

**Is there a useful nudge that helps to change public opinion  
about ethics in the Bank industry?**

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*Aos meus Pais que me motivaram a procurar soluções, a não ter receio de fazer perguntas e cujos Valores me continuam a inspirar.*

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## Abstract

The major financial crisis occurred in 2008 and scandals involving corruption or lack of ethics enhance supervisors, regulators and financial entities to reflect upon Bank's ethics in their industry. Main contributions from Behavioural Economics with scientific breakthroughs by Nobel laureates' Kahneman and Thaler, respectively, provide a better understanding of human behaviour and their biases or demonstrate the usefulness of practical approaches like nudges. The goal of this academic work is to understand if the use of nudges in the Bank industry achieves positive outcomes in people's perception about Bank's ethics and go beyond in what helps build a trustful and ethical relationship.

Our study used the Corporate Ethical Virtues Model (abbreviated CEV Model) to measure the ethical culture of an organization and was enriched by a qualitative methodology based in a template analysis which analysed deeply all interviews made to a group of fifteen participants from the Banking industry.

The results of our study revealed an identification of the main dimensions of the CEV Model and were able to bring new insights, identifying three different new dimensions: professionalism, reputation and closeness. These findings are interesting to enrich the CEV Model, specially, as they are strongly connected with human characteristics that people most value in measure the ethical culture of an organization, particularly, in the Banking industry. The perception of the participants indicates that Bank's ethics must improve while the use of nudges and their degree of usefulness, are considered high or very high.

**Keywords:** Bank's ethics, Behavioural Economics, nudges, Bank industry, CEV Model, template analysis.

**Title:** Is there a useful nudge that helps to change public opinion about ethics in the Bank industry?

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## Resumo

A crise financeira ocorrida em 2008 e os escândalos envolvendo corrupção têm incentivado supervisores, reguladores e entidades financeiras a refletir sobre o tema da ética bancária. A Economia Comportamental tem dado importantes contributos a esta discussão, assim como os recentes avanços científicos dos laureados Nobel, Kahneman e Thaler, que têm, respetivamente, contribuído para uma melhor compreensão do comportamento humano e dos seus enviesamentos bem como demonstrado a utilidade de abordagens práticas como os nudges. O objetivo é compreender se o uso de nudges na área bancária proporciona resultados positivos, no que diz respeito à perceção que as pessoas têm acerca da ética bancária e aprofundar os aspetos que podem ajudar na construção de uma relação ética e de confiança.

O estudo desenvolvido aplicou o modelo Corporate Ethical Virtues (abreviado modelo CEV) para medir a cultura ética de uma organização e foi enriquecido com uma metodologia qualitativa baseada na análise template que analisou, detalhadamente, todas as entrevistas efetuadas a um grupo de quinze participantes da área bancária.

Os resultados demonstraram que há uma identificação com as dimensões do modelo CEV e foram reveladores ao identificar três novas dimensões: profissionalismo, reputação e proximidade. Estes dados enriquecem o modelo CEV estando fortemente relacionados a características humanas que as pessoas mais valorizam quando lhes é solicitado para medir a cultura ética de um Banco. A perceção dos participantes indica que a ética bancária deve melhorar, enquanto as práticas de nudge e o seu grau de utilidade é considerado alto ou muito elevado.

**Keywords:** Ética bancária, Economia Comportamental, nudges, área bancária, modelo CEV, análise template.

**Título:** Is there a useful nudge that helps to change public opinion about ethics in the Bank industry?

**Autor:** Ana Ochôa

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## 1. Introduction

*“Economics-the oldest of the arts, the newest of the sciences”* (Paul Samuelson, 1970)

The Scottish philosopher Adam Smith, considered by many the father of Economics gave an essential contribution to the framing of the conceptual theory where from the self-interest of many activities like of the baker, of the butcher and of the brewer guided by an “invisible hand” gave rise to the economic growth in society. His work is well known by 1776’s masterpiece, the *Wealth of the Nations*. But before it, in the *Theory of Moral Sentiments* (1759) he shows a deep interest in the operations personal decisions. In fact, Smith was a moral teacher and he saw people as social creatures feeling sympathy for others, what today is understood as empathy.

He introduced a model of virtues (i.e. Prudence, in order for society to survive; Self-Control, to manage our emotions and actions; Justice, to impose limits and Beneficence, to practice the good) to help define the idea of an “impartial spectator”, someone who has empathy to understand someone else’s feelings and has the ability to comprehend when an excess of emotions is harmful to others, therefore, moulding his behaviour to become an impartial spectator who through his experiences builds morality.

Economics was always a human science, but the importance of the psychology of choice for economics was recognized only recently, and marked particularly by the Nobel Academy awarding two Nobel Prizes in Economics, connected with the studies of Behavioural Economics. Human behaviour is adaptive depending on context and perceptual conditions, as a result, Behavioural Economics is based in a descriptive theory rather than a normative one, just helping predict what people will do.

First in 2002, with Daniel Kahneman who won the Nobel Prize for Economics for his insights from cognitive psychology making the bridge between Economics and Psychology, regarding mental processes of answering questions, forming judgements and making choices that have helped us better understand, how people make economic decisions. Afterwards in 2017, with Richard Thaler’s contributions to Behavioural Economics were also recognized with the Nobel Prize for Economics, namely, for work with the self-control model and nudge practices.

A nudge is a small feature in the choice mechanism that influence behaviour, without coercion, helping the decision maker achieve better results. A small example of nudge can be, in a school lunch, in order to promote a healthy choice by the consumers, to place at the eye level fruits rather than sweets. Nudges are already being used in public policies and as management’s tools.

The purpose of this thesis is to understand the nudge phenomenon and its usefulness to help achieve a better perception about Bank’s ethics, during which was applied a template analysis in the banking sector at the management level most important to economic, financial and social activities that influence our lives. Three main research questions arise connected with

the subject of ethics in the Banking industry, always in the agenda at the moment of Bank's crisis, the perception that the general public has concerning this ethics and any potential solutions around the lack of ethics in the field:

- 1. How ethical is Bank's behaviour?
- 2. What is Bank's workers perception about the public image towards Bank's ethics?
- 3. How useful could be nudges to improve Bank's image in what ethics are concerned?

The problem statement and purpose of the thesis will be: *Is there a useful nudge that helps to change public opinion about ethics in the Bank industry?*

This first figure illustrates the close connection between the Problem Statement (PS) and Research Questions (RQs).

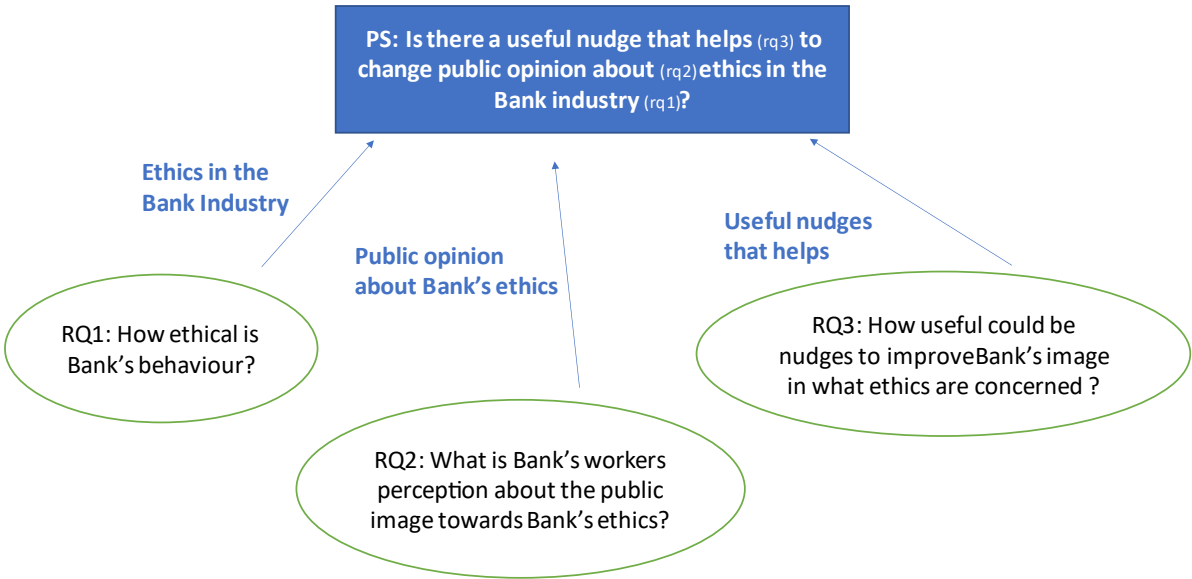


Figure 1 - Connection between PS and RQs

Following this brief Introduction, the structure of the thesis will be divided in Part 2- Literature Review with a summarized review of the most significant literature focusing on this topic. Part 3-Methodology and data collection describing the methodological procedures followed under a qualitative approach where it was elaborated a written interview and send by email to Bank officers. Subsequently, all interviews were analysed under the template analysis method where data is analysed and putted into categorizes, evidencing the most frequent topics mentioned by our group of Bank officers. Part 4-Analysis of results is dedicated to the careful analysis of the responses and results obtained, revealing the ethical virtues most valued by them (e.g. transparency, supportability) using the Corporate Ethical Virtues Model as standard and the new virtues mentioned such as professionalism, good reputation and closeness. And finally, Part 5-Main conclusions that highlights the usefulness of nudges in the context of the Bank industry and further investigation that could be scheduled.

## 2.Literature Review

### 2.1 Behavioural Economics

#### 2.1.1 Kahneman's approach and understanding heuristics

*A heuristics? A sort of mental strategy to decide easier and faster.*

Behavioural Economics had a big improvement when Daniel Kahneman and Amos Tversky both cognitive psychologists, wrote their significant findings on judging and decision-making in "Econometrica", a most prestigious journal of Economics (Kahneman & Tversky, 1979).

They discovered that although economists assume economic decisions are made mainly by self-interest and rationality, in fact decisions even economic ones, are based in many factors like perception, beliefs, emotions, attitudes or memory of precedent decisions. Kahneman and Tversky discovered how judgment under uncertainty diverges from rationality expressed in economic theory. In general, people are not able to fully analyse situations involving economic judgement, instead they use heuristics (Tversky & Kahneman, 1974).

What are a heuristics? It is a sort of mental strategy to decide easier and faster. A shortcut but, many times these shortcuts are systematically biased. For example, people use the law of small numbers violating what is known as the law of large numbers where conclusions are only made based in large samples (Tversky & Kahneman, 1971), meaning, only after many observations we are able to forecast a pattern (e.g. an investor observes a fund performing, above average, 2 years in a row and concludes this fund is better than the average. But this conclusion is quite weak because the investor, only, has a very small observation of 2 years). The law of small numbers is related to representativeness, a heuristics. It expects that the essential characteristics of an event are represented globally and in each of its parts (Tversky & Kahneman, 1974)

In order to be representative of something, people try to do a quick exercise and analyse if A resembles B but the representativeness heuristics may originate a couple of errors (Tversky & Kahneman, 1974) because it is not influenced by factors that affect probability. A couple of biases were identified by the authors like in circumstances where prior probability is ignored. An example, if in an area most people are farmers, the common error is to assume an individual is a librarian based in representativeness like a stereotype of what a librarian should be (e.g. the stereotype that a librarian is someone wearing glasses or holding books), therefore neglecting the prior probability that in that area most people are farmers. The evaluation is made based in representativeness only and useful knowledge about that particular area (e.g. is a dominant farming region) is ignored. Our brain may take the easier and faster choice without taking in consideration the extra information about the characteristics of the region. Other point is when people intuitively assess by resemblance and they are insensitive, not to prior probability as mentioned before, but to the sample size or even to misconceptions of chance because most individuals extrapolate large-scale patterns to samples of a much smaller size (e.g. like predicting after a flip coin of "tails", the immediate flip will be "heads").

Another common bias is the availability heuristics. It happens because people give a higher weight to information they easily remember (Tversky & Kahneman, 1973). In an experience made to better understand if people thought that gun shots were more used in situations of assault or suicide. The large majority answered in violent assaults, based in the news they watch in television or, simply, read in the newspaper. But statistics confirm the opposite, gun shots are more common in suicides. In fact what happened was that people respond to the question based in the information they easily remember, in this particular case, by watching or reading the daily news.

The anchoring effect is other heuristics because there is an usual human tendency to rely on the first piece of information offered. In many situations, people make estimates by starting from an initial value (Tversky & Kahneman, 1974), it works like an anchor. A frequent bias is an insufficient adjustment from the anchor which results in a final value influenced by this effect, being at the end still close to the anchor value.

Kahneman's work was crucial to better understand how our brain works and how, many times, rational decisions are not taken so fast as it could be mentally exhausting to process to all relevant information, hundreds of times in daily decisions. His contribution was a major breakthrough to Behavioural Economics. Human behaviour also has many interesting aspects involving decision-making, like dealing with our long sight rationality and our short-term impulses.

### 2.1.2 Thaler's contributions to Behavioural Economics

*Selena: Let us say I bet \$10 million on a blackjack hand.*

*Thaler: Good hand for Selena. Her chances of winning this hand are 87%. A player makes a bunch of shots in a row. People are sure they are gonna make the next one. People think that whatever is happening now is gonna continue into the future (...) Now this is a classic error, in basketball it is called the Hot Hand Fallacy.*

(dialogue between Selena Gomez and Richard Thaler in the movie "The Big Short", 2015)

Other important contribution to the discipline was Richard Thaler's work with the self-control model (Thaler & Shefrin, 1981). Thaler relates an episode that happened in his home when he invited some friends and served a large bowl with peanuts. Almost immediately, half of the bowl was gone, so he decided to hid the remaining ones in the kitchen. The guests laugh but thank him.

"Why were the guests happy about the peanut's removal?" asked Thaler. Because they were afraid to eat too many of them. In fact, they were concerned about the strength of their will power which validates his model. Humans have a problem with self-control.

Shefrin and Thaler proposed a theory of self-control with two components. A Planner who is long-sighted and a Doer who is short-sighted and impulsive, even when households deal with wealth issues as they are tempted to spend their current income and least their future income (Shefrin & Thaler, 1988). It follows Adam Smith's Theory of Moral Sentiments (1759),

a struggle between our “passions” and our “impartial spectator”. In Thaler’s model, the Doer faces passions and the Planner is trying to tame these passions.

How does the Planner get the Doer to better behave? The approach was to borrow an existing theoretical framework from the principal-agent model (Thaler & Shefrin, 1981)(e.g. like an enterprise leader (principal) who is trying that his workers act properly (agents)). In this self-control model with the approach based in the dual component principal-agent, the Planner is the principal and the Doer is the agent. The planner has two tools available:

- 1.To employ “commitment” strategies when it is feasible (e.g. similar to “rules” in an organizational context). Many times, commitment strategies are not available or are too inflexible, and

- 2.To try getting the Doer to exercise his willpower. Suggesting sentiments of “guilt”, if he does not do it (e.g. similar to “incentives” in an organizational context). This strategy is costly, an example is a tax on consumption, reducing the pleasure in each further consume.

So usually, there is a mix of both tools, rules and incentives, in other words strategies of “commitment” and “guilt”.

Behaviour Economics is becoming more accurate and influencing more public policy makers around the world, extending also to the private sector (Lovallo & Webb, 2011). An example of tools used are nudges, helping the Planner achieve a better decision when the benefits of a policy or product are underlined.

## 2.2 Nudging

### *Introducing the Nudge*

Richard Thaler discover Tversky and Kahneman work in a Science’s paper “Judgement under uncertainty: Heuristics and biases” where both cognitive psychologists explained how people made bias judgements (Tversky & Kahneman, 1974).

Thaler observed something about human behaviour that seemed inconsistent with the economic theory (Thaler & Shefrin, 1981). Going back to the bowl of peanuts example, guests devoured half in a short time but when the bowl was removed, everybody thanked him. Why? There is an economic axiom that indicates when you have more options, it is always better than when you have only a few, meaning you could decide between more options and eventually increase your satisfaction. When the peanuts were in the dining room, the guests only had the option to eat them or not but when hidden in the kitchen, you could still eat them if you went to the kitchen as an additional option.

A nudge is a small feature in the choice mechanism influencing behaviour, without any sort of coercion, as people can opt out easily, which helps the decision-maker achieve better results and could contribute to beneficial ends (Thaler & Sunstein, 2008, p.6). A good example was made in 2013 when in eight elementary schools in the U.S., they have started to cut apples in smaller slices to improve nutrition habits in children. As soon as kids realized that it was easy

to eat, “the apples’ sales jumped by an average of 61% when the fruit was sliced” as mentioned by the Cornell Center for Behaviour Economics in Child Nutrition Programs.

Why is the example of the peanuts bowl, a nudge? Thaler’s guests had always the option to go back to the kitchen and eat the peanuts. But the action of remove them, done by him, is a nudge. It has beneficial results to the guests, as eating too many is bad for their health.

### 2.2.1 Save More Tomorrow Plan in the United States

*How to overcome behavioural bias which have contributed to low savings rates.*

If people are oriented to the present and, therefore, more biased towards present actions, they will have more difficult saving for retirement. Like the Planner-Doer Model, the Planner will wish to save for retirement but the Doer wants to buy, immediate, gratification.

Is there way to help the Planner? An example is to increase withholding taxes or by default, people will be enrolled, automatically, in the retirement plan (Madrian & Shea, 2001). As a result, this last policy largely augmented enrolments because people had to express, they were not agreeing to be automatically enrolled in the plan. This behaviour results mainly from participant’s inertia.

The Plan Save More Tomorrow had as a goal to think about behavioural biases which were contributing to lower saving rates, the reluctance to increase the levels of saving and use these insights to design a plan which could be helpful.

A successful experience of nudging was done in 1998, in a midsize manufacturing company in the U.S. (Thaler & Benartzi, 2004). Basically, It had a low participation in saving rates, specially, amongst their low-income workers and their goal was to augment it. The suggestion workers received from a financial advisor was that they should increase their annual contribution, at least by 5%. Many workers rejected this idea because they could not afford it. Then, workers were offered a version of the Save More Tomorrow Plan, in which savings rates would increase 3% at each pay raise. About 78% joint the plan and, after 4 pay raises, their average saving rate increased from 3,5% to 13,6%. An impressive result achieved under a nudge practice.

### 2.2.2 Premium Pension Plan in Sweden

*Nudges are powerful, the Swedish Premium Pension Plan experience.*

Other powerful use of nudges was sponsored, in 2000 by the Swedish government its goal was to improve the pension plan for Swedish people (Cronqvic, Thaler & Yu, 2018). It began with a portion of the payroll tax (around 2,5%) assigned to be invested, in financial funds.

Here two powerful nudges were introduced:

1. A default fund was the option to all individuals who did not, actively, choose a fund helping them to avoid postpone decisions and;

2. The government launched an advertising campaign, encouraging people to make an active choice and, consequently, decline the default fund. The campaign was important to underline the advantages individuals have to choose a fund closer to their risk profile.

The results were quite strong as both nudges were accepted: one third of participants chose the default fund and, the other two thirds, made an active choice creating their own portfolio.

Furthermore, the effects of nudging were persistent as people seem to keep almost unchangeable decisions from their initial choices made in 2000. Most interesting around 97% of them still actively chose their portfolio. Nudges were indeed powerful and kept their effects.

## 2.3 Business Ethics

*“Business Ethics is a branch of applied Ethics, it studies the relationship of what is good and right to business”* (Hoffman, Frederick & Schwartz, 2014, p.1).

Prior to the 1960s, “concepts like Ethics and social responsibility were rarely mentioned” (Hoffman et al., 2014, p.3). Hoffman’s citation in his book *Business Ethics: Readings and Cases in Corporate Morality*, is an important statement and in the last decades the evolution of Business Ethics has been impressive.

The moral attached to Ethics is connected with a personal decision closely related with “one-self and her conscience. And then, it is character than counts” (Neves, 2007, p.9).

There is an extrinsic attitude for Ethics when a manager of an organization decides to have an ethical decision to be accepted in society. On the other hand, an intrinsic ethical attitude based in a meaningful framework where ethical principles have a strong impact upon the course of his own life (Neves, 2007).

In a recent speech at the occasion of 10th June celebrations, theologian, university professor and poet Tolentino Mendonça illustrates an intrinsic ethical attitude and defines Humanity with a parable attributed to the anthropologist, Margaret Mead. When a student asked her what was the first sign of our civilization, she did not answer with a predictable hunting tool or an ancient recipient but with a broken femur cicatrized.

In D. Tolentino Mendonça own words: “A human being was not left behind alone, that someone accompanied this person in her fragility, has dedicated himself to her, has offered her the necessary care and ensure her safety until she recovered”(p.3). He continues, underlying a most relevant point in the intrinsic value meaning mentioned above: ”When from “I”, we were able to say “we” and together were able to give a step which was historical, spiritual and ethical”(p.3).



### 2.3.1 Corporate Ethical Virtues Model

*The CEV Model has the purpose to measure the ethical culture of organizations (Kaptein, 2008).*

The measurement of Ethics in companies had always been difficult, in particular, to measure the ethical organizational culture. In 2008, Kaptein had underlined this difficult when he developed the Corporate Ethical Virtues Model (abbreviated as CEV Model) with the purpose to measure the ethical culture of organizations, using a eight construct dimension (Kaptein, 2008). The constructs are used to define “ethical virtues” providing a richer understanding of what is an ethical behaviour, they are applied in situations where is hard to define a more complex concept (Kelly, 1977). In fact, a psychological construct helps to explain and measure the concept with factors and interactions between them that better helps to describe it.

In Business Ethics, the ethical organizational context is, mainly, represented by two constructs: the ethical climate which is represented by aspects that determine ethical conduct (e.g. laws, code of conduct) and the ethical culture represented by aspects that stimulate the ethical conduct (e.g. virtues). Kaptein had the goal to measure the ethical culture of organizations and provide a useful tool for managers, as the ethical culture of an organization stimulates its employees to act ethically or prevent them to act in an unethical manner.

The CEV Model uses eight constructs such as clarity, congruency of managers, congruency of supervisors, feasibility, supportability, transparency, discuss ability and sanction ability to define these virtues (see Annex 1 that includes the definitions for the eight constructs), producing a questionnaire to measure the ethical culture of organizations. In the core of his choice is Solomon’s virtue based theory of Business Ethics that elaborates that individuals and organizations should hold some virtues, as “what is best in us -our virtues- are in turn defined by that larger community, and there is no ultimate split or antagonism between individual self-interest and the greater public good” (Solomon, 2004, p.1022-1023). To define the chosen virtues, Kaptein developed a previous qualitative analysis applied to cases where unethical employee conduct was detected to be caused by the ethical culture of the organization (Kaptein, 2008).



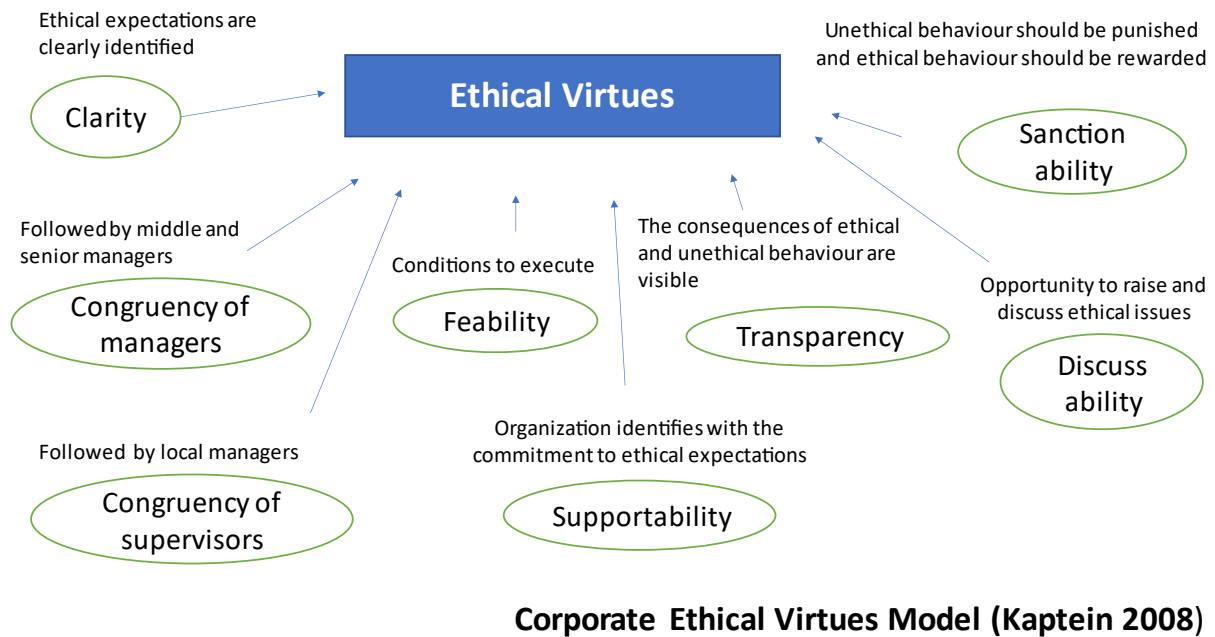


Figure 2 - Ethical Virtues and its constructs

The application of this model which was subjected to reliability and validity tests and used within a South African insurance company (van Wyk & Badenhorst-Weiss, 2019), concluded it had application value and was the “first step towards the use and development of measurement instruments for ethical culture in South African organizations” (p.12). In summary, “it is not just about managing ethics but, more importantly, about creating and maintaining an ethical culture throughout the organisation” (p.27-28).

The CEV model and its eight constructs is going to be used as a standard for analysing the answers obtained in an online written interview done to a small group of Bank officers to check their involvement with the ethical organization culture.

### 2.3.2 The advantage of the CEV Model and other perspectives to measure the ethical context

Although CEV Model main advantages was to measure the construct of ethical organization culture by evidencing the most relevant aspects that stimulate an ethical conduct at the corporate level and its applicability to any sort of organization, there are other perspectives that analysed the ethical context using different measures.

In Hunt’s approach, they explore corporate ethical values as a piece of the corporate culture and test if those values had a positive correlation with organizational commitment. Their study was focused on the Marketing industry and evidenced a strong relation between corporate ethical values and organizational commitment (Hunt, Wood & Chonko, 1989). It proposed to measure the (un)ethical behaviour of managers, the extent to which managers are concerned about ethics in their organizations (e.g. managers let it be known that unethical behaviour will

not be tolerated) and the degree in which employees perceive that an ethical behaviour will be rewarded, as by contrary an unethical behaviour will be punished.

On the other hand, Treviño and her colleagues proposed other perspective concerned in better understanding the relationship between the ethical context (i.e. represented by two constructs, the ethical climate and ethical culture) and the employees attitudes and behaviours (Treviño, Butterfield & McCabe, 1998). Their findings revealed that ethical climate and ethical culture were touching different aspects of the ethical context but, both strongly related to it. In fact, they “are not alternative ways of conceptualizing the ethical context. Rather, both are important because some dimensions are more strongly associated to behaviour and other dimensions are strongly associated with commitment” (Treviño et al., 1998, p.474).

The CEV Model constitutes a different approach, as it proposes to refine the ethical culture construct which was still underdeveloped and better exploring the aspects that stimulate the ethical organizational culture. To achieve this purpose, Kaptein used an enriched multidimensional scale of eight constructs (i.e. ethical virtues).

## 2.4 Template analysis

*Template analysis helps to interpret each question in its deep sense, generating detailed data that puts in evidence the respondents' perspective.*

A qualitative research it is used to understand concepts or experiences, the aim is to gather an in-depth understanding about the research topic while a quantitative research is used to gather a broader view and its based in numbers, variables, experiments, etc. One of the methods of data analysis proposed by qualitative research is the template analysis, a method to organize the data by themes and to analyse qualitative data often used in social sciences (Brooks, McCluskey, Turley & King, 2015).

This approach starts with the reading and transcription of full documents (e.g. interviews, journals, etc), in order to get familiar with the sort of language and concepts each participant used. A prior categorization is proposed, all the content of the answers is organized by categories that allows to highlight which concepts are more frequent in the documents (Brooks & King, 2014). To simplify this process, in each part of the answer the category is identified and a code is attributed, specifically to the correspondent category.

One of most significant parts of the research is when after carefully reading the answers, categories a priori are identified but, also, new ones appear (i.e. categories a posteriori) bringing new insights. The process restarts which implies to read again the documents and attribute new codes, in accordance with the new categories.

During the coding phase, it is important to keep a methodical approach oriented to a permanent quality check without being influenced to any sort of assumptions and adopt a reflexive position, meaning that the researcher should continuously reflect upon the data with

the aim to provide an effective and impartial analysis (King, 2012). Then a new template of categories emerges more accurate in the terms and concepts being used.

The final template, after close revision of all categories (i.e. a priori, removed ones, a posteriori) helps to interpret each question in its deep sense, generating detailed data that puts in evidence the participants' perspectives.

The key characteristics appointed to this method are its flexibility in "coding" the main themes (i.e. attribution of codes to the main categories) which permits to explore the richness of data interpretation, the possibility to start from an initial template that followed by continuous improvements (e.g. redefined or removed categories), encourages to maintain the focus of the analysis and, finally, the ability a structured final template allows in achieving an efficient and systematic approach to the data (Brooks et al., 2015).

For these main characteristics it seemed interesting to observe if a group of participants from the Bank industry were able to identify any of the constructs presented in the CEV Model and if the detailed analysis of their statements produced interesting knowledge to enrich our perspective about the ethical organization culture.

## 2.5 The proposed problem statement and its research questions

In a recent study, social researchers found that an average banker is not less ethical than any other average individual. But the study showed an interesting point, bankers work in an environment that makes them behave less ethically. Banking has its own culture, as considers competitive behaviour to be desirable and its focus in materialistic values (Cohn, Fehr & Maréchal, 2014).

A first question in this domain could be a good starting point in the research: [What is Bank's workers perception about the public image towards Bank's ethics?](#)

There are limits, meaning there is the law. Although a couple of questions arise, is it acceptable to sell high risk financial products to people without financial awareness or living from retirement pensions, to pay large bonuses to senior managers when the Banks present balances with large losses. Is it ethical? The Chair of the Supervision Board of the ECB, Danièle Nouy, at the Solvay's Congress in October 2018 gave a straightforward answer: "Ethical behaviour is more than just complying with the letter of the law" (p.3).

A good example, providing an image of concern and ethical principles, was made in 2020 during the Covid-19 period by the leader of Bank Santander, Ana Botín who made a 50% cut in her own salary. She was accompanied by Santander's executive president in Spain, José Antonio Álvarez having both indicated that the Bank would suspend the payment of dividends until it understands the depth of the pandemic impacts and, instead, would create a fund to help fight the coronavirus. But lately, Business Ethics has been seen like a sort of "commodity" producing great results but not much admired by customers, stakeholders, governments and citizens who see it as mere marketing campaigns (Neves, 2007).

In practical terms, individuals do not consider Banks are partners of the community but rather than an economic agent who gives loans and, in contrast, receives deposits. To achieve a successful result, people have to perceive them as partners (Nash, 1981).

Following this line of thinking towards ethical behaviour, another questions arises:

[How ethical is Bank's behaviour?](#)

It is relevant to analyse upstream, the importance of a good governance system. It is of relevance the work of legislators to develop a solid regulatory framework with a credible sanctioning mechanism and of supervisors who develop and encourage real compliance. But both legislators and supervisors, cannot impose a Bank's culture it is necessary to go beyond. Financial entities need to be aware of the behaviour they display both in the internal and external sides (Khan, 2018).

How about solutions? Like the experience of nudging in the Swedish pension plan.

[How useful could be nudges to improve Bank's image in what ethics are concerned?](#)

A good nudge is different from a “sludge”, the terminology was used by Thaler when asked about the use of nudge practices that produce harmful results in decision-making (Thaler, 2018). The goal in nudging is to help the decision-maker achieve a better result when compared with an individual judgement where no external help is given. On one hand, the results achieved with a version of the Save for Tomorrow Plan, specially, in customers with low income were highly beneficial and clearly understood that an advantage was gained (Thaler & Benartzi, 2004). On the other hand, the side of the principal (e.g. company) is rewarded by results achieved and better image, directly connected with efforts in the reinforcement of a trustful relation.

Thaler's work to bring more accuracy to Behavioural Economics and his efforts in developing nudge practices have produced powerful results like in this case of the Save for Tomorrow Plan versions. In his own word “We have used behavioural principles to design a plan to increase saving rates and tested the idea in the real world” (Thaler & Bernartzi, 2004, p.S186).

Our study used a template analysis which analysed deeply what are the answers of a group of Bank workers' concerning these three main research topics that allows us to understand their inside perception.

Considering the latest Behavioural Economics contributions to the field of Economics science and some good results in nudge practices:

[Is there a useful nudge that helps to change public opinion about ethics in the Bank industry?](#) It will be the purpose of this thesis.

### 3. Methodology and data collection

A qualitative research using a template analysis involving a more in-depth information with fewer cases seemed more appropriate to bring some light towards the problem statement. The concepts of Behavioural Economics, nudges and, specially, ethics are denser and more subject to complex interpretations, as opposition to a strictly quantitative research involved in collecting and analysing numerical data.

In our study the data was collected in the form of online written interviews (see Annex 2) using the Qualtrics software between the 22<sup>nd</sup> February and 22<sup>nd</sup> May 2021. The participants were, mainly, Bank’s decision makers and employees working in the Banking industry with the purpose to obtain an inside view of their work context and their interpretation about the nudging phenomena.

The goal of the written interview was to analyse how a small group of Bank workers’ (see Annex 3 for a full detailed characterization for each interview) perceive the ethical behaviour of Banks, the image through which this ethical behaviour is seen by society and if they were able to provide examples of nudges, altogether being closely interconnect with the three research questions proposed.

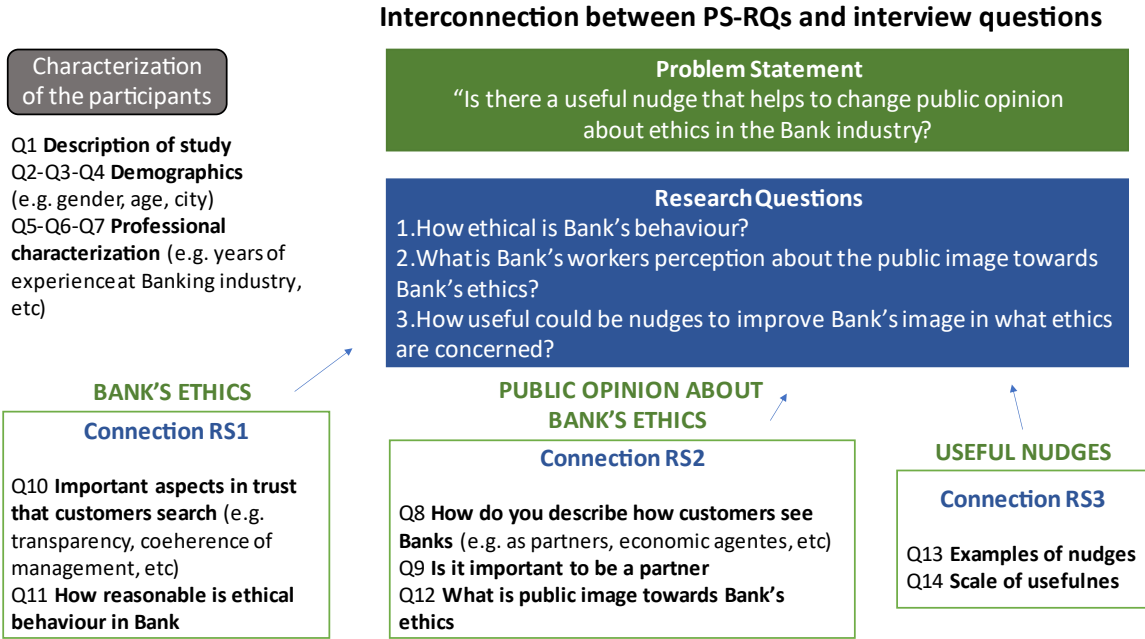


Figure 3 - Interconnection between PS-RQs and the 14 questions of the online written interview

In a more detailed reading, the initial questions from Q2 to Q7 (see Annex 2) were quick questions to have a snapshot characterization of the participants, in terms of demographics (e.g. gender, age, city where they work) and professional background (e.g. years in the Banking activity, their present professional function and years of experience in this function).

From a total of 22 interviews received, fifteen were complete and considered valid to be fully examined and analysed (n=15). Our group of participants covered a broad range of ages with the youngest person being 25 and the older 62 years old, almost equally dispersed, with a mean around 42 years old (standard deviation=11,72). The large majority lived and worked in Lisbon with two exceptional cases of participants living abroad (e.g. Brussels and Toronto). Two thirds were males and one third females.

**Table 1**  
*Characterization of the participants Q2, Q3 and Q4*

	<b>Number of responses</b>	<b>Proportion in the total of answers</b>
<b>Q2 Gender</b>		
Male	10	66,67%
Female	5	33,33%
<b>Q3 Age</b>		
20-29 years old	3	20,00%
30-39 years old	3	20,00%
40-49 anos years old	5	33,33%
More than 50 years old	4	26,67%
<b>Q4 City where you work</b>		
Lisbon	12	80,00%
Montijo	1	6,67%
Toronto	1	6,67%
Bruxelles	1	6,67%

Concerning their work experience, the most significant were professionals with more than 15 years' experience and less than 5 years, representing decision-makers positions in the organization and young professionals concluding their advanced management courses. This was reflected in their present function or, as managers of Bank branches or, in technical positions. Other contributions from senior managers, advisers and financial experts were also received which enrich the perspectives.

**Table 2**  
*Characterization of the participants Q5, Q6 and Q7*

	<b>Number of responses</b>	<b>Proportion in the total of answers</b>
<b>Q5 Number of years working in the Banking field</b>		
Less than 5 years	5	33,33%
Between 5-10 years	3	20,00%
Between 10-15 years	2	13,33%
More than 15 years	5	33,33%

Q6 Function that you have in the Bank		
Senior officer/officer	5	33,33%
Manager/assistant manager	4	26,67%
Head of unit/director/senior director	3	20,00%
Other	3	20,00%
Q7 Number of years working in the present function		
Less than 5 years	4	26,67%
Between 5-10 years	7	46,67%
Between 10-15 years	2	13,33%
More than 15 years	2	13,33%

Afterwards, a preliminary inquiry with the aim to understand if a closer relation exists between customers and Banks, participants were asked to search if a true partnership is identified (e.g. Q8-How do you describe how customers see Banks) followed by a request to measure from 1 (lowest value) to 4 (highest value) the importance of being a partner.

These questions were thought to act as an introduction before asking, directly, what is their opinion about the public image concerning Bank's ethics (Q12). This approach focuses in collecting data to help understand [What is Bank's workers perception about the public image towards Bank's ethics?](#)

The ethics' theme follows in a strict relation with the goal to analyse [How ethical is Bank's behaviour?](#) First, the most important aspects that customers search in a trustful relation are analysed with the resource to the CEV model and its main categories. Secondly, the group is asked if this ethical behaviour is reasonable.

The two final questions (e.g. Q13 and Q14) involve providing examples about nudges been used in Bank's branches and their degree of usefulness to summarize [How useful could be nudges to improve Bank's image in what ethics are concerned?](#) The measure to evaluate it was a scale between 1 (low interest) to 4 (most useful) with 0 being added to represent an absence of utility.

There were used only seven questions (from Q8-Q14) with the aim to scale and develop matters which were directly concerned with the three research questions, first to simulate "an intuitive environment" where the participant did not have the opportunity to go back and rewrite the answer (e.g. a Qualtrics option was used to block the possibility to correct a given answer or to check further questions) and second to limit subjects that could go out of the focus of the research goal. Unfortunately, the pandemic context which accompanied the elaboration of this thesis has made other possibilities unviable such as asking permission to record the answers in a longer interview, specially, to enhance it with more examples and details about the Bank employees' work experience.



## 4. Analysis of results

### *Public image about Bank's ethics*

A close majority of the group consider the relation between Banks and their clients, as an economic interaction where the Banks act as an economic agent receiving capital, in the form of deposits and giving back the same capital in loans, gaining in between an interest rate.

An illustration is given in interview 6 where is remarked that Banks are “essentially like entities that receive deposits and concede loans”. Other citation helps to in-depth this interpretation “(Banks) are economic agents that give loans and receive deposits. Banks are not seen as effective partners in the community” (interview 1).

**Table 3**

*Type of Bank's role*

#### **Q8 How do you describe the way customers see Banks**

	<b>Financial Partners</b>	<b>Economic Agents</b>	<b>Services</b>
<b>Number of responses</b>	3	7	5
<b>Proportion in the total of answers</b>	20,00%	46,67%	33,33%

Another point of view implied even a lower involvement between both parts and considered Banks “simply as services that we cannot stop to use” (interview 7). But when the question is to classify, in which extent is important for a customer to identify a trustful partnership the answer is clear, as general opinions say it is important (46,7%) or very important (53,3%).

**Table 4**

*Importance for Bank's customers to identify a trustful financial partner*

	<b>Number of responses</b>	<b>Proportion in the total of answers</b>
<b>Q9 How important is for customers to identify a trustful financial partner</b>		
Not Important	0	0,00%
Less Important	0	0,00%
Important	7	46,67%
Very Important	8	53,33%

Afterwards in a summary question (Q12), when their perception about public image concerning Bank's ethics is asked, a large proportion said it should improve adding twelve answers and, only, two participants answering it is favourable. An example is the testimony



from the participant working in Toronto, “in the country I live and work, public opinion is positive”.

**Table 5**  
*Public image towards Bank’s ethics*

**Q12 What is your opinion about public image of Bank's ethics**

	Should improve		Positive
	Improve	Fragile	Solid
<b>Number of responses</b>	8	4	2
<b>Proportion in the total of answers</b>	53,33%	26,67%	13,33%

Observation: One participant did not answer.

But, more than half of the group share the view that “public image about Banks has been improving. Although there is space to increase the image of the sector” (interview 6). Specifically, four participants define this image as fragile because “in the last years, the public image of ethics has been degrading. Although internally some measures had been taken to solve this situation, clearly, it has not been enough (...)” (interview 10).

*Bank’s ethics*

Considering the CEV Model and its main concepts, the constructs developed by the model were used as categories a priori (e.g. clarity, congruency of management, congruency of supervision, support ability, feasibility, discuss ability and sanction ability) (see figure 2). This method goes through the full interview and analyses in-dept, if in any section of the answer these categories appear.

**Table 6**  
*Categories a priori for Q10*

Categories a priori	Definition	Examples	Codes
Clarity	Clarity regards to the conduct of employees, as expectations regarding employees' conduct should be concrete, comprehensive and understandable.	E.g. Clear complete information, simplified bureaucracy, clarity in the services provided.	CLAR
Congruency of Management	The congruency of management is defined as the extent to which the senior and middle management act, in accordance with ethical expectations.	E.g. The way senior management act in the Bank.	CONG GEST
Congruency of Supervisors	The congruency of supervisors is defined as the extent to which local management acts, in accordance with ethical expectations.	E.g. The way local managers act in the Bank.	CONG SUP

Feasibility	The organization should create conditions (e.g. time, budget, equipment, information, authority) which enable employees to comply with the normative expectations.	E.g. Be a solid organization, be consistent.	FEA
Support Ability	The organization stimulates identification with involvement and commitment to ethical expectations.	E.g. Be reliable, to achieve trust	SUPPORT
Transparency	Transparency defines as the extent to which ethical and unethical behaviours and its consequences are known to all employees.	E.g. Be transparent, be transparent in the information and costs, transparency in the options.	TRANSP
Discuss Ability	Discuss ability is the extent to which managers and employees have the opportunity to discuss ethical issues.	E.g Capacity to discuss issues.	CAP DISC
Sanction Ability	Sanction ability is the extent to which managers and employees believe that the unethical behaviour will be punished and, by contract, the ethical one will be awarded.	E.g. Have a good conduct, security.	CAP SANC

One of most significant parts of the research is when after carefully reading the answers, categories a priori are identified but, also, new ones appear (i.e., categories a posteriori) bringing new insights. The process restarts which implies to read again the interviews and attribute new codes, in accordance with the new categories.

**Table 7**  
*Categories a posteriori for Q10*

Categories a posteriori	Definition	Examples	Codes
Good Reputation	Collective perception of the organization's past events and expectations regarding its future actions.	E.g. The institution is thought as credible, positive image in the market.	REPUT
Professionalism	Skill strongly connected with good judgment capacity and adequate behaviour that is expected from a person who is trained to do a job well.	E.g. Adapt the communication to the customer, show interest in the needs of the client, provide a good service.	PROF
Proximity	How close the organization is to their customers.	E.g. Be available to the customer, ease of access, availability even in a distance.	PROX

During the coding phase, it is important to keep a methodical approach oriented to a permanent quality check without being influenced to any sort of assumptions and adopt a

reflexive position, meaning that the researcher should continuously reflect upon the data with the aim to provide an effective and impartial analysis (King, 2012). Then a new template of categories emerges more accurate in the terms and concepts being used.

**Table 8**  
*Final Categories for Q10*

Final Categories	Definition	Examples
Clarity	Clarity regards to the conduct of employees, as expectations regarding employees' conduct should be concrete, comprehensive and understandable.	E.g. Clear complete information and simplified bureaucracy [interview 8], clarity in the services provided [interview 14].
Congruency of Management	The congruency of management is defined as the extent to which the senior and middle management act, in accordance with ethical expectations.	E.g. The way senior management act in the Bank [interview 14].
Congruency of Supervisors	The congruency of supervisors is defined as the extent to which local management acts, in accordance with ethical expectations.	E.g. The way local managers act in the Bank [interview 14].
Feasibility	The organization should create conditions (time, budget, equipment, information, authority) which enable employees to comply with the normative expectations.	E.g. Be a solid organization [interview 4], be consistent [interview 6].
Support Ability	The organization stimulates identification with involvement and commitment to ethical expectations.	E.g. Be reliable [interviews 3, 12], to achieve trust [interview 15].
Transparency	Transparency defines as the extent to which ethical and unethical behaviours and its consequences are known to all employees.	E.g. Be transparent [interviews 1, 2, 3, 4, 5, 10, 11, 13, 14, 15], be transparent in the information and costs [interview 7], transparency in the options [interview 12].
Sanction Ability	Sanction ability is the extent to which managers and employees believe that the unethical behaviour will be punished and, by contract, the ethical one will be awarded.	E.g. Have a good conduct (interview 1), security [interview 6].
Good Reputation	Collective perception of the organization's past events and expectations regarding its future actions.	E.g. The institution is thought as credible [interviews 4, 5, 15], positive image in the market [interview 9].

Professionalism	Skill strongly connected with good judgment capacity and adequate behaviour that is expected from a person who is trained to do a job well.	E.g. Adapt the communication to the customer [interview 2], show interest in the needs of the client [interview 2 and 11], provide a good service [interviews 6, 7, 8, 10, 12, 15].
Proximity	How close the organization is to their customers.	E.g. Be available to the customer [interviews 6, 10], ease of access [interviews 7, 13], availability even in a distance [interview 6].

A large majority of the answers, representing twelve out of the total mentioned transparency as the most relevant aspect in a trustful relation. It was followed from a distance by the support ability with three answers, expressing aspects like the capacity to be “trustful” (interview 12) or “conditions to achieve trust” (interview 15). Closely followed by clarity, feasibility and sanction ability with two answers each. Curiously, our participants did not mention the relevance of the discuss ability which corresponds to an organizational culture where criticism is neither encouraged nor accepted.

A classic example involved references concerning “transparency, clarity in the services provided, a (good) management of the organization” are made (interview 13). In fact, written contributes underlined a most frequent idea “be reliable and transparent” (interview 3), again, with transparency being a common answer.

**Table 9a**

*Most relevant aspects that customers search in a trustful relation*

<b>Q10 What are the most relevant aspects that customers search in a trustful relation</b>								
<b>Categories a priori (CEV model)</b>								
	<b>Clarity</b>	<b>Congruency in management</b>	<b>Congruency in supervision</b>	<b>Transparency</b>	<b>Feasibility</b>	<b>Support ability</b>	<b>Discuss ability</b>	<b>Sanction ability</b>
<b>Number of responses</b>	2	1	1	12	2	3	0	2
<b>Proportion in the total of answers</b>	13,33%	6,67%	6,67%	80,00%	13,33%	20,00%	0,00%	13,33%

An interesting finding appeared with a surprising approach out of the corporate ethical virtues terminology. Individuals search for “ (...) closeness and being swift in their answers” (interview 7), “transparency and their reputation in the market” (interview 5) or “demonstrations of professionalism” (interview 2).

These new characteristics as closeness, reputation and professionalism appeared more frequently than most CEV categories, exception for the transparency characteristic. They were mentioned in four answers for both, closeness and reputation and in eight answers in the case of professionalism. They, strongly, identify some human characteristics as most relevant

aspects to build a trustful relation referring that individuals search for someone who “is close, has good reputation and is a good professional”.

**Table 9b**  
*Most relevant aspects that customers search in a trustful relation*

**Q10 What are the most relevant aspects that customers search in a trustful relation**

	Categories a posteriori		
	Good reputation	Professionalism	Closeness
<b>Number of responses</b>	4	8	4
<b>Proportion in the total of answers</b>	26,67%	53,33%	26,67%

Concerning Bank’s ethical behaviour, a significant proportion of the answers agreed it was reasonable because “compliance is strong and employees act accordingly” like in interview 4. But, in contract with this way of thinking, in four interviews people were bold saying it was not reasonable.

**Table 10**  
*How ethical is Bank’s behaviour*

**Q11 Describe if is reasonable the Bank's ethical behaviour**

	Reasonable			Not reasonable	
	In general	Compliance/codes of conduct	Transparency	Agressive commercial behaviour	Bad senior management
<b>Number of responses</b>	2	6	1	2	2
<b>Proportion in the total of answers</b>	13,33%	40,00%	6,67%	13,33%	13,33%

Observation: Two participants did not answer.

They pinpointed aspects like commercial aggressiveness and bad senior management, as in these examples, “ (Banks) develop strategies sometimes aggressive in terms of sales” (interview 8) and “A bad representation at a senior level endowed with a lack of ethics helps “mine” the ethics which is establish inside the Banks” (interview 10).

## *Nudges and its usefulness*

It is significant to observe that in one third of the answers, individuals working in Banks are not familiar with nudge practices or with specific examples. The most knowledgeable refer cases of default options being used, corresponding also to less expensive options.

**Table 11**  
*Usefulness of nudges*

	<b>Number of responses</b>	<b>Proportion in the total of answers</b>
<b>Q14 Measure how useful can nudges be (using a scale from 0 to 4)</b>		
0 -No usefulness	0	0,00%
1 -Low usefulness	1	6,67%
2-Slightly useful	3	20,00%
3-Useful	4	26,67%
4-Very useful	6	40,00%
No answers	1	6,67%

Some testimonials mentioned, clearly, that default options with less expensive solutions should be pre-selected as “in the savings plans, the costs less expensive are by default marked” (interview 1). Another situation is noticed in interview 8: “(...) if I increase some expenses to make a round number, the extra is allowed to go for the savings account” where the possibility of adding small increases in the savings account will benefit the customer. In interview 3 is referred that an useful help should be to simplify the excess of options in the financial products, many times having an excess of technicalities mentioning as an example: “financial products with less options”. Or in situations where complex information and high degrees of risk are in place: “customers should tick a box to state they are (fully) understanding the product” (interview 4).

## 4.1 Discussion of results

### How ethical is Bank’s behaviour?

It is very interesting to observe corporate ethical virtues (Kaptein, 2008) being identified by our group of participants, transparency is clearly the most remarked characteristic (e.g. 1<sup>st</sup> line in the most answered characteristic with 12 out of 15 answers) but, surprisingly, new findings with significant mentions were revealed.

## BANK'S ETHICAL BEHAVIOUR

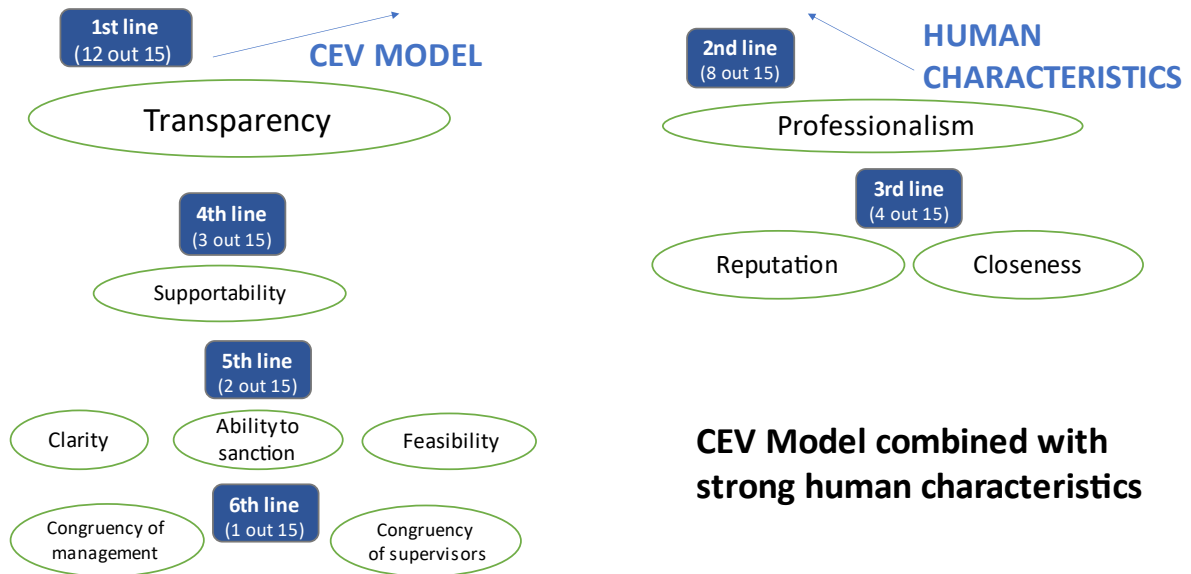


Figure 4 - Bank's ethical behaviour

Most people also mentioned they search for a “professional, reputable and close” organization (e.g. which became the 2<sup>nd</sup> and 3<sup>rd</sup> lines of the most answered characteristics searched) attributing human characteristics to non-human entities (Neves & Story, 2013), therefore providing an enriching panorama adding to the ethical corporate virtues as well human characteristics they value the most.

Although being “reputable” is not *per se* a human characteristic as it can also easily be associated to an organization, it underlines a broad perception of past events and has expectations regarding future actions, meaning that a reputable person or organization is reliable and can be trusted.

It is significant than in a Banking context and evaluating how ethical an organization may be, most participants highlighted the need for professionalism, reputation and closeness, as characteristics that stimulate the ethical conduct. These findings may indicate that further research could be developed to compare them with more industries and perceive if they are merely originated in a Banking environment. For instance, when compared with a former application of the CEV Model within a South African Insurance company (van Wyk & Badenhorst-Weiss, 2019) results obtained only were significant in the eight known constructs of the model. It may suggest Bank users' appreciate a professional conduct, give importance to how the the organization and its workers are perceived by the market (i.e. their reputation) and do not appreciate a too “cold approach” but rather a close one where their needs are taking in consideration, a true sign for a search for empathy as Adam Smith described in his Theory of Moral Sentiments (1759).

These results are based in a limited group of participants, it is important to measure them in a broader study, testing if these three different dimensions are valuable or not to the enrich the CEV Model and its purpose to measure the ethical organization culture, specially, in a Banking industry context.

### What is Bank's workers perception about the public image towards Bank's ethics?

It is clear that just a small part of the participants classifies the relationship between customers and Banks as a partnership. Although a broad consensus is to consider this partnership, important and very important as it keeps the focus in the beneficial involvement between both parts. Actually, the majority defines Banks as having an economic agent role (e.g. receive deposits and give loans) or simply as a service.

It seems Banks are not assuming a meaningful position in their communities and are not perceived as partners, to achieve a better result and to improve their public image concerning ethics, it is important that people perceive them as partners (Nash, 1981) and not as other service or a special entity that that as the function to receive and give back money while gaining interests. A more community friendly approach could be recommended, in order to be more involved the societal issues as the environment, the reduction of poverty, etc. Many sponsorships provided by Banks should go beyond marketing proposes and help produce improvements in their communities.

They state that Bank's ethics has to improve, providing examples from the recent financial scandals or, closely, involving the events of the crisis which occurred in 2008.

### How useful could be nudges to improve Bank's image in what ethics are concerned?

As Thaler demonstrated, nudges are small tools that help the customer achieve a benefit (Thaler & Sunstein, 2008) it appeals to our intuitive system although most of our participants are not familiar with the use of nudges (e.g. one third does not know any examples of nudges or has knowledge about its use). It is interesting to realize how nudges were classified as useful and, largely useful, in a total of 66,67% of answers which is most significant.



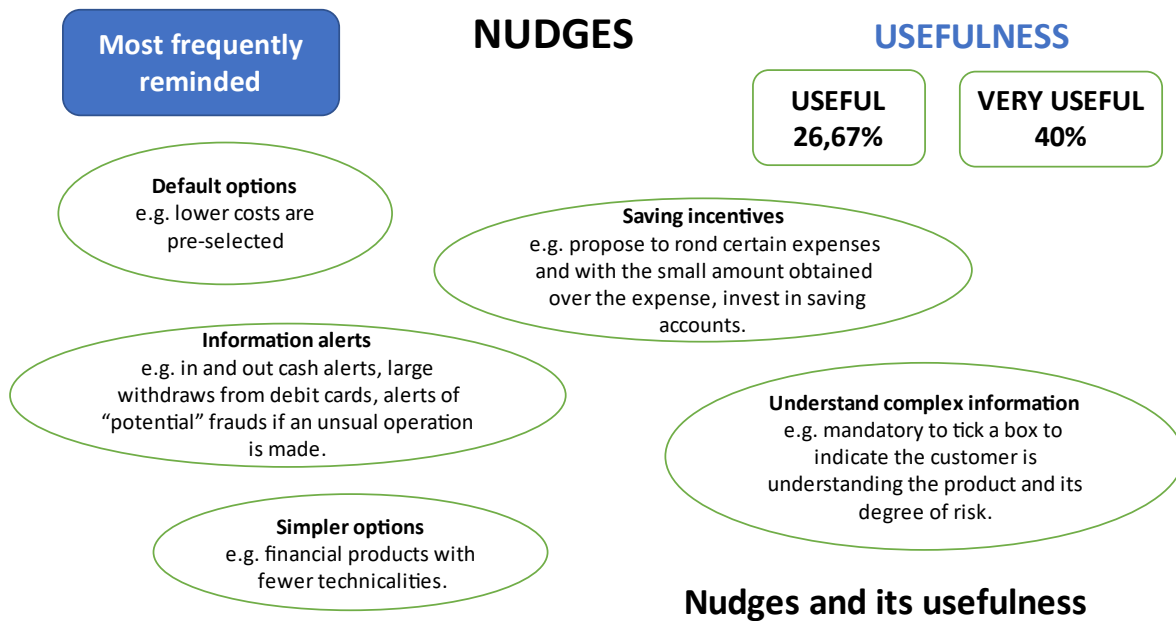


Figure 5 - Nudges and its usefulness

The ones more knowledgeable with the practice of nudges, provided examples of default options which were valuable in evidencing mutual benefits or saving incentives that help clients save more with simple procedures (i.e., Save More Plan versions). Both of them are linked to the principle of an heuristics which provides conditions to decide easier and faster but without their common biases.

Others reminded that many information alerts that contain details about benefits are useful nudges. This nudge helps the user to be accurate about the available information our brain holds and answers, specifically, to Kahneman's availability heuristics that describes people give higher weight to information they easily remember (Tversky & Kahneman, 1973).

The challenge is to demonstrate the usefulness of nudges, allowing its positive effects to be seen and improve the Bank's image.

On the other hand, a couple of questions may arise concerning the harmful use of nudges, Thaler is clear upon the concept it must provide a mutual benefit to both parts (i.e. to the customer and to the Bank) (Thaler, 2018). But its bad usage may mislead people or, even, try to explore any form of heuristics (Tversky & Kahneman, 1974) which could serve as harmful propaganda to promote a product or service.

## Chapter 5. Main conclusions and further investigation

*The good, the bad and the ugly* (Grimaldi & Leone, 1966)  
or in a non-western terminology -*the nudge, the sludge and the lack of Ethics*.

### *The nudge*

#### Main conclusions

Nudges although not very known amongst Bank's officers (e.g. in our study, one third did not know them), have a function considered very useful to the ones who are familiar with its main goal, help the decision-maker achieve better results.

Specific examples were given such as saving incentives and default options, in line with Thaler's contributions to the topic and close to the idea of a Save More Tomorrow Plan where savings' rate increases when you invest more (Thaler & Benartzi, 2004).

Nevertheless, its potential to answer our problem statement, only can be achieved if its intentions are well explicit to customers. Revealing the wish to establish a transparent and mutual beneficial relation, or else, public opinion will continue to mark an ethical behaviour which has to improve (e.g. 80% of participants shared this view most influenced by recent scandals and frauds detected in Banks and the 2008 financial crisis).

To make an improvement in public perception is not enough to sell business ethics as any other "commodity" (Neves, 2007) to achieve a successful result, people have to perceive them as partners (Nash, 1981).

Bank's ethics seems reasonable to the majority of our participants, essentially because compliance and codes of conduct are strong, as Mrs Nouy remarks in her Solvay's speech "ethical behaviour is more than just complying with the letter of the law" (p.3).

The results of our group were interesting when addressing this issue, transparency was the characteristic on the top of their priorities with others following as supportive, clear, feasible, able to sanction, coherent in management. Characteristics that Kaptein identified in his CEV Model. Our research added new findings which enriched the context. Most people also reveal to search for professionalism to figure out his competency, for reputation searching for individual's past actions and closeness, almost like a primitive survival instinct where humans feel safer with people who do not hurt them and allow them to be closer.

In summary, "a professional, reputable and close" organization. In relation to what was said when classifying human characteristics attributed to organizations that fulfil our needs for a trustful relation. In fact, the analysis goes deeply, identifying the impact a good reputation for performance has in increasing commitment towards the organization, meaning that if a leader is seemed has someone competent, trustful and able to influence others in the workplace, the affective organizational commitment is, even, stronger (Neves & Story, 2013).

## *The sludge*

When confronted with the challenge to provide examples for nudges, a couple of our group's participants spoke about incentives that increase the sales of financial products (e.g. offering products or discounts when a Bank account is opened). A significant remark was made by a director of a major Bank when he refers that to achieve results "sometimes account managers develop a too aggressive commercial strategy".

The sludges, by opposition, appeal to our impulsive system like placing chocolates next to the cash register. An example are "golden" credit cards offering many services and special protocols with a couple of brands and, also, acting as a symbol of social status and having high annuities and interest rates. For instance, many customers subscribed risk products without knowing it, referring to the Bank's supervisor that they were convinced they were buying saving certificates.

## Further research

The CEV Model augmented by these three new dimensions could be a tool for managers to measure the ethical organization culture in a Banking environment. The number of participants and broader coverage of the study, in terms of location, gender representation and number of questions asked to collect more relevant data should be taken in consideration.

In order to better understand the extend of the new dimensions (i.e., professionalism, reputation and closeness), it may be significant to study and compare them with results obtained in different industries to analyse if they are strictly arising from a Banking context.

It could also be interesting to analyse the impact of the different constructs on the different types of ethical and unethical conduct. For instance, if the lack of discuss ability could provoke an impact in a intrapersonal misbehaviour such as intimidation, moral harassment or bullying.

## Limitations of the study

First, although using a template analysis where the main goal is to categorize and prioritize the most important dimensions, the number of participants (n=15) involved is quite low. Actually, several templates of the interviews were sent to Banks but, only, a few ones were send back answered. Second, considering the gender distribution is largely male dominant (two thirds). Third, the fact that participants are, mainly, from Lisbon (83%) does not represent a diverse spectrum of opinions outside this region. Fourth, under a time restriction the number of questions were not too extensive (from Q2 to Q14). Finally, only, Kaptein's constructs (Kaptein, 2008) were used as standard to measure the ethical organization culture, other perspectives could present different constructs or dimensions to analyse the ethical culture of an organization.

### *The lack of ethics*

Returning to the classical western, the ugly had a deal with the good both of them knew part of a location for a treasury and agree to trust each other. They would reveal their piece of information and share the content of the treasury.

Ethics is an ancient issue and many kinds of definitions have been given. A significant one, is connected with an individual decision related with “one-self and her conscience. And then, it is character than counts” (Neves, 2007, p.9).

#### The final

In a final truel or, duel with three intervenients, the bad is shot when he tries to kill the good. The third element, the ugly, realises he has no bullets in his gun so he is forced to dig the treasure, as the good observes. After this task he is tied by the neck. The good runs away with half the treasure. Only half?

At a safe distance, the good decides to point and shoot, in a millimetric way on the rope that ties the ugly, allowing him to free himself...next to him, is the other half of the treasure. The good is at the end also ethical!

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## Annex 1

### CEV Model by Kaptein (Corporate Ethical Virtues)

Eight important organizational virtues:

The first virtue is **clarity**, i.e. the extent to which ethical expectations, such as values, norms and rules are concrete, comprehensive and understandable to managers and employees.

The second virtue is **congruency of management**, defined as the extent to which the board and middle management act in accordance with ethical expectations.

The third virtue is **congruency of supervisors**, defined as the extent to which local management act in accordance with ethical expectations.

The fourth virtue is **feasibility**, defined as the extent to which the organization makes available sufficient time, budgets, equipment, information and authority to management and employees to fulfil their responsibilities.

The fifth virtue is **supportability**, defined as the extent to which the organization stimulates identification with, involvement in and commitment to ethical expectations among management and employees.

The sixth virtue is **transparency**, defined as the extent to which ethical and unethical behaviour and its consequences are visible to those managers and employees who can act upon it.

The seventh virtue is **discuss ability**, defined as the extent to which managers and employees have the opportunity to raise and discuss ethical issues, such as ethical dilemmas and alleged unethical behaviour.

The eighth virtue is **sanction ability**, defined as the extent to which managers and employees believe that unethical behaviour will be punished and ethical behaviour will be rewarded, as well as the extent to which the organization learns from unethical behaviour.

## Annex 2

### GUIÃO DO INQUÉRITO ONLINE

Este inquérito online está incorporado numa dissertação de Mestrado da Católica Lisbon School of Business & Economics e tem como objetivo compreender, se a introdução de determinadas opções como são os “nudges” podem trazer melhorias ao contexto financeiro. Em especial, em domínios onde a ética seja crucial permitindo aos consumidores efetuar escolhas que lhe tragam mais benefícios.

A sua participação é voluntária, todos os dados e informação recolhidos serão tratados de forma anónima e com um propósito académico, se precisar de ajuda ou tiver alguma questão sobre o mesmo, por favor queira ligar 93xxx8680.

O inquérito não demorará mais do que 5-10 minutos. As suas respostas serão bastante úteis e irão valorizar o nosso estudo.

Quando clicar em “Iniciar” está a concordar com a sua participação neste estudo.

Muito Obrigada!

Iniciar

#### **Dados Demográficos**

##### **Q2 Género**

Feminino

Masculino

Prefiro não dizer

##### **Q3 Idade**

---



**Q4 Cidade onde trabalha**

---

**Caracterização profissional**

**Q5 Quantos anos tem de experiência na Banca?**

Menos de 5 anos

Entre 5 e 10 anos

Entre 10 e 15 anos

Mais de 15 anos

**Q6 Qual a função que, presentemente, exerce?**

Técnico superior/quadro bancário

Gerente ou subgerente de agência

Chefe de unidade/diretor/diretor central

Outro

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**Q7 Quantos anos de experiência profissional tem na presente função?**

Menos de 5 anos

Entre 5 e 10 anos

Entre 10 e 15 anos

Mais de 15 anos

**Questões mais específicas sobre a atividade bancária e o uso de nudges**

**Q8 Como descreve a forma como os clientes vêem os Bancos (por ex: como parceiros financeiros, como agentes económicos que cedem empréstimos e recebem depósitos, apenas como serviços, etc)?**

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**Q9 Qual a importância para os clientes em identificarem um parceiro financeiro de confiança?**

Não tem qualquer importância

Pouco importante

Importante

Muito importante

**Q10 Quais são os aspectos mais relevantes que os clientes procuram nessa relação de confiança (por ex: transparência, coerência na gestão, etc)?**

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**Q11 Descreva, se é razoável, o comportamento ético desenvolvido pelos Bancos (por ex: no compliance, código de conduta, etc)?**

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**Q12 Qual a sua opinião acerca da imagem pública da ética bancária (por ex: é sólida, poderia melhorar, etc)?**

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**Q13 O “nudge” é uma opção introduzida no processo de decisão que conduz a uma escolha racional e que traga benefícios ao cliente. Numa situação, onde não exista esse claro benefício, não se está perante um nudge. Uma característica importante é ser facultativo, o consumidor pode a qualquer momento, sair da opção.**

**Alguns casos exemplificativos são: opções default com custos mais baixos ou por ex, opções de poupança automática numa % do valor do vencimento efetuadas em conta-poupança sem risco quando do crédito do vencimento, sempre com possibilidade de saída do plano.**

**Dê exemplos de alguns nudges que estejam a ser usados nas agências bancárias.**

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**Q14 Os nudges podem ser úteis para melhorar a imagem pública dos Bancos (ex: medindo numa escala de 0-não têm qualquer utilidade a 4-sim, são bastante úteis)?**

Muito Obrigada pela sua participação!

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## Annex 3

### Full detailed characterization for each interview

Interview	Gender	Age	City where they work	Professional experience	Function	Experience in the function
1	F	40	Lisbon	10-15 years	Manager/assistant manager	10-15 years
2	F	42	Lisbon	More than 15 years	Manager/assistant manager	More than 15 years
3	M	25	Lisbon	Less than 5 years	Senior officer/officer	Less than 5 years
4	M	36	Lisbon	5-10 years	Manager/assistant manager	5-10 years
5	M	32	Lisbon	5-10 years	Senior officer/officer	5-10 years
6	M	55	Lisbon	Less than 5 years	Head of unit/director/senior director	Less than 5 years
7	M	62	Lisbon	More than 15 years	Other	More than 15 years
8	M	60	Lisbon	More than 15 years	Head of unit/director/senior director	5-10 years
9	F	29	Lisbon	Less than 5 years	Senior officer/officer	Less than 5 years
10	F	27	Lisbon	Less than 5 years	Senior officer/officer	Less than 5 years
11	M	48	Bruxelles	5-10 years	Other	5-10 years
12	M	40	Toronto	10-15 years	Manager/assistant manager	5-10 years
13	M	44	Lisbon	More than 15 years	Head of unit/director/senior director	5-10 years
14	F	38	Montijo	5-10 years	Other	5-10 years
15	M	59	Lisbon	More than 15 years	Senior officer/officer	5-10 years