and data collection along with the identification of the initial selective samples.

5.2 Grounded Theory Building

The grounded theorist initially has an open mind as to the kind of theoretical account likely to emerge from the investigation (Martin and Turner, 1986) which is conducted iteratively by analysing and collecting data simultaneously (Corbin and Strauss, 2008). In its pure form, grounded theory is a jumble of literature review, data collection and analysis. This study suspends this reporting hallmark, presenting the literature review in Chapter 2 above. It now sequentially follows a similar process to that of quantitative methods, namely data collection, analysis, findings and discussion of results (Suddaby, 2006). It is important to bear in mind that the concepts that follow in the next chapters emerged from the data, together with the literature consultation. Appendix 4 shows the process of theory building for this study in more detail.

5.3 The Research Question and Propositions

Social constructionism attempts to describe, explain and understand the lived experiences of a group of people (Denzin and Lincoln, 2000). This study of leadership in the banking sector is based on the view that leadership is a socially constructed phenomenon (Fairhurst and Grant, 2010) intrinsically relational and social in nature (Ospina and Sorenson, 2006). As identified in Chapter 3, the crucial purpose of the researcher in this case is to gain insight and depth into the studied phenomena (Creswell and Clark, 2017). Reviewing technical literature on the problem area provides a good source of potential research questions (Corbin and Strauss, 1990); the initial review of literature used in this study is outlined in Chapter 2 above. Following this review, the research question at this stage is identified as:

'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?'

Before the process of data collection and analysis begins, the research question is broken down into a series of propositions and premises (Pandit, 1996; Suddaby, 2006). These are:

- Is there a prevalent leadership style or set of leadership characteristics found in the Chair, Chair/CEO, CEO and CFO in large banking institutions?
- Is there a prevalent leadership style in those board members of banks that failed, needed recapitalisation or bailout, and is this different from those that did not?
- Is there a difference in the leadership styles and leadership characteristics between the identified board members?
- Is this difference an influencing factor in banking failure, recapitalisation or bailout?

In order to address these propositions, the data collection and analysis needs to consider and understand the point of view, feelings and actions of those involved in leading the banks during times of failure, recapitalisation or bailout (Charmaz and Belgrave, 2007). The section below outlines this process.

5.4 The Data Collection Process

Grounded theory methodology uses multiple data sources in a logically consistent set of simultaneous data collection and analytic methods to arrive at a developing theory (Glaser and Strauss, 1967). Data collection that best fits the actual research problem should be used (Thornberg and Charmaz, 2014). There is no clear break between the data collection and analysis with the researcher continuing to collect data until no new evidence appears. This enhances validity and reliability (Strauss and Corbin, 1998; Yin, 2017) and also means that the data analysis shapes the data collection procedures (Charmaz and Belgrave, 2007). During this study, data was collected and analysed simultaneously through the methods outlined in the paragraphs below, which are shown sequentially for clarity.

5.4.1 The Choice of Data Collection Method

Qualitative research is inquiry aimed at describing and clarifying human experience as it appears in people's lives (Polkinghorne, 2005). The aim of data collection in this case is to discover rich, detailed data that can reveal the feelings and actions of the subjects as well as the context and structure of their lives.

Qualitative data is normally transient, understood within the context of the study (Collis and Hussey, 2013) with context also being important for the study of effective leadership in complex, adaptive systems (Elkington and Booysen, 2015). As the review of literature in Chapter 2 has shown, the context of this study is the banking sector and the investigation of the leadership characteristics and styles of identified members of the board (Chair, Chair/CEO, CEO and CFO) (see Chapter 6 below).

In adopting a grounded theory methodology, this study will analyse data on the social situation of banking leaders and as such could use primary or secondary data (Suddaby, 2006).

Primary data is data collected for the specific research problem. This research question requires analysis of leaders' actions and feelings. However, as access issues remain a difficulty (Pye and Pettigrew, 2005), primary data in the form of interviews would not be possible and may also involve a historical bias.

5.4.2 Justification of Sources of Secondary Data

Using secondary data presents a number of problems. Useful data sources must be located and retrievable. Then the data needs to be analysed to assess how well it meets the quality requirements and the methodological criteria of the research (Hox and Boeije, 2005). If the secondary data stems from a previous research project, the data will be subject to the original researcher's choice of sample and methodology. This can impact the usefulness of future studies. How well the choices and limitations of the original research fit with the current research problem is a matter of judgement.

In order to analyse the leadership characteristics and styles of the board members in banks that failed, needed recapitalisation or bailout, a method of data collection that allows access to the thoughts and feelings of the top executives was required (Pye and Pettigrew, 2005). The review of existing qualitative research carried out in the literature review did not reveal any existing data sets that could be utilised for the current research problem. Forms of other documentary evidence were then considered and are detailed below.

Documentary evidence: This can consist of written, oral, visual or cultural artefacts (Bowen, 2009). The use of documents as sources of secondary data was regarded as 'the anthropologist's informant or the sociologist's interviewee' (Glaser and Strauss, 1967, p.

163); yet despite this, documentary evidence is underused in the field of leadership research where it is overlooked in favour of interview data. Notably, Hrynyshyn and Ross (2011) used policy documents and leadership statements to investigate how leaders define workers' interests and how this then forms strategy.

As this thesis investigates the meaning, intentions and actions of the top leaders in banks, documents used as secondary data sources could include transcripts, case histories, autobiographies, written descriptions of events, narratives and interviews (Charmaz and Belgrave, 2007). The possibilities for use, and constrains of these sources, are considered below.

Annual reports: The use of annual reports in secondary data collection has generated interest since the early 1980s. They are a primary source of information for both institutional and individual investors (Epstein and Freedman, 1994; Hutchins, 1994), creditors, employees, wider stakeholders and governments (Neu, Warsame and Pedwell, 1998; Unerman 2007) and 'a staggering amount of time, energy and money is invested' in them (Hutchins, 1994, p. 315).

However, their use as data sources is controversial, generating disagreement regarding objectives and credibility (Thomas, 1997). They have multiple audiences and varying objectives, ranging from questions of stewardship to promotion of the firm. They differ in content and scale with many investors regarding them as a poor source of information, glossing over bad news to make the leadership look good (Insch, Moore and Murphy, 1997). Early work focussed on how to improve their readability and design (Anderson and Imperia, 1992; Fielden and Dulek, 1984), and Beattie, McInnes and Fearnley (2004) concluded that they are too technical to be of use to lay stakeholders. Attention then focussed on links between the readability of reports and the performance of companies, with findings supporting the view that management is less forthcoming about disclosing information when a firm is performing badly (Bloomfield, 2002; Li, Pike and Haniffa, 2006), resulting in a 'Pollyanna' hypothesis (Hilebrandt and Snyder, 1981) suggesting that regardless of company performance the language in the annual letter will be predominantly positive.

The reliability of the Chair and CEO letters to investors as documents that reflect the writer's views are particularly relevant to this study. The leaders may draft the letter, but it then typically goes to the CFO for revision before being sent to the organisation's legal department for final revisions. Alternatively, the letter is drafted by the CFO and then sent to the CEO for revision. In all cases, the work is not that of one person but embodies the 'corporate speak' representation of the top management of the company (Thomas, 1997) representing a textually mediated discourse used to send the right message and shape the way people feel about the organisation (Pettit, 2003; Preston, Wright and Young, 1996). Despite this, many Chairs and CEOs see the message as representing them personally (Winsor, 1993).

As this research is looking at the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO, the credibility of the use of the annual report, and in particular the Chair/CEO letter, to portray the individual characteristics of the leaders is questionable. However, the documents do serve as a starting point to ascertain the names and length of tenure of the directors (Beattie, McInnes and Fearnley, 2004) with the annual report and accounts being 'the principal way in which shareholders and others keep themselves informed on the activities, progress and future plans of a company' (p. 6).

Transcripts of analyst conferences: In grounded theory, rich detailed data such as transcripts of interviews will reveal thoughts and feelings of the chosen subject, as well as providing structure and content (Charmaz, 2006).

As outlined above, interviewing top executives, especially in banks that failed, is not feasible without the potential for significant historical bias (Prior, 2004). Using analyst conference transcripts may represent a useful alternative. For listed organisations, analyst conferences provide opportunity for board members (Chair, Chair/CEO, CEO and CFO) to report on performance of strategy and crucially take questions from the participants. These conferences are live debates and are transcribed or recorded in real time. Although the questions asked may not be directly relevant to the research, these documents provide a useful and credible source of natural language spoken by the participants. They can be analysed (Chapter 6 below) to search for words and phrases that can reveal leadership characteristics and styles. These documents are transcripts with open questions. The exchanges are often heated and not pre-scripted, giving rich sources of natural vocabulary.

Parliamentary, treasury and federal inquiry reports: In some cases, Chairs, CEOs and CFOs were involved in parliamentary, treasury or federal inquiries. The proceedings of the inquiries are published and include transcripts of interviews and records of conversations such as email and telephone conversations between the Chair, Chair/CEO, CEO and CFO given at the time, rather than after the event. As with analyst transcripts above, although the questions asked are not directly relevant to the research, analysis of the discourse can also reveal rich insights into the leadership styles of those being interviewed.

Press reports and media interviews: Banks release press reports on an ad hoc basis. These include, for example, information on a change of director and quarterly earnings statements. These documents are prepared by the communications departments of the organisation so cannot represent a clear picture into individual leaders' characteristics; however, they can provide an additional source of information as to changes in the leadership structure.

Media interviews and news reports: The prevailing influence of the social sciences in the study of mass communication has led to a nearly exclusive focus on the economic, political, social or psychological aspects of news processing. However, media discourses, interviews and news reports represent an underutilised source of discourse which can be effectively analysed to highlight complex events within a social context (Van Dijk, 2013).

The documents outlined above all yield ‘languaged data’, i.e. interrelated words combined into sentences and sentences into discourse (Polkinghorne, 2005, p. 138). The use of language to accurately show experience (in this case leadership experiences and how leaders make sense of their world) is not new. As early as 1902, Adam used documents to study religious experience (Adam, 1902). As this research deals with leadership influence, it is concerned with the ‘world as it is lived, felt, undergone, made sense of and accomplished’ (Schwandt, 2001, p. 84). The language used by leaders often includes metaphor and expressions which can expand the meaning contained in literal expressions. These can be used enhance our understanding, and the use of language remains our primary access to human experience (Ricoeur, 1977, 1984).

In sum, the documents above have limitations as discussed, but also provide credible sources of data for this inquiry. Further discussion of their use and limitations in the analysis stage is given in Chapter 6 below.

5.5 Initial and Specific Sampling

Sampling in grounded theory is for theory construction, not for ensuring a representative sample within in certain demographic, and is the defining strategy of grounded theory (Charmaz, 2008; Suddaby, 2006). It is sequential, starting with *specific sampling* (Thompson, 1999) which comes from the general perspective of the problem, in this case banking failure, recapitalisation or bailout. Once data is collected and coding begins, the process of *theoretical sampling* begins, i.e. sampling for the developing properties of a category (Glaser and Strauss, 1967). It involves gathering new data to check hunches, but, despite this, there is little guidance on how to implement theoretical sampling (Draucker et al., 2007). Theoretical sampling is discussed in more detail in Chapter 6 below.

5.5.1 Specific Sampling

Specific sampling evolves during the research process and comes from consideration of the initial general problem developed from the review of literature, i.e. why have past reforms been ineffective at curbing banking losses and failures? (Ball, 2009). The research process derived from the literature review initially identified a large number of banks that failed between 1999 and 2017. As detailed in Chapter 2 above, the literature is fragmented, detailing US, European, South American and Asian banking failures separately and not considering bailout, recapitalisation or takeover. In order to obtain an initial, manageable sample size that would address the research question, the largest banks to fail, need recapitalisation or bailout by market capitalisation were identified. The list can be found in Table 5.1 below.

Table 5.1: Largest banks by market capitalisation that failed or received recapitalisation or bailout (1999–2017)

Number	Country	Bank	Market capitalisation at time of failure, recapitalisation or bailout	Source	Event and amount of intervention (where applicable)
1	USA	Lehman Brothers	US$10 trillion	LEMQ:US Bloomberg 2008	Filed for Chapter 11 bankruptcy
2	USA	Washington Mutual	US$307bn	Washington Mutual Form 10-K SEC.gov 2008	Filed for Chapter 11 bankruptcy
3	UK	Royal Bank of Scotland	£62.8bn	RBS Group Accounts 2007	UK Government bailout Oct. 2008 £45bn
4	Europe	Banco SA	US$37.71bn	Annual Report and Accounts Banco SA 2007	Partly nationalised by the Spanish Government
5	USA	Merrill Lynch	US$26bn	Merrill Lynch Form 20-k- SEC.gov 2007	Bought by Bank of America

Number	Country	Bank	Market capitalisation at time of failure, recapitalisation or bailout	Source	Event and amount of intervention (where applicable)
6	USA	Bear Stearns	US$20bn	BSC:US Bloomberg 2008	Sold to JP Morgan March 2008 with loan of US$29bn from US Treasury
7	Europe	Bank of Ireland	13bn Euros	Bank of Ireland Annual Report 2008	Capital injection Jan. 2009 3.5bn Euros
8	UK	Halifax Bank of Scotland	£7.75bn	HBOS Group Accounts 2007	UK Treasury capital injection and takeover by Lloyds banking group Sept. 2008 £17bn
9	Europe	Allied Irish Bank	7bn Euros	AIB Annual Report and Accounts 2007	Capital injection and nationalised Jan. 2009 3.5bn Euros
10	UK	Northern Rock	£5bn	'Run on the Rock' HC 56-1. 26 Jan. 2008	Bank of England liquidity support Feb. 2008
11	Europe	Fortis	US$3.9bn	Fortis Bank Annual Report 2008	Sold to BNP Paribas May 2009 1.2bn Euros

Number	**Country**	**Bank**	**Market capitalisation at time of failure, recapitalisation or bailout**	**Source**	**Event and amount of intervention (where applicable)**
12	Europe	Dexia		Dexia Annual Report 2007	Recapitalised by French and Belgium governments. Sept. 2008 3bn Euros
13	UK	Alliance and Leicester	£3.2bn	Alliance and Leicester Annual Report 2007	Acquired by Santander Jul. 2008 £1.26bn
14	UK	Bradford and Bingley	£3.2bn	Bradford and Bingley Annual Report 2008	Saving units and branches sold to Santander Sept. 2009
15	Europe	Anglo Irish Bank	157m Euros	Annual Report and Account 2008	Capital injection. May 2009 39.3bn Euros

It is important to note that there were other US banks that took funding under the US Troubled Asset Relief Program (TARP). In 2008, the US Treasury established several programmes under TARP to help stabilise the US financial system, restart economic growth and prevent avoidable foreclosures. Eight of the largest US banks (Bank of America/Merrill Lynch, Bank of New York Mellon, Citigroup, Goldman Sachs, JP Morgan, Morgan Stanley, State Street and Wells Fargo) were encouraged by the US Treasury to take TARP funding regardless of their current capitalisation, in order to create a firewall and allow them to be in a position to buy troubled banks if necessary. Those banks that received TARP funding are therefore not included in the list of those taking bailout or recapitalisation. The authority to make new financial commitments under TARP ended in October 2010 and, as of May 2016, all relief has been paid resulting in a government profit of US$30.7bn.

In order to consider possible reasons for banking failure, recapitalisation or bailout, the initial research also identified the need for a second specific sample of the largest banks that did not fail, need recapitalisation or bailout. These banks are taken from the top 50 largest banks by market capitalisation according to the Banker Top 1000 banks database, 2017.[1] The Banker Top 1000 database is used as it is the banking industry standard ranking, and market capitalisation is chosen as it is the value of a company that is traded on the stock market, which is calculated by multiplying the total number of shares by the present share price. It is not a direct measure of the value of the company assets or how much money the company makes, but is concerned with the value the financial markets put on the company, together with their sentiment about its future and strategy. It was chosen for this research over other ways of judging a company's 'size', such as measuring its 'book value' (revenue and profit streams against its share price), as this simply implies the value of the company on its books, and is the accounting value once assets and liabilities have been accounted for by

[1] www.thebankerdatabase.com

company auditors. This means that the accuracy of ‘book value’ as an assessment of a company’s value is determined by stock market investors who buy and sell the stock. Market capitalisation is therefore considered more meaningful as it is the price paid to own a part of the business, regardless of the book value stated.

The list of top 50 banks by market capitalisation taken from the Banker Top 1000 database 2017 can be found at Appendix 1.

5.6 Conclusion

This chapter has considered the rationale and justification for the data collection methods and subsequent data collection undertaken. This study uses a grounded theory methodology to consider the research question ‘Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?’ As such, the data collection will be carried out using secondary data including annual reports, triangulated with analyst reports and parliamentary inquiry documents, which will start to allow the researcher to build a substantive theory of ‘Strategic Leadership Influence in Banking’.

Initial *selective sampling* from the data collection outlines two samples. The first sample consists of the 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout during the research period (1999–2017), and the second sample identifies the 30 largest banks by market capitalisation taken from the Banker Top 1000 banks database 2017. Consistent with the grounded theory approach (Strauss and Corbin, 2000), these samples will now be taken forward to the data analysis stage outlined in the following chapter (Chapter 6).

Part III

Data Analysis, Findings and Conclusions

Chapter 6

Open Coding

6.1 Introduction

This chapter is the first in Part III of the thesis and is concerned with the analysis of the data collected in Chapter 5 above. This research uses a qualitative strategy based on a social constructionist paradigm within an adapted grounded theory methodology (Chapter 4) to consider the fundamental question: 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?' In accordance with grounded theory methodology, the data collection and data analysis stages occurred simultaneously (Strauss and Corbin, 2000) but are shown chronologically in this thesis for the sake of clarity (Suddaby, 2006).

Secondary data was collected using annual reports, triangulated with analyst transcripts, conferences, parliamentary reports, treasury committee proceedings and federal inquiries as detailed in Chapter 5 above. This chapter describes the data analysis stage which leads to the development of a substantive theory of 'Strategic Leadership Influence in Banking'.

Data analysis is central to grounded theory building (Pandit, 1996). Following procedures outlined by Corbin and Strauss (1990), Strauss and Corbin (2002) and the adaptions outlined in Chapter 4, the collected data is constantly 'broken down, examined, compared, contextualised and categorised analytically' (Corbin and Strauss, 1990, p. 61) using line by line content analysis (Mostyn, 1985).

This leads to the identification of four initial categories: ‘banks’ (*Categories 1 and 2*, ‘leaders’ (*Category 3*) and ‘decision making’ (*Category 4*) which are then grouped into open codes or conceptual labels that ‘share common properties’ (Corbin and Strauss, 2008, p. 45). They are identified as:

Category 1: 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017).

Category 2: 30 largest banks by market capitalisation that did not fail, need recapitalisation or bailout (1999–2017).

Category 3: Board leaders, with conceptual labels: Chair, Chair/CEO, CEO and CFO.

Category 4: Decision making in a complex, volatile environment, with conceptual labels: regulatory environment and financial innovation.

The data is ordered chronologically to allow the researcher to determine causal events over time (Pandit, 1996). As detailed in Chapter 2 above, this study is longitudinal beginning in 1999. This date was chosen as it coincides with the Financial Services Modernisation Act (1999) in the USA, repealing the Banking Act (1933) and removing the barriers between investment and retail banking. It was also the year of the introduction of the European currency, together with the beginnings of the Financial Services Action Plan which proposed market freedom by 2005, both giving further stimulation to the integration of markets and increased competitiveness. These events followed deregulation of the UK financial services industry in 1986 (the Big Bang) and combined to allow the growth of the ‘mega’ banks in the US and Europe. The data was collected until saturation was reached (2017).

During the axial coding stage (Chapter 7), the categories outlined above are analysed for words and phrases showing leadership characteristics or traits derived from the literature review before being reassembled to show leaders sharing the same characteristics and traits. This data is then taken forward to the selective coding stage which groups the data according to existing leadership theories, with the comparison helping the researcher to interpret the emerging categories by defining their properties.

This chapter gives a description of data analysis methods used for this study, the details of the collected data, and the presentation of the open coding processes.

6.2 Qualitative Data Analysis in Grounded Theory

This is a longitudinal study collecting data from 1999 until data saturation is reached (2017). This combination of data collection methods carried out over the life of the research project makes it possible to discover categories, understand their characteristics and build the relationships between them.

As highlighted in Chapter 3, grounded theory has evolved into a 'constellation of methods rather than an orthodox unitary approach' (Charmaz, 2008, p. 161). It requires the researcher to be open to theoretical possibilities of what is happening in the empirical world rather than imposing a theoretical framework (Charmaz, 2008) and effective use of it depends on adopting early grounded theory guidelines (Strauss and Corbin, 2000). Accordingly, this study adopts comparative, interactive and analytic strategies using coding, memo writing, sampling and sorting.

6.3 Methods of Data Analysis Used in the Study

6.3.1 Document Analysis

Document analysis is the systemic procedure for reviewing and analysing organisational and institutional documents (Bowen, 2009). It requires the data to be examined and interpreted to gain understanding and empirical knowledge (Corbin and Strauss, 2008).

Document analysis emphasises how versions of the world, society and events are produced. It includes conversations, contrived talk such as interviews, emails and other written forms of communication exchanged between organisational members (Cunliffe, 2008b), thereby allowing the researcher to investigate how language reflects reality. Saussure (1974) argues that language creates social identities and relationships that provide us with a perspective on the world we inhabit. It is concerned with exchanging information, making decisions and forming relationships (Johnson et al., 2004) with differences in communication less to do with cultural reasons and more to do with membership of different corporate and professional groups (Scollon, Scollon and Jones, 2011).

Like other analytical methods in qualitative research, document analysis requires data to be examined and interpreted in order to elicit meaning, gain understanding and develop empirical knowledge (Corbin and Strauss, 2008; Rapley, 2011). Documents contain text (words) and images that have been recorded without a researcher's intervention and can be seen as social facts which are produced, shared and used in socially organised ways (Coffee and Atkinson, 1996).

The analytic procedure entails finding, selecting, appraising and synthesising data contained in documents. This generates data, including excerpts, quotations or entire passages, that are then organised into major themes, categories and case examples specifically through content analysis (see para 6.4.1 below) (Labuschagne, 2003). Analysis of documents of all types can help the researcher uncover meaning, develop understanding and discover insights relevant to the research problem (Merrium, 2002).

6.3.2 Discourse Analysis

Discourse analysis covers a wide variety of approaches for the analysis of texts (Gill, 2000) and focusses on the strategies being used to achieve a particular outcome (Potter, 1997), e.g.

discourse analysis may be used to legitimise the power of a management group where the same person or groups discuss the same thing in many different ways (Wetherell and Potter, 1988).

There is considerable literature documenting its use in social sciences (Collis and Hussey, 2013). Notable to this study is research carried out by Hrynyshyn and Ross (2011), which defined workers' problems and their solutions resulting in the leadership strategy on climate change (Hrynyshyn and Ross, 2011). The researchers used critical discourse analysis of union policy documents, and leadership statements with a view to uncovering motivations, both articulated or not. However, care needs to be taken to ensure that language users do not merely become conduits of socially constructed meanings and interests (Cunliffe, 2008a).

It is important to acknowledge the editorial leaning of different media which can affect the choice of stories to be covered (or not covered), questions to be asked (or not asked) and textual detail (or lack of detail). This can collectively produce a systematic bias in what would otherwise appear to be a full and factual account of an important event. This thesis addresses this issue through triangulation of sources, which is discussed below.

Although the subject of debate (Liu, 2017), discourse analytic approaches within organisational studies can show how reality is constituted through the 'talk and text' that appears in language (Grant, Iedema and Oswick, 2009). Discourse is a form of social practice that reflects how we see the world (Van Dijk, 2013), and integral to this approach is that discourse is linked to context (Liu, Cutcher and Grant, 2017).

Discourse analysis for this thesis includes analysis of the collection of statements made by the Chair, Chair/CEO, CEO and CFO of the sample banks (1999–2017) taken from analyst transcripts, treasury reports, federal inquiries and press releases as outlined in Chapter 5 above.

6.3.3 Triangulation

Discourse analysis is often used in combination with other qualitative research methods as a means of triangulation. Triangulation is simply the use of several data sources (Mathison, 1988) defined as 'the combination of methodologies in the study of the same phenomenon' (Denzin, 1970, p. 291). The researcher looks for the data to remain the same in different contexts (Denzin, 2012) and in doing so, is expected to draw upon at least two sources of evidence in order to seek corroboration through the use of different data sources and methods (Yin, 2013). In studying the effectiveness of the leader, this can be done through the use of documents, interviews, evaluating behaviour and performance (Jick, 1979).

By triangulating data, the researcher attempts to provide credibility and validity of the process (Tellis, 1997). Through the examination of information collected through different methods, the researcher can corroborate findings across data sets and thus reduce the impact of potential biases which may exist in a single study. In this way, triangulation helps the researcher guard against the accusation that a study's findings are simply an artefact of a single method, a single source or a single investigator's bias (Patton, 1999). This study uses a combination of discourse and document analysis of multiple data sources as outlined in Chapter 5 above.

6.4 Data Analysis

In general qualitative data analysis, the researcher identifies topics about which they can write (Charmaz, 2008). However, in grounded theory, the coding goes deeper into the phenomenon and seeks to explain it.

The three basic elements of grounded theory are categories, concepts and propositions (Corbin and Strauss, 1990). 'Open coding' is the first process of data analysis and considers the basic units of categories and concepts (Corbin and Strauss, 1990, 2008). This phase requires close reading and interrogation of the data (Pandit, 1996) and forces the researcher to interact with it (Charmaz, 2008). It begins by comparing incidents using line by line, or paragraph by paragraph scrutiny. As this research study is concerned with whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout, the data collected from annual reports, analyst transcripts, parliamentary and treasury reports, together with conference proceedings is initially analysed using content analysis conducted on a line by line basis.

6.4.1 Content Analysis

Content analysis has been chosen for the analysis of the documents in this study. Described as 'the diagnostic tool of qualitative researchers' (Mostyn, 1985, p. 117), it is suitable for managing large amounts of data by reducing it into manageable amounts (Collis and Hussey, 2013). Line by line analysis of narratives prompts the study of each line, which allows for greater understanding and increased credibility (Charmaz and Bryant, 2011).

It is particularly relevant to documents, newspapers and broadcasts, with its first recorded use as early as 1740 (Mostyn, 1985). Notably for this research, Beck, Campbell and Shrives (2010) considered financial reporting literature, subdividing texts into constituent parts looking for the frequency of words (Beck, Campbell and Shrives, 2010), and Mehdizadeh (2010) used content analysis to examine traits of narcissism and self-esteem in students at York University (Mehdizadeh, 2010).

Using content analysis of the collected secondary data also allows for the creation of a database providing a permanent record which can be examined many times by subsequent researchers (Yin, 2017). Content analysis is particularly useful for examining the characteristics and traits of strategic leaders as it is non-obtrusive, thereby avoiding the access issues outlined above (Pye, 2013) and biases from awareness or interest in the study. It is therefore also useful when looking into leadership characteristics in both thriving and failing organisations (Pretorius, 2009).

6.5 Open Coding

As stated above, open or initial coding concepts are the basic building blocks in grounded theory construction (Pandit, 1996). Data collection and analysis go hand in hand, with initial interpretations guiding further data collection (Coffee and Atkinson, 1996; Kaplan and Maxwell, 2005). The process of coding involves the labelling and categorising of the phenomena in accordance with what emerged from the data (Charmaz, 2008). Open coding requires asking simple 'why', 'what', 'where', 'when' questions and makes comparisons. Having compared the data with similar incidents and grouped them together into categories, the next stage is to identify conceptual labels which are then taken forward to the axial coding stage.

6.5.1 Category Development

At this stage of the theory development, the central focus of this research is whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout. During the data collection stage outlined in Chapter 5 above, the researcher jointly collects, codes and analyses the data (Glaser and Strauss, 1967). The data collection uses secondary data from annual reports together with transcripts of analyst meetings, parliamentary reviews and federal reports (as outlined in para 5.4.1 above) for the initial samples of banks that failed, needed recapitalisation or bailout, and the largest banks by market capitalisation that did not.

During this process of comparison and grouping, four initial **categories** are identified:

Category 1: Banks that failed, needed recapitalisation or bailout.

This category was taken from analysis of the initial sample which includes events and crucial incidents. The banks in *Category 1* include the banks in initial sample 1 with the addition of Barclays as, although they did not receive government assistance, they did receive bailout funding from Qatar. With a market capitalisation of £19bn at the time, they are ranked as the 7th largest bank to require assistance. Swiss Bank UBS is also considered in *Category 1* due to the size of the two government bailout packages it received. With a market capitalisation of US$96.2bn, they are the 3rd largest bank by market capitalisation to receive a bailout.

Table 6.1 below shows the banks in Category 1: Largest banks by market capitalisation that failed, needed recapitalisation or bailout.

Table 6.1: Category 1: Largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017)

Number	**Country**	**Bank**
1	USA	Lehman Brothers
2	USA	Washington Mutual
3	Switzerland	UBS
4	UK	Royal Bank of Scotland
5	Europe	Banco SA
6	USA	Merrill Lynch
7	UK	Barclays
8	USA	Bear Stearns
9	Europe	Bank of Ireland
10	UK	Halifax Bank of Scotland
11	Europe	Allied Irish
12	UK	Northern Rock
13	Europe	Fortis
14	Europe	Dexia
15	UK	Alliance and Leicester
16	UK	Bradford and Bingley

Number	Country	Bank
17	Europe	Allied Irish Bank

Category 2: Largest banks by market capitalisation that did not fail, require recapitalisation or bailout (1999–2017). As the research question is concerned with the influence and prevalence of the leadership characteristics and styles of the board in banks that failed, required recapitalisation or bailout, those banks that do not have autonomous boards or are state controlled are discarded from the initial sample, leaving a total of 30 banks listed in Table 6.2 ordered by market capitalisation.

Table 6.2: Largest banks by market capitalisation that did not fail, need recapitalisation or bailout (1999–2017)

Number	Country	Bank
1	USA	JP Morgan
2	USA	Bank of America
3	USA	Citigroup
4	USA	Wells Fargo
5	UK	HSBC
6	France	Credit Agricole
7	France	BNP Paribas
8	USA	Goldman Sachs
9	Spain	Banco Santander
10	Germany	Deutsche Bank
11	USA	Morgan Stanley
12	UK	Lloyds Banking group
13	France	Societe Generale
14	Italy	Unicredit
15	Spain	BBVA
16	France	Credit Suisse
17	Italy	Intesa San Paolo
18	France	Credit Mutual

Number	Country	Bank
19	Netherlands	ING Bank
20	Dutch	Rabobank Group
21	USA	Standard Chartered
22	Canada	Royal Bank of Canada
23	Italy	Itau Unibanco Holding
24	USA	US Bank Corps
25	USA	PNC Financial Services
26	Australia	Commonwealth Bank Group
27	Australia	National Australia Bank
28	Australia/New Zealand	ANZ Banking group
29	Canada	Scotia Bank
30	Canada	Toronto Dominion Bank

Source: The Banker Top 1000 banks (2017)

Category 3: Leaders. As the potential influence of board leadership was in mind during the initial stages of this research, details of those leading the banks during the research period were recorded.

Category 4: Decision making. The importance of strategic decision making as a function of the board is apparent from the existing literature. Initial review of memos and field notes also show it to be a recurring theme throughout the data (see Appendices 2 and 3 detailed below).

6.5.2 Concept Development

As previously stated, the three basic elements of grounded theory are initial categories, theoretical concepts and propositions (Corbin and Strauss, 1990). The initial categories detailed in paragraph 6.5.1 came from the perspective on the general problem, in this case banking failure, recapitalisation or bailout. The next stage is to develop theoretical concepts, which are the basic units of analysis (Corbin and Strauss, 1990) and here the researcher is led in ‘all directions which seem relevant and work’ (Glaser, 2002, p. 46).

Silverman (2013) argues that open coding as a theoretical base is unclear, with the conclusions drawn becoming trivial and of little consequence where the pre-selecting of words or phrases are only of interest to the study. This can result in large amounts of data that could aid deeper understanding being ignored (Silverman, 2013). Noting this point, the structures and procedures used in the coding stages of this study are clear, giving a high degree of validity and reliability to the results.

This development of concepts follows an iterative and integrated approach across the range of triangulated data (Pandit, 1996). Through this process some concepts appear repeatedly and a constant comparison of meanings and interpretations is conducted until a final abstraction is reached. Concepts play a central role as they are groups of data (Blumner, 1973) and can include ‘participants’ experiences, spoken words, actions, interactions, problems and issues’ (Corbin and Strauss, 2008, p. 51).

6.6 Data Ordering

As this research is now concerned with the analysis of the influence of the leadership characteristics and styles of the conceptual labels of the Chair, Chair/CEO, CEO and CFO within the two categories of the 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout and the 30 largest banks by market capitalisation that did not, the next step, and the one most intertwined with data collection, is to order the material according to the timeline for Chair, Chair/CEO, CEO and CFO tenures to allow the researcher to begin to determine causal events over time (Pandit, 1996). This process is also iterative and continues through both data collection and data analysis.

At this stage, following the literature review of extant studies into leadership characteristics, styles and traits in Chapter 2 above, it is clear that there is ‘a desperate need for longitudinal studies into leadership’ (Bennis, 2007, p. 4), and the review into the global banking sector (Chapter 2 above) suggests data collection for this study should start in 1999 with the enactment of the Gramm-Leach-Bliley Act (1999) which repealed the Glass-Steagall Act (1932) removing the separation of investment and retail banking which in turn led to growth of the financial markets. As there is no clear break between data collection and analysis in grounded theory, data will continue to be collected until no new evidence appears (Corbin and Strauss, 2008) which is found to be 2017.

The initial ordering phase of conceptual label coding is central to the process of beginning to gain an understanding of whether certain leadership characteristics and traits of board leaders were influential in banking failure, recapitalisation or bailout. As such, the collected data is now broken down by asking the following questions: ‘What happened to the bank?’, ‘Who were the leaders?’, ‘When were they in office?’, ‘Which decisions did they pursue?’, ‘Which country does the bank come from?’ (Sekaran and Bougie, 2016).

The data is ordered over time with open coding field notes and memos for each category. Examples of memos can be found at Appendices 2 and 3.

6.7 Identification of the Concepts

Interestingly, further analysis of the field notes and memos (Appendices 2 and 3) show the category of ‘decision making’ to be internal (e.g. relating to changes within the board) or external (e.g. in response to changes in regulation or to financial innovation).

When analysing the categories of banks that failed, needed recapitalisation or bailout, and comparing these with those that banks that did not, the presence of the Chair, CEO (or

Chair/CEO dual role) and CFO in every bank was noted, identified as concepts and given conceptual labels. The process is shown in Table 6.3 below.

Table 6.3: Category and concept development

Category number	Open coding categories	Concepts
1	Banks	• 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017) • 30 largest banks by market capitalisation that did not fail, need recapitalisation or bailout (1999–2017)
2	Leaders	• Chair • Chair/CEO • CEO • CFO
3	Decision making	• Financial innovation • Regulatory environment

6.8 Theoretical Sampling

In the grounded theory process, it is important to construct rich categories that are related to each other (Glaser and Strauss, 1967) and ensure that the **concepts** identified above as the Chair, Chair/CEO, CEO and CFO in each category, have proven theoretical relevance to the evolving theory (Corbin and Strauss, 1990).

As outlined in para 5.6 above, the aim of theoretical data sampling is to sample events and incidents that are indicative of categories developed as part of the grounded theory process, so they can be developed and related to each other (Corbin and Strauss, 1990). Theoretical sampling should not be confused with sampling strategies used in other research methods which occurs at the planning stage and concerns who, what and where to sample (Rapley, 2011). As outlined in Chapter 5 above, initial decisions (such as banks that failed, needed recapitalisation or bailout, and those that did not) are allowed, but once the data collection begins, moving between the data collection and analysis takes over (Charmaz, 2014).

The theoretical sampling process is cumulative with the concepts and their relationships accumulating through the interplay of data collection and analysis. Data needs to be gathered in a systematic manner and should involve advanced planning, but also allow for flexibility in order to allow the theoretical relevance of the concepts to evolve (Charmaz and Bryant, 2011). Accordingly, this study uses three theoretical sampling types:

- *Open sampling* is used in relation to the data analysis open coding phase and aids the development of relevant categories in order to discover the different dimensions within them. This is used to ascertain the categories of the 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout, and the 30 largest banks by market capitalisation (the Banker 2017) that did not fail, need recapitalisation or bailout, together with the conceptual labels allocated to the Chair, Chair/CEO, CEO and CFO within the banks from 1999 to the data saturation point (2017).
- *Relational and variational sampling* is used in relation to axial coding (considered in in Chapter 7 below), with the aim to 'relate categories in terms of paradigm conditions, context, action, interaction and consequences' (Corbin and Strauss, 1990, p. 185).
- *Discriminate sampling* is related to the selective coding stage and is both directed and deliberate with the focus on the validation of the relationships discovered by the analysis (Corbin and Strauss, 1990).

Theoretical sampling is the collection of data to clarify ideas and is conducted by moving between the literature and the collected data. Its analytic strength comes from its iterative process and this continues until the saturation point occurs, i.e. when no new data linked to the categories emerges (Charmaz, 2008; Strauss and Corbin, 1998b). It is a major strength of grounded theory and is used to check the properties of the categories, not to increase representativeness (Suddaby, 2006).

6.9 Conclusion

This research is concerned with the development of the substantive theory of 'Strategic Leadership Influence in Banking' and aims to answer the fundamental question 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout during the research period (1999–2017)?' Accordingly, the collected data was initially analysed to answer questions such as: Who were the Chair, Chair/CEO, CEO and CFO in each of the banks taken from *Category 1*: 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017) and *Category 2*: 30 largest banks by market capitalisation that did not fail, need recapitalisation or bailout during the research period (1999–2017)? When were they in office? From this analysis, 'banks', 'leaders' and 'decision making' were found to be important categories that warrant further investigation. Accordingly, these categories and conceptual labels now form the basis for the axial coding stage (Pandit, 1996) which is outlined in Chapter 7 below.

Chapter 7

Axial Coding

7.1 Introduction

This research is concerned with answering the fundamental question: ‘Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout during the research period (1999–2017)?’

This chapter presents the ‘axial’ coding analytical stage of grounded theory (Pandit, 1996) and focusses on category developments in terms of their relationships applied in the paradigm model.

The main purpose of the axial coding stage is to reassemble the data that was fractured in the open coding process (Strauss and Corbin, 1998) and is the second analytical stage in the grounded theory approach. Its focus is to identify the phenomenon under investigation and specify it in terms of the ‘conditions which give rise to it; the context in which it is embedded; the action/interaction strategies by which it is handled; and the consequences of those strategies’ (Corbin and Strauss, 1990, p. 91). The process of axial coding focusses on relating the open coding categories of ‘*banks*’, ‘*leaders*’ *and* ‘*decision making*’, and the conceptual labels of ‘*Chair*’, ‘*Chair/CEO*’, ‘*CEO*’ and ‘*CFO*’, ‘*regulatory environment*’, and ‘*financial innovation*’ together to form a ‘more precise and complete explanation about the phenomena’ (Strauss and Corbin, 1998, p. 125).

The structure of the coding involves identifying the conditions that create the problems, issues, happenings or events under investigation, and the analytic process considers the response of those involved to these problems and issues**.** It is particularly concerned with the identification of the ‘phenomenon’ which shows ‘what is going on’ (Strauss and Corbin, 1998, p. 125) and the application of the conditions that give rise to it (Corbin and Strauss, 1990). The axial coding then becomes ‘the category’ with other components of the model forming the ‘subcategories’. These subcategories continue to be analysed to look for answers to the ‘when’, ‘why’, ‘where’, ‘how’ questions, linking the ‘category’ with the ‘subcategories’ to see how they are related (Charmaz, 2006). This process builds the ‘dense texture of the relationships around the “axis” of a category’ (Strauss and Corbin, 1987, p. 64).

7.2 The Link between ‘Open’ and ‘Axial’ Coding

In the open coding stage (described in Chapter 6 above), the ‘categories’ are generated in terms of their properties and dimensions which are then analysed using an integrated approach across the range of data in order to develop the ‘concepts’ (Corbin and Strauss, 2008; Pandit, 1996) restated below:

Category 1: Banks, with conceptual label: 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017).

Category 2: Banks, with conceptual label: 30 largest banks by market capitalisation that did not fail, need recapitalisation or bailout (1999–2017).

Category 3: Board leaders, with conceptual labels: Chair, Chair/CEO, CEO and CFO.

Category 4: Decision making in a complex, volatile environment, with conceptual labels: regulatory environment, financial innovation.

As outlined above (Chapter 5), open and axial coding naturally occur together (Strauss and Corbin, 1998) with open coding developing the properties and dimensions of the categories, and axial coding developing the relationships between them. This, in turn, enhances the density of the selective coding and the subsequent substantive theory which is outlined in Chapter 8 below.

7.3 The Phenomenon

The phenomenon is the central idea, event or happening and is found by asking questions such as ‘What is the data referring to and what is the action/interaction all about?’ (Strauss and Corbin, 1998). Axial coding shows the relationship between the categories, concepts and the phenomenon and the focus is on ‘posing questions in terms of the conceptual labels themselves, and how one category may be related to another’ (Corbin and Strauss, 1990, p. 107). Consistent with grounded theory building, the data is then re-analysed to look for evidence, incidents and events that either support or refute the questions asked.

The analysis of the data during the open coding stage (Chapter 6) shows ‘decision making’ to be dominant theme. These decisions then affect the overall strategy of the organisation. Leadership characteristics and styles also become evident through the data collection and analysis during both open and axial coding, and can also be seen in the field notes at Appendices 2 and 3.

The phenomenon of ‘leadership characteristics and styles’ subsumes the open coding categories and concepts identified though the data collected from the annual reports, analyst transcripts, parliamentary, treasury and federal inquiries, and press reports. The following sections show how the components of the paradigm model contribute to the evolving phenomenon of ‘leadership characteristics and styles’ within banks.

7.4 The Application of the Paradigm Model

The aim of the open coding stage is to develop categories in terms of their properties and dimensions. The axial coding stage now develops these in terms of their relationships within the paradigm model. The coding that was fractured during the open coding stage is now subsumed into five categories, each one representing a component of the paradigm model.

This is done through relational and variational sampling (Chapter 5) and relates the categories identified in the open coding stage to each category of the paradigm model: causal conditions, context, intervening conditions, action/interaction strategies and consequences (Corbin and Strauss, 1990). Each step is outlined below.

7.4.1 Causal Conditions

Causal conditions are ‘events, incidents or happenings that influence the phenomenon under investigation’ (Strauss and Corbin, 1998, p. 131). Causal conditions are identified by asking questions such as **‘What are the incidents or events that are happening or lead to the occurrence of banking failure, recapitalisation or bailout?’**

In order to determine the causal conditions and in accordance with the iterative process of grounded theory building (Pandit, 1996), the collected data for the Chairs, Chair/CEOs, CEOs and CFOs of the banks in both *Category 1*: 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017) and *Category 2*: 30 largest banks by market capitalisation that did not (1999–2017) was re-analysed and the literature re-reviewed.

The main categories of ‘*banks*’ and ‘*leaders*’ are used to answer this question. Content analysis of data taken from analyst transcripts, parliamentary reports and press releases was undertaken to show the events leaders were involved in, how they reacted and what they said. This can be seen in the sample of transcripts together with memos and field notes used in the axial coding stage, and can be found in Appendices 2 and 3.

This data analysis shows the link between those who were leading the banks at the time (i.e. the Chair, Chair/CEO, CEO or CFO) and their role in the strategic decision making of the organisation.

The process is shown in Figure 7.1 below.

Figure 7.1: The process for determining the causal conditions

Open coding categories

Banks

Leaders

Axial coding categories

1: Banks that failed, needed recapitalisation or bailout

2: Banks that did not fail, need recapitalisation or bailout

3: Chair, Chair/CEO, CEO CFO

Identification of paradigm causal conditions

The causal conditions are therefore determined to be the individual:

Chair

Chair/CEO

CEO

CFO

in each of the banks in each category

7.4.2 Context

The context is a 'specific set of conditions that intersect dimensionally at a time and place to create a set of circumstances or problems to which people respond through actions/interactions' (Strauss and Corbin, 1998, p. 132). It includes all situational factors inside and outside an organisation or the surroundings associated with the phenomenon (Pillai and Meindl, 1998) and can be identified by asking: **'What are the sets of conditions under which banks fail, need recapitalisation or bailout?'**

Analysis of the data shows the leaders' responses to situational factors inside and outside the organisation. Further analysis shows the theme of 'complexity' linking these factors and can also be seen in the field notes and memos in Appendices 2 and 3. This is consistent with findings from the literature review of the banking sector (Chapter 2) which identifies '*complexity*' as a key reason for banking failure (Crawford, 2011).

The context is important as it draws out the relationship between the open coding category of 'leaders' and its concepts (Chair, Chair/CEO, CEO and CFO), with the phenomenon of '*leadership characteristics and styles*' and shines a light on the policy issue of why, when all the banks in this study were subject to the same situational factors, some failed, required recapitalisation or bailout, while others did not?

7.4.3 Intervening Conditions

Intervening conditions are the broader structural context around the phenomenon which can alter or mitigate the impact of the causal conditions on it (Strauss and Corbin, 1998, 2008).

Analysis of the data identifies *regulation*, *deregulation* and *decision making* as potential intervening conditions which can affect the influence of the Chair, Chair/CEO, CEO and CFO (causal conditions) on the strategic direction of the organisation. These conditions are seen in some cases to oppose each other, with regulation at times curtailing decision making from the Chair, Chair/CEO, CEO and CFO.

How the leaders under investigation dealt with the opportunities and threats of these *intervening conditions* is related to the phenomenon of '*leadership characteristic and styles*' by way of their actions.

Further '*increased regulation*' in 2002, and then after the financial crisis of 2008, is identified as an intervening condition of the historical 'boom and bust' cycle which has plagued attempts to avoid financial crises in the past (Kindleberger and Aliber, 2011). Increased regulation in the form of Basel III tier ratios, Financial Reporting Council regulations, and the Dodd Frank Act (2009) are identified in the literature review as a central theme in the post-financial crisis banking landscape (FSB, 2017a). These regulations have also increased the complexity of the sector, seen in the remark: 'Which law do you want us to break?' made by John Cryan (CEO Deutsche Bank 2016 to date) at the World Economic Forum, 2016.

In sum, the intervening conditions of '*increasing regulation*' and '*deregulation*' are factors to which all the '*leaders*' in the sector have to respond, and can alter the leaders' responses to strategy, which may have a bearing on whether the bank fails, requires recapitalisation or bailout.

7.4.4 Action/Interaction Strategies

The action/interaction strategies refer to the 'deliberate acts that are taken to resolve a problem and in doing so, shape the phenomenon in some way' (Strauss and Corbin, 1998, p. 133) and are devised to manage, handle, carry out and respond to the phenomenon (Corbin and Strauss, 1990). They are also affected by the causal, contextual and intervening conditions outlined above. The strategies are identified by asking: **'What are the action/interaction strategies adopted by the banking sector in relation to banking failure, recapitalisation or bailout and within the causal, intervening and contextual conditions?'**

The main category of '*decision making*' is identified as answering this question. As asked above, why is it that some leaders respond to financial innovation, deregulation and regulation in different ways to others? Increased regulation since 2007 has not stopped the onslaught of banking scandals such as LIBOR, Forex, ISDAfix, mis-selling, money laundering, tax avoidance and industrial espionage, and people risk is seen as a key regulatory issue and one that hitherto has been difficult to evaluate (Pye, 2013).

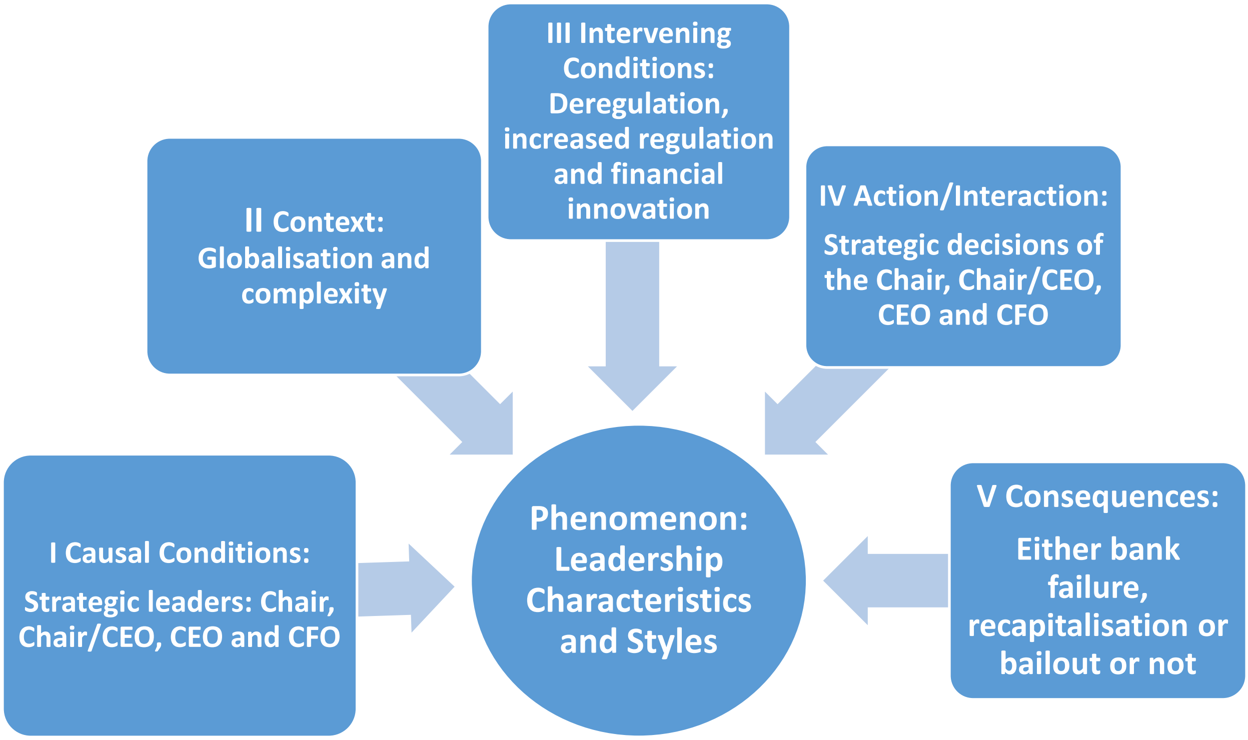
'*Decision making*' is embedded within the other components of the paradigm model and related to the phenomenon of '*leadership characteristics and styles*' in the following ways: The review of leadership literature and open coding findings highlight '*decision making*' as a vital role of the board (Selznick, 2011; Zaccaro, 2007) in banking organisations (*causal conditions*). It has a bearing on how the board deals with the complexity of the banking sector (*context*) and regulation, deregulation and financial innovation (*intervening conditions*). Strategic decision making is a deliberate act of the board leaders (Chair, Chair/CEO, CEO and CFO) and affects the response of the organisation to all other factors, finding support from Walker (2009) who comments that 'how banks are run is a matter for their boards' (p. 6).

7.4.5 Consequences

The final component of the paradigm model refers to the consequences which are the set of the outcomes of action and interaction strategies above (Corbin and Strauss, 1990) and can also be the result of a lack of action/interaction in response to an issue (Strauss and Corbin, 1998). They are identified here by the following question: **'What were the consequences of the decision making of the leaders on the strategy adopted by the global bank in response to the intervening conditions of regulation, deregulation and financial innovation?'**

Here the adoption of certain strategies linked to the phenomenon of '*leadership characteristics and styles*' are investigated for links to banking failure, recapitalisation or bailout. Consequences are the output of the actions and interactional strategies and, in the context of this research, are the interplay between the individual board members (Chair, Chair/CEO, CEO and CFO) and the failure, recapitalisation or bailout of the bank. Figure 7.2 shows the application of the paradigm model to the phenomenon.

Figure 7.2: Application of the paradigm model to the phenomenon



7.5 The Axial Coding Process

In the axial coding stage, the categories identified in the open coding stage are further systematically developed **in terms of their relationships** (Charmaz, 2014). The framework of categories of banks that failed, needed recapitalisation or bailout, and those that did not, together with the conceptual labels of the Chair, Chair/CEO, CEO and CFO within banks are used in the axial coding stage. In this case, connections were made with words and phrases found linked to leadership characteristics and traits that were identified in the review of leadership literature (Chapter 2).

In this adaption to grounded theory (Chapter 4), the open-coded data is analysed to uncover relationships with characteristics and traits that occur within leadership roles identified from analysis of extant leadership theories (Chapter 2). Consistent with the simultaneous analysing of data (Corbin and Strauss, 2008), the data collected from the annual reports, analyst transcripts and conference proceedings is revisited and re-analysed again using line by line content analysis (Charmaz and Bryant, 2011) as described in Chapter 6 above. Theoretical notes or memos about the data and conceptual connections between the categories are used (Patton, 2002) together with propositional coding units (Stemler, 2004) in order to break down the text to examine the underlying assumptions. The coding was done using short, simple and active words (Charmaz, 2006), and memos were used to highlight connections between the concepts, categories and leadership characteristics (Corbin and Strauss, 1990). Examples of the memos used can be found in Appendices 2 and 3.

The analysis uncovered two sets of leadership characteristics and traits. The first are generally positive and are shown below in Table 7.1. The second are generally negative and are shown in Table 7.2.

Table 7.1: Axial coding linked to positive leadership characteristics and traits

Case example	Bank	Leader, post and dates	Example document analysis	Axial coding linked to positive leadership characteristics and traits
1	JP Morgan	Marianne Lake, CFO 2012–	'She has all of the qualities of a great leader', he said. Those include being demanding, drawing information out of people and recognising talent within the 15,000 people she oversees. Dimon said she also challenges him when she believes he is wrong. (https://www.reuters.com/article/us-jpmorgan-ceo-lake-insight/how-jpmorgans-cfo-became-the-top-prospect-to-succeed-dimon-idUSKCN1LU2JR)	Dominence, influence, confidence.
2	Bank of America	Ken Lewis, Chairman/CEO 2001–2010	All told, over the last five years, CEO Lewis has spent a stunning US$100bn on acquisitions. (https://hbr.org/2008/09/is-bank-of-americas-ken-lewis)	Dominance, influence.
2a	Bank of America	Ken Lewis, Chairman/CEO 2001–2010	'I think I was very fortunate to be able to take some career risks during my time with the company'. (frontline/breakingthebank/interviews/Lewis)	Driven by performance.

3	Citigroup	Chuck Prince, CEO 2004–2007	'I don't feel the need to be a dominant force through talking first or talking the most. That's not one of my needs.' (*Time*, 28 Jan. 2008)	Articulation, consciousness.
3a	Citigroup	Chuck Prince, CEO 2004–2007	Took responsibility for the failings, bowing deeply in a carefully choreographed act of contrition. (Tokyo Press Conference, 25 Oct. 2004)	Emotional stability, creativity.
3b	Citigroup	Chuck Prince, CEO 2004–2007	Citi's chief hasn't just stepped out of Sandy Weill's shadow – he's stepped out of his own as he strives to make himself into a leader with vision. (www.bloomberg.com/news/articles/2006-02-19/rewiring-chuck-prince)	Vision, confidence.
4a	Wells Fargo	John Stumpf, Chair/CEO 2008–	John Stumpf lives the Wells Fargo image. He doesn't go to Davos. He doesn't put on airs. On weekends, he babysits his grandchildren. (Silverman, *FT*, 16 Sept. 2016)	Emotional stability, consciousness.
4b	Wells Fargo	John Stumpf, Chair/CEO 2008–	'We are sorry. We deeply regret any situation where a customer got a product they did not request,' Stumpf said, 'There is nothing in our culture, nothing in our vision and values that would support that. It's just the opposite. Our goal is to make it right by a customer every time 100 percent and if we don't do that, we feel	Vision, taking responsibility.

			accountable.' (https://www.cnbc.com/2016/09/13/wells-fargo-ceo-john-stumpf-says-he-will-not-resign)	
4c	Wells Fargo	John Stumpf, Chair/CEO 2008–	I think the best thing I could do right now is lead this company, and lead this company forward. (https://www.cnbc.com/2016/09/13/wells-fargo-ceo-john-stumpf-says-he-will-not-resign)	Confidence, dominance.
5a	HSBC	Douglas Flint, CFO 1999–2009, Chair 2010–	'We've got a very good management team. You can be large as long as you've got a well articulated business model.' (https://www.financialdirector.co.uk/2009/12/22/douglas-flint-and-his-influence-over-the-regulators/)	Confidence, dominance.
5b	HSBC	Douglas Flint, CFO 1999–2009, Chair 2010–	He is one of the few banking executives to have publically acknowledged that things need to be done differently now and has called for better banking supervision. (https://www.financialdirector.co.uk/2009/12/22/douglas-flint-and-his-influence-over-the-regulators/)	Desire to influence, articulation.
6	Credit Agricole	Georges Pauget, CEO 2006–2010	I think the responsibility for the chief executive when you have a crisis is to take into account obviously the opinion of the shareholders but to take responsibility and to manage the company in the best interest of all the shareholders (www.ft.com/view from the top, 21 May 2008)	Act from the heart, agreeableness.

7	BNB Paribas	Michael Prebarau, Chair 2000–2003	'His plans to create France's biggest bank so upset the status quo that the governor of the Bank of France, Jean-Claude Trichet, finally blocked the deal even though 43 percent of SocGen's shareholders had agreed to the takeover' (FT 18 June 2001).	Desire to influence, confidence, drive.
8	Goldman Sachs	Lloyd Blankefien, Chair/CEO 2006–	We had relationships with a number of business schools and a natural extension of that was to advance partnerships necessary to make the program a success. (IFC.org/WPS)	Desire to influence, creativity.
9	Banco Santander	José Antonio Alvarez, CEO 2015–	But the focus of the world's eighth largest bank, according to Alvarez, is developing the group as a collection of individual operations with a deep understanding of their local market, rather than as a global monolith. https://www.fnlondon.com/articles/cfo-interview-jose-antonio-alvarez-santander-thinks-local-in-global-vision-20050926	Articulation, consciousness.
10	Deutsche Bank	Josef Ackermann, Chair 2003–2011	'Ackermann was (...) fixed on the magic goal of a return on equity of 25 percent before taxes. At that time, however, this could only be achieved by accepting major financial and ethical risks.' (www.handelsblatt.com/today/finance/blame-game-deutsche-bank-chief-economist-lashes-out-at-former-ceo-ackermann)	Dominance, desire for performance, drive.

11	Morgan Stanley	Ruth Porat, CFO 2010–	Sees the importance of leadership that has courage based on experience and instinct. (Yale.edu/sites/Gartenporatinterview)	Articulation, consciousness, emotional stability.
12	Lloyds Banking Group	Maarten Van de Bergh, Chair 2001–2005	'Van den Bergh says his yardstick for Lloyds TSB is Citigroup, one of the world's biggest financial firms. But he knows that to come anywhere near achieving that goal, he needs to pull off a major deal in the US or Europe, and quickly.' (*Money*, 7 Sept. 2002)	Articulation, confidence, drive.
13a	Societe Generale	Daniel Bouton, Chair/CEO 2000–2005	'He took it calmly but this is probably the first time for as long as I have known him that he clearly showed his emotions. He is a rather cold, calculated character who doesn't lose his nerve easily.' (FT, 25 Jan 2008)	Emotional stability.
13b	Societe Generale	Daniel Bouton, Chair/CEO 2000–2005	The creation of BNP Paribas had left the bullet-headed, blue-eyed Mr Bouton facing claims that SocGen had been left without a strategy and would fall prey to a bigger bank. But Mr Bouton and his colleagues went on to prove the doubters wrong for the best part of a decade. Exploiting the French educational system's talent for producing exceptional	Vision, creativity, confidence.

			mathematicians, SocGen built a world-class equity derivatives business (FT, 25 Jan 2008)	
14	Unicredit	Levan Hammertzoumian Chair/CEO 2001–	Prudence and modest conservatism is always a good way to treat things. UniCredit Bulbank has always been slightly more conservative than the market, which allowed us to support our clients during the worst months and years of the crisis better than some of our competitors. (https://www.novinite.com/articles/128717/UniCredit+Bulbank+CEO+Levon+Hampartzoumian%3A+We+Are+the+Preferred+Financial+Partner+of+Italian+Businesses+Eyeing+Bulgaria)	Emotional stability, vision, confidence.
15a	Credit Suisse	David Mathers, CFO 2010–	Approximately is never exact enough for David Mathers: the Credit Suisse finance boss is known to punch the buttons of his calculator long enough to give a very precise answer – even when roughly would be good enough (Vogeli, 2018)	Attention to detail.
15b	Credit Suisse	David Mathers, CFO 2010–	David Mathers is shrewd and politically adept, and he knows where all the bodies are buried at Credit Suisse (mainly because he buried most of them) (Davies, 2015)	Good communicator.

15c	Credit Suisse	David Mathers, CFO 2010–	His value to the bank is that he has gone the extra mile for Credit Suisse when the bank needed it most. Unflappable and dazzlingly smart, Mathers seemed to excel in stressful situations like 2008, when the Swiss bank – like most of its European rivals – went hunting for money (Vogeli, 2018)	Emotional stability.

Table 7.2: Axial coding linked to negative characteristics and traits

Case example	Bank	Leader, post and dates	Example document analysis	Axial coding linked to negative leadership characteristics and traits
1	Lehman Brothers	Erin Callan, CFO 2007	During Lehman's first quarter conference call with investors, Callan said the company had about US$38.7bn of hard-to-value assets known as 'level 3' assets. When the company filed its quarterly results with regulators, it revised that figure upward to US$40.2bn. (https://seekingalpha.com/article/22480-lehman-brothers-f4q06-qtr-end-11-30-06-earnings-call-transcript)	Manipulation, unethical decision, deception.
2	Washing ton Mutual	Kerry Killinger, Chair/CEO 2000–2007	WaMu failed primarily because of Killinger's pursuit of a high-risk lending strategy that included liberal underwriting standards and inadequate risk controls. Killinger failed to adequately control and disclose high risk of default on the securitised prime and sub-prime loans it sold to investors. (https://www. articles/161469/senate-investigation-finds-fraud-at-wamu)	Drive, arrogance, unethical decisions.
3	UBS	Peter Wuffi, CFO 1999–	Wuffi had led the bank on a steep growth path, using its global reach and sophistication to attract investments	Blind drive, arrogance.

		2002, CEO 2003–2006	from the world's rich while executing a string of acquisitions that lifted UBS to the rank of No. 5 worldwide in terms of market value. (https://uk.reuters.com/article/uk-ubs-ceo/ubs-replaces-ceo-wuffli-idUKMOL62208220070706)	
4	Royal Bank of Scotland	Fred Goodwin, CEO 2001–2008	'Sir Fred, if the opportunities available to you are so exciting – and if everything's going so well at the bank – why has the share price fallen 35% since you started speaking?' (https://www.ft.com/content/dbcc20aa-02a0-11de-b58b-000077b07658)	Arrogance, deception.
5	Barclays	Robert Diamond, CEO 2011–2012	'Frequently leaping to his feet, grabbing a golf club or a wad of bills from his wallet. He's theatrically dismissive of past failings and resolute about a future that will prove him right.' (https://www.bloomberg.com/news/features/2016-10-11/bob-diamond-s-misadventures-in-africa)	Arrogance, hubris.
6	Bear Stearns	James Cayne, Chair/CEO 2000–2007	The Financial Crisis Inquiry Commission report singled out Cayne, noting that some senior executives sharply criticised him and that Cayne's hands-off management style led him to miss critical events that foreshadowed the meltdown. (Financial Crisis Inquiry Commission, 2011. The financial crisis inquiry report: The final report of the National Commission on the causes of the	Lack of care, lack of knowledge.

			financial and economic crisis in the United States including dissenting views. Cosimo, Inc.)	
7	Halifax Bank of Scotland	James Crosby, CEO 2001–2006	James Crosby led an aggressive, high-risk growth strategy, prioritised optimism over prudence and sanctioned too many big loans to a small number of borrowers. The bank was too optimistic over bad debts and did not take 'reasonable care' to control its affairs. (Parliamentary Commission on Banking Standards, 2013, 'An Accident Waiting to Happen': The Failure of HBOS)	Arrogance, blind drive, lack of consideration.
8	Northern Rock	David Jones, CFO 2006–2008	In 2010, Jones was handed a lifetime ban and fined £320,000 by the FSA for allowing the bank to report mortgage arrears figures that were lower than they should have been. (https://www.financialdirector.co.uk/2018/09/15/lehmans-10-years-on-where-are-the-financial-crisis-cfos/)	Deception, unethical decisions.
9	Dexia	Axel Miller, CEO 2006–2008	Axel Miller seems to have turned a blind eye to market dislocations and mounting pressures in the financial system. (Docherty and Viort, 2014, p. 180)	Blind drive, arrogance.
10	Anglo Irish Bank	David Drumm, CEO 2005–2008	The former chief executive of Anglo Irish Bank has received a six-year prison sentence after his conviction for a 7.2bn Euro fraud and false accounting	Deception, unethical decisions

			at Ireland’s failed lender. (https://www.ft.com/content/4c7b56de-74a4-11e8-b6ad-3823e4384287)	

These categories are then further analysed in relation to the conceptual labels identified in para 6.5.2 above, the Chair, Chair/CEO, CEO and CFO in the banks in each category, and analysed to uncover links to the leadership characteristics and traits identified above. Table 7.3 shows the relationship between the leadership characteristics and the leadership styles.

Table 7.3: Relationship between the paradigm model and the phenomenon

Case example	Causal condition: Bank	Causal condition: Leader	Action/interaction: Deliberate responses to a situation Examples of document analysis	Phenomenon: Leadership characteristics and traits	Consequence
1	Lehman Brothers	Dick Fuld, Chair/CEO 1993–2008	‘Yes,’ he said, referring to commercial and residential mortgage assets. ‘Am I worried about it? No. If you have some repricing of these things will we lose some money? Yes. Is it going to kill us? Of course not.’ (https://www.ft.com/content/2d66031a-395a-11dd-90d7-0000779fd2ac)	Arrogance, hubris.	Filed for Chapter 11 bankruptcy
2	Royal Bank of Scotland	Fred Goodwin, CEO 2001–2008	John Cryan wrote to Sir Fred warning him about ABN’s exposure to sub-prime: ‘There is stuff in here we can’t even value.’ Sir Fred replied saying: ‘Stop being such a bean counter’. (https://www.telegraph.co.uk/finance/newsbysector/banksandfinance/8947530/RBS-investigation-Chapter-2-the-ABN-Amro-takeover.html)	Arrogance, hubris, lack of attention to detail.	Government bailout £45bn
3	UBS	Marcel Ospel, CEO 1999–	‘Top management was too complacent, wrongly believing that everything was under control, given the numerous risk reports, internal audits and external reviews almost always ended in positive conclusion. The bank did not lack risk consciousness,	Complacency, arrogance, lack of controls	US$6.09bn from the state and

		2001, Chair 2001–2008	it lacked healthy mistrust, independent judgement and strength of leadership.' (Straumann, 2010)		US$54bn from the central bank
4	Barclays	Matthew Barrett, Chair 2002–2007	Matt Barrett, the flamboyant chief executive of Barclays Bank, says he does not believe in destiny. But barely 10 days ago in typical wisecracking style he was joking that 'if all the planets were in the right quadrant', he would do a deal in the mortgages and savings market. (https://www.managementtoday.co.uk/andrew-davidson-interview-matt-barrett/article/407273)	Overconfidence, lack of preparation, lack of attention to detail.	Cash injection of US$4bn
5	Northern Rock	Matt Ridley, Chair 2004–2007	Business plans set ever-increasing targets for profit growth in the corporate arm – and targets were increased during the first half of 2007 to 'imprudent' levels as the group looked to the corporate division to make up for the underperformance of the retail arm. Ridley turned his back on finance after Northern Rock needed emergency funds, resigning three days after a humiliating grilling by members of parliament who exposed his lack of banking knowledge. (HC Treasury Select Committee, 2008)	Blind drive, ambition, lack of understanding and knowledge.	Bank of England liquidity support

6	Halifax Bank of Scotland	Dennis Stevenson, Chair 2001–2008	On merger in 2001 of Halifax and Bank of Scotland, Dennis Stevenson stated: ‘The merger combination gives scale where it was needed, balance sheet and funding support where growth would have been inhibited and a new scale of earnings power driven by product and services propositions that attack the entrenched competition. Rarely can two great brands and two great organisations have combined with so much potential for extraordinary growth.’ (McConnell, 2014)	Ambition, drive.	UK Treasury capital injectiof £17bn and takeover by Lloyds banking group
7	Allied Irish	Eugene Sheehy, CEO 2005–2009	‘Okay. We breached it (Basel 1 Tier ratio) and it was … as soon as it was identified, you know, it was reported and discussed with the regulator, so, if you like, it was a breach in open sight, it wasn’t something that was hidden. The regulator acknowledged the breach, didn’t remove the limit, you know, but at the same time acknowledged that we were working on the Basel II process, which was going to look at it in a different way.’ https://inquiries.oireachtas.ie/banking/hearings/eugene-sheehy-former-group-chief-executive-allied-irish-bank/	Breaking rules, risk taking, honesty.	Capital injection and nationalised Jan. 2009 3.5bn Euros
8	Fortis	Count Maurice Lippens, Chair	On the takeover of ABN AMRO (with RBS) and after a second, unannounced capital increase, Lippens was interviewed on Flander TV: Lippens: ‘Actually, we decided in difficult circumstances, I would say extremely difficult	Drive, ambition, lack of	Sold to BNP Paribas May 2009 1.2bn Euros

		1990–2008	circumstances, to strengthen our position once again. So, Fortis is even stronger than in the past.' Interviewer: 'Actually you bought something you could not afford.' Lippens: 'I am a lawyer and I cannot count, but in this case I can count better than you can.' Interviewer: 'Your shareholders are paying for this expensive takeover.' Lippens: 'They must hold on to their shares; they must have more confidence in a company which has the courage not to take popular decisions but to consider the good of the company at large. The shareholder, the big shareholder, the small shareholder says "yes, but my shares are only worth 10 euros". Look at Barclays, look at the others, they are not worth that much either. They have also had a difficult time, everybody has. We have acquired a real gem. [...]. I would say, ladies and gentlemen, invest as quickly as you can.' (Limbos and Philips, 2010)	transparency, lack of honesty	
9	Bradford and Bingley	Steven Crawshaw, CEO 2004–2008	Crawshaw, 47, who has been chief executive for just four years, has been the target of most of the criticism because a month before the rights issue he strongly denied B&B had any such plans (https://www.thisismoney.co.uk/money/markets/article-1632047/BampB-chief-Crawshaw-to-quit-as-profits-dip.html)	Lack of honesty, manipulation.	Saving units and branches sold to Santander

10	Anglo Irish Bank	Séan FitzPatrick, CEO 1986–2005, Chair 2005–2008	In 1986, Séan FitzPatrick became chief executive of a small Irish commercial lender known as the City of Dublin Bank. Over the course of the next 18 years, FitzPatrick oversaw the growth of the City of Dublin Bank into the 3rd largest bank in Ireland. By May 2007 the bank, now known as the Anglo Irish Bank, reached a peak value of €13 billion with a share price of €17.60. (Carswell, 2011)	Ambition, drive, risk taking.	Capital injection May 2009 39.3bn Euros

7.6 Conclusion

This chapter outlines the axial coding process. The aim of axial coding is to put the data that was fractured during the open coding process back together, linking to the categories and determining how they are related.

This stage has taken the categories of the 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017) and the 30 largest banks by market capitalisation that did not, and grouped them around the conceptual labels of the Chair, Chair/CEO, CEO and CFO in each bank. During the open coding stage, secondary data from annual reports, analyst transcripts, parliamentary and treasury inquiries and press releases was analysed in order to identify leadership characteristics and traits. The axial coding stage then groups each Chair, Chair/CEO, CEO and CFO with the identified leadership characteristics to form a picture of leadership characteristics and traits for each of the conceptual labels: Chair, Chair/CEO, CEO and CFO. Relational and variational sampling is then undertaken which relates the categories to paradigm conditions, context, actions/interactions and consequences. The following chapter now takes the relationships outlined above into the selective coding process (Corbin and Strauss, 1990), which identifies the core category and its relationship to subcategories in order to develop the paradigm model.

Chapter 8

Selective Coding

8.1 Introduction

As detailed in previous chapters, this research is concerned with answering the fundamental question: ‘Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout during the research period (1999–2017)?’

The study uses a qualitative approach within a social constructionist paradigm with an adapted grounded theory methodology (as outlined in Chapter 5). Secondary data was collected from annual reports triangulated with analyst meeting transcripts, parliamentary, treasury and federal inquiry reports, and press releases for the 17 largest banks that failed, needed recapitalisation or bailout during the research period, together with 30 largest banks that did not, taken from the Banker Top 1000 (2017). The data was analysed following the open coding and axial rules (Chapter 5) adapted for grounded theory (Strauss and Corbin, 1998).

This chapter outlines the selective coding stage which is the final analysis of the process (Pandit, 1996). Selective coding is based on the findings from the open and axial coding stages presented in Chapters 6 and 7 above. It involves the process of selecting the core category, and ‘systematically relating it to other categories, and validating those relationships’ (Corbin and Strauss, 1990, p. 116).

During the open coding stage, the data analysis focussed on generating categories in terms of dimensions and properties. The axial coding stage draws all the parts of the analysis together, developing the categories in terms of their relationship to the phenomenon, i.e. ‘leadership characteristics and styles’, and the paradigm model. This then becomes the axis of the theory building, but it is not until the ‘major categories are finally integrated to a larger theoretical scheme that the research findings take the form of a theory' (Strauss and Corbin, 1998, p. 43).

Selective coding focusses on integrating the categories by identifying the core category and subcategories. It is achieved by integrating the axial categories to other categories that have been developed to form the initial theoretical framework (Pandit, 1996). It pulls together all the strands in order to offer an explanation of the behaviour under study (Goulding, 2005).

This chapter begins with the identification of the properties and dimensions of the core category which is based on the data collection and analysis of the initial categories. It then goes on to verify the relationship between the core category and the subcategories again through the use of the paradigm model, before concluding with the presentation of the substantive theory.

8.2 The Selective Coding Process

Selective coding aims to identify the core category and develop it in relation to the subcategories on the basis of the axial coding analysis described in Chapter 7 (Strauss and Corbin, 1998). The axial coding categories were identified as '*banks*', '*leaders*', and '*decision making*' which were linked to the phenomenon of '*leadership characteristics and styles*' through the paradigm model. These all emerged from the data and were developed with the core category in mind (Howell, 2012). Selective coding then focusses on refining the conceptual relationships between the main categories built during the axial coding process. This requires a combination of both inductive and deductive thinking where the researcher moves between asking questions, generating hypotheses and making comparisons (Corbin and Strauss, 1990).

Selective coding is therefore the integration of the analysis at the open and axial coding stages to form an initial theoretical framework of 'What is board leadership in global banking?' The story line is then generated around the central narrative of why some banks failed and others did not, which in turn becomes the central phenomenon of the study (Pandit, 1996). When analysed it becomes the core category.

The categories that emerged during the open coding stage were: '*banks*', '*leaders*', '*decision making*', '*regulatory environment*' and '*financial innovation*'.

These were subsumed into the axial coding main categories: '*leaders*' (causal conditions); '*globalisation and complexity*' (context); '*regulation/deregulation*' (intervening conditions); and '*decision making*' (action/interaction strategies) with the *consequences* being whether the bank failed, needed recapitalisation or bailout. In order to identify the core category, the data is further analysed by asking questions such as 'What does all the action/interaction seem to be about?' (Corbin and Strauss, 2008).

Although leadership characteristics and styles were in mind during the open and axial coding stages, the intricate relationships between the individual characteristics and extant leadership theories is only confirmed in the selective coding stage. This occurred by the further analysis of the individual characteristics and traits compared to those found in extant leadership theories.

The next section shows how the analysis of the data contributes to this by the use of discriminate sampling which is the theoretical sampling stage associated with the selective coding stage as outlined in Chapter 6 above, and its focus is to validate the relationships discovered by the previous analysis (Corbin and Strauss, 2008).

8.3 Discriminate Sampling

The aim of discriminate sampling is to verify the storyline and the relationships between the categories (Corbin and Strauss, 1990; Pandit, 1996). In this adaptation of grounded theory (Chapter 5), the statements analysed during the axial coding stage were developed further and related to those characteristics and traits found within extant leadership theories taken from the review of literature in Chapter 2. The data was ordered according to the initial categories of the 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017) and the 30 largest banks by market capitalisation that did not. Details of the samples linked to the findings are shown below.

8.3.1 Sample 1: Banks that Failed, Needed Recapitalisation or Bailout

Table 8.1 below shows examples of the discriminate sampling for *Category 1*: 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017).

Table 8.1: Discriminate sampling and selective coding for banks that failed, required recapitalisation or bailout (1999–2017)

	Bank	**Leader**	**Example of Document analysis**	**Axial coding (discriminate sampling)**	**Selective coding**
Example case	**Example bank**	**Example leader**		**Leadership characteristic/trait**	**Leadership style**
1a	Lehman Brothers	Dick Fuld, Chair/CEO 1994–2008	When Richard 'Dick' Fuld took charge of Lehman Brothers in 1994, the firm was famous on Wall Street for the bitter internal feud between traders and investment bankers that had cost Lehman its independence a decade earlier. Fuld, who had sided with fellow traders, knew he would have to make peace with the bankers and create a culture based on teamwork.	Self-confidence, passion, bravery	Charismatic leadership (House and Howell, 1992, Shamir et al., 1993)
1b	Lehman Brothers	Dick Fuld Chair/CEO 1994-2008	As I quickly discovered, nobody personified this vaulting ambition more clearly than Dick Fuld ... Even when in a relatively upbeat mood he seemed to take pleasure in violent imagery. Lehman was 'at war' in the	Blind drive, arrogance, aggression	Dark side (Rosenthal and Pittinsky, 2006)

			market, he would say. Every day was a battle, employees were troops. At an investment banking conference in London last spring, I saw him astonish several hundred of his managing directors with a blood-curdling threat aimed at investors who were selling Lehman shares short – depressing the price. 'When I find a short-seller, I want to tear his heart out and eat it before his eyes while he's still alive,' the chairman declared. Histrionics, maybe – but with a purpose. Fuld had used this aggression to consolidate his reputation as the most successful chief executive in the banking business and one of the most respected corporate leaders in America. (Gower, 2010)		
2	Washinton Mutual	Kerry Killinger,	Killinger set about building on a grand scale with a string of acquisitions that transformed the Seattle-based WAMU	Hubris, blind drive	Charismatic dark side (Conger, 1989;

		Chair/CEO 1992–2008	into the national largest thrift, seventh largest banking corporation, and mortgage powerhouse that tops both services and origination sides of the house .... ‘This is a company that doesn’t make mistakes, says Killinger’. (Cocheo, 2001)		Rosenthal and Pittinsky, 2006)
3	Royal Bank of Scotland	Fred Goodwin, CEO 2001–2008	‘Within RBS itself, Goodwin’s domination was maintained by economic violence. The RBS’s internal culture has been characterised as a “culture of fear”, specifically by 200 senior staff on an away-day in 2001 – to which the 6ft 3in Mr Goodwin responded “You’re not afraid of little me”.’ ‘There were for example rituals of humiliation when managers, watched by Goodwin had to give karaoke performances. Morning management	Hubris, blind drive, focus on performance, lack of empathy	Charismatic dark side (Conger, 1989; Rosenthal and Pittlinsky, 2006) Transactional-management by exeption (Burns, 1978)

			meetings, known as "morning prayer"' or "morning beatings", were also used to humiliate senior managers.' (Kerr and Robinson, 2012)		
4	UBS	John Cryan, CFO 2008–2011	'Our sense of needing much more capital is somewhat visceral, [UBS] is a company that lost SFr50 billion [$49.2 billion] over three years, that had to be supported by the national authorities. It was ignominious. "We have been de-risking for two years and raised capital four times. Remember that we have a SFr1.5 trillion balance sheet; we are responsible for another SFr2 trillion of invested assets and another approximately SFr1 trillion of custodial and other client assets; we run three big pension funds and employ 64,000 people. What happened before must never happen again. Is SFr28 billion of core capital	Empahsis on corporate structure, and doing things correctly, honesty, responsibility	Transactional (Burns, 1978b; Bass, 1991; Spahr, 2014; Yukl, 2008)

			enough? We think it should be SFr45 billion to SFr50 billion."' (https://www.euromoney.com/article/b12kndts07qpk4/deutsche-bank-cryan-finally-steps-into-the-limelight?copyrightInfo=true)		
5	Merril Lynch	Stanley O'Neil, CFO 1999–2002, Chair/CEO 2002–2005	O'Neal put Merrill through a comprehensive restructuring program, cutting costs and significantly reducing the work force. As CEO, O'Neal faces the challenge of changing the company's signature 'Mother Merril' culture into a performance-driven and meritocratic one, while facing resistance and criticism from inside Merrill and Wall Street. (Thomas and Kanji, 2004)	Arrogance, dominance, focus on performance, contingent reward	Charismatic dark side (Rosenthal and Pittinsky, 2006); Transactional (Burns, 1978; Bass, 1991)
6	Barclays	Matthew Barrett, Chair 1999–2003	'Certainly he was talking a good talk, and saying all the things people wanted to hear, you know like increasing focus on productivity, cost cutting, diversification and e-	Not trying to change the status quo. Focus on productivity and financials, emphasis on corporate structure, doing this correctly	Transactional (Burns, 1978; Bass, 1991; Spahr, 2014; Yukl, 2008)

			commerce.' (Analyst Transcript CNN and Fitch, 2002)		
7	Bear Stearns	James Cayne, Chair/CEO 2000–2007	The Financial Crisis Inquiry Commission report singled out Cayne, noting that 'some senior executives sharply criticized' him. Cayne's hands-off management style led him to miss critical events that foreshadowed the meltdown. (Financial Crisis Inquiry Commission, 2011)	Lack of leadership, management by exception – passive	Transactional (Burns, 1978; Bass, 1991)
8	Northern Rock	Adam Applegarth, CEO, 2001–2007	'Applegarth, bullet-headed chief executive of mortgage lender Northern Rock, is a deeply competitive man … he combines a relentless memory for detail with a rare ability to see the bigger picture. ' (Davidson, 2005)	Need for achievement, ambition, detail and process	Charismatic dark side (Schaubroeck et al., 2007; Sheard et al., 2013) Transactional (Spahr, 2014)
9	Dexia	Pierre Richard, CEO 2000–2003, Chairman 2003–2008	'Dexia will continue to strengthen its position through geographical expansion of innovatove and varied product.' (Dexia Annual report and accounts, 2007).	Drive, ambition, need for achievement, overconfidence	Charismatic dark side (Schaubroeck et al., 2007; Sheard et al., 2013)

			'Whereas most banks were limiting loans, Dexia was still agressively growing in 2008 when 48% more credit was provided compared to 2007, showing misplaced confidence and misunderstanding of the fast apporaching external risk.' (Woods and Linsley, 2017)		
10	Anglo Irish	David Drumm	From court hearing, taped conversations between Drumm and John Bowe re: bailout funds: 'I am going to keep asking thick questions. "When is the cheque coming?" and later in the conversation, if we show up with horrible numbers, at least it will look like we put up a fight.' (18 Sept. 2008)	Manipulation, deception, arrogance	Charismatic dark side (Kakabadse and Kakabdse, 1999; Rosenthal and Pittlinsky, 2006)

8.4 Review of Discriminate Sampling: Banks that Failed, Needed Recapitalisation or Bailout

The overall findings of the discriminate sampling are then broken down according to the categories in order to gain further insight into the initial framework of 'what is leadership in banking?' These are detailed below.

8.4.1 Chairs in Banks that Failed

For the initial category of Chair, the data was broken down into those leaders in office pre- and during failure, recapitalisation or bailout, and those afterwards where applicable.

Chairs pre- and during failure: This sample consisted of 24 Chairs in 14 of the banks that failed or were nationalised/taken over. The predominant leadership style found in the Chairs leading banks pre- and during the failure, recapitalisation of bailout was found to be **'transactional (contingent reward)'** and this was found in all 24 Chairs.

8.4.2 Chairs in Banks that Were Recapitalised or Received Bailout Funds

Five Chairs were identified in three banks that required recapitalisation/bailout and avoided merger, sale or nationalisation. These banks were Royal Bank of Scotland, Barclays and UBS and the predominant leadership style was also 'transactional (contingent reward)'.

The five Chairs appointed post the recapitalisation or bailout were also found to be predominantly transactional with the notable exceptions of David Walker (Barclays) and Howard Davies (Royal Bank of Scotland), both found to show secondary characteristics of 'transformational (idealised influence)' (Bass, 1996), and John McFarlane (Barclays) was found to be 'charismatic' with 'transactional' characteristics.

The findings therefore show that the predominant leadership style of Chairs in banks that failed, needed recapitalisation or bailout was **'transactional (contingent reward)'**.

8.4.3 Chief Executive Officers

CEOs pre- and during failure, recapitalisation or bailout: The predominant leadership style of the CEOs leading the banks in the preceding years before failure, need for recapitalisation or bailout was found to be **‘charismatic’ with ‘dark side’ traits** such as ‘blind drive’, ‘arrogance’ and ‘entitlement’ which was found in 10 of the 14 CEOs that were leading banks before failure, recapitalisation or bailout. The other 4 CEOs were found to have a **‘transactional’** leadership style.

8.4.4 CEOs Appointed after the Recapitalisation or Bailout

The predominant leadership style was found to be ‘transactional’ with secondary ‘transformational’ characteristics. Notably, one CEO was found to be ‘authentic’ (Antony Jenkins, Barclays) and one to be ‘transactional’ with secondary ‘authentic’ characteristics (Jes Staley, Barclays).

These findings show that there was a prevalent leadership style in the CEOs leading the banks pre- and during failure, recapitalisation or bailout and this was found to be **‘charismatic’ with ‘dark side’ traits**.

The findings also show a predominant leadership style in banks after recapitalisation or bailout, and this was found to be **‘transactional’** with **‘transformational’** characteristics.

8.4.5 Chief Finance Officers

CFOs pre- and during failure, recapitalisation or bailout: The predominant leadership style found in the CFOs who were leading the banks at this time was ‘transactional’, shown in all CFOs. Six CFOs were also found to have ‘charismatic dark side’ traits and notably these CFOs were found in banks that had combined Chair/CEO roles.

CFOs post recapitalisation or bailout: The predominant leadership style of the CFOs in the banks post recapitalisation or bailout was found to be ‘transactional’ with two notable exceptions in Nathan Bostock (RBS) and Chris Lucas (Barclays) who also show characteristics associated with 'charisma'. Interestingly, Erin Callan (Lehman Brothers, 2007–2008) was found to be 'transactional dark side' while at Lehman and 'authentic transactional' post the Lehman failure.

The findings show the predominant leadership style in CFOs in banks that failed, needed recapitalisation or bailout was 'transactional'.

The consolidated findings are shown in Table 8.2 below.

Table 8.2: Consolidation of prevalent leadership styles in Category 1: Banks that failed, needed recapitalisation or bailout (1999–2017)

Conceptual labels	**Leadership style: Most prevalent**	**Secondary style**
Chair	Transactional	Charismatic dark side
Chair/CEO	Charismatic dark side	Charismatic
CEO	Charismatic dark side	Transactional
CFO	Transactional	Charismatic dark side

These findings provide a clear answer to the first research objective of this thesis which is to consider whether there is a prevalent leadership style or set of leadership characteristics found in the Chairs, Chair/CEOs, CEOs and CFOs in banks that failed, needed recapitalisation or bailout. This was found to be positive with the prevalent leadership styles shown for each role, i.e. the Chairs and CFOs were found to be 'transactional' with 'charismatic dark side' traits, the Chair/CEOs were found to be 'charismatic dark side' with secondary 'charismatic' traits, and the CEOs were found to be 'charismatic dark side' with 'transactional' traits.

The next section considers the second research objective which is to consider whether the prevalent leadership characteristics and styles found in those banks that failed, needed recapitalisation or bailout differed from those that did not.

8.5 Review of Discriminate Sampling for Banks that Did Not Fail, Need Recapitalisation or Bailout

This section discusses the analysis of banks that did not fail, need recapitalisation or bailout (1999–2017). In total, statements from 82 Chairs, 26 Chair/CEOs, 51 CEOs and 36 CFOs were analysed in this way and the findings are summarised below.

8.5.1 Chairs

Chairs: The study reviewed data for 82 Chairs and the analysis identified three prevalent leadership styles. The most prevalent was found to be 'transactional' occurring in all the Chairs. 'Transactional' combined with some elements of 'transformational (idealised influence)' and 'individual consideration' also occurred in 12 of the 82 Chairs. Notably, Ana Botin (Banco Santander) was also found to have elements of 'charisma'.

This shows a prevalent leadership style amongst the Chairs which is identified as 'transactional' with secondary 'transformational' characteristics, and is found to be different from Chairs leading banks that did fail, need recapitalisation or bailout, which was 'transactional' with secondary 'charismatic dark side' traits.

8.5.2 Chair/CEOs

Chair/CEOs: Twenty-six leaders held the dual role of Chair/CEO in 14 banks. All 26 leaders were found to show characteristics of 'transactional' leadership, with three also showing characteristics of 'charisma'. These were Jamie Dimon (JP Morgan); Sandy Weill (Citigroup) and Charles Prince (Citigroup).

This shows a prevalent leadership style amongst Chair/CEOs in this category, which is identified as 'transactional'. This is found to be different from those in banks that failed, needed recapitalisation or bailout, which was identified as 'charismatic dark side'.

8.5.3 Chief Executive Officers

CEOs: Fifty-one CEOs were identified in this sample and four leadership styles were identified. The prevalent leadership style was ‘transactional (contingent reward’) occurring in 40 CEOs found to have characteristics such as a ‘focus on short term goals’ and ‘favour structures and policies’. ‘Transformational (idealised influence)’ and ‘individualised consideration’ characteristics were found to be the prevalent leadership characteristic in ten CEOs, five of whom also possessed secondary characteristics of transactional.

Notably, Jayne Anne Gadhia of Virgin Money was found to possess authentic leadership characteristics such as a ‘concern for personal morals’, together with ‘transformational (idealised influence and inspirational motivation)’ and ‘transactional’ traits.

These findings show a prevalent leadership style exists amongst CEOs in banks that did not fail, need recapitalisation or bailout and is found to be ‘transactional (contingent reward)’. This is different to the CEOs in banks that did fail which was found to be predominantly ‘charismatic dark side’ with secondary ‘transactional’ characteristics.

8.5.4 Chief Finance Officers

CFOs: There were 65 leaders in this group. The predominant leadership style was found to be ‘transactional (contingent reward)’ which was found in 56 leaders. Notably, traits of ‘charisma’ (‘skilled at public speaking’, ‘dominance’ and ‘desire to lead’) were identified in five CFOs, all of whom went on to become either CEOs or Chairs. Interestingly, the data showed a difference in the nine female CFOs who were found to be predominantly authentic with elements of ‘transactional’ combined with ‘transformational’.

This shows a predominant style of ‘transactional (contingent reward)’ in this group which notably is found to be the same as those in banks that failed, needed recapitalisation or bailout. However, when the secondary characteristics are considered, there is a difference, with this group showing 'transformational' characteristics and those CFOs in banks that failed showing characteristics associated with 'charismatic dark side'.

The summary table (Table 8.3) below shows the most prevalent and secondary leadership characteristics and styles of the leaders in the banks that did not fail, require recapitalisation or bailout (1999–2017).

Table 8.3: Consolidation of prevalent leadership styles in Category 2: Banks that did not fail, need recapitalisation or bailout (1999–2017)

Conceptual labels	**Leadership style characteristics: Most prevalent**	**Leadership style characteristics: Secondary style**
Chair	Transactional	Transformational (idealised influence)
Chair/CEO	Transactional	Charismatic
CEO	Transactional(contingent reward)	Transformational (idealised influence and individual consideration)
CFO	Transactional (contingent reward)	Transformational

The data provides a clear answer to the second research objective which is to consider whether there is a prevalent leadership style found in those banks that did not fail, need recapitalisation or bailout. This is found to be positive with Chairs found to be predominantly 'transactional', Chair/CEOs found to be predominantly 'charismatic', and CEOs and CFOs found to be 'transactional'.

Having established that there are predominant and secondary leadership styles in each sample, the third research objective is to consider whether there was a difference between the leadership styles in the banks that failed, needed recapitalisation or bailout, and those that did not. This was also found to be positive with the results shown in Table 8.4 below.

Table 8.4: Differences between leadership styles of board members

Conceptual labels	Banks that failed, needed recapitalisation or bailout: Prevalent and secondary leadership styles	Banks that did not fail, need recapitalisation or bailout: Prevalent and secondary leadership styles
Chair	Predominant: Transactional Secondary: Charismatic dark side	Predominant: Transactional Secondary: Transformational (idealised influence)
Chair/CEO	Predominant: Charismatic dark side Secondary: Charismatic	Predominant: Transactional Secondary: Charismatic
CEO	Predominant: Charismatic dark side Secondary: Transactional	Predominant: Transactional (contingent reward) Secondary: Transformational (idealised influence and individual consideration)
CFO	Predominant: Transactional Secondary: Charismatic dark side	Predominant: Transactional (contingent reward) Secondary: Transformational

Notably, the predominant style of the Chairs in both samples was found to be 'transactional' with the differences becoming apparent in the secondary characteristics. Those Chairs in banks that failed, needed recapitalisation or bailout showed 'charismatic dark side' characteristics, whereas those in banks which did not showed 'transformational (idealised influence)' characteristics.

Similarly, the Chair/CEOs in both samples were shown to be 'charismatic' in the secondary styles. Chair/CEOs in those banks that failed, needed recapitalisation or bailout are shown to possess predominantly 'dark side' characteristics whereas those in banks that did not fail, possessed predominantly 'transactional' characteristics.

These findings will be explored further in Chapter 9 below.

8.6 Shared Leadership

The discriminate sampling is also used to consider the fourth research objective: Is there a difference in leadership characteristics and styles between the identified board members? To answer this, the leadership characteristics and styles within the relationship of the shared leadership roles of the Chair, Chair/CEO, CEO and CFO was considered and interestingly, a predominant relationship can be seen. In *Sample 1*: In the banks that failed, needed recapitalisation or bailout, those banks with a **separate Chair** were found to have the following predominant relationship:

Chair: 'transactional', CEO: 'charismatic dark side' and CFO: 'transactional'.

Where the **Chair/CEO was combined,** this changed to:

Chair/CEO: 'charismatic dark side' and CFO: 'transactional'.

In *Sample 2*: In the banks that did not fail, need recapitalisation or bailout, this relationship differed. In the banks with a **separate Chair,** the relationship was found to be predominantly:

Chair: 'transactional', CEO: 'transactional' and CFO: 'transactional'.

Where the **Chair and CEO were combined,** it was found to be:

Chair/CEO: 'transactional' and CFO: 'transactional'.

The relationship and its potential impact on the research question is explored in Chapter 9 and the results are tabulated for clarity in Table 8.5 below:

Table 8.5: Comparison of the relationship between the shared leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO

Sample 1: Banks that failed, needed recapitalisation or bailout	**Chair**	**Chair/CEO**	**CEO**	**CFO**
Predominant leadership style	Transactional	Charismatic dark side	Charismatic dark side	Transactional
Secondary leadership style	Charismatic dark side	Charismatic	Transactional	Charismatic dark side

Sample 2: Banks that did not fail, need recapitalisation or bailout	**Chair**	**Chair/CEO**	**CEO**	**CFO**
Predominant leadership style	Transactional	Transactional	Transactional (contingent reward)	Transactional (contingent reward)
Secondary leadership style	Transformational (idealised influence)	Charismatic	Transformational (idealised influence and individual consideration)	Transformational

8.7 Identification of the Core Category

As discussed above, the selective coding phase **identifies the core category** and develops it in relation to the subcategories in the process which analyse the data by asking the question **'What does all the action/interaction seem to be about?'** (Corbin and Strauss, 2008).

The core category represents the central phenomenon of the study. The categories created during the previous coding stages emerge from the data and are formed from the iterative process of simultaneous data collection, analysis and theoretical sampling (Pandit, 1996). The open and axial coding processes form the basis for the selection of the 'core category', but the role of selective coding is to verify its characteristics in relation to the subcategories in order to achieve the integration needed for substantive theory development (Corbin and Strauss, 2008).

The statements analysed above lead to the identification of the core category which is found to be: 'Strategic Leadership Influence in Banking' and is used to answer the research question: **'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout?'**

8.7.1 The Linking of the Core Category to the Subcategories

The next stage in the coding process is to verify the link between the core category of 'Strategic Leadership Influence in Banking', and the subcategories of 'banks', 'leaders', and 'decision making' (Chapter 7) (Corbin and Strauss, 2008).

Table 8.6 below shows the link between the selective coding and the core category.

Table 8.6: Selective coding linked to the core category

Subcategory	Relationship to core category of ‘Strategic Leadership Influence in Banking’	Paradigm component
Leaders	Statements from all Chairs, Chair/CEOs, CEOs and CFOs analysed	Causal conditions
Global complexity	All bank leaders were responsible for the strategic direction of the banks from within the context of the same complex, volatile sector	Context
Regulation/deregulation and financial innovation	All bank leaders were subject to the intervening conditions of regulation, deregulation and financial innovation	Intervening conditions
Decision making	All bank leaders were responsible for individual and shared decision making	Action/interaction
Influence on whether bank failed, needed recapitalisation or bailout, or not	Analysis of the leadership characteristics and styles shows a difference between those leaders leading banks that failed, needed recapitalisation or bailout, and those that did not	Consequences

The application of the paradigm model to link to the core category is explained in more detail below.

I Causal conditions of ‘strategic leadership’ (leaders: Chair, Chair/CEO, CEO, CFO)

The causal conditions are those incidents and events that influence whether the bank fails, needs recapitalisation or bailout and are determined to be the Chair, Chair/CEO, CEO and CFO on the board (Chapter 7). The Chair, Chair/CEO, CEO and CFO are linked to the core category of ‘*Strategic Leadership Influence in Banking*’ as they are responsible for the direction and decision making of the organisation as a whole (Zaccaro, 1996) and the analysis of the data supports this, showing changes in strategic direction when a new leader is appointed.

II Contextual conditions (globalisation and complexity)

The contextual conditions are the situational factors inside and outside an organisation, or the surroundings associated with the phenomenon (Pillai and Meindl, 1998), and in this research are associated with answering the question '**What are the sets of conditions under which banks fail, need recapitalisation or bailout?'** (Chapter 7). Globalisation and complexity are cited as reasons for the global banking crisis (Crawford, 2011). However, this thesis shows that they are just one element of a range of factors that influence banking failure, recapitalisation and bailout. The core category of '*Strategic Leadership Influence in Banking*' is linked to globalisation and complexity through the decisions made by the leaders (Chair, Chair/CEO, CEO and CFO), either individually or collectively. This is shown to vary according to the individual leader's characteristics and styles, and the shared relationships between strategic leaders.

III Intervening conditions (regulation/deregulation)

Intervening conditions are the broader structural context around the phenomenon (Corbin and Strauss, 2008) which can **alter or mitigate the impact of the causal conditions on the phenomenon** (Strauss and Corbin, 1998). In this research, they are found to be the industry surroundings of 'regulation', 'deregulation' and 'financial innovation' (Chapter 7). The core category of '*Strategic Leadership Influence in Banking*' is linked to these conditions through the leadership decisions the leaders make in response to changes in regulation and the opportunities presented by financial innovation.

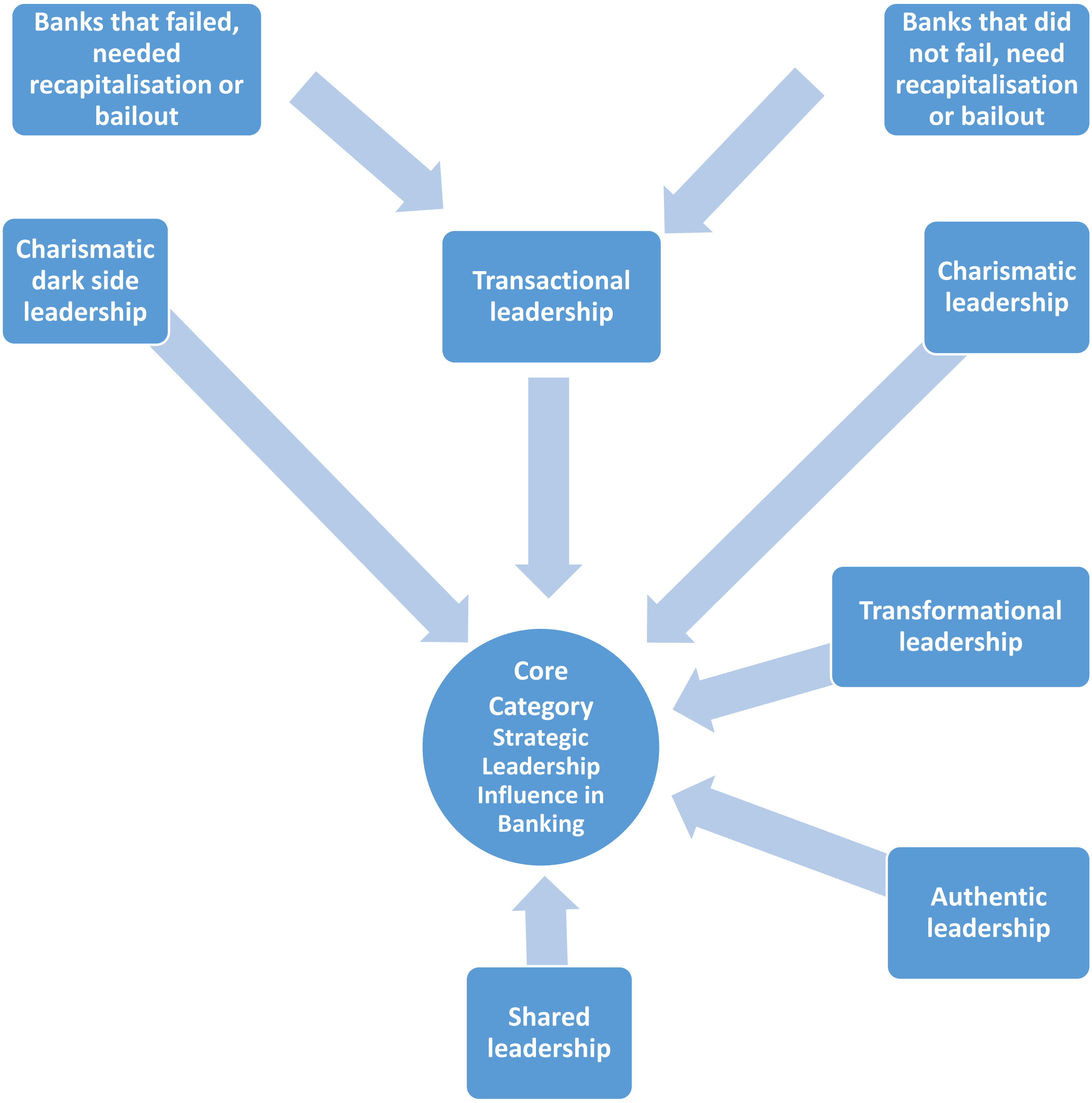
IV Action/interaction strategies (decision making)

The action/interaction strategies refer to the 'deliberate acts that are taken to resolve a problem and in doing so, shape the phenomenon in some way' (Strauss and Corbin, 1998, p. 133). They are answered in this research by asking the question **'What are the action/interaction strategies adopted by the banking sector in relation to banking failure, recapitalisation or bailout?'** 'Decision making' is identified at the axial coding stage as answering this question. This is linked to the core category of '*Strategic Leadership Influence in Banking*' as it is the key process through which leaders influence the strategic direction of the business. The data shows a correlation between the decisions taken (linked to the causal, intervening and contextual conditions above) and the leadership characteristics and styles of the leaders.

V Consequences

These are the output of the action/interaction strategies (above) and are the consequences of the decision making of the leader (Chair, Chair/CEO, CEO and CFO) which influence whether the bank fails, needs recapitalisation or bailout. This is linked to the core category of '*Strategic Leadership Influence in Banking*' through the leadership characteristics and styles which were identified during the data collection, open and axial coding stages. This is shown in Figure 8.1 below.

Figure 8.1: Identification of the core category



In sum, the selective coding process has taken the open and axial coding and linked the statements of the Chair, Chair/CEO, CEO and CFO to extant leadership theories around the core category of '*Strategic Leadership Influence in Banking*'. The core category has been verified in terms of its relationship to the components of the paradigm model (Strauss and Corbin, 1998).

8.8 Towards the Substantive Theory of 'Strategic Leadership Influence in Banking'

The main objective of this thesis is to investigate whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout. The substantive theory developed from the analysis of the data through the open, axial and selective coding stages begins to achieve this by determining the existence of prevalent leadership characteristics and styles (the phenomenon), through investigation of the causal conditions (Chair, Chair/CEO, CEO and CFO), within the context of globalisation and complexity (contextual conditions), regulation, deregulation and financial innovation (intervening conditions) which lead to the 'consequences' of whether the bank fails, needs recapitalisation or bailout. The substantive theory helps our understanding of banking failure, recapitalisation and bailout. Identifying these risks is a major global policy issue, which to date has been addressed through increased domestic and international regulation. The substantive theory developed here shows that the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are crucial to, and hitherto a missing part, of understanding the risk of banking failure and a significant factor to consider if we are to avoid the continuous cycle of boom and bust (Kindleberger and Aliber, 2011).

The substantive theory is the result of systematic, simultaneous coding, categorisation and analysis of data (presented sequentially for clarity) collected from the speeches and statements made by the Chair, Chair/CEO, CEO and CFOs of the 17 largest banks by market capitalisation that failed, needed recapitalisation or bailout (1999–2017) and the 30 largest banks by market capitalisation which did not fail, need recapitalisation or bailout (1999–2017), taken from annual reports, triangulated with analyst transcripts, parliamentary, treasury and federal inquiry reports, interviews and press releases. The theory is grounded in the data and captures the complexities and issues faced by leaders within the banking sector. It demonstrates the interaction between the leaders, the complexities of the industry and the actions/interactions of the regulators, central banks and governments.

The substantive theory of ‘Strategic Leadership Influence in Banking’ (SLIiB) addresses the objectives of this thesis and can be summarised as follows:

a) In considering the research objective ‘Is there a prevalent leadership style or set of leadership characteristics found in the Chair, Chair/CEO, CEO and CFO in large banking institutions?’, the substantive theory shows a prevalence of characteristics and styles within the boards of banks, and how they affect the strategic decision making of the board.
b) In considering ‘whether there is a prevalent leadership style in those board members of banks that failed, needed recapitalisation or bailout, and whether this differs in those that did not’, the substantive theory finds prevalent leadership characteristics and styles and a difference between these in banks that failed, needed recapitalisation or bailout, and those that did not.
c) In considering whether there is a difference in the leadership styles and leadership characteristics between the identified board members, the substantive theory shows that the shared leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO differ between those banks that failed, needed recapitalisation or bailout, and those that did not, suggesting that this may be an important factor in whether the bank fails, needs recapitalisation or bailout, or not.

In addition,

d) The substantive theory suggests that certain leadership styles (or mixes of styles) decrease or increase the risk of banking failure, recapitalisation or bailout.
e) It shows that leadership characteristics and styles determine how the board responds to the contextual factors of globalisation and complexity.
f) Leadership characteristics and styles are shown to determine how the board responds to banking regulation, deregulation and financial innovation.

g) Understanding the significance of the leadership characteristics and styles of the key board members provides an additional tool with which regulators, policy advisors and governments can view the risk of bank failure, recapitalisation or bailout.

8.9 Conclusion

This study takes a social constructivist view within a grounded theory methodology to answer the fundamental question: 'Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout (1999–2017)?' On the bases of the open and axial coding stages (Chapters 6 and 7), this chapter presents the final coding procedure of grounded theory building (Corbin and Strauss, 2008) which is to identify the core category in terms of its properties and dimensions, and validate the relationship between the core category and its subcategories. This took place by analysing the speeches, transcripts and statements made by each leader and comparing the words and phrases found within those with extant leadership theories, thereby building a picture of the leadership characteristics and style of the leader. Although the core category of leadership styles was in mind during the open and axial coding stages, in this adaption to grounded theory (Chapter 4), it was developed and linked to the subcategories of globalisation and complexity (decision making, regulation/deregulation and financial innovation), at the selective coding stage.

This chapter has utilised inductive line by line content analysis as part of the grounded theory process to link the collected data to existing leadership theories (Berg, Lune and Lune, 2004). Consistent with grounded theory, memos used during the analysis enriched and supplemented the findings and added to the development of the properties and dimensions of the core category which was visualised through the model of strategic leadership in banking, linked to the subcategories by way of the paradigm model.

Finally, the substantive theory was presented. The substantive theory is the result of the coding, categorisation and analysis of the data collected from speeches and statements made by the leaders in annual reports, analyst meetings, responses to parliamentary, treasury and federal inquiries, conferences, interviews and press releases and embedded in the context, conditions and actions/interactions within the global banking sector.

The substantive theory shows that the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout and is embedded within a framework considering globalisation, complexity, regulation, deregulation and financial innovation.

The next chapter explains the substantive theory in terms of extant leadership theories to give formality.

Chapter 9

The Substantive Theory

9.1 Introduction

This chapter explores the substantive theory of 'Strategic Leadership Influence in Banking' and links it to the research objectives outlined in Chapter 1 of this thesis. It revisits the influence of board leadership in banks, showing a clear difference in the characteristics and styles of the Chair, Chair/CEO, CEO and CFO in those banks that failed, needed recapitalisation or bailout, and those that did not. Significantly, the substantive theory shows both prevalent and secondary leadership styles found those leaders; for example Jamie Dimon, Chairman/CEO of JP Morgan is found to have predominantly 'charismatic' leadership characteristics but with significant secondary ones associated with 'transactional' leadership. This pattern of predominant and secondary styles is replicated through the data set. Finally, the interaction of the leadership styles between the Chair, Chair/CEO, CEO and CFO is explored and found to be a significant factor in banking failure, recapitalisation or bailout.

9.2 Formal Grounded Theory Building

The objective of this section is to discuss the substantive theory in relation to the aims and objectives of the research which are:

i. To increase knowledge and understanding of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the 30 largest banks (by market capitalisation)

ii. To develop and test a theoretical model to explore leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in these organisations.

iii. To explore whether specific leadership characteristics and styles are influencing factors in banking failure, recapitalisation or bailout during the research period.

iv. To develop a substantive theory of strategic leadership influence in the international banking sector.

The substantive theory increases knowledge of leadership within banking by contributing to the literature in a number of ways which are detailed below. Linking the substantive theory to formal theory in this way allows the research to find its place within the current literature (Charmez, 2006).

Firstly, the literature review (Chapter 2) shows that to the best of the researcher's knowledge, there is no comprehensive study of the influence of board leadership characteristics and styles on banking failure, recapitalisation or bailout to date. The literature on banking failures reveals the increasing attention that banking crises have received from both academics and policy makers since the mid 1980s (Kaminsky and Reinhart, 1999), but is shown to be predominantly quantitative, concerned with financial prediction models which, while useful for prescribing previous events, do not provide useful predictors for the avoidance of future failures. This framework is also incapable of considering banking failure, recapitalisation or bailout from the perspective of the board members at the time, as the bank either ceases to exist, is recapitalised with a change of leader or is taken over. Traditional qualitative studies struggle with access issues, with any dialogue with leaders of failed banks subject to historical biases (Pye, 2013; Shepherd, Wiklund and Haynie, 2009). These studies can also miss the nuances within language that provide key insights into leader behaviour. Previous studies concerning the corporate governance of banks and its role in preventing banking crises do not offer effective models through which to understand and prevent future banking scandals (Kirkpatrick, 2009). By using grounded theory to create a model to qualitatively explore board leadership in both banks that failed, needed recapitalisation or bailout and those that did not, this research was able to explore the influence of board leadership within the context of previously cited causes of failure, i.e. complexity, changes in regulation and financial innovation. In doing so, the substantive theory of the 'Strategic Leadership Influence in Banking' (SLIiB) provides a comprehensive analysis of leadership characteristics and styles of the most influential leaders (Chair, Chair/CEO, CEO and CFO) in banks pre-, during and post failure, recapitalisation or bailout, taking into account the context of the industry.

The remainder of this chapter will summarise the main findings of the research and the relevance of the substantive theory to research on banking failures and crises.

9.2.1 Relevance of the Substantive Theory to Research on the Reasons for Banking Failure and Financial Crises

As discussed above, previous literature concerning banking failure and crises is concerned with looking into what happened with a view to stop it happening again. Current literature suggests corporate governance failures, moribund regulation and deregulation as substantive reasons. The SLIiB model provides an alternative lens through which to view these events, taking into account these previous cited causes.

The use of a grounded theory model links the extant theories of leadership to the previous cited reasons for failure, and in doing so provides an insight into why leaders behaved as they did. It provides an answer to the question: 'Why, when all the banks under investigation were operating in the same complex, volatile environment, and dealing with the same issues of financial innovation, did some banks fail, need recapitalisation or bailout, and others did not?'

The leadership theories are described in terms of characteristics and styles providing a suitable structure to analyse the strategic leadership within the banks.

9.2.2 Relevance of the Substantive Theory Linking Board Leadership with Banking Failure and Financial Crises

As the review of literature has shown, understanding business failure presents an enormous theoretical challenge which still fundamentally remains to be met (Pretorius, 2009), and there is limited research considering the influence of the board in banking failure, recapitalisation and bailout. Emerging literature (Liu, 2015; Salz and Collins, 2013) considers leadership involvement but is limited to individual banks or countries. The extant literature suggests the main causes of banking failure are macro policies affecting liquidity along with a poor regulatory framework (Blundell-Wignall, Atkinson and Lee, 2008), falling interest rates and the housing boom (Kirkpatrick, 2009). The substantive theory extends this by showing a clear difference between the leadership characteristics and styles of those leading the banks pre- and during failure, recapitalisation or bailout, and those leading the banks that did not. In doing so, it argues that leadership characteristics are a key and hitherto overlooked influencing factor. The substantive theory takes into account the context of the banking industry with increasing globalisation and complexity, and by way of intervening factors, takes account of the regulatory environment and opportunities from financial innovation.

The following section explores the substantive theory in relation to the strategic leadership literature.

9.3 Reviewing the Substantive Theory within the Framework of Existing Strategic Leadership Literature

This section considers the findings of the substantive theory (Chapter 8) utilising extant leadership theories. The SLIiB model shows leadership influence in terms of characteristics and styles linked to extant theories of ‘charismatic leadership’, ‘charismatic dark side’, ‘transactional’, ‘transformational’ and ‘authentic’ leadership. Notably, the shared interaction between the triadic relationship of the leaders and their leadership characteristics is also considered.

9.3.1 Analysing Strategic Leadership Influence

The findings support the view that top-level leaders have a direct and significant impact on corporate performance (Day and Lord, 1988). Critical reviews (Boal and Hooijberg, 2001; Cannella and Monroe, 1997; Finkelstein, Hambrick and Cannella, 2009) suggest the traditional focus is on demographic and background characteristics of CEOs, rather than leadership styles. There is also limited integration between ‘charismatic’ and ‘transformational’ theories (Bass and Steidlmeier, 1999) with Boal and Hooijberg (2000) arguing that for real progress to be made, researchers must be willing to learn from other theories. The substantive theory presented in this thesis notably finds the leaders investigated show a mixture of predominant styles with secondary characteristics. For example, the CEOs of banks that did not fail, require recapitalisation or bailout, show a mixture of ‘transactional’ leadership, with its regard of process, together with the ‘transformational’ leadership characteristics of ‘vision’, ‘team building’ and ‘creativity’, supporting Bass’s view that the most effective leadership style is a mixture of ‘transformational’ and ‘transactional’ leadership styles (Bass, 1996), but extending it to show how ‘charismatic’ leadership and ‘transactional’ leadership combine together to be effective.

9.3.2 Analysing the Causes of Banking Failure, Recapitalisation or Bailout

The findings show that the leadership characteristics of a ‘charismatic dark side’ CEO or Chair/CEO is a key variable in whether a bank fails, needs recapitalisation or bailout. All the CEOs or Chair/CEOs in the banks that failed, needed recapitalisation or bailout had this leadership style which was not present in those banks that did not. This supports the work of Adams, Almeida and Ferreira (2005) who consider the power of the CEO and impact on bank performance in the Fortune 500 during the period 1992–1999, but provides a wider perspective, considering the influence of the Chair, Chair/CEO, CEO and CFO in 30 of the largest banks during the time frame 1999–2017. It also supports the work of Crossland and Hambrick (2007) who found leader egos affect the behaviour of firms, and the early work acknowledging management decisions as a key contributor in the rise in US banking failures during the 1980s (Barr, Seiford and Siems, 1994).

This new lens through which to view banking failure also answers the criticisms of previous research in the area by allowing investigation of banks that were recapitalised, merged or bailed out, rather than just those that failed, which previous studies using predominantly financial ratios and multivariate techniques do not address (Martin, 1977). Alternative academic and policy approaches compare the characteristics of the banks that failed with those that did not (Jones and Pollitt, 2016), often focussing on individual banks such as RBS and HBOS (Fraser, 2015; Martin, 2013), but do not address the characteristics of the leaders of the banks at the time.

9.3.3 Analysing the Shared Leadership, Corporate Governance and Board Leader Relationships

On a micro level, the literature concerning leadership in banking failure is generally concerned with board governance (Alexander, Coleman and Li, 2006; Kirkpatrick, 2009). The emerging literature considering failure attributed to leadership generally involves the interviewing of bank staff (Gond et al., 2014) resulting in little knowledge about the effectiveness of governance within banking (Adams and Mehran, 2012), and the extant literature on corporate governance issues linked to bank performance is largely concerned with the impact of risk (Laeven and Valencia, 2013). This thesis goes beyond the existing literature comparing the interrelationship between the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO and finding a clear difference between banks that failed, required recapitalisation or bailout and those that did not.

Notably, the substantive theory shows a link between the relationship of ‘charismatic dark side’ characteristics in the CEO or Chair/CEO in the banks that failed, required recapitalisation or bailout together with ‘transactional’ styles found in the Chair and CFO. This supports the argument that ‘transactional leadership’ can lead to egotistical behaviour (Avolio and Locke, 2002) and suggests that this can occur alongside ‘dark side charismatic’ traits of ‘hubris’, ‘arrogance’ and ‘drive for personal gratification’. The substantive theory shows that when these leadership styles occur together in the context of the banking sector, they may be a predictor of potential failure, recapitalisation or bailout, and in doing so provides better understanding of bank boards and their linkages (Wilson et al., 2010).

The substantive theory also shows the relationship between the board members to be important. In considering the shared relationship at the apex of the organisation, it shows that where the relationship between the leaders is based on ‘transformational leadership’ characteristics such as ‘fostering a team spirit’ and a ‘strong sense of mission and purpose’ (Hater and Bass, 1988), together with ‘transactional’ characteristics such as ‘honesty’, ‘responsibility’ and a ‘wish to do things correctly’ (Spahr, 2016; Yukl, 2008), the banks did not fail. Notably, this is also the case where a mixture of ‘transactional leadership’ characteristics and ‘authentic leadership’ characteristics such as ‘relational transparency’, ‘balanced processing’, ‘creating a trusting relationship’ and ‘self- regulation’ (Avolio and Gardner, 2005; George, 2007; Walumbwa et al., 2008) were found, for example in Jayne Ann Gadhia, CEO of Virgin Money, and Sallie Krawcheck, CFO of Citigroup.

The substantive theory also takes the theories of ‘transactional’, ‘transformational’, ‘charismatic’ and ‘authentic’ to a level not considered by traditional ‘heroic’ leadership theories themselves. ‘Heroic’ leadership is generally concerned with the leader’s effect on the follower, not the organisation. By looking at a ‘post heroic’ view of shared leadership contextualised within the existing theories, the substantive theory provides a new perspective on how leaders affect banking failure, recapitalisation or bailout, and gives support to the argument that, in the 21st century, there are too many stimuli and executives are under too much pressure to be able to weigh up situations objectively (Hambrick, Finkelstein and Mooney, 2005). In this case, the relationship between the Chair/CEO becomes pivotal (Boal and Schultz, 2007; Kakabadse, Kakabadse and Barratt, 2006; Pye, 2013) and a more collective approach is more practical (Crevani, Lindgren and Packendorff, 2010).

The substantive theory also highlights the influence of leadership duality, i.e. the combined Chair/CEO role. Extant literature on duality shows a variation in views, with evidence showing that in some cases the market responds favourably to a split role with performance declining after the dual role is adopted (Dahya, Lonie and Power, 1996), but where the split role is due to investor pressure, subsequence performance has then dropped, as has the contribution to shareholder wealth (Dey, Engel and Liu, 2011). The substantive theory considers the leadership influence of the Chair/CEO role alongside those of the Chair, CEO and CFO and finds that 5 of the 17 banks that failed, required recapitalisation or bailout had duality in the Chair/CEO pre-, during and/or post the time of the study, compared with 14 of the 30 banks that did not, with 5 of these banks having both duality and a split role for a period of time. This supports the argument that optimal board composition changes over time (Dahya and Travlos, 2000). Notably, the leadership style of the dual Chair/CEO in banks that failed, required recapitalisation or bailout was found to be ‘charismatic with dark side characteristics’, which was also found in the CEOs in the same sample, but differed from the ‘transactional’ characteristics found in the Chair where the role is split.

For the 14 banks that did not fail, require recapitalisation or bailout, the leadership characteristics of the Chair/CEO were found to be ‘transactional with ‘charismatic characteristics’. This supports the conclusion that corporate governance regulations and political proposals to split the role warrant further careful consideration. The extant research is generally concerned with US companies (Dahya and Travlos, 2000; Duru, Iyengar and Zampelli, 2016). The substantive theory finds 7 of the 12 banks that did not fail, require recapitalisation or bailout were US originated, and therefore contributes to the call for more research into the effect of duality on performance in an international context.

9.3.4 Analysing the Strategic Leadership Theories

i) 'Charismatic' and 'dark side' characteristics

The substantive theory shows that 'charismatic' leadership is found in some Chairs, Chair/CEOs and CEOs in banks that did not fail, need recapitalisation or bailout, and a clear link to 'charismatic dark side' characteristics is found in those CEOs or combined Chair/CEOs in banks that did fail, require recapitalisation or bailout. As the substantive theory considers the context of the banking industry, this supports the view that 'charismatic' leaders must have qualities relevant to the situational context (Bass et al., 2003; Waldman and Yammarino, 1999).

The substantive theory also finds characteristics of 'dominance', 'a desire to influence', 'self-confidence', and 'strong moral values' (which are an integral part of what it means to be 'charismatic') in leaders in banks that did not fail, require recapitalisation or bailout, and notably found 'dark side charismatic' characteristics in each of the CEOs or Chair/CEOs of banks that did fail, require recapitalisation or bailout. This supports the view that 'charismatic' leaders can move to 'dark side characteristics' such as 'blind drive to achieve a personal ambition' in target-driven environments (Conger, 1989; Kakabadse and Kakabadse, 1999; Yukl, 1999). Interestingly, the substantive theory also identifies characteristics of 'narcissism', 'arrogance' and a 'sense of entitlement' which the literature suggests are found in many powerful leaders (Rosenthal and Pittinsky, 2006), but, significantly, only finds them in leaders of banks that failed, required recapitalisation or bailout.

ii) ‘Charismatic’ combined with ‘transactional’ leadership characteristics

The substantive theory highlights the existence of purely ‘charismatic’ characteristics of ‘dominance’, ‘desire to influence’, and a ‘drive for personal performance’ (House and Howell, 1992; McDonald, 2009) supporting the view that ‘charisma’ is a theory in its own right, rather than integrated into to ‘transformational’ leadership (idealised influence) (House, 1977; Bass, 1990). This is a significant finding as the extant literature does not find links between purely ‘charismatic’ characteristics and ‘transactional’ leadership, it is only identified as part of ‘transactional’ and ‘transformational’ leadership (Bass et al., 2003; Bass and Riggio, 2006; Hater and Bass, 1988). The significance of this is discussed below.

iii) ‘Transformational’/‘transactional’ leadership

As discussed above, the substantive theory considers the leadership characteristics and styles found in the Chair, Chair/CEO, CEO and CFO of the 17 largest banks by market capitalisation identified as failing, requiring recapitalisation or bailout (1999–2017) and compares them with those in the 30 largest banks by market capitalisation with board autonomy during the same time period. The substantive theory considers the leadership characteristics and styles of the leaders before contextualising them in terms of extant leadership theories, and in this way highlights combinations of leadership styles that are only partly addressed by extant literature (discussed in (ii) above). The extant leadership theories do support a link between the ‘transactional’ and ‘transformational’ leadership characteristics being the most effective combination (Bass, 1996). In finding the combination of ‘transactional’ characteristics such as ‘recognition of followers’, ‘following rules’, and ‘doing things correctly’ (Judge et al., 2002; Spahr, 2016), together with ‘transformational’ characteristics of ‘vision’, ‘confidence’, ‘fostering team spirit’ and notably, ‘encouraging innovation’ (Bass, 1996; Hater and Bass, 1988) in those leaders (Chair, Chair/CEO, CEO, CFO) in banks that did not fail, require recapitalisation or bailout, and not in those leaders in the banks that did, the substantive theory supports the argument that the combination of ‘transformational’ and ‘transactional’ leadership is effective in the strategic leadership of large banks.

iv) ‘Authentic’ leadership

The substantive theory finds characteristics to support the existence of ‘authentic leadership’, such as ‘self-awareness’, ‘self-regulation’, ‘positive modelling’, ‘strong values’ and ‘relational transparency’ (Avolio and Gardner, 2005; George, 2007; Luthans, Norman and Hughes, 2006; Walumbwa et al., 2008), but interestingly only in the few female leaders (Chairs, Chair/CEOs, CEOs and CFOs) in the banks that did not fail, require recapitalisation or bailout. This supports the existing argument that authentic leaders help to ‘build enduring relationships and create long-term value for shareholders’ (George, 2003, p. 9). However, the authentic leadership characteristics are not found in isolation and are notably only found together with the ‘transactional leadership’ characteristics of an ‘emphasis of corporate structure’ and ‘doing things correctly’ (Spahr, 2016; Yukl, 2008), or with the characteristics of ‘charismatic’ leadership such as ‘dominance’, ‘skill at public speaking’ and ‘being driven by personal performance’ (Bass, 2008; Conger, 1989; House and Howell, 1992; McDonald, 2009).

9.4 The Formal Substantive Theory

In light of the discussion above, the substantive theory (SLIiB) can now be restated formally with leadership theory underpinning it as follows:

The substantive theory of ‘Strategic Leadership Influence in Banking’ (SLIiB) suggests that the ‘leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout’.

- It shows how the leaders respond to the context of the banking industry with its complex, volatile environment, cycles of regulation, deregulation and financial innovation.
- It shows the importance of the shared relationship between the leaders in terms of the interaction of the leadership characteristics and styles, highlighting that within the banking sector, the dual role of combined Chair/CEO is not a contributory factor in failure, recapitalisation or bailout but highlights the importance of the dominant leadership style of 'charismatic/dark side' CEOs or Chair/CEOs in combination with predominantly 'transactional' Chairs and CFOs.
- It shows 'authentic' leadership characteristics found in combination with 'transactional' characteristics within banks that did not fail, require recapitalisation or bailout.

9.5 Conclusion

This chapter explores the substantive theory of 'Strategic Leadership Influence in Global Banking' presented in Chapter 8 in the light of the extant strategic leadership theories, and discusses its role in providing an alternative lens through which to analyse the causes of banking failure, recapitalisation or bailout.

Explaining the substantive theory in terms of extant leadership theories is not designed to turn the substantive theory into a formal theory, but rather to make it a formal substantive theory (Glaser and Strauss, 1967).

The substantive theory is interpreted in terms of strategic leadership theories from three perspectives: firstly, it interprets leadership in banking as a social process and shows it can be analysed in its wider context, and within an institutional environment. Secondly, it confirms that the decisions of the strategic leaders are influenced by their leadership characteristics and styles. Thirdly, it shows how these decisions affect the collective board response to environmental factors such as complexity, regulation/deregulation and financial innovation.

The final chapter of this thesis presents the conclusion, academic and policy contributions of the research, limitations of the study and suggestions for further research.

Chapter 10

Conclusion and Contributions and Further Research

10.1 Introduction

This thesis has investigated whether the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout. The study was conducted longitudinally from 1999 to the data saturation point of 2017. The thesis is based on an inductive, social constructionist approach within a grounded theory methodology that analysed the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in 17 largest banks by market capitalisation identified as failing, requiring recapitalisation or bailout during the research period, compared with the 30 largest banks by market capitalisation with autonomous boards, taken from the Banker Top 1000 (2017). A substantive theory of strategic leadership in banking was developed through continuous, systematic data collection and analysis.

This chapter presents the overall conclusion of the thesis, together with the contributions to knowledge, limitations and directions for future research.

10.2 Conclusion of the Thesis

The thesis achieved the objectives of the study to build a substantive theory of strategic leadership in banking, and in doing so answered the research question ‘Are the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO an influencing factor in banking failure, recapitalisation or bailout (1999–2017)?’ It shows the existence of prevalent and secondary leadership styles, and identifies a key difference between the leadership styles present in the banks that failed, required recapitalisation or bailout, and those that did not. In using a grounded theory approach, with the techniques of coding, comparative analysis and theoretical sampling, the thesis considers banking failure, recapitalisation or bailout within the context of globalisation and complexity, the intervening factors of regulation, deregulation and financial innovation and provides an answer to the question: 'Why, in the same complex, volatile environment, did some banks fail, require recapitalisation or bailout, while others did not?' The substantive theory is grounded in the data which used line by line content analysis of publically available documents and discourse (annual reports, analyst transcripts, parliamentary and federal inquiries and press releases) to identify the leaders, their role in the bank and their leadership characteristics during the research period. In an adaption of the grounded theory process, the characteristics were analysed further in terms of extant leadership styles. The substantive theory recognises that leadership is a social phenomenon which is affected by the institutional environment in which it is embedded. The open coding stage allows the development of the 'categories' of banks that failed, required recapitalisation or bailout, and those that did not, together with the identification and time in office of the Chair, Chair/CEO, CEO and CFO. It also identifies the importance of decision making within a complex, global environment. The axial coding stage re-arranged these 'categories' and linked them by way of the paradigm model. Finally, the selective coding stage utilised the collected data and linked it according to characteristics found in extant leadership theories, identifying the core category of 'Strategic Leadership Influence in Banking'. Using the extant leadership theories as a theoretical framework, the thesis constructed a formal grounded theory that can be summarised as follows:

- The substantive theory is about the influence of the leadership characteristics and styles of the strategic board members on whether the bank fails, requires recapitalisation or bailout, or not. As such, it finds a prevalent set of leadership characteristics and styles in banks that failed, required recapitalisation or bailout, which was different from those found in the banks that did not.
- It is about the shared relationship between the Chair, Chair/CEO, CEO and CFO in terms of leadership characteristics and styles and how this is also an influencing factor in whether the bank fails, requires recapitalisation or bailout, or not.

- The substantive theory is about the leader's decision making and responses to previous reforms in banking standards, increased regulation following deregulation and the opportunities presented by financial innovation. By considering the leadership characteristics and styles of the board members identified above, within the complex, volatile, regulatory environment, it provides a new lens through which to consider banking reform.

10.3 Contributions of the Thesis

This study makes a number of contributions at theoretical, methodological and practical levels. These are summarised below.

10.3.1 Using Grounded Theory to Explore the Phenomenon of Leadership Influence in Banking Failure, Recapitalisation or Bailout

The literature review undertaken in Chapter 2 identified a gap in the body of knowledge concerning leadership in banking failures, recapitalisation or bailout. The review found that empirical and theoretical work covering leadership influence in banking failure is scant. On a micro level, modern studies of banking failure use financial ratios as early warning prediction models for banking failure but cannot cope with those banks that were recapitalised or bailed out (Jin, Kanagaretnam and Lobo, 2011; Martin, 1977; Oshinsky and Olin, 2006). Further academic and policy considerations compare the characteristics of banks (Jones and Pollitt, 2016) or show insight into the inner workings of individual banks (Salz and Collins, 2013; Walker, 2009), but do not consider the influence of the leadership styles of those leading the banks in failure, recapitalisation or bailout. By using a qualitative design, considering board leadership influence across the 17 largest banks by market capitalisation that failed, required recapitalisation or bailout, and comparing with the 30 largest banks by market capitalisation that did not, this thesis extends the knowledge in this area by widening the criteria to allow a comparison between banks.

As a longitudinal study using discourse and document analysis rather than quantitative prediction models, this research also adds to the extant literature by allowing a comparative method to analyse those banks that did not fail, but needed recapitalisation or bailout, and also provides a way to gain insight into the decision-making processes of those leading the banks at the time, while avoiding the issues with access and historical bias (Pye and Pettigrew, 2005; Shepherd, Wiklund and Haynie, 2009).

On a macro level, the literature shows almost universal agreement that the causes of banking failure were due to moribund regulation and expansive monetary policy (Blundell-Wignall, Atkinson and Lee, 2008; Kirkpatrick, 2009). Although academic and policy questions were raised concerning the behaviour of banks (Acharya and Richardson, 2009; Standards, 2013), there is no robust literature to date. By identifying the influence of the leadership styles of those leading the banks at the time on failure, the need for recapitalisation or bailout, this research adds to the academic knowledge and policy debate on reasons for banking failure and financial crises.

Consistent with the grounded theory approach, this research considers the phenomenon of banking failure, recapitalisation or bailout in the context of the industry environment. The literature review (Chapter 2) shows periods of deregulation and regulation as key policy responses to the cycles of banking boom and bust (Kindleberger and Aliber, 2011) and there is a growing body of academic and practical literature considering the impact of culture and risk in the sector (Power, Ashby and Palermo, 2013; Ring et al., 2016) with the focus on rebuilding trust and confidence in the banks (Wheatley, 2012). By showing the leadership characteristics and styles of those leading the banks to be an influencing factor in banking failure, recapitalisation or failure, this thesis extends this research and makes a significant contribution to knowledge in this area by providing an alternative lens through which to address future responses.

As a grounded theory methodology, this thesis also considers the industry environment, looking at the intervening factor of financial innovation. As this research is a longitudinal study from 1999–2017, it covers the development of derivatives which, coupled with the deregulation of the time, led to increased risk taking cited as a major cause of the GFC (Crawford, 2011; Thain, 2009), to the development of Fintech 3.0 and the rise of the shadow banking sector (Arner, Barberis and Buckley, 2015). The literature review (Chapter 2) highlights this as an area where the current literature is lacking. By considering the leadership influence of the board members in response to financial innovation, this thesis adds to the academic knowledge in this area by showing the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO, both individually and collectively, to be an influencing factor in the decision making in response to the financial innovations of the past, and suggests a new lens through which to consider the subsequent decision making and risk-taking behaviour of banks in the future.

10.3.2 Leadership Influence in Banking Failure, Recapitalisation or Bailout

The paragraph above considers the contribution of the thesis to the macro approach to banking failure, recapitalisation or bailout. On a micro level, it also makes a significant contribution concerning the leadership influence of the boards of banks. The literature governing the influence of the board in failure, recapitalisation or bailout is primarily within the area of corporate governance and risk culture, generally focussing on failures of management and, due to access issues, confined to interviewing bank staff rather than board members (Birkinshaw, 2010; Gond et al., 2014; Liu, 2015). Those studies that do exist consider board size and composition (De Andres et al., 2012) and, despite weak corporate governance being identified as a major cause of the GFC (Kirkpatrick, 2009), most studies of board effectiveness exclude financial institutions and are scattered across academic disciplines. This results in the need for better understanding of how banks are governed, with more research on bank boards and their linkages considered crucial in order to evaluate recent changes in regulation (Adams and Mehran, 2012; De Haan and Vlahu, 2016; Molyneux, 2018). By showing the influence of the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO both individually and collectively, this thesis provides a significant contribution to the academic and policy literature concerning the understanding of how banks are governed.

10.3.3 Contribution to Strategic Leadership Literature

This thesis is concerned with strategic leadership in banks. Theories of strategic leadership have focussed on those who have overall responsibility for the organisation and the traditional focus has been on demographic and background characteristics of CEOs with limited integration between theories (Bass and Steidlmeier, 1999; Gardner et al., 2010). This lack of research has led to a call for integration, connecting strategic leadership theories to the impact leader character has on strategic decision making, risk taking and firm performance. By analysing the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO within the context of decision making, this research makes a significant contribution in this area. Leadership styles of ‘transactional’, ‘transformational’, ‘charismatic’ and ‘authentic’ are all considered and notably both predominant and secondary styles are found.

This is the most wide-ranging study connecting leadership theories, characteristics and styles to date. The findings of ‘charismatic dark side’ traits to be the predominant influencing leadership style in banks that failed, required recapitalisation or bailout give important insight into bank leadership and risk. The findings of different predominant and secondary leadership styles in those banks that did not fail is also a significant factor, showing that leadership styles can affect strategic decision making, and adding weight to the overall argument of the thesis, i.e. that the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO are an influencing factor in banking failure, recapitalisation or bailout.

10.3.4 Contribution to Leadership Characteristics and Traits

The review of literature (Chapter 2) shows contextual reviews of leadership to consider characteristics and traits rather than roles. The academic attention on the personal leadership characteristics of the Chair, Chair/CEO, CEO and CFO, together with their board relationships has been sparse, with those that do exist limited to charismatic, transformational and visionary perspectives (Crossan, Vera and Nanjad, 2008; Kakabadse, Kakabadse and Knyght, 2010b).

Academic work considers the personality of CEOs (Khurana, 2002) and the decision making power of CEOs in terms of corporate performance (Adams, Almeida and Ferreira, 2005; Barr, Seiford and Siems, 1994; Crossland and Hambrick, 2007), but does not consider leadership styles, the shared relationships between the Chair, Chair/CEO, CEO and CFO in terms of those styles, or the influence on decision making which can lead to failure, recapitalisation or bailout. By considering the shared relationship of leadership influence in relation to whether the bank fails, requires recapitalisation or failure, or not, this thesis makes a significant contribution to the academic knowledge in this area. It also addresses the call for real progress to be made in strategic leadership theory (Boal and Hooijberg, 2000) by incorporating ‘charismatic’, ‘transformational’, ‘transactional’ and ‘authentic’ theories in a formal grounded theory of ‘Strategic Leadership Influence in Banking’.

10.3.5 Contribution to Strategic Leadership Theories

This thesis is the only body of work to consider leadership influence across multiple existing theories. It includes the ‘heroic’ theories of ‘charismatic’, ‘transactional’, ‘transformational’ and ‘authentic’ and the emerging ‘post heroic’ theory of ‘shared leadership’. As the literature review shows, extant empirical literature is confined to the consideration of one leadership style. The ‘heroic’ theories are essentialist in their outlook and largely positivist in their approach (Bolden and Kirk, 2009; Grint, 1997). As this research is a qualitative, social constructivist paradigm within a grounded theory methodology, it situates the research in its institutional context answering criticisms levied at extant positivist approaches which pay insufficient attention to such context (Grint, 2005; Gronn and Ribbins, 1996). It also allows the nuances of the dialogue concerning leadership issues to be captured. In doing so, this research extends the body of work in this area and in each of the theories. The contribution to each ‘heroic’ theory is considered below.

I Charismatic

Early consideration of ‘charismatic’ leadership focusses on the traits and characteristics of charismatic leaders, with it then being seen as interchangeable with ‘transformational leadership (idealised influence)’ (Bass and Riggio, 2006; Boal and Hooijberg, 2001; House and Aditya, 1997). As this thesis finds evidence of both purely ‘charismatic’ leadership and ‘charismatic’ traits linked to ‘transformational’ leadership in leaders in banks that did not fail, require recapitalisation or bailout, it extends the academic work in this area by providing empirical evidence that ‘charismatic’ leadership can exist both in isolation and as part of ‘transformational’ leadership. Significantly, it also finds ‘charismatic’ leadership with secondary ‘authentic’ characteristics in nine leaders in banks that did not fail, require recapitalisation or bailout and, as such, makes a significant contribution to the growing body of ‘authentic’ leadership literature in this area.

Despite the extant literature finding generally positive qualities in ‘charismatic’ leaders, the literature review (Chapter 2) also finds academic (Yukl, 1999) and opinion work considering the negative effect of ‘charismatic dark side’ traits on successful organisational outcomes (Ciampa, 2016; Mayo, 2017). By finding a clear link between ‘charismatic dark side’ traits in CEOs in banks that failed, required recapitalisation or bailout, which was not present in those leaders in banks that did not, this research significantly adds to the academic knowledge in this area.

II Contribution to transformational leadership theory

Transformational leadership and its effect on the efficiency of organisations has attracted a large amount of academic attention from both theoretical and empirical perspectives since 2001 (Gardner et al., 2010). However, these studies are largely confined to considering ‘transformational’ leadership in isolation or together with ‘transactional’ leadership (Lowe, Kroeck and Sivasubramaniam, 1996). Studies applying ‘transformational’ leadership to the performance of banks do exist (Geyery and Steyrer, 1998), but focus on reports from branch managers rather than the members within the board. The literature review reveals no studies to date that empirically consider ‘transformational’ leadership characteristics with leadership styles other than ‘transactional’. By finding ‘transformational’ leadership characteristics together with ‘authentic’ leadership, nine of the leaders under investigation, and within the ‘shared relationship’ between the board members in banks, this thesis contributes to the literature in this area.

III Contribution to transactional leadership theory

The literature considering ‘transactional’ leadership is generally concerned with leader influence over the followers and alongside transformational leadership (above) (Bass, 1996; Howell and Avolio, 1993). As this thesis considers ‘transactional’ leadership characteristics found in the strategic leaders in banks, it extends the understanding of leadership in this area. By contextualising it in terms of banking failure, recapitalisation or bailout, it also makes a contribution to the scant literature finding ‘transactional’ leadership to be effective in crisis situations (Odumeru and Ifeanyi, 2013). By considering ‘transactional’ leadership alongside ‘charismatic leadership’ as pure theory, rather than within ‘transformational’ leadership, this thesis also adds to the emerging argument that the lack of charisma within ‘transactional’ leadership can lead to resentment (Ames and Flynn, 2007) and to immoral behaviour in target-driven environments (Yukl, 2008). In showing the relationship between the ‘transactional’ leadership styles in CFOs and Chairs alongside ‘charismatic dark side’ CEOs as a factor in banking failure, recapitalisation or bailout, the thesis is also the first study to find links between ‘transactional’ leadership and other styles within shared board leadership. By finding ‘transactional’ characteristics alongside ‘authentic’ leadership characteristics in leaders in banks that did not fail, require recapitalisation or bailout, this thesis extends the body of literature on ‘authentic’ leadership outlined below.

IV Contribution to authentic leadership theory

As the literature review (Chapter 2) shows, the theory of authentic leadership is a relative newcomer to the leadership literature. Work on defining the concept is still ongoing with current academic and practical definitions centring around the concept of being true to oneself (George, 2010; Ladkin and Taylor, 2010; Walumbwa et al., 2008). Empirical studies are scant and consider the models of authentic leadership, such as the authentic leadership development theory (ALD), in isolation with no comparative studies utilising other leadership theories to date. As this thesis considers ‘authentic’ leadership characteristics in comparison with other theories (‘charismatic’, ‘transactional’ and ‘transformational leadership’) it extends the empirical work in this area.

10.3.6 Contribution to 'Post Heroic' Literature: Shared Leadership

As the literature review (Chapter 2) highlights, the emerging leadership literature begins to challenge the unitary command perspective of the 'heroic' theories outlined above, arguing that leadership is too demanding and complex to be undertaken by one person (Crevani, Lindgren and Packendorff, 2007; Pearce and Manz, 2005). The extant literature on shared leadership is generally confined to considering how leadership is shared *throughout* the organisation, rather than *between* members of the board. Where the current concept of shared leadership is applied to top management teams, it seeks an understanding of leadership in terms of collaboration between two or more people (Pearce and Sims, 2000).

By finding a significant link between the leadership styles within the shared relationship of the Chair, Chair/CEO, CEO and CFO in banks, linked to organisational success or failure, this thesis extends knowledge in this area and notably contributes to the work of Lambert (2002) who argues that shared leadership can help prevent immoral actions as co-leaders can control each other.

10.4 Policy Contributions

The utility of the research can be seen in its application to real life decision making. This thesis provides practical contributions to policy makers and regulators which are summarised below.

10.4.1 Current Policy Uses for the Substantive Theory of 'Strategic Leadership Influence in Banking'

The substantive theory has identified leadership characteristics and styles as influencing factors in the failure, recapitalisation or bailout of large banks. It has taken into account the contextual industry factors of complexity, regulation and decision making in response to financial innovation. These findings have already been of use to the government and policy makers with the findings presented to the Westminster Business Forum on Culture and Conduct in Financial Services seminar in April 2018, and published as written evidence in the 'Women in Finance' Treasury Committee inquiry report 2018.[1] Following this, the findings on 'authentic' leadership were presented to the policy committee of the Banking Standards Board in May 2018, and the findings on leadership influence and decision making around the opportunities presented by Fintech 3.0 and blockchain, together with issues concerning the unregulated nature of the shadow banking sector, are due to be presented to the board in November 2018.

These findings are also of interest to the Fixed Income, Commodities and Currency Standards Board (FICC) and are due to be presented to the board in November 2018.

The findings on leadership influence and decision making linked to potential failure, recapitalisation or bailout are also part of ongoing discussions with the All Party Parliamentary Group on Fintech.[2]

10.4.2 Potential and Future Policy Use for the Substantive Theory of 'Strategic Leadership Influence in Banking'

This thesis has discussed how leadership characteristics may influence the board reaction to regulation, and provides a new perspective through which to consider the prediction of banking failure, recapitalisation or bailout. As such, it may be of use to the Financial Conduct Authority and the Bank of England One Bank policy group.

[1] parliament-2017/women-in-finance-17-19/
[2] https://appgfintech.org.uk/

As the substantive theory considers leadership in banks in the UK, US, Europe, Australasia and South America, the findings may be of use to regulators and policy makers around the world, including the US Federal Reserve, and as it provides an alternative lens through which to predict financial stability, the International Monetary Fund.

10.5 Limitations of the Research

The limitations of this study include generalisability, the time period, use of secondary data sources and the sample of directors.

10.5.1 Generalisability of the Findings

This study is a qualitative, social constructionist account of leadership influence in banking failure. As such, it takes the view that people interpret and construct reality within industry norms. Generalisability in this case comes from the recognition of patterns in which the reader (rather than the researcher) judges the generalisability (Larsson, 2009). The substantive theory and findings should not be seen as objective reality, but rather a working model which takes into account local, industry conditions (Patton, 2002).

As a grounded theory study, the generalisability of the substantive theory is not required as contributions to knowledge are made in broader terms. In this case, the original contribution comes by offering a fresh and deeper understanding of leadership influence in banking failure, recapitalisation or bailout: ‘Grounded theorists can contribute to a speciality field and simultaneously extend general theoretical interpretations that cut across those fields’ (Charmaz, 2006, p. 153).

10.5.2 Time Period

This is a longitudinal study, collecting data from 1999 to 2017. This time frame was chosen as it saw important changes in deregulation in the USA with the final repeal of the Banking

Act (1933) leading to growth strategies characterised by merger and acquisition post the recessions of the 1990s. It was also the year of the introduction of the European currency, together with the beginnings of the Financial Services Action Plan which proposed market freedom by 2005, both giving further stimulation to the integration of markets and increased competitiveness. This may lead to the involvement of participants who have since left the industry but this limitation was minimised due to the recurring relevance of leadership styles.

10.5.3 Secondary Data

The study uses secondary data to mitigate issues of access found in previous studies. Data sources included annual reports, analyst transcripts, parliamentary inquiries, treasury reports and press releases. While a study using primary data would have allowed the researcher to frame standard questions, access to all the leaders in the sample was not possible. Issues with secondary data were minimised by the use of triangulation of sources.

10.5.4 Sample of Leaders

The study considered the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in banks that failed, needed recapitalisation or bailout and those that did not. These leaders were chosen as they occur in every board in the sample of banks. Chief Risk Officers or Operations Directors could have been included but they do not occur on every board so constancy would have been an issue.

Secondary sources including annual reports, analyst transcripts and parliamentary/treasury inquiries were available for the majority of the leaders. There was some lack of information from interviews and press reports for CFOs but this limitation was minimised by the amount of data that could be collected, i.e. analyst transcripts and inquiry reports.

10.6 Suggestions for Future Research

The substantive theory considers the leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in the 17 largest banks by market capitalisation identified as failing, requiring recapitalisation or bailout (1999–2017) and compares them with the 30 largest banks by market capitalisation with autonomous boards that did not during the same time period. Further suggestions for research are given below.

10.6.1 Further Exploration of the Differences between Female and Male Leadership Characteristics and Styles

The main objective of this research is to contribute to understanding of the influence of leadership characteristics and styles of the Chair, Chair/CEO, CEO and CFO in banking failure, recapitalisation or bailout (1999–2017). The substantive theory shows a difference in leadership characteristics and styles of female leaders and male leaders, with female leaders being shown to be predominantly ‘authentic’ with ‘transactional’ or ‘charismatic’ characteristics. It is noted that, due to the lack of women in board positions in the banks under investigation, this study was limited to 12 female leaders compared with 188 male leaders. Further research which looks at a wider group of female leaders, for example CEOs and CFOs in UK banks, would give a wider sample and increase the credibility of the findings.

10.6.2 Further Use of the Substantive Theory and Secondary Data in Differing Industries

The substantive theory uses secondary data from publically available documents (annual reports, analyst reports, parliamentary and federal inquiries and press releases) which are used to gain access to top leadership teams and extend the research into organisational failure by providing a way of avoiding both access issues and historical bias. This research only considers leadership influence in banking failure, recapitalisation or bailout and could be extended to provide a new lens to view organisational failures in the public sector (e.g. the NHS) and other industries to provide an alternative view of failures in corporate governance (e.g. cases such as the collapse of Carillion[3]).

[3] ROGERS, D. 2018. Not-so-sudden death: How Carillion disguised its ailing finances just enough. *Construction Research and Innovation*, 9(2), 44–47.

Appendices

Appendix 1

Largest Banks by Market Capitalisation

Rank	Bank Name	Yearend	Country	
1	ICBC	12/17	China	
2	China Construction Bank	12/17	China	
3	JP Morgan Chase & Co	12/17	US	
4	Bank of China	12/17	China	
5	Bank of America	12/17	US	
6	Agricultural Bank of China	12/17	China	
7	Citigroup	12/17	US	
8	Wells Fargo & Co	12/17	US	
9	HSBC Holdings	12/17	UK	
10	Mitsubishi UFJ Financial Group	03/17	Japan	
11	Credit Agricole	12/17	France	
12	BNP Paribas	12/17	France	
13	Barclays	12/17	UK	
14	Goldman Sachs	12/17	US	
15	Banco Santander	12/17	Spain	
16	Deutsche Bank	12/17	Germany	
17	Bank of Communications	12/17	China	
18	RBS	12/17	UK	
19	Sumitomo Mitsui Financial Group	03/17	Japan	
20	Morgan Stanley	12/17	US	
21	Mizuho Financial Group	03/17	Japan	
22	Lloyds Banking Group	12/17	UK	
23	Groupe BPCE	12/17	France	
24	Societe Generale	12/17	France	
25	UniCredit	12/17	Italy	
26	BBVA	12/17	Spain	
27	Credit Suisse Group	12/17	Switzerland	
28	China Merchants Bank	12/17	China	
29	Norinchukin Bank	03/17	Japan	
30	Intesa Sanpaolo	12/17	Italy	
31	Credit Mutuel	12/17	France	
32	ING Bank	12/17	Netherlands	
33	China Citic Bank	12/17	China	
34	UBS	12/17	Switzerland	
35	Shanghai Pudong Development Bank	12/17	China	
36	Industrial Bank	12/17	China	
37	Rabobank Group	12/17	Netherlands	
38	China Minsheng Bank	12/17	China	
39	Standard Chartered	12/17	UK	

40	**Royal Bank of Canada**	10/17	Canada	
41	**Itau Unibanco Holding**	12/17	Brazil	
42	**US Bancorp**	12/17	US	
43	**Sberbank**	12/17	Russia	
44	**PNC Financial Services Group**	12/17	US	
45	**Commonwealth Bank Group**	06/17	Australia	
46	**National Australia Bank**	09/17	Australia	
47	**ANZ Banking Group**	09/17	Australia	
48	**Scotiabank**	10/17	Canada	
49	**Banco do Brasil**	12/17	Brazil	
50	**Toronto Dominion Bank**	10/17	Canada	

Appendix 2

Examples of Memos and Field Notes for Banks that Failed, Needed Recapitalisation or Bailout

Category 1: Banks that failed, needed recapitalisation or bailout

Bank: Lehman Brothers

Subject: Dick Fuld Chair/CEO

<u>Transcript Interview 10 Jan. 2007</u>

When Richard "Dick" Fuld took charge of Lehman Brothers in **1994**, the firm was famous on Wall Street for the bitter internal feud between traders and investment bankers that had cost Lehman its independence a decade earlier. Fuld, who had sided with fellow traders in the battle, **knew he would have to make peace with the bankers and create a culture based on teamwork if the firm wanted to compete in a new era** of integrated financial services.

Fuld joined Lehman – a legendary firm with roots as a commodity broker in the pre-Civil War south – in 1969, when pay at many Wall Street companies revolved around a star system with top performers earning outsized compensation. Those who put in the longest hours and became ruthless competitors reaped big payouts. The kind of team building necessary to meet the complex needs of major clients today was of little value back then, Fuld explained in a recent Wharton Leadership lecture.

'The early Lehman Brothers was a great example of how not to do it,' he said. 'It was all about me. My job. My people. Pay me.' Today, a stellar performance by one person is not enough to make a difference on Wall Street. 'No one individual can deliver the whole firm to any given client.'

'Bobbie' Lehman, the senior partner who steered the firm through the stock market crash of 1929, the Great Depression and into the 1950s, was 'masterful' at pitting employees against one another, said Fuld. As a result, Lehman staff rarely shared ideas or helped build relationships that might benefit the firm as a whole. ‘He got people to work hard, but it took all the glue out of the partnership.’

The failure to work as a team led to the demise of the firm in 1984, after traders and bankers could not agree on a future direction for Lehman Brothers. As a result, the firm was sold to American Express, which folded Lehman into its Shearson division. ‘We lost the firm. Capital markets and banking couldn’t come together,’ said Fuld. ‘**I was just as guilty as anyone. I couldn’t reach over to embrace the bankers.’**

Everyone Is an Owner

Fuld got a second chance when American Express spun off Lehman in 1994 and tapped him to run the company. He had not set out to become the top manager at the firm, but the leadership ranks were thin after many defections during the Shearson years. ‘I was the only one left standing,’ he said.

The night the head of American Express asked him to take over the company, which at that point was called Shearson Lehman Hutton, Fuld had a full-blown anxiety attack – he stopped breathing for 45 seconds. ‘I realized I was it. I didn’t want the job and I wasn’t looking for the job. But once I had it,’ he continued, ‘I came in the next day with **terrific resolve.**’(not wanting responsibility at this stage)

He restored the company’s name, Lehman Brothers, and began to rebuild. The new team focused on diminishing its dependence on Lehman’s powerful fixed-income trading business and began to extend deeper into investment banking.*(Decision making)*

Shares of Lehman have risen 800% over the past decade, and Fuld said it is now difficult to see the line between the capital markets and banking operations at the firm. Led by bond trading, Lehman ended 2006 with a record $4 billion in earnings, and today it is the fourth-largest US securities company.

In fiscal 2006, equities sales and trading, asset management, brokerage services, mergers and acquisitions and stock underwriting accounted for 44% of Lehman's revenue, up from 41% a year ago, the highest since 2001. The company's stock rose 19% in 2006, although it trailed competitors: Goldman Sachs was up 55%, Morgan Stanley 39%, Bear Stearns 35% and Merrill Lynch 32%.

One of the most important elements of Fuld's plan to develop a **culture of teamwork** at *(Decision and teamwork)* Lehman Bros. has been to link compensation to the overall performance of the firm through equity awards. Indeed, recent regulatory filings created a stir when they showed that Fuld would earn an extra $186 million over the next 10 years based on share grants he received a decade ago.

Fuld said he and other partners who agreed to accept the new equity pay structure are now reaping the benefits of the cultural change at Lehman. He said there are now more than 200 people at the firm with at least $10 million in stock. 'They were all there in the early days. They have earned it.'

Establishing a culture built on teamwork leads to the best business decisions for the firm as a whole, and paying employees in stock helped reinforce that culture, he said. 'I wanted them all to think and act and behave like owners.' *(Decision and employee recognition)*

Hiring New Leaders (and an Old Veteran)

Fuld was asked how Lehman will be able to compete against much larger investment firms and international banks such as Citigroup. He responded that the size of a firm is not as important as its understanding of risk tolerance. While Lehman could support six or seven major deals a year, it will instead focus on three or four that can most benefit from Lehman's expertise, said Fuld, who cautioned that the global financial system remains awash in liquidity that could dry up suddenly. If that were to happen, Fuld does not want Lehman to be **overextended.** *(Risk adverse here)*

Going forward, Fuld said his first goal for the firm is to raise Lehman's share price, which hit a 52-week high of $78.89 a share in October, to $150 a share*. (vision, strategy)* He also said he wants Lehman to rank first or second in targeted business segments. Currently, Lehman ranks eighth among merger advisers and tenth among arrangers of global equity sales, according to Bloomberg.

He also hopes to help the firm grow internationally. Lehman earned 37% of its 2006 revenue from outside the U.S., up from 36% last year. Fuld said Lehman's business is strong in much of Europe but could be improved in the U.K. He added that the company needs to begin to build in Russia and the rest of Eastern Europe. In Asia, he noted, most of Lehman's business has focused on the sale of distressed assets but now is focused on new business in Korea, Japan and China. 'I think we're only scratching the surface in Asia', he said*.(Strategy and decision making. Also responding to external environment)*

In investment banking, the company is strong in the media, power and chemical sectors, but needs to improve in consumer products and retail, he said.

Fuld told the audience he is pleased with Lehman's strategic direction. Now he needs the right people to carry it out. '**The vision is to hire terrific people who will be the next generation of leaders and the people who will take this firm to the next level.'** His *(Vision, attitude to employees and decision making)* formula for inspiring a culture of teamwork includes hiring people who can work together and giving them all the tools and training they need to do their jobs. Workers need to be held accountable and paid fairly, he added.

Indeed, Lehman is hiring new employees faster than rivals. According to CIBC World Markets, Lehman grew its work force by 8.1% in 2006, compared with 1.3% at Merrill Lynch and 2.1% at Morgan Stanley. In August, Fuld hired 78-year-old Felix Rohatyn, the veteran Wall Street deal-maker, as an adviser to Lehman.

Source: https://knowledge.wharton.upenn.edu/article/ceo-richard-fuld-on-lehman-brothers-evolution-from-internal-turmoil-to-teamwork/

Memo II

Category 1: Banks that failed, needed recapitalisation or bailout

Bank: Allied Irish

Subject: Michael Buckley CEO 2001–2005

Allied Irish Offloads US Scandal-Hit Bank for £2bn

Michael Buckley, the chief executive of Allied Irish, said the two banks had been in discussions since October

By Helen Dunne Associate City Editor
12:01AM BST 27 Sept. 2002

Allied Irish Banks yesterday unveiled the sale of Allfirst, (**Decision** making) its American subsidiary where rogue trader John Rusnak lost $691m, to Pennsylvania's M&T Bank in a transaction valued at $3.1 billion (£1.95 billion).
AIB will take a 22.5pc stake in M&T, Pennsylvania's sixth-largest bank which has headquartered in Buffalo, New York, and receive $886m in cash. It plans to return $450m to shareholders.
The transaction will create America's 18th largest bank with over 700 branches in six states and combined assets of $49 billion (£31 billion). AIB said it expected its stake to be 'earnings 'enhancing' within a year.
Michael Buckley, chief executive of AIB, said that the two banks had been in discussions since October last year, several months before the discovery of Mr Rusnak's unauthorised trading activities.

He said the talks had started after AIB's board gave him **a mandate last September to 'secure the long-term position of our regional bank, and to increase the earnings momentum'.** *(Responsibility for strategy)*

Mr Buckley said: 'In M&T I saw exceptional management with a very long-term track record, which had delivered shareholder value at a rate greater than that of its peer group.'

He added that M&T has enjoyed compound annual growth of 25pc in cash earnings per share since 1983, and has the highest share price appreciation of any of America's top 100 banks over the same period. *(strategy)*

'I was convinced over the last 12 months that AIB had much greater earnings growth potential if we could merge with M&T,' Mr Buckley said, adding that the two banks shared the 'same view of life and on the type of bank we want to be'.

He refused to be drawn on the relative failure of similar business structures, saying: 'One of the beautiful things of doing business is that you don't start with a textbook premise of how to put together an agreement'.

Mr Buckley dismissed suggestions that AIB had a time limit on holding its stake in M&T, where legendary fund manager Warren Buffett also owns 7pc, and said a sale 'was not in contemplation now or at any time in the future'.

He added: 'We are at pains to say that we intend to have a very long-term relationship with M&T.'

Both sides admitted that the discovery of Mr Rusnak's activities had 'delayed the implementation of our plans' but rejected suggestions that the price tag for Allfirst had fallen as a result. Indeed the discussions on 'clear numbers' only started in recent weeks.

John Wilmers, chairman of M&T, said that he had been impressed with the 'quality of people at Allfirst. We believe that Rusnak was an isolated incident which has no bearing on the way we do business'.

AIB will gain four seats on the board of M&T, while Mr Wilmers will join AIB as a non-executive director. Mr Buckley will now take a permanent seat on M&T's board executive committee, which meets fortnightly.

Eugene Sheehy, who was transferred from Dublin to take over as chairman of Allfirst in the wake of an investigation into Mr Rusnak's activities, will become chairman and chief executive of M&T's Maryland and Pennsylvania regions.

However, the Allfirst name will be lost. Mr Wilmers said that American banking customers were used to consolidation in the industry, and to seeing the names of their banks change.

Shares in AIB rose 105 cents to Eu12.55.

Source: https://www.telegraph.co.uk/finance/2828387/Allied-Irish-offloads-US-scandal-hit-bank-for-2bn.html

Memo III

Category 1: Banks that failed, needed recapitalisation or bailout

Bank: Barclays

Subject: Matthew Barrett

Andrew Davidson Interview: Published: 1 June 2002

Britain's highest-paid bank CEO came out of near-retirement to pull Barclays from the mire. His Irish-Canadian charm obscures **a perfectionist determination** to promote talent in his own meritocratic image and to jack up profits by opportunist expansion. *(Attention to detail, determination, vision, confidence)*

The lights have gone out at Barclays. Matt Barrett, the bank's Irish-Canadian boss, seems to be taking this remarkably calmly. He's shifted our interview to the coffee room, more an off-corridor hallway, where some sunshine seeps in. An electrical fault elsewhere on the fifth floor of Barclays' London head office has wiped out much of the circuitry, pitching other top brass into darkness. Maybe they're being robbed? If so, Barrett, lounging on a sofa with a filter-tip freshly lit, appears more amused than troubled by the predicament.

But then he would, you suspect**, remain pretty calm even if the ceiling fell in. Leisurely insouciance is one of his cloaks.** *(Calm, emotional stability) At* 57, tall, trim, oozing charm, he looks like the ageing matinee idol your mother might fall for: clipped moustache, lived-in face, thick greying hair pulled back, dark eyes twinkling – Omar Shariff meets Harold Macmillan via Liffey Street. On meeting him, you wouldn't for a moment think he is running one of the best-known banks in the world. But then part of him, he admits, can't believe it either.*(Humble?)*

He was, so the story goes, working out his retirement year at the Bank of Montreal when the call from Barclays chairman Sir Peter Middleton came. Barclays had lost both its previous chairman and its chief executive following a very public feud over strategy, then the first choice as CEO replacement had quit after one day in the job on health grounds (he's now running the Bank of Hawaii – more congenial, you imagine). Barclays seemed in a bit of a mess. Middleton, with the deftness of a conjurer pulling a pigeon from his coat, suddenly emerged with Barrett as the bank's new boss.

Matt who? Many in Canada, where he was well-known as one of their most charismatic business leaders, were just as surprised. He was supposed to be retiring to his condo in Florida. What on earth, money aside – yes, he has two lots of alimony to pay – would persuade him to move to gloomy old London?

The reason, says Barrett, taking another languid puff, was not money, it was just that he couldn't resist the offer. 'I am in the trade, Barclays is a magical name, a wonderful brand. That was the big attraction. Also, I wondered if what had worked for me in the North American context would work in the UK. So, curiosity and intellectual challenge,

I guess.' (Likes a challenge, curious, possible flattery at being asked to take the job) And Middleton wanted an experienced banker with a bit of mileage left on the clock. The match was made.

That was two and a bit years ago. And since then, **Barrett's Irish-Canadian lilt and folksy eloquence have become music to the ears of Barclays' shareholders**.(Public speaking, agreeableness)The share price has risen (pounds 16 to pounds 21), the profits have come in on target (up 9% to pounds 3.3 billion last year), the retail businesses are performing solidly, the **Woolwich – the building society that he bought for pounds 5.4 billion in year one** – has been efficiently subsumed.*(Decision making)* Middleton says he hired Barrett to push on four key issues: to articulate strategy, to build a strong centre that would add value for the group, to push through a pay policy everyone understood, linked to business performance, and establish a system of internal succession, so that when he left, Barclays would not be scouring the world again for a new boss. All are on track.

So is everyone happy? No, of course not, because this is a bank and we all have difficult 'issues' with banks these days, not least how much they charge their customers, how much profits they say they need to make – more than one politician would like to take a chunk of those – and how much they reward their bosses. Barrett is now Britain's highest-paid bank CEO, earning pounds 1.8 million last year before pension contributions of pounds 425,000. He is sitting on a share option scheme that could net him many, many millions more. You have to ask: what is he going to do with all that money – buy more of Florida?

Well, no, pounds 35,000 a week is just what it costs to employ a North American banker these days, but so long as Barclays performs, investors, doubtless, are happy. And as Barrett points out, that covers pretty much all of us, via pension funds, unit trusts, whatever.

'Banks are not owned by half a dozen plutocrats,' he says, crouching forward on the sofa. 'In the age of pension fund capitalism, our profits are securing the retirements of millions of ordinary men and women – that's what makes me get up in the morning. **Our biggest contribution to the public good is not what we do in terms of philanthropy but what we do creating wealth for the ordinary men and women who own Barclays, through mutual funds and unit trusts and pension funds invested in us.** Politicians sometimes forget that.' (Influence, banking contribution)

So has he pointed this out to Gordon Brown?

Barrett smiles smoothly. 'Yes, but I don't think he gets up in the morning waiting to hear what I said last.' And then he chuckles, raising his eyebrows wryly, as if the idea of him, an uncomplicated lad from County Kerry, influencing the chancellor of the exchequer is quite the silliest notion in the world. *(Desire to influence, confidence)*

There is a quality about Barrett, **a low-key magnetism, a charismatic calmness** that is unusual among bosses, and virtually unseen among bankers. Maybe that's because he is in pretty much a no-lose situation here. Like those Hollywood stars now cramming London theatres, if he wins, he adds bottom to a glittering career. If he fails, he can put it down to Brit idiosyncrasies and get back on the plane to Miami, somewhat richer than when he was booking the same flight from Montreal.

Yet the key, perhaps, is that he doesn't believe he is going to fail. He has, according to those who worked with him in Canada, changed his style considerably from the young man in a hurry who would do any job, however unpromising, to impress his bosses as he worked his way up the Bank of Montreal. Now he has the confidence of an executive who has done it all before – much of the UK banking market is developing after the North American pattern – and the **assurance of a leader who is playing to his strengths**.*(Confidence)*

'This really is the perfect job for Matt,' says Gary Dibb, the organisational psychologist who Barrett brought with him from Canada to head up Barclays human resources. 'It requires the two great attributes he has**: a head for strategy and the ability to communicate.**' No wonder he oozes insouciant charm.

That calm confidence under pressure is being fed down the line too, as Barrett has spent much of his first two years talking to the troops, getting his message over to the employees, who have traditionally been among the bank's less receptive listeners, continually downsized, threatened by technology and the consolidating market. **And here Barrett has another great advantage over many of banking's fast-tracked senior cadre: he never went to university. He worked his way up from the bottom, and appears to have an affinity with his workforce that is pretty unusual even in this day and age of CEO canteen get-togethers, shopfloor flesh-pressing and the rest**.(Confidence under pressure, teamwork, agreeableness)

Barrett even makes jokes about what his recruitment at Barclays has done to top management's intelligence quotient. **'I've brought down their average IQ level by about 10 points,' he chortles**. In fact, like many of his generation who have worked their way from bottom to top in banks, he has been running in front of the waves of graduate entry all his career, and likes nothing better than working harder, making himself more available, than his higher-educated rivals. It is a point he makes repeatedly to any juniors foolish enough to tell him that a prospective job move doesn't fit their intended career direction. 'Career path planning? Absurd idea!'

Why? Because that wasn't how Barrett progressed his own career: he was the jack-of-all-trades who offered himself for anything, especially those jobs that others didn't want. 'It's the immigrant mentality,' he smiles.

Born the only son of a successful Kerry bandleader, he left Ireland aged 18 to find work in London. He had wanted to be a writer. 'I didn't have a disposition towards business at all, I was very unambitious as a youngster, an unmitigated disaster at school.' But his Dad had had a wartime job at the Bank of Montreal in London while studying music, and fixed him up with the same as somewhere to start. He never left.

Barrett says he was both repelled and fascinated by what he found in banking. He hated the hierarchicalism of the profession, the don't-think and do-what-you're-told. *(Dislike of authority)*It was too similar to the doctrinaire religion with which he had been brought up, sent to a Catholic school where you got belted by the teachers if you misbehaved, and belted just in case you were thinking of it. 'Nowadays,' he adds as an aside, 'you would sue them.'

Yet he also found that banking was about people. 'And when you are dealing with people and money you see all aspects of the human condition.' He was hooked. 'It's like a narcotic, you miss it when you are away from it. That's why I love branches, and why my sympathies are more with front-line staff than with anyone else, because I remember working there and how emotionally laden the work is.'

But aren't branches disappearing? 'No,' he laughs, 'they're like cheques. They've been talking about the disappearance of the cheque for the last 30 years, and you know what? They're still here!'

He was lucky, he thinks, that he wasn't at a British bank, where promotion – in those days – would have been barred because he hadn't been to the right school or had the wrong accent. When the Bank of Montreal (two branches in London, set up initially just to pay troops in the war) suggested he transfer to Canada and build a career, he jumped at the chance. Once in Canada, he says, he was 'blown away' by the opportunities available. 'It was a total shock how young people were in managerial positions. It was a country of immigrants. I felt at home there.'

More pertinently, he felt he could make real progress. 'I was struck by the fact that ability and achievement were all that mattered. It was about what you do, what you produce. All those excuses I had used about being poor and Irish, I couldn't make them any more. I accepted that I could make my own life, I could overcome anything through effort.'

And those writing ambitions? Out the window. His father had died when he was just 19 and he was left as the only breadwinner for his mother and elder sister back in Ireland. That event, more than anything, changed his life and, he thinks, his personality. He grew up fast, became more serious, more **intent on success.** *(Personal ambition)*

And he found he was a good manager. Why? Maybe genes played a part. He liked organising, just as his father had loved running his two bands, one a jazz dance group, another the quartet where he played piano accordian for ceilidhs. More importantly, he picked up his father's **communication skills.** This, he feels, has played a real part in his business success.

'One of the things you commonly see is that CEOs are terrified of public speaking, and I never was. I attribute that to seeing my father on stage and on TV, and I just thought, that's what people do, get up and talk. For some reason I had no fear of it.'

Others have noted just how well Barrett can manipulate an audience – Barclays non-exec Sir Nigel Rudd, who heads the board's remuneration committee, describes him, intriguingly, as like 'a conductor with an orchestra'.

It's the same application he showed on his way up through the Bank of Montreal, taking on the jobs others didn't want. He came to senior management's notice for turning round one branch where the systems had collapsed. Dibb, who worked with Barrett at the bank, says that marked the young tyro's card. 'They were asking: who is this Irish kid who has turned round this spectacular mess with so much panache?'

By the age of 45 he was CEO, and he went on to become one of Canada's **most conspicuous business leaders. 'You get to mouth off on political issues as they affect economics and I guess that gets you noticed**,'*(wish to influence)* he laughs softly. But he also garnered headlines when he divorced his wife, by whom he has four kids, and remarried a former glamour model. That second marriage hit the rocks too, leaving Barrett with something of a reputation as one of those bosses who totes his complicated, high-profile private life around with him.

So what does he want to do **strategically? He's set targets that look ambitious: double the value of the group every four years, reduce business costs by pounds 1 billion, push Barclays into the world financial top 10.** By organic growth or acquisition? 'You have to look at merging or buying,' he says, '**but I think it is prudent to build a strategy on an organic growth basis, then you are in good shape to benefit from the continuing consolidation and transformation of the industry worldwide.'**

Opportunistic, in other words. He, like every other bank boss, also wants to be an 'employer of choice' too, so he's pushing hard to make Barclays a better place to work; setting up a 'virtual university' internally where staff can retrain or learn new subjects, coaxing more women out of 'pink-collared' ghettoes into senior roles. 'In my last company,' he says, 'we went from 4% of senior executives being women to 35% in 10 years. Here we are about 11%, so we've a long way to go, but the good news is we have all this talent we can tap into ...'

And certainly, on the limited evidence an outsider can glean, staff seem to have bought into it. If reports are correct, many appear shiny-eyed from meetings with him. His style with senior executives is equally sure-handed. He delegates well, keeps above the detail – 'on the chairmany-side of CEO,' sums up Middleton. 'He doesn't try and have a detailed knowledge of every business.'

Barrett's only weakness, say those who know him, is that beneath the attractively laid-back persona that he cultivates, he is actually driven by a perfectionist zeal that makes him push himself and others too hard. He works long hours, sleeps little, consumes the business. ***(Perfectionist, drive, personal ambition)***

But in a sense that's what you expect from a FTSE-100 boss. That – dare I say it? – is what you pay them for. So his shift to Florida is on hold. He won't retire to Ireland, he says; though his sister is still there, his mother is now dead. He has an Irish passport and a Canadian one, but he's not sure where his roots are. 'You'll never take the Paddy out of me entirely, I guess, but I am a man of a lot of countries now.'

Most of all, he wants to prove first that he can make it in Britain as well as Canada. 'No-one's headed a major bank on both sides of the Atlantic, because you're normally too old before you get there!'

It's also, maybe, a bit of unfinished business from the days when he left Britain, when boys from Dublin would encounter dreadful discrimination and landladies would advertise rooms: 'No Irish, dogs or blacks'.

To come back as one of the Kings of the City, that must be deeply satisfying. Barrett looks slightly unnerved when I put that to him, and sidesteps it. Instead, he breaks into oratory about 'the exciting journey' they are all on at Barclays.

He finishes: '**The best you can hope to do as a CEO is ask yourself: did I leave the place better than I found it? Did I build capacities and capabilities in the organisation that will equip it to survive and grow in the future?** If you can answer both of those in the affirmative, then the labourer is worthy of his hire.' ***(Decision making, legacy)***

The eyes twinkle, the smile broadens, the audience sighs. Some labourer.

Appendix 3

Examples of Memos and Field Notes for Banks that Did not Fail, Need Recapitalisation or Bailout

Memo I

Category 2: Banks that did not fail, need recapitalisation or bailout

Leader: Daniel Bouton Chair/CEO

Bank: Societe Generale

Source: *Financial Times*

Man in the News: Daniel Bouton

Adam Jones, 25 January 2008.

In 2000, the year in which a young graduate called Jérôme Kerviel took a lowly job behind the scenes at Société Générale, many people doubted that his new boss, Daniel Bouton, would be able to maintain the French bank's independence for long. The year before, the SocGen chairman and chief executive had tried to buy Paribas, a French competitor. However, this friendly alliance had been unsoldered by a hostile bid for both companies by BNP, a French rival. Michel Pébereau, BNP's boss, succeeded in tearing Paribas out of Mr Bouton's grasp – and narrowly missed out on conquering SocGen. The creation of BNP Paribas had left the bullet-headed, blue-eyed **Mr Bouton facing claims that SocGen had been left without a strategy and would fall prey to a bigger bank**.*(Determination)* But Mr Bouton and his colleagues went on to prove the doubters wrong for the best part of a decade. Exploiting the French educational system's **talent for producing exceptional mathematicians, SocGen built a world-class equity derivatives business**.*(Strategy, vision. Creativity)* Specialising in complex bets on market movements, this division was so profitable that **Mr Bouton could convincingly argue that size was not everything in banking and that SocGen could remain aloof from consolidation** *(Strategy, vision. Creativity)* This strategy began to look less compelling at 8am Paris time on Thursday. That was when the bank revealed that €4.9bn ($7.2bn) had been lost because of unauthorised trading that it blamed on a rogue trader, later identified as Mr Kerviel, alongside a €2bn hit from the US mortgage crisis. Less than a decade after it escaped BNP's grasp, SocGen's independence is now the subject of renewed speculation, while the 57-year-old Mr **Bouton's reputation for odds-defying leadership is gravely damaged.** Unlike Mr Kerviel, Mr Bouton **arrived at SocGen with a swagger**. *(confidence).* The French like to call it entering "par la grande porte", or "through the main door". Mr Bouton gained a degree in political science and his agile brain won him entry to the elite Ecole Nationale d'Administration. After graduating from Ena, he was reputed to have been the youngest ever member of the Inspection Générale des Finances when he entered this elite corps of civil servants in the early 1970s, before progressing to such plum jobs as running the ministerial cabinet of Alain Juppé. Having shone in the public sector, Mr Bouton attracted the attention of Marc Viénot, a fellow énarque who had led SocGen through its privatisation in 1987. Mr Bouton left the ministry of finance to join SocGen in 1991, becoming chief executive in 1993 and then adding the title of chairman in 1997 as Mr Viénot gave up his executive duties. **Mr Bouton's professional style is more self-contained and shy than that of his debonair and languid predecessor**. However, his hobbies are convivial – fine wine, cigars, golf, opera – and his guests eat well at the bank's executive dining room, located high in one of the skyscrapers SocGen occupies on the outskirts of Paris. (One of the ways in which the bank differentiates itself from BNP is through architecture – BNP Paribas' bankers are housed in low-slung buildings in the centre of town; Mr Bouton even said once that he fancied being an architect if he had not been a banker.) Some find Mr Bouton's manner to be **direct to the point of brusqueness.** 'Bright and arrogant' was the character summary offered up by a French business leader, who did not give the impression of seeing these traits as undesirable in a successful banker. **This confidence underpinned Mr Bouton's decision to break ranks with the French establishment and give SocGen's support to Lakshmi Mittal, the Indian steel billionaire, in his battle to take over Arcelor, the steelmaker**. One colleague says Mr Bouton's habitual coolness gave way to rare emotion as he digested the enormity of the losses. 'He took it calmly but this is probably the first time for as long as I have known him that he clearly showed his emotions. **He is a rather cold, calculated character who doesn't lose his nerve easily. This destabilised him somewhat.**' Partly motivated by his duty to staff – who hold about 6.5 per cent of SocGen's share capital – Mr Bouton quickly regained his composure, the person added. He threw himself into the task of arranging a €5.5bn capital increase to repair the group's balance sheet. However, he appeared shell-shocked at the unruly press conference he hosted on Thursday morning. The veteran banker has temporarily renounced his salary as he tries to clean up the mess. However, the rejection of his offer of resignation does not mean that his position is safe. The SocGen board decided that the bank's short-term position would have been weakened by replacing him with a new broom from outside, according to a person familiar with the discussions. This hardly amounts to a mandate to lead. While no boss can be aware of all deeds committed by rank-and-file staff, they are responsible for ensuring effective internal controls are in place. **As both chairman and chief executive of SocGen, this responsibility is twofold in Mr Bouton's case**. **His position is further undermined by the fact that he is also head of the French banking association and a former adviser to the government on corporate governance**. *(Desire to influence)* As such, his reputation needs to be more pristine than most. He already faced a tough 2008 due to a forthcoming money-laundering trial involving SocGen and other banks. At the very least, Mr Bouton may face pressure to split the role of chairman and chief executive. There might also be calls to remove any hint of cosiness on SocGen's board (independent non-executive directors include Patrick Ricard, the boss of Pernod Ricard, for instance; Mr Bouton's wife, Nicole – an experienced banker herself – was recently appointed to the Pernod board). Yet his fate may hinge on Nicolas Sarkozy, whose business influence is not confined to state-owned companies. SocGen's news embarrassed Sarkozy's government in front of the global elite at Davos and clouded a presidential trip to India. If he is unseated, it will not be because of one of the external threats that seemed so menacing at the start of the 21st century, and which Mr Bouton has been so adept at neutralising. Instead, his potential nemesis was on the SocGen payroll the whole time.

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Memo II

Category 2: Banks that did not fail, need recapitalisation or bailout

David Mathers CFO Credit Suisse
FInews.com
Wednesday, 6 March 2019 06:58 | Written by Jeffrey Vögeli

Finance boss David Mathers is the only Credit Suisse top executive to survive years of restructuring. He knows every inch of the Swiss bank – which makes him virtually irreplaceable

Approximately is never exact enough for **David Mathers**: the Credit Suisse finance boss is known to punch the buttons of his calculator long enough **to give a very precise answer – even when roughly would be good enough.**

The 53-year-old Briton's obsession with detail is a huge part of what endeared him to former CEO **Brady Dougan,** who in 2010 tipped him for the finance job. Nine years later, Mathers proved his versatility by smoothly handling the dicey wind-down of Credit Suisse's bad bank.

Burying Bodies

That was one reason Mathers held onto his job in a management purge when current CEO **Tidjane Thiam** took over in 2015: He 'knows where all the bodies are buried at Credit Suisse (mainly because he buried most of them)', analyst **Dan Davies** remarked acerbically after **Mathers survived as one of the only Dougan-era allies in top management**.

Mathers was left unscathed by last month's shuffle of top management, illustrating his indispensability to Thiam. He is now one of European banking's longest-serving finance chiefs – and one of the few holdovers from the financial crisis of 2008–09.

Crisis Response Architect

The Cambridge-educated banker's extensive knowledge of Credit Suisse goes further back than when he was lifted into top management in 2010: Mathers spent the three years prior to this as finance and operating chief at Credit Suisse's investment bank, then an influential credit player on Wall Street.

Dougan is widely credited for navigating Credit Suisse through 2008 without government help – but Mathers also had a key role in keeping the investment bank from avoiding a UBS-sized wipeout on subprime mortgage securities. The banker, who rose in Dougan's wake, was also **the architect of a restructuring of Credit Suisse's investment bank in autumn of 2008.** *(Creativity, complexity and drive)*

Mathers internally referred to the 2008 reorganization that shored up the securities unit's profits in the following years as 'Plan E': he had apparently already shredded Plans A, B, C, and D in his fevered efforts to stave off the crisis.

Excelling in Crisis

His value to the bank is that he has gone the extra mile for Credit Suisse when the bank needed it most. **Unflappable and dazzlingly smart**, Mathers seemed to excel in stressful situations like 2008, when the Swiss bank – like most of its European rivals – went hunting for money.

Mathers, who was plucked out of equity research by the late **Paul Calello** in 2007 and subsequently drew the attention of then-CEO Dougan, also fulfills another key function for Thiam that no one else can. The CFO is one of the few direct links back to the investment bank for Thiam, whose ties to Credit Suisse's Wall Street faction remain somewhat tenuous after a rocky start.

Shuns Limelight

His other key merit to management is that while he is keenly aware of his powers, he doesn't like the limelight. Most recently, Mathers successfully wound down Credit Suisse's bad bank in three years after Thiam ordered their disposal in 2015, to little fanfare.

He also claimed little credit for a 2012 cash call effectively prescribed by the Swiss National Bank (Mathers also took little of the heat when the central bank publicly singled out Credit Suisse for its thin capital cushion).

Close Ties to Olayan and Norges

The dismantling of Credit Suisse's so-called strategic resolution unit was a leisurely three-year project, but others were down to the wire. In 2012, it took Mathers one month to collect enough cash including from Norway's sovereign wealth fund Norges to satisfy the SNB (the bank had originally fended off the SNB's highly unconventional order).

The cash calls are why Mathers maintains very close ties to the Saudi Arabian Olayan Group, also a major Credit Suisse shareholder which pumped money into the bank in 2012 as well as 2008.

Picking up fresh money was one of Thiam's first tasks when he began restoring Credit Suisse four years ago; thus, only natural that he would tap the talents and contacts of Mathers, the holdover CFO, to do so.

Carrying Out Orders

For Mathers to hold onto his job when Thiam set about disassembling Dougan's apparatus isn't just due to his cool under crisis and in-depth knowledge of the bank. The finance chief has also been a remarkably nimble.

Mathers didn't blink in 2015 when he went from reporting to Dougan, a nerdy, analytical workaholic investment banker, to Thiam, a much more impetuous personality who enjoys the limelight far more than his predecessor did. As a banker who worked with Mathers for years put it, the CFO doesn't question the boss' orders – he just carries them out.

Managing Up

Little is known of the 20-year Credit Suisse veteran who lives with his family in a ritzy lakeside suburb of Zurich and shields his private life fiercely. **He is known for managing upwards – CEO and board – extremely well, and for making huge demands of his own troops.**

To be sure, Mathers is also credited with bringing a more civil tone to Credit Suisse of late, even if, like Thiam, he has little patience for those whom he perceives to be of inferior intelligence. Thus, <u>opinions are split on his leadership style.</u>

Wings Clipped

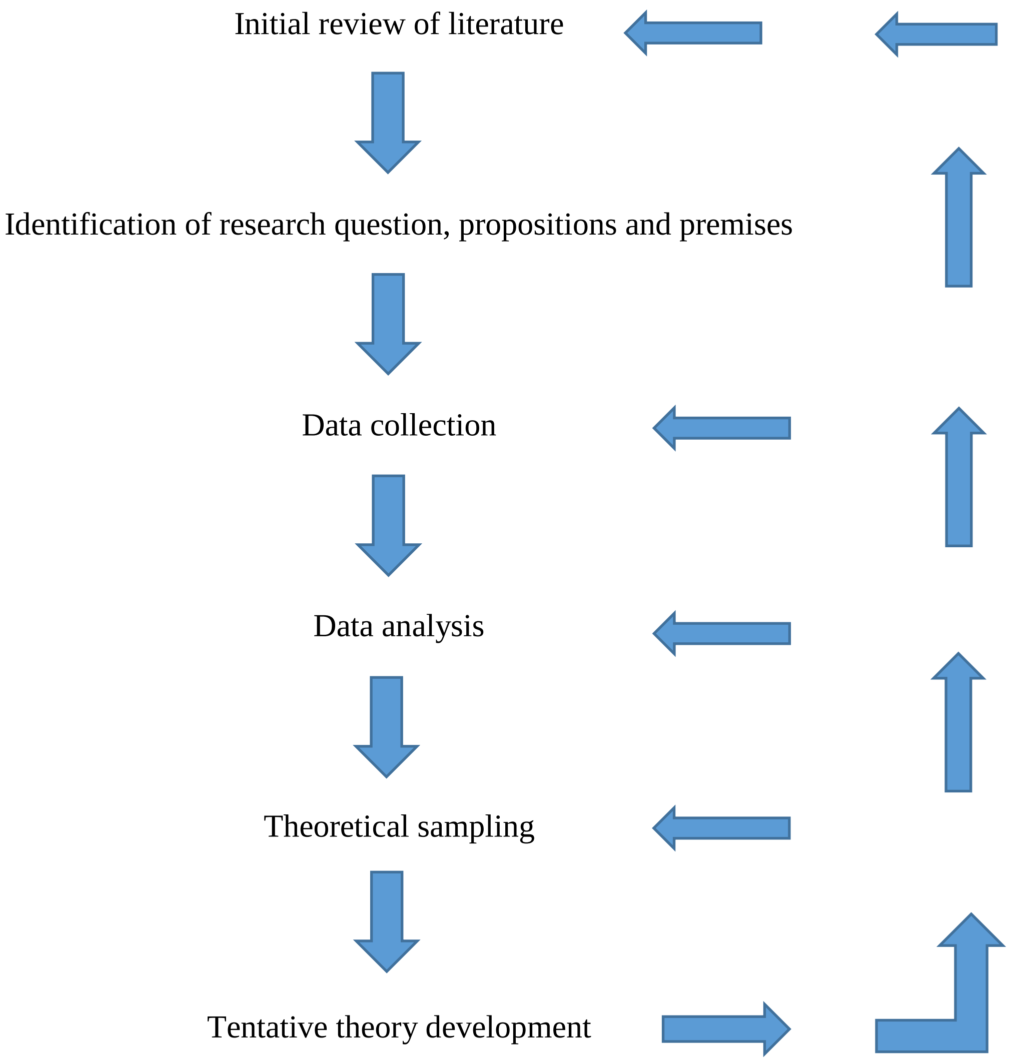
As long as Mathers doesn't cast around for another job, perhaps where he has more creative freedom, he is indispensable enough to keep his job as long as he wants. He has already put up with having his wings clipped – only slightly – by Thiam.

Before 2015, Mathers had acted as finance and operating chief in one, the same job he held previously at the investment bank. But Thiam installed a long-time associate, **Pierre-Olivier Bouée**, in the COO role.

Mathers ceded the technology and operations part of his job to Bouée. Thiam also installed an investor relations head of his own choosing: In 2016 he gave that job to another close associate, **Adam Gishen**.

Appendix 4 Detail of process of grounded theory building

Process used for grounded theory building



Source: Adapted from Pandit (1996)

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List of Publications:

1. Miles, A., ‘The Big Idea: How CEOs Influence the Success or Failure of Global Banks’ *FS Focus Magazine* Institute of Accountants England and Wales. Published August 2018.

   DOI: https://secure.viewer.zmags.com/publication/a902c03c

2. Miles, A., ‘The Influence of Leadership Styles and Characteristics of the Chair, CEO and CFO in Global Banks (1999–2017)’ for ‘Culture and Standards in Financial Services – Accountability, Standards and Diversity’. *Westminster Business Forum* Published May 2018.

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3. Miles, A., ‘Leading Successfully – Authentic Leadership in Practice’. *Edge Magazine*, Institute of Leadership and Management. Forthcoming November 2018.
4. Miles, A., Written Evidence Treasury Finance Select Committee Women in Finance Inquiry Report. Published 8 May 2018.

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