Transferring Rhineland Capitalism to the Polish-German Border: Perceptions of Bank Governance and Practice in Zgorzelec-Görlitz

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Abstract

This article looks at the past development and potential of the Rhenish capitalist model. We discuss the origins and nature of the model and the model in crisis. Because, we contend, Rhineland capitalism's future will be decided in East-Central Europe, we focus – using a questionnaire – on bank customers perceptions of bank governance and practice in the Polish-German city of Zgorzelec-Görlitz The experience of Dresdner Bank is stressed and the fact that the local people not long before lived under Communism. A control group in the UK is used to ascertain the presence of German management traditions as opposed to Anglo-American approaches to management in the context of retail bank markets.

Keywords: **retail banking, corporate governance, UK, Poland, Germany, cross border services.**

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1 Introduction

The historical contexts in which banks operate have much to do with management's goal setting and with outcomes attained. Nowhere has this been truer than in the East German city of Görlitz during the fifteen years to 2005. The region has not only suffered depopulation and massive unemployment (estimated at 25 percent in 2005), which severely limited a local bank's scope of action, but as the region emerged from Communism the banks had to operate within a German banking system that was in crisis. The local manager of Görlitz's Dresdner Bank, Herr Jan Lehmann, when he took up his job in November 2004 had to clarify his management options within this context. He quickly concluded that the economic doldrums on the German side of the border left him little alternative other than to expand his customer base by enticing Poles to cross over the border to his bank (Interview June.06.05). By June 2005, he had managed to attract between 80 to 100 Polish customers who opened a bank account in his branch. These were low risk, transaction oriented customers who could clearly help to achieve his financial performance goals and set him up in a "winning" trajectory for a promotion in 2009. Herr Lehmann was relatively young at 28 years of age and Dresdner Bank was his first and only job. He had been employed there for the last ten years after getting his high-school equivalent diploma and progressed internally.

To clarify his strategy Herr Lehmann invited a team of academic researchers to conducta survey of Polish and German clients, actual and potential, on both sides of the border. The team accepted this task but broadened the focus beyond Dresdner Bank to Görlitz's retail banking problems in general. Beyond reading into banking case studies, banking literature, and doing interviews of local people, the team's inquiry is based on a questionnaire circulated in the region in June and July 2005. This article presents the team's findings. Before considering the results of the local inquiry, however, something needs to be said about Central Europe's banking environment. The remarks will be limited to the economy and the banking systems in which bank managers and their customers had to operate. Both shaped the local inquiry, including the drafting of the questionnaire and its content.

2 The Economy

Since the entry into force of the Second Banking Directive on 1 January 1993, some areas of the Euro zone have been strong economically while others have been weak; this had an obviously effected bank performance. A good example of how a prosperous European environment favored a bank occurred in Ireland at the Allied Irish Bank (AIB). Over a quarter century the Irish economy grew rapidly, in 1983 as much as 15 percent per annum, “a figure far in excess of EEC and US figures” (Harrington and Lawton, 2003). AIB, formed out of several small Irish banks in 1966, expanded with this prosperity, branching out internationally into the UK (1970), the US (1983) and Poland (1995). Despite incurring great losses through a rogue trader’s transactions carried out in its US subsidiary (Allied Bank – created in 1997) with a loss of 789 million Euros in February 2002 (which aroused suspicions of poor management control in the parent firm), the bank consistently, within the dynamic economic environment, showed strong return on equity (ROE). Between 1997 and 2001, the group’s ROE averaged 23.8 percent, earnings per share (EPS) 19.6 percent, and Dividend Growth 18.1 percent. Despite the fraud at Allied Bank, profits increased 8 percent and overall group profits 10 percent. Management seemed to be able to do no wrong.

By contrast the Hypo Vereinsbank (HVB) in Germany, which united two of the largest German retail banks in 1998, had great difficulty operating in Germany’s stagnant economy. Despite management’s high hopes that the amalgamation could produce synergies of efficiency and higher profitability that would improve bank performance in the depressed economic environment (Kelly *et al*., 2000), the results were more than disappointing. See Table 1.

Table 1: Summary of financial performance of HVB Group, 2000-2004

	2000	2001	2002 New	2002 Old	2003	2004
ROE after tax excluding amortization & goodwill	9.2	6.5	(2.8)	(2.3)	2.1	4.9
ROE after tax	8.5	4.9	(5.4)	(4.4)	(19.7)	(17.6)
Cost/Income ratio (operational revenue)	62.6	68.4	72.0	69.1	63.0	65.6
Cost/Income ratio (profits from ordinary activities)	61.8	68.0	73.9	70.4	97.4	68.7
Total assets (bn euro)	716.5	728.6	535.8	691.2	479.5	467.4
Total volume of lending (bn euro)	449.2	503.1	375.8	487.9	338.3	324.6
Shareholders equity (bn euro)	19.6	25.1	11.3	14.2	10.3	11.5
Share price (euro)	60.30	34.32	-	15.22	17.62	16.7
Core capital ratio (percent)	5.4	6.0	5.1	5.6	5.9	6.6

Source: Annual report and accounts, 2004

Hypo Vereinsbank’s performance mirrored those of all commercial German banks, including Dresdner Bank, in a lackluster German economy (Koetter *et al*., 2004). Dresdner Bank tried several strategies to increase profitability before and after Allianz AG acquired it in 2001 and made the banking arm part of a bank-assurance company. It restructured in order, as one study put it, “to insure efficiency and to generate growth.” (Danner *et al*., 2005) But “the trend displayed by the bank’s financial figures consistently shows that with the general economic downturn income went down and costs went up.” (Danner *et al*., 2005). This led to losses (see Table 2).

Table 2: Summary of financial performance of Dresdner Bank Group, 2000 -2004

	2000	2001	2002	2003	2004
ROE after tax excluding amortization & goodwill	24.0%	9.6%	2.0%	-14.1%	3.1%
ROE after tax	15.1%	1.3%	-6.6%	-15.4%	0.8%
Cost/income ratio	77.0%	89.2%	101.2%	88.2%	85.1%
Total assets (bn euro)	483.4	506.6	413.4	477.0	523.9
Total volume of lending (bn euro)	225.3	219.2	123.0	102.0	94.8
Shareholders equity (bn euro)	13.0	21.6	11.9	11.5	11.0
Share price (euro)	46.3	42.2*	51.1**	n/a	n/a
Core capital ratio (percent)	6.3	5.5	6.0	6.6	6.6
Number of employees (thou)	45.1	45.7	39.7	34.9	30.1

* = Take over announced. ** = Last trading price. *Source*: Annual report (2004) and Danner *et al.* (2005).

The fall of Communism had not helped matters. Average incomes in former Communist Central Europe only amounted to one-quarter of those of Western Europe. Most people were poor by EU standards, and even for those with money to spare, the idea of entrusting it to a bank was quite foreign. Borrowing less developed, bank loans to the private sector amount to 33 percent of GDP in Central Europe, against 91 percent in the Euro-zone. The banks were expanding into a backward area. In any event German commercial banks could not rely on retail banking to improve income streams, for this sector is largely in the hands of savings banks (*Sparkasse*) and regional banks (*Landesbanken*) in Germany. In 2004 commercial banks only had 20 percent of the retail banking business in Germany (Dresdner Bank's share was just 4 percent).

Moreover, the banking sector in the former East Germany suffered from a credit crunch following initial post-unification massive investments in real estate. Rents collapsed because of depopulation that left twenty-five percent of the building in the new German states empty of tenants. Owners, without rent incomes, walked away from their loans and the banks suffered from a credit crisis. From 2000 to 2003 there were lots of bad loans in Germany; Dresdner Bank during the period, to improve its balance sheet, sold off 200,000 euro worth of bad loan on the credit market for 100,000, thereby sacrificing fifty percent of their value in the transactions. Since loans produced zero profits, management encouraged their people to sell other products. But the Germany bank only sold 2 services per customer (in Görlitz it was 1.8) compared to five in the United States and the United Kingdom (Lehmann interview, 5.06.05). In our interviews with Lehmann, he stressed the lack of opportunity on the German side of the border. Small wonder, then, with the population and the economy growing on the Polish side and unemployment ten point (16 percent) less than on the German , that Lehmann looked across the Neisse to expand his customer base.

3 The Banking System

3.1 The Rhenish Model

Second to the general economic context is that formed by the ownership and management under which banks in Germany operate. We are use to looking at this East-Central Europe context in Cold War terms. The Post1945 division produced radically different situations in Communist East and Capitalist West – a division that has been particularly painful to Germans, running right through their country as well as through the heart of Europe. There was the socialist east with state ownership and management through a command bureaucratic structure; there was the capitalist West with privately owned firms each managed by entrepreneurs and private management structures. Along side this famous split exited another that is less known but which produced a quite significant clash of contexts inside the capitalist West. The French businessman Michel Albert in his influential book *Capitalism against Capitalism* (Albert 1993) used the nomenclatures of Rhenish or Rhineland capitalism vs the Atlantic or Anglo-American capitalist system to identify them. In other words, East Germany may have been a communist state cut off from West Germany but West Germany has also been separated with its Rhenish Model of capitalism from the Anglo-American dominant Atlantic capitalist system. This distinction is significant because it manifests itself everywhere in an economy, including of course in banking at the macro (i.e. organizational) and micro-(i.e.retail bank branch) level. In order to clarify how the models express themselves in banking, we need to look at how each defines the nature of the private firm with regard to governance and its relationship with the outside world.

The Rhenish Model conceives of the firm as an Entity (An Entity Conception of the firm). The concept has affinities with biology for the firm is thought of almost as a living organism, composed of parts that are each vital to the firm's existence. The firm's purpose is to grow, to prosper and to do everything necessary to nurture the parts essential to its existence. The components of the firm are the capitalist owners (the individual capitalist or family proprietors in the small firms, the stockholders in the large publicly traded corporation), the employees, who collectively constitute the firm's know-how and skills and as such are as integral a part of the firm as the capitalist who fund it, and the firm's clients or customers who pay for the services and products that the firm generates. Two points need to be stressed in this entity idea.

One is that the employees have, as stakeholders, a legal right to participate, along with the owners, i.e., stockholders, in the firm's governance. In English we call this "employee participation," in German *Mitbestimmung* (co-determination). The idea of employee participation is rooted in 19th century German industrialization. It gained respectability in the Second Empire, when Emperor Wilhelm II, in a reformist mood, incorporated it into a speech in 1890, asking for the creation of worker-representative bodies within factories that would defend employee interests in negotiations with employers. The resulting Law for the Protection of Labor granted the workers joint consultation rights (*Mitberatungsrecht*) on social matters. This was not co-determination (*Mitbestimmung*) but the law authorized the organization of plant committees in all factories covered by the Industrial Code of 1869, if they had more than 20 employees. It required management to issue and abide by shop regulations spelling out relations with workers.

As Germany fell to pieces in the chaos of defeat in 1918, employee participation in management took a big step forward. In the revolution month of November 1918, employers, fearing Bolshevism, capitulated almost entirely to unions pressures, and their associations signed collective agreements which gave employees rights of co-determination with management in social policy and the right to be consulted in personnel and economic decision-making. The following July (1919) a socialist-liberal-progressive majority in the Constituent Assembly wrote co-determination into the Weimar Constitution: Article 165 called for "the equal participation of blue- and white-collar workers (*Arbeiter* and *Angestellte*) in the economic development of production forces. The Third Reich revoked the rights granted, but defeat in 1945 brought renewed efforts to enshrine co-determination into West German management Shortly after the founding of the Federal Republic of Germany, the Legislature passed the Co-Determination Law for the Iron and Steel Industry (1951) and then the following year, a Works Constitution Act. This legislation did not give employees full rights of co-determination with owners, but, as strengthened in the legislation of 1976, it did offer them, if not parity, at least extensive rights of co-determination in the governance of a firm. This short history is stressed because it shows that Rhenish capitalism has depth in Germany.

The second point in the Rhenish model has to do with the firm's relationships with its customers and/or clients. Perhaps the word client is more a propos in the Rhenish capitalist context. While the word "consumer" is better suited to mass-consumer marketing, client describes a person who has a long-term relationship with a firm, one that the firm has particularly nurtured. The Germans have a "kingly merchant" (*koeniglicher Kaufmann*) tradition whose credo is that success depends on the excellence of a firm's reputation rather than slick advertising, and that trust rather than persuasion defines the relationship between the firm and its clients (*Buchenau*, Tools of Progress.)

The "Atlantic or Anglo-American" model of capitalism is based on a proprietary conception of the firm. Accordingly, whereas in the "entity" concept, the business enterprise is a body which is separated and distinct from those who provide its funds, in this proprietary view, it is not (Moores and Steadman, 1986). The capitalists in fact not only own the firm but they are co-extensive with the firm. The employees are, therefore, just a resource, like raw materials, that the firm uses to make money. For the proprietors, the firm is a *Geldfabrik*, a money making machine which operates to maximize return on the stockholders' or the owners' investment, in the form of profits, dividends and/or from added value that accrues to stockholders when the firm's stock performs well on equity markets. The great difference between the proprietary model and the entity model is that in the entity model the employees are legally empowered to participate in the firm's governance. The proprietary model excluded employees from the firm's governance which is the exclusive right of the owners, i.e., stockholders who select the management. The large proprietary firm of the Atlantic Model also differs from that of the Entity firm in its relationship to the outside world. Operating in large markets, American management created the mass consumer society, which is based less on trust than on persuasion: marketing, advertising, and product merchandizing gimmicks.

Banks like all large firms in Germany live within the Rhenish model. They have co-determination built into their forms of governance, through employee representation on a bank's Supervisory Board (*Aufsichtsrat*) which select the firms Managing Board (*Vorstand*) in their two-tiered board management system. A bank's works council (*Betriebsrat*), that is elected by its employees, also has co-determination rights in employee training and other social matters and rights to be consulted by the managing board in economic matters. German banks are famous, too, for operating within the "kingly merchant" tradition. Small German firms usually have long-standing relationships with a *Hausbank*. Large German firms traditionally relied on big banks for their financial needs. The bank's officers, to cement prolonged relationships, sat on the Supervisory Boards of their client firms and the *Hausbank* held client company stock.

By contrast, since Anglo-American firms use equity markets for money needs, banks in their system are less involved in corporate finance. Firms utilize stockbrokers and public relations firms to float stock and bond issues. They often expand through merges and acquisitions and unfriendly takeovers, rather than through reinvestment of profits or from money borrowed from banks. Finally, Anglo-American banks like other firms operating in a mass consumer society's large markets, have come to base their marketing of services and products less on trust than on persuasion, i.e., on marketing, advertising, and product merchandizing gimmicks.

3.2 The Rhenish System in Crisis

For decades while the Rhenish and the Anglo-American forms of capitalism co-existed and flourished, the distinctions between them did not mean very much. The Americans prospered and West Germany developed the strongest economy and the richest society in Europe. But in the late 1970s and 1980s, when Corporate Japan challenged the Anglo-American Model, it came under attack. The immense literature on the subject, which is mostly forgotten today, singled out, in particular, how an "organic" conception of the firm, as opposed to an (American) "mechanistic" concept, led to better work processes, to quality products and better marketing, and how a system of *Hausbank* finance, as opposed to equity finance, permitted management to take a healthy long-term view of its business rather than to be hobbled by the short-term perspectives that under the Anglo-American system went with management's need to keep stock values high in order to satisfy investors (Locke, 1996). The Japanese chiefly drew praise but so did Germany's Rhineland model. Now, fifteen years after the Collapse of the Communist block, after a time of unrelenting globalization, this discussion of Anglo-American capitalism's deficiencies seems decidedly *passé*. In fact the arguments are now reversed. The advocates of the Atlantic capitalist system are assaulting the Rhenish model (and the Japanese).

The source of this attack is two-fold. First, it stems from America's leadership in the Information Revolution. That sprang from the information technologies that the U.S. developed to fight the Cold War. Only the U.S. had the financial capacity, the commitment, and the global reach to support sustained development of the new Information technologies. This support gave them leadership. It arose, too, from peculiarities in the commercialization of this defense induced Information technology. The commercialization did not happen as much through huge Fortune 500 companies through a high-technology start-up culture that was especially dynamic in America (e.g. in Silicon Valley) (Locke and Schoene, 2004). The second source of this attack on the Rhineland model stems from the globalization of finance, manufacturing, and services which the Information Revolution, through the Internet, encourages and which the collapse of communism favored. The new technologies allowed investors every where to trade in equity markets, twenty-four hours a day and for the flow of monies to increase dramatically, and it also let firms move to low-wage skilled and unskilled labor markets.

3.3 "The Kingly Merchant Tradition"

Within this new environment, the kingly merchant tradition in banking suffered, for Anglo-American capitalism proved to be better suited than the Rhenish Model to the Information Revolution. Atlantic Capitalism fostered angel and venture capital networks that provided funds for start-ups and the creation of initial public offerings (IPO) on equity markets (such as NASDAQ) when the start-up firms arrived at the stage in their growth to go public. Anglo-American Capitalism's modes of finance, because rooted in equity markets, facilitated mergers and acquisitions, debt management, and capital acquisition generated on the expanding global stock markets. Although German banks counseled their clients in the "kingly merchant tradition" on business matters, they began, following the Anglo-American banks, to market new products and services. These included different loan packages, credit cards, insurance, and electronic banking through automated teller machines (ATM) and on-line services. The biggest shift in their banking practice came when the Commercial banks, above all Deutsche Bank and Dresdner Bank, in order to establish a reputation as security traders and business consultants in the new international environment, increasingly disengaged themselves from *Hausbank* functions in German industry. Fewer bank executives by the turn of the 21st century sat on the Supervisory Boards of large German concerns. Whereas, for instance, in 1974 private German bankers occupied over 20 percent of the supervisory board seats in the 100 largest German companies, in 1993 this percentage dropped to a mere 6.3 percent (Lütz, 2000). Banks acted less as *Hausbanken* for large companies and held less of their clients stock in their portfolios.

To overcome a lack of experience even in their home markets German banks sought to import Anglo-American expertise. German commercial banks joined a move by other European banks (like that made earlier in the in the UK by Barclays Bank and Midland Bank) and developed investment banking activities by acquisition rather than internally. Deutsche Bank, for one, turned to the UK and the US to recruit staff well versed in the ways of capital markets and it bought Morgan Grenfeld, the UK merchant bank, in 1989 and Bankers Trust, the US specialist in hedge funds, in 1999. Dresdner Bank acquired UK-based

Kleinwort Benson in 1995 and US-based Wasserstein Parella in 2000, attempting to expand into the global big league of underwriting, sales and trading, and merger advice. Still in 2004, the investment arms of the two major German commercial banks (Deutsche Bank and Dresdner Bank) combined had, within Germany, only 38.3 percent of the mergers and acquisitions, 21.8 percent of the equity market, and 16.3 percent of the debt market business (*The Economist* 13/Nov/2004, p.82). J.P. Morgan, Morgan Stanley and Goldman Sachs beat the German banks at home because it was an American kind of capitalism. The position of German banks was so bad that a German agency *Kreditanstalt fuer Wiederaufbau* thought it best in order to optimize results in the privatization of Deutsche Telekom, the German telephone company, that large blocks of shares be auctioned through foreign investment banks rather than through the investment bank arms of Deutsche Bank, Dresdner Bank and other German banks (*The Economist* 27/March/2004, p. 75).

Not only did big earnings in the trading and securities business fail to materialized but German commercial banks could not fall back on retail banking as a source of potential growth and to improve income streams. Unlike the situation in the UK where commercial banks successfully diversified through retail finance (but similar to what initially Banco Santander and Banco Bilbao Vizcaya faced in Spain), Deutche Bank, Dresdner Bank and Commerzbank knew that retail financial markets in the Rhenish model had largely been in the hands of savings banks (*Sparkasse*) and regional banks (*Landesbanken*). Despite trying its hand at retail finance, Dresdner Bank in 2004 only had 4 percent of the retail banking business in Germany.

Deutsche Bank and Dresdner Bank decided that for survival they needed to change. They moved quickly onto the turf of Anglo-American capitalism, trading in securities and engaging in business consultancy. German commercial banks also decided to push credit cards, mutual funds, life insurance, and other fee-earning products and services customary in US retail banking today. They shifted from the kingly merchant tradition in retail banking, from an environment of trust towards one of persuasion.

If deemed necessary, the steps were not easily made. Dresdner Bank found that out with the acquisition of Kleinwort Benson and Wasserstein Parella. The acquisitions which amalgamated Dresdner Bank with investment banking operations in the US (which had been developed as early as 1967) to become Dresdner-Kleinwort-Benson in 1995 and Dresdner-Kleinwort-Wasserstein (DKW) in 2000. The losses of DKW since its formation were in the millions. This lackluster performance resulted in Dresdner Bank, the parent company, moving from an operating profit at the formation of DKW in 2000 to a massive operating loss in 2002 – when Allianz took over Dresdner Bank.[1]

[1] Specifically, operating profits of 906 and 694 million euro in 1999 and 2000 turned to operating losses of 844, 2308 and 228 respectively in 2001, 2002 and 2003. Then 2004 saw a return to profitability with operating profits of 611 million euro, which were still below those of 2000 but above 1998'a performance of 405 million euro (Dresdner Bank, Annual Report and Accounts, 2004).

3.4 Co-determination

Although Americans did not detest the Rhenish Model of Capitalism like they did Communism, the co-existence of the Rhenish and the Atlantic models has always been an uneasy one because of co-determination. General Lucius Clay, who headed the occupation authority in the U.S. Zone after the war, stymied German efforts to introduce co-determination modes of management in German business as Germans assumed increasing control of their civil government in the late 1940s. The American High Commissioner, John J. McCloy, when the Federal Republic appeared in 1949 was not neutral about German efforts to create co-determination. Although recognizing Germany's right to decide the issue for itself, he told German trade unionists not to be surprised when Americans refused to invest in companies co-managed by workers. This was a not too subtle pressure against the adoption of the legislation. American private business for its part openly opposed the introduction of co-determination. Getting wind of the proposed German legislation, the National Association of Manufacturers sent a delegation to Europe led by Eldridge Haines to lobby against the bill. Gordon Michler, head of the German Committee in the American National Foreign Trade Council, joined the transatlantic sojourn to speak against co-determination. And in America a representative of the National Association of Manufacturers wrote an open letter to the German Council in New York, published in the New York Times, warning that Americans would not invest in German industry if the co-determination bill passed. (Locke, 1996)

Sometimes the Americans stated, as in the New York Times article, that co-determination was a "new socialism in the relations between capitalism and labor." (Locke, 1996). But they usually, taking a proprietary viewpoint, just stressed that the co-determination regime robbed stockholders of their right of control. The critique also stressed that worker involvement in management would bring inefficiency. One commentator, Gilbert Burck, stated in Fortune magazine, after the bill passed (1951) "German labor managed to hang what may turn out to be a millstone on the necks of management, consumers, and itself. When management and labor go to bed together, it is usually the consumer who gets raped." "Co-determination," he continued "was the worst possible approach to making the economy more dynamic" because it would lead to "crippled national productivity, a retarded standard of living, and cartels."(Anonymous 1954). When the Social Democrats enhanced employee participation in co-determination in the mid1970s, the Americans again protested. Henry Ford III, visiting his company's factories in Cologne at the time of the debate in the German Bundestag, deplored the new legislation's infringement on the prerogatives of management. (Reported in New York Times, 17 Oct. 1975).

Americans, with their tradition in marketing and persuasion, blame bad performance in German banks on Rhineland forms of management. They are confident about the superiority of the Atlantic management model. The US invented the term and the phenomenon "management" in the 20th century. Between 1948 and 1966, David M. Gordon reports, "…the ratio of supervisory to non-supervisory employees in the U.S. private business sector increased by nearly 75 percent – from roughly 13 supervisory per 100 nonsupervisory employees to more than 22." And American higher education with its graduate schools of business and management and its MBAs developed a system of education to buttress the position of this rising managerial caste. In America management grew to be, to use Heinz Hartmann's words, "a fourth production factor, a strategic variable for the development of the firm." (Locke, 1996). It separated itself, the thinkers and planners, from the others employees in an organization, the doers. It assumed the mantel of responsibility to the owners in the proprietary model of the firm, worked out the tools of management it used, codified them in lexicons of management, and paid itself handsomely for its effort. In the late 20th century compensation in Japan of major CEOs, was 17 times that of the average workers, in Germany, 23-25 times; in America the CEO/worker pay disparity was 85 to 100 times greater. The disparity doubled during the 1980s and has continued to grow ever since. (Locke, 1996).

US capitalism might pretend to offer a "whiter than white" governance alternative for multinational companies including banks, but in the Enron, Worldcom and Xerox examples in the US as well as Paramalt in Italy, US banks (i.e. Bank of America and Citigroup) played an active role in facilitating the transactions that allowed inept management to bring about the fall of their companies. These banks did not foot the bill, instead the stockholders and the taxpayers had to pay for their mischief. Certainly, therefore, the American charge against Rhenish management is open to question. But here we are not talking as much about actual performance as with perceptions about performance. Management ineptitude might not have had much or anything to do with the comparatively poor performance of German banks but management has been perceived to have contributed to German business decline, by Americans and increasingly by more and more Germans.

Whether or not in the new circumstances Rhenish capitalism survives and in what form depends ultimately on its ability to compete in Europe and on Europe's ability to compete globally. That is also true of the Anglo-American system. In this regard management in the latter has more flexibility to achieve goals. But easy judgements about managerial "efficiency" cannot be made because goals differ in a "proprietary" as opposed an "entity" conceived firm. Management in the "proprietary" firm seeks to maximize return on investment (ROI) and shareholder value. This idea drives its view of "efficiency." German business economists began debating the issue as early as the 1920s (Locke, 1984). One school, headed by Wilhelm Rieger of the Nuremberg Commercial Institute took an Anglo-American position. They simply said that the firm had to be considered a *Geldfabrik*. A firm's efficiency could be measured in terms of ROI, the more the return on investment, the more efficient the firm. It is the proprietary conception. But a second school, headed by Heinrich Nicklisch, of the Berlin Commercial Institute, considered "efficiency" from the perspective of the firm-entity. A firm's efficiency had to be gauged by how well all it parts flourished, i.e., its stockholders, employees, and customers, i.e., the efficiency with which is served the community. If ROI were paid at the expense of the workers or customers, it would be a poor yardstick for measuring efficiency. There is important evidence in the US today that profitability, ROI, in famous and not so famous U.S. firms is being distributed at the expense of the firm's employees, whose health plans and retirement schemes are being reduced or dropped. The wealth generated by the firm is being redistributed from employees to stockholders and top management.

This should surprise nobody. The money a firm earns might result from economic efficiency in the market, but how this money is distributed within the firm is based not on economic efficiency but power, juridical based power. With the Supervisory Board in a German firm composed 50 percent of employee representatives, the firm would not pay its top management board (*Vorstand*) the sort of salaries and benefits paid to American corporate executives. There is no evidence that higher management salaries bring better performance. If the firm is considered to be an entity, its employees could not be treated similarly to employees in U.S. firms: fired without or with little notice, robbed of pension funds which the firm's management hadsthe exclusive legal right to administer or to plunder. Nor could the Rhenish firm so easily be moved offshore at the expensive of its domestic labor force in order to increase ROI to its stockholders.

In this inquiry, then, the stakes are high. They are high for banks' top managers who have to improve profits in a difficult home market. At Dresdner Bank, they have seemed to be rudderless in the bad economy. After trying to enter investment banking (with Dresdner, Kleinwort and Wasserstein) where they expected big money to be earned and instead incurred heavy loses, management seemed to reverse its course when it joined Allianz AG and became a bank-assurance company. The stakes are also high for Dresdner Bank's regional director and other bank directors in Görlitz who, under pressure from parent banks to cut costs and improve earnings, have had the additional disadvantage of operating in a part of Germany that is particularly depressed economically and demographically. In the Dresdner Bank retail branch in Görlitz, decisions by executives in Frankfurt resulted in a reduction of personnel by twenty-five percent in the three years to 2005. They put pressure on employees to replace fixed salaries with pay-by-performance schemes. This smacked of Anglo-Americanization. The stakes are high, too, for bank customers, not only because they need bank loans and services delivered efficiently but because they need banks that reflect and support community values. The difference between the Rhenish and the Anglo-American model in this respect is great. There is a certain irony in East Europeans having to make this systemic choice. Rhineland capitalism developed in West Germany; now its ultimate survival seemed to depend on its ability to spread to the New Europe in the former Communist areas, to places like Görlitz and the Nysaland border region and beyond. The Poles who live there had no experience with Rhenish capitalism, and the East German experience with it has been of very short duration. The two peoples also lack experience with the Anglo-American banking model. Their past had been Communist. Whether after fifty years, it had made them more susceptible to the adoption of the Rhenish model in the banking sector than the Anglo-American, within a depressed economy, was not clear. So the team set out in its questionnaire to find out.

4 The Design of the Survey and Questionnaire

4.1.1 Response Categories

Archival research and three in-depth interviews helped to frame the questionnaire about cross-border banking practice in retail markets in the Zgorzelec-Görlitz region and the state of the Rhenish model of governance. Archival research considered

1) transcripts of three separate, one hour, in depth interviews with bank CEOs and heads of planning in Germany. These interviews took place in June 1999 in Munich and Frankfurt and included managers with direct responsibilities in the Dresdner Bank and HypoVereinsbank. Transcripts of two similar in depth interviews with executives of Allied Irish Banks (AIB) were also available. They provide basic information about major areas of concern for commercial banks (see further Bátiz-Lazo and Wood, 1999; Bátiz-Lazo and Wood, 2003).

2) a consultant's report on the strategy of AIB in Poland. This report, dated in 1999 had been commissioned because of the frustration of Irish managers with the lack of progress in the process of amalgamating recently acquired operations in Poland. The report considered issues on how to best deal with Polish employees as well as Polish clients in retail financial markets.

3) 30 teaching case studies deposited at the European Case Clearing House in Cranfield between 1998 and 2005. Teaching case studies are primarily a didactic tool. However, selected cases were all based on field work and helped identify issues of high strategic priority for banking in Germany and Poland.

4) 25 articles and business surveys published between November 1998 and June 2005 in the *Financial Times* and *The Economist*. The articles focused on banking in Germany and, Eastern Europe, or on Dresdner Bank.

The analysis of transcribed interviews, the consultant's report, teaching case studies, newspaper articles and surveys strengthened triangulation throughout the research (Yin, 1984; Eisenhardt, 1989; Robson, 1993). Along side archival research, four separate in depth interviews with Mr. Lehmann of the Dresdner Bank took place between May and June 2005. Notes were made during these interviews. Again, triangulation with several sources helped to avoid relying on this single informant to ascertain areas of greatest concern to Dresdner Bank in Görlitz.

From these sources the basic agenda that shaped the questionnaire about retail financial market in the Zgorzelec-Görlitz region emerged. It postulated three broad areas in local banking for the interviewer-administered questionnaire to cover:

1) Questions pertaining to employee participation,

2) Questions pertaining to the bank's relation with the outside world, the "kingly merchant" tradition, and

3) Questions that were specifically about cross-border banking practices of Poles into Görlitz.

The participants worked up a total of 53 questions on the three topics which were originally drafted in English. Native German and Polish speakers then translated the questions into German and Polish. Following the same procedure, German and Polish versions were independently translated back into English in order to assure ourselves each version portrayed the same meaning and different versions were consistent with each other.

When perceptions of service might not actually be transactions in retail financial markets, SERVQUAL measures are the tried and tested model to find the gap in service expectations. However, given the exploratory nature of our survey it seemed more appropriate to use inductively developed questions, based on a five point Liker scale, throughout the interview schedule for response categories, rather than categories based on the SERVQUAL model. Moreover, for purposes of greater clarity during the discussion the five point Liker scale (that is whether respondents “strongly agree, rather agree, are indifferent, rather disagree, or strongly disagree”) was compressed into three categories:

1) Agree (which collapses strongly agree together with rather agree)

2) Indifferent (which means the respondent considered the question unimportant) and

3) Disagree (which collapses together strongly disagree with rather disagree).

4.1.2 Targeted Population and Research Methods

According to Mr. Lehmann, Polish clients who had opened an account in Germany represented 0.25 percent of the total clients with a current account at the Dresdner Bank retail branch in Görlitz. Considering the lack of a detailed population list of actual and potential Polish individuals (and businesses) willing (and able) to engage in retail banking transactions in Germany, we thought the use of a postal survey inadequate when approaching a larger group of people with a similar profile. Surveying by email and telephone also proved fruitless. Mr. Lehmann and a consultant firm banking with him drafted a roster of 122 German and Polish contacts. This list of potential contacts included telephone and email details for 25 Poles and 97 Germans, of which 11 and 32 had indicated a willingness to collaborate with the study. In the end, no Poles and only 15 Germans actually responded. Despite Mr. Lehmann’s personal intervention, moreover, few Polish customers of Dresdner Bank Görlitz participated in the survey, too few to be helpful. Hence our original intent to make local Dresdner Bank clients a special part of the investigation had to be dropped.

Instead, canvass workers delivered by hand self-administered questionnaires to randomly selected long-term residents of Zgorzelec and Görlitz. The personal delivery of self-administered questionnaires to randomly selected people who appear at the location of interest is considered a valid surveying technique and has been successfully used in a number of contexts (Dillman, 2000).

In total 91 questionnaires were collected from Poles (35 percent), 90 from Germans (35 percent), on a random basis, in the Zgorzelec-Görlitz region. The work procedure resulted in a 95 percent response rate for randomly selected people in Zgorzelec and Görlitz. A further 80 questionnaires were collected from a control group in London (30 percent of total). This group, also randomly selected, had the advantage of being far from a border region, unlike those living in Zgorzelec and Görlitz. The group in London also had no direct experience with a Communist regime, strong unions or legislation promoting co-determination. Moreover, the population of London lived in a world-class financial centre and was ethnically diverse unlike the ethnically homogeneous population in Zgorzelec and Görlitz.[2] London and the UK also had had higher employment[3] and economic growth[4] levels than Poland and Germany in the five years to 2005. Both sterling and zloty had a free float exchange rate regime with the euro because both the UK and Poland pursued an independent monetary policy. Given this dissimilarities, the London group constituted an excellent control group for the Poles and Germans who contributed to the survey.

We carried out Analyses of Variance (one-way ANOVA) to test differences in the average value of the responses. Categories emerged around five groupings, namely:

- national origin: as mentioned 91 Polish contributors represented 35 percent of the total respondents, 90 German 35 percent of total and 80 British 30 percent of the total;
- gender: there were 129 males (49 percent), 118 females (45 percent) and 14 undisclosed (5 percent) contributors;
- age: three contributors were 19 or less years of age (1 percent), 117 contributors were between 20 and 34 years (45 percent), 88 contributors between 35 and 49 (34 percent), 32 contributors were between 50 and 64 (12 percent) and 5 contributors were 65 or older (2 percent). Sixteen failed to disclose (6 percent);
- employment status: forty-two respondents were unemployed (16 percent), 180 were employed (69 percent) and 28 were self-employed (11 percent)[5] while 11 failed to disclose (4 percent); and

[2] The preeminence of ethnical and cultural diversity in London was evident as nine respondents (11 percent) identified themselves as proficient in non-European languages such as Urdu (4 respondents), Hindi (1 respondent), Aafrikaan (1 respondent), Arabic (1 respondent) and dialects of sub-Sahara Africa (4 respondents). This as opposed to purely European languages for Germans (English, French, Spanish and even Latin) and Poles (German Russian and English).

[3] The Regional Statistical Office for the State of Saxony (*Statistisches Landesamt Sachsen*) estimated open unemployment in December 2003 for Görlitz at 25.9 percent and 24.0 percent for Zgorgelec (http://www.statistik.sachsen.de, accessed 14 Aug 2005). At the same time, between 1992 and 2004 unemployment in Saxony had been growing at a annual average rate of 2 percent to 9.6 percent. Unemployment in London was estimated at 7 percent in 2005 (http://www.nomisweb.co.uk/, accessed 14 Aug 2005).

[4] According to Eurostat, average growth in per capita GDP between 2000 and 2005 in Germany, Poland and the UK was 1.08 percent, 2.18 percent and 3.71 percent respectively (http://epp.eurostat.cec.eu.int/, accessed 14 Aug 2005).

[5] Interestingly one Polish contributor and three British were single traders (together representing one percent of the sample), 26 worked in firms with one to nine persons (10 percent), 63 in small firms of ten to 49 persons (24 percent), 32 in mid-sized firms with 50 to 250 employees (12 percent) and 83 in large firms of 250 or more employees (32 percent) while 53 contributors (20 percent) failed to disclose.

- level of education: twenty one respondents only had ten years of basic schooling (8 percent), 65 a high school certificate (25 percent), 54 an apprenticeship or vocational training (21 percent), 83 university degrees (32 percent), 31 postgraduate qualifications (12 percent) and seven failed to specify (2 percent).

Where appropriate, one-way ANOVA were followed by post-hoc comparisons using a Scheffe test. The post-hoc comparison allowed us to avoid making any *a priori* statements about how the above categories could influence a perception of employee participation or a perception of the 'kingly merchant' tradition.

For this borderland region we were interested in the other factors (education level, age, employment, etc.) only in so far as they effect what the questionnaire tells us about national outcomes and comparisons in the three subject area, for, if responses to questions differed by education levels, etc., and the distribution of these factors was not quite the same in each national group, then factors other than national outlook could influence the national comparisons. Generally that was not the case, but there were some exceptions. In questions about employee participation respondents with university degrees opposed co-determination (up to 53 percent for one question) while respondents with 10 years of schooling favored it (up to 58 percent in one question). And post graduate degree holders favored co-determination the most (up to 65 percent in one question). In questions about age, the older respondents opposed co-determination much more than the younger (up to 56 percent in one question for age cohort 50-64 opposed, up to 34 percent in age cohort 35-49). Among the self-employed a higher percentage of respondents (up to 48 percent in one question) opposed employee participation in management than among the employed (up to 34 percent).

Since in the general pool 75 percent of the self-employed were German, 21 percent British and 4 percent Polish, the distribution affected comparisons about national outlook. The same was true in education, more British had 10 years of schooling in the pool (52 percent) than Poles (33 percent) and Germans (14 percent). More Poles were university graduates (42 percent) than Germans (31 percent) or British (27 percent). For age distribution, 38 percent of the 50-64 cohort was Polish, 35 percent German, and 13 percent British.[6] These percentages when statistically significant were not numerically so; they often covered a small number in the cohort. If 65 percent of the British aged 50-64 in the pool favored co-determination, that was only 3 people, if 84 percent of the post graduates in the cohort were British, that only amounted to a handful of people.

Differences between groups, then, were overwhelmingly statistically significant (at the 95 percent level) when dividing the sample by national origin and these were true national differences, not distortions of differences introduced by age, education, and other factors. National differences were more noticeable for questions about employee participation than about expectations in banking services. Results of statistically significant national differences in the average score are now discussed in detail.

[6] For the sake of brevity the results of these calculations are not offered here but are available from the corresponding author upon request.

5 Employee Participation in the Governance of Banks

5.1 Participation

This part of the survey discusses, from different perspectives, a total of ten questions that confront the issue of employee participation in the management and administration of banks.

Three questions deal directly with banking employees participation in management. One considered it as a matter of right, the right of employees to participate as in the entity concept of the firm: "Employees in a bank, to protect their interest, should have an important voice in the firm's management." Another takes the opposite track: "A firm's stockholders (owners) have the exclusive right to select a bank's managers." This expresses the proprietary concept of the firm. The third asks if the firm the respondent works in, given the choice, "should adopt schemes where employees take part in the management of the firm." It is not about banking firms but about the many types of firms in which the respondents work. With this question, the subject of worker participation in management becomes less abstract to the respondent because it is about his/her specific workplace. Table 3 below summarizes survey results.

Table 3: Respondents view of participation of employees in management (Ger, Pol and UK) - 2005
(Percent of total responses. Missing values excluded.)

		Polish		German		British	
Employees in a bank, to protect their interest, should have an important voice in the firm's management.	Agree	6	7%	15	17%	59	74%
	Indifferent	27	31%	17	20%	17	21%
	Disagree	53	62%	55	63%	4	5%
	Sum	86	100%	87	100%	80	100%
A firm's stockholders (owners) have the exclusive right to select a bank's managers.	Agree	30	35%	31	36%	32	40%
	Indifferent	25	29%	22	26%	13	16%
	Disagree	31	36%	32	38%	35	44%
	Sum	86	100%	85	100%	80	100%
If given the choice, my firm should allow employees to take part in the management of the firm.	Agree	10	12%	17	21%	53	67%
	Indifferent	30	35%	24	29%	16	20%
	Disagree	46	53%	41	50%	10	13%
	Sum	86	100%	82	100%	79	100%

Sixty-two percent of Polish respondents to the first question and 63 percent of the Germans thought that employees should not have a right to participate in a bank's management. Only seven percent of Poles and 17 percent of Germans thought they should. On the other hand, in the British group 74 percent of the respondents thought that employees have a right to participate in management, 5 percent thought not. The rest of the answers were "indifferent."[7] For one question 35 percent of the Poles thought stockholders should have exclusive rights to select management, 36 percent disagreed; 36 percent of Germans thought

[7] Responses to this question by Poles and Germans were not statistically significant at a 95 percent level of confidence.

stockholders should select management, 38 percent that they should not. Forty percent of British respondents felt that stockholders had an exclusive right to select management and 44 percent that they should not. The number of "indifferent" among the Poles and the Germans were much larger (29 percent and 26 percent respectively) than among the British (16 percent). To the question whether respondents wished employee participation in management where they worked, 53 percent of the Poles answered "no", 12 percent of them "yes"; 50 percent of the Germans answered "no" and 17 percent "yes".[8] On the other hand, 67 percent of British respondents thought employees should participate in management where they worked and 13 percent thought not. The responses for all the other questions in this group are similar, with the Poles and Germans excluding employee participation and the British favoring it.

5.2 Efficiency

Four questions deal with how participation in bank management might effect a firm economically. They are not about a right but about how the practice of worker participation impacts efficiency. It is possible that people might feel employees have a right to participate but that it would harm efficiency, that the two are in conflict with each other. Two of these four questions are similar, although they pose the question in opposite ways. The idea behind repetition of the questions with slightly different wording is to see if respondent groups are consistent in their answers. Table 4 below summarizes survey results.

Table 4: Respondents view of efficiency and employees in management (Ger, Pol and UK) - 2005
(Percent of total responses. Missing values excluded.)

		Polish		German		British	
Employee participation in management improves the bank's management.	Agree	0	0%	9	11%	66	83%
	Indifferent	21	24%	25	31%	9	11%
	Disagree	65	76%	47	58%	5	6%
	Sum	86	100%	81	100%	80	100%
The interests of the customer are best served in firms in which the employees have little say in management.	Agree	30	35%	46	55%	21	27%
	Indifferent	22	26%	25	30%	12	15%
	Disagree	34	40%	13	15%	46	58%
	Sum	86	100%	84	100%	79	100%
Participation of employees in the management of a bank hinders the bank's overall efficiency.	Agree	0	0%	19	23%	39	49%
	Indifferent	19	22%	39	46%	10	13%
	Disagree	67	78%	26	31%	31	39%
	Sum	86	100%	84	100%	80	100%
Employee participation in management significantly hinders the bank's management from serving the firm's customer efficiently.	Agree	47	55%	32	39%	30	38%
	Indifferent	22	26%	31	38%	12	15%
	Disagree	17	20%	19	23%	37	47%
	Sum	86	100%	82	100%	79	100%

[8] Responses to this question by Poles and Germans were not statistically significant at a 95 percent level of confidence.

Whether employee participation could promote a bank's efficiency, no Poles and only 9 percent of the Germans responded to positively while 76 percent of the Poles and 58 percent of the Germans thought employee participation would bring inefficiency.[9] To the question which says that the interests of a firm's customers are best served where employees have little say in management, 35 percent of the Poles and 55 percent of the Germans agreed, while 40 percent of the Poles and 15 percent of the Germans disagreed. The proportion of German affirmative answers to both these questions is similar but there is an incongruity between the Polish response to the two questions, since 40 percent of the Polish respondents to one question thought customer interest could be served even if employee participated in bank management, and no Poles responded positively to the idea in another question that employee participation improved management.

The British response to both questions produces another incongruity. Eighty-three percent of British respondents to the first question saw no detrimental effect on customer service resulting from employee participation in management, only six percent saw a detrimental effect. But 58 percent of the British respondents to the second question disagreed with its tenet that employee participation hurt management, as against 27 percent who thought that it did not. Still if more British responses favored employee participation in management in the first question, more also favored employee participation in the second; which was not the case with the Poles whose overall response in the second question was negative (40 percent negatively assessing employee participation and 35 percent giving it a positive evaluation).

The other two questions in this group are about employee participation in bank management, and efficiency. To a third question which states employee participation hinders a bank's overall efficiency, none of the Polish respondents agreed and but 23 percent of German did; 78 percent of Poles disagreed and 31 percent of the Germans.[10] The number of "indifferent" in both national groups, however, was quite high (46 percent for the Germans, 22 percent for the Poles). Forty-nine percent of British respondents thought participation hindered a bank's overall efficiency, 39 percent did not. The number of "indifferent" at 13 percent was much smaller than for the Poles and Germans.

To the fourth question 55 percent of the Poles agreed that employee participation hindered the bank's management from serving customer interests, and 39 percent of the Germans. Twenty percent of the Poles disagreed, 23 percent of the Germans, and 26 percent of Poles and 38 percent of Germans were "indifferent". Thirty-eight percent of the British agreed that it hindered efficiency but 47 percent did not. 15 percent of the British were indifferent.[11] The incongruity here is between Polish answers to third and

[9] Responses to this question by Poles and Germans were not statistically significant at a 95 percent level of confidence.
[10] Responses to this question by British and Germans were not statistically significant at a 95 percent level of confidence.
[11] Responses to this question by British and Germans were not statistically significant at a 95 percent level of confidence.

fourth questions, the same question really, if with slightly different wording. Many more Poles thought employee participation hindered a bank's efficiency (54 percent) answering one question than they did when answering the other (zero percent).

5.3 Co-determination in each Nation

The three questions in this section ask about opinions on co-determination for each of the three countries separately instead, as in the previous questions, as a general category of observation. See Table 5.

Table 5: Respondents view of co-determination (Ger, Pol and UK) - 2005
(Percent of total responses. Missing values excluded.)

		Polish		German		British	
Employee participation in management gives German banks a competitive advantage in the international arena	Agree	2	2%	11	13%	16	20%
	Indifferent	39	45%	44	54%	52	66%
	Disagree	45	52%	27	33%	11	14%
	Sum	86	100%	82	100%	79	100%
				Poland and UK only			
If employees took part in the management of Polish/British firms this would give Polish/British firms a competitive advantage in the international arena.	Agree	2	2%			31	39%
	Indifferent	40	47%			35	44%
	Disagree	44	51%			13	16%
	Sum	86	100%			79	100%
Polish/British firms should adopt schemes where employees took part in the management of the firm.	Agree	1	1%			48	61%
	Indifferent	34	40%			24	30%
	Disagree	51	59%			7	9%
	Sum	86	100%			79	100%

About half of the respondents were "indifferent" when asked if participation of employees in the management of German banks gave them an international competitive advantage (45 percent of Poles, 54 percent of Germans and 66 percent of British). But the other half of the respondents provided quite different answers. Only two percent of the Poles and 13 percent of the Germans agreed; 52 percent of Poles and 33 percent of Germans disagreed. Of the British respondents 20 percent agreed and 14 percent disagreed. So the British respondents were more favorable to the idea that participation in Germans banks promoted efficiency than Poles and the Germans.

To the next question, which asked the same question about Polish banks, 2 percent of Poles in our survey thought Polish banks would gain a competitive advantage if employees participated in management, 51 percent thought not (but 47 percent of the Poles were "indifferent" to the issue). The British respondents' evaluated employee participation in British banks much more positive than the Poles; 39 percent believed the British banks would enhance their international competitiveness, 16 percent that it would not. Forty-four percent of British respondents were "indifferent." To the question, whether Polish (British) firms should adopt employee participation schemes in management, only one Pole responded affirmatively (one percent), but 59 percent responded negatively (40 percent were “indifferent”). For the British the results were almost the reverse, 61 percent affirmative, nine percent negative (30 percent were “indifferent.”)

In their answers to questions in this group, therefore, Poles were against the view that employee participation enhanced the international competitiveness of Polish banks, the Germans, if less pronouncedly, thought the same about their banks, and the British (39 percent to 16 percent) felt that employee participation in British bank management would promote its international competitiveness.

5.4 Discussion

What can be concluded generally about employee participation from the results of this section of the questionnaire? Certainly it cannot be said that after fifteen years of living within the Rhineland capitalist model, that Germans in Görlitz had become converts to co-determination and employee participation. On the contrary, the Germans polled felt that employee participation in German bank management was neither justified as a right or on grounds of efficiency. The Polish data with one exception is even more unfavorable to employee participation in management. Does this mean that the Poles and Germans have become advocates of an “Atlantic” model of capitalism, which excludes employees from bank management? Perhaps, but not consciously. Our feeling is that it simply means that Poles and Germans living in this region have retained a mentality acquired under fifty years of Communism and a long history of authoritarianism.

Under Communism management operated top down. People worked, kept their noses clean and did not rock the boat. Anecdotal evidence supports this conclusion. Locke reports that a Görlitz contractor, who had lived most of his life under Communism once told him: “You know, Herr Professor, the society of the German Democratic Republic was the perfect society. Everybody had health care, food, education, vacations, etc.; everybody worked and had retirement. There was only one thing wrong. The society did not have the capacity to renew itself.” He meant, of course, that everybody followed orders, nobody took any chances, there was no entrepreneurialism in the place. Employee participation in management requires employee initiative. The Poles’ and Germans’ doubts about employee participation reflects the mentality of Communism more than Anglo-American capitalism, about which they knew nothing.

On the other hand, British answers to the questionnaire suggest democratic traditions. British respondents did not generally believe that employees participation in management hurt a bank’s efficiency; it might even help it to be even more efficient. However, 48 percent of British respondents’ thought that it was best to pay bank employees by performance (commissions) rather than fixed salaries (19 percent were indifferent and 34 percent disagreed) This meant that the British favored fostering individual initiative in employees through the pay scheme while favoring at the same time employee participation in management.

6 Bank Relations with Customers: Rhineland kingly merchant outlook vs Anglo-American marketing view

6.1 Kingly Merchant Tradition

Since local retail banking concerned us, none of the questions in this part pertained to investment banking issues. Rather we wished to ascertain what respondents in each country thought about banking relations based on reputation and trust as opposed to efficiency and persuasion, how they reacted to the introduction of new products and services sold aggressively by marketing specialists patterning their efforts on Anglo-American practice.

W used six questions, four of which tried to elicit respondents feelings about the kingly merchant tradition. See Table 6. Inasmuch as the respondents may never have heard the words “kingly merchant tradition” the four questions could not ask about it directly. So they get at the subject by referring to various aspects of that tradition. One question asks if the respondent likes bank personnel to take the initiative in the marketing of product or services or if he/she wishes to take the initiative. Selection of the second option suggests that the respondent rejects aggressive hard-sell Anglo-American style marketing for the kingly merchant soft sell. Another asks the respondent whether his chances to get a loan from a bank would improve if he/she had been a long-term client of a bank. In other words, did the respondent think that trust build on long-term relationship would count in the decision-making. The third asks the respondent if he/she prefers to deal with one person in one bank, his/her banker, rather than with numerous specialists located perhaps in more than one place who handle particular products and services. The last asks the respondent if he/she prefers that a bank’s employees be paid by performance (commissions) instead of a fixed salary. Preference for performance-based pay would mean favoring aggressive marketing and perhaps over-attentive service.

To the first question only did the Germans respond in the majority (61 percent) that they preferred to take the initiate themselves when investigating new products and services; 30 percent accepted the notion that the bank take the initiative in peddling new products and services to them, and nine percent did not care who took this initiative. Among Poles the percentage who preferred to take their own initiative (37 percent) was much lower than with the Germans, the number who accepted the bank’s initiative was 35 percent. A much larger percentage of Poles did not care who took the initiative (27 percent) than Germans (nine percent). Among the respondents the British most preferred that banks take the initiative (43 percent); 33 percent favored that customers takes this initiative and 25 percent did not care if the bank or the customer takes the initiative. These responses fit expected patterns, with the British most favorable to banks’ marketing their products, the Germans least receptive to bank persuasion and the Poles in between.

Table 6: Respondents view of "kingly merchant" tradition (Ger, Pol and UK) - 2005
(Percent of total responses. Missing values excluded.)

		Polish		German		British	
Do you object to bank personnel taking the initiative to inform you about the products and services the bank offers, or do you prefer to take the initiative to inform yourself about your bank's products and services and then if you are interested approach the bank personnel about them?	Initiative of the bank	32	35%	27	30%	34	43%
	Indifferent	25	27%	8	9%	20	25%
	Own initiative	34	37%	55	61%	26	33%
	Sum	91	100%	90	100%	80	100%
Do you like to deal with one person in a bank (your banker) or with various specialists who sell certain products or services (insurance, small loans, etc.)?	Only one	50	55%	55	61%	39	49%
	Indifferent	13	14%	14	16%	8	10%
	Various specialists	28	31%	21	23%	33	41%
	Sum	91	100%	90	100%	80	100%
If you wanted credit, do you think you could get it more easily if you have been with the same bank for many years?	Agree	39	45%	61	68%	68	85%
	Indifferent	6	7%	6	7%	4	5%
	Disagree	41	48%	23	26%	8	10%
	Sum	86	100%	90	100%	80	100%
Clients of a bank will get better service if the bank employees are paid by performance (commissions) instead of a fixed salary.	Agree	11	13%	41	47%	38	48%
	Indifferent	28	33%	18	21%	15	19%
	Disagree	47	55%	28	32%	27	34%
	Sum	86	100%	87	100%	80	100%

To the second of this group's questions, whether the respondent preferred to deal with one banker in the "kingly merchant" tradition, 61 percent of the Germans said "yes," 23 percent wished to deal with "various specialists" and 14 percent did not care. The Polish response was slightly less favorable to the kingly merchant viewpoint, with 55 percent preferring "one banker," 31 percent "various specialists," and 14 percent "indifferent". Not surprisingly, the British were also favorable to dealing with just one banker (49 percent), with 41 percent favoring to deal with the appropriate specialists and 14 percent registering "indifferent".

Most respondents in each nation agreed to another question that a long-term relationship with a bank would enhance a client's ability to get a loan. But the British favored the idea the most (85 percent to 68 percent for the Germans and 45 percent for the Poles). Poles and Germans also thought that a long-term relationship with a bank would not likely help to secure a loan: 48 percent of Poles and 26 percent of Germans thought it was "not likely to help" but only ten percent of the British thought a long-term relationship was , "not likely to help"). Responses to this question do not justify a conclusion that the British, when seeking a loan, less appreciated the usefulness of having a long-term relationship with a bank. Rather, they reflect that the British were less likely to change their cheque account to another bank than Germans or Poles.

6.2 Supermarket of Financial and Non-Financial Services

The two questions in this group explore how respondents feel towards the introduction of new products and services in banks (s. Table 7 below). One considers their attitude towards start-up business counseling which has become an important subject recently in the US because of the IT revolution and the frequent mounting of business plan competitions (see Locke and Schoene, 2004). Another in subsections devoted to "legal services," "notary services", "insurance", "bank logistics," and "IT services" considers how much Polish and British respondents (the Germans are excluded) expect a local cross border bank to expand beyond traditional banking, how much the retail bank customers especially in Poland, under the influence of Anglo-American market-driven capitalism, have developed a taste and need for the broader palette of cross-border banking products and services.

To the question about the need for banks to provide special counseling for start-up a business, 84 percent of the British respondents agreed, followed by 68 percent of the Poles and 55 percent of the Germans. From the Germans came a much higher percentage of "indifferent" answers (37 percent as opposed to 12 percent for the Poles and 14 percent for the British respondents). The higher number of German to Polish "indifferent" answers for this question could mean that Germans have less need for business counseling than Poles because the German welfare system and unemployment benefits are much more generous than in Poland, thereby dampening the urge to start-up businesses.

The British were less positive than Poles about the need for banks to develop new non-financial services for cross border patrons. Eighty-nine percent of Polish respondents want legal services in cross-border banks (British 52 percent), 86 percent of Poles want notary services (British 31 percent), 86 percent of Poles want insurance made available through banks (British 45 percent), 60 percent of Poles want to have access to logistics services through a retail bank branch (British 32 percent)[12], and 40 percent of the Poles want IT services (British 36 percent). Except for IT services, the Polish demand for these services cross border is much greater than the British. This signifies that the Poles seek modern banking services in expanding product and service lines. But it may not mean that British respondents are less demanding in this regard. It could just mean that they feel that these services are readily available outside banks.

Table 7: Respondents view on non-financial services (Ger, Pol and UK) - 2005
(Percent of total responses. Missing values excluded.)

		Polish		German		British	
Do you expect your bank to have special counsellors for people starting-up a business?	Agree	51	68%	47	55%	64	84%
	Indifferent	9	12%	32	37%	11	14%
	Disagree	15	20%	7	8%	1	1%
	Sum	75	100%	86	100%	76	100%
				Poland and UK only			
Are you interested in a long term relationship with Dresdner Bank/main bank?	Agree	10	14%			55	70%
	Indifferent	33	45%			13	16%
	Disagree	30	41%			11	14%
	Sum	73	100%			79	100%
	Would you be interested in your *main bank** facilitating contacts with other service providers for your business dealings overseas (i.e. outside of the UK) [in Germany]?						
Legal services	Agree	81	89%			40	52%
	Indifferent	6	7%			13	17%
	Disagree	4	4%			24	31%
	Sum	91	100%			77	100%
Notary services	Agree	78	86%			24	31%
	Indifferent	8	9%			22	29%
	Disagree	5	5%			31	40%
	Sum	91	100%			77	100%
Insurance	Agree	78	86%			34	45%
	Indifferent	10	11%			14	18%
	Disagree	3	3%			28	37%
	Sum	91	100%			76	100%
Logistics	Agree	53	60%			25	32%
	Indifferent	25	28%			24	31%
	Disagree	10	11%			28	36%
	Sum	88	100%			77	100%
IT services	Agree	35	40%			28	36%
	Indifferent	38	44%			20	26%
	Disagree	14	16%			29	38%
	Sum	87	100%			77	100%

* By *main bank* we mean the provider with which the respondent engaged in most of his/her financial transactions and/or which housed the largest share of deposits and/or savings.

6.3 Discussion

In their responses to the questions in this section the Poles seem to be much less trustful of banks. They feel less sure about the usefulness of long-term relations with a bank, much more skeptical about banking services being anything more than a profit calculation, and ready themselves to switch banks for high interest and lower banking costs. The Germans, on the other hand, express in their views more of a kingly merchant tradition, with desires to deal with one bank over a long period of time and to establish personal relations with a banker. The British also believed that establishing long-term relations with a bank could be useful, but they were more susceptible to the idea that banks had to operate efficiently in the market, by paying employees by performance, and making various experts available to market the many products necessary for success in modern banking.

7 Retail Banking in the German-Polish Border

7.1 Expectations and Practices

The third part of the questionnaire is about banking practices in the Zgorzelec-Görlitz region specially attuned to Poles banking in Görlitz. Where appropriate, the pool of respondents excludes the British control group because of the local focus.

The first group of questions considers retail banking expectations and practices. One asks why the respondent chooses a bank (reputation, reliability, trust, etc.), a second asks if the respondent would be ready to switch his/her account from one bank to get a loan, a third asks if the respondent would switch accounts for lower fees; Question four asks if he would switch for lower fees if the bank were foreign, and five asks if the respondent has ever in fact switched an account. Six asks if the respondent has a credit card in a bank other than his main bank. These questions follow up on the ones asked in the previous section about the development of Anglo-American type marketing in banks.

Table 8 summarizes the answers of Poles, British and Germans to the question about reasons for choosing a bank. The answers do not surprise. Matters of banks size (only 33 percent of Poles thought it important or rather important, 31 percent of Germans as did 51 percent of British), or of a bank being "recommended by a friend or family (only 28 percent of Poles thought that important, 44 percent of the Germans and 49 percent of the British) counted for far less in their decision-to choose a bank than "trust" (96 percent of Poles, 98 percent of Germans and 93 percent of British cited this as important or rather important), "reliability" (96 percent Poles, 97 percent Germans and 98 percent of British), "proven quality of service" (78 percent of Poles, 91 percent of Germans and 95 percent of British), "levels of fees and interest" (99 percent of Poles, 92 percent of Germans and 85 percent of British), "speedier service" (97 percent of Poles, 83 percent of Germans and 91 percent), and branch location (Poles 79 percent, Germans 78 percent and British 58 percent). Both efficiency and moral factors were stressed as most important inducements in their answers.

Table 8: Main determinants to select provider of retail financial services (Ger, Pol and UK) – 2005
(Percent of total responses. Missing values excluded.)

		Polish		German		British	
Reputation	Agree	60	66%	64	74%	71	89%
	Indifferent	10	11%	17	20%	3	4%
	Disagree	21	23%	5	6%	6	8%
	Sum	91	100%	86	100%	80	100%
Trust	Agree	86	96%	85	98%	74	93%
	Indifferent	2	2%	2	2%	4	5%
	Disagree	2	2%	0	0%	2	3%
	Sum	90	100%	87	100%	80	100%
Reliability	Agree	85	96%	84	97%	78	98%
	Indifferent	2	2%	3	3%	2	3%
	Disagree	2	2%	0	0%	0	0%
	Sum	89	100%	87	100%	80	100%
Size / Importance	Agree	30	33%	27	31%	40	51%
	Indifferent	20	22%	21	24%	24	31%
	Disagree	40	44%	38	44%	14	18%
	Sum	90	100%	86	100%	78	100%
Proven Quality of Service	Agree	68	78%	78	91%	75	95%
	Indifferent	14	16%	7	8%	4	5%
	Disagree	5	6%	1	1%	0	0%
	Sum	87	100%	86	100%	79	100%
Recommended by Friend or Family	Agree	25	28%	38	44%	39	49%
	Indifferent	19	21%	25	29%	27	34%
	Disagree	45	51%	23	27%	14	18%
	Sum	89	100%	86	100%	80	100%
Location of Retail Branch	Agree	72	79%	69	78%	46	58%
	Indifferent	9	10%	8	9%	21	26%
	Disagree	10	11%	11	13%	13	16%
	Sum	91	100%	88	100%	80	100%
Fees / Interest	Agree	89	99%	81	92%	68	85%
	Indifferent	1	1%	4	5%	7	9%
	Disagree	0	0%	3	3%	5	6%
	Sum	90	100%	88	100%	80	100%
Faster / Speedier Service speedier	Agree	87	97%	73	83%	73	91%
	Indifferent	2	2%	13	15%	3	4%
	Disagree	1	1%	2	2%	4	5%
	Sum	90	100%	88	100%	80	100%

Interestingly, not-one of the Poles considered that there could be any other dimension, other than the ones on Table 8 above, relevant to select a provider of retail financial services. Germans, however, considered possibilities of more automated teller machines (ATM), the retail branch layout as well as the availability of counselors important in their decision. British respondent wrote in many other innovations to the items suggested in Table 8. They related to quality of service at the branch (“friendliness”, accessibility, positive attitude, etc.) as well as services provided centrally (internet interface and call centers). The much more demanding British audience reflected a wider availability of services (and providers) in the UK’s retail financial markets. British participants also benefited from a longer tradition where individuals can effectively put forwards their demands for quality in services in general as opposed to the dearth of that tradition (i.e., non-service past) in Eastern countries until after 1991.

This is what the respondents expected from a bank, but when it came to what a bank could expect from them, then the answers Poles and Germans gave differed. To a question about switching banks as a condition for being granted a loan, 71 percent of Poles said they would but only 29 percent of Germans. To the question about switching to another bank if it had lower fees for services, 78 percent of the Poles answered “yes,” as against 52 percent of the Germans. Would they switch for lower fees if it were to a foreign bank? 67 percent of the Poles said “yes” and only 15 percent of the Germans. To the question had they ever actually switched banks before, 65 percent of Poles answered “yes,” 42 percent of the Germans. To a question, whether they had credit cards with banks other than their main bank, 59 percent of the Poles answered “yes,” 28 percent of the Germans. The relatively less loyalty of Poles suggests two things: that the kingly merchant tradition is stronger in Germany and that it would be easier for the Germans bankers to get Poles to come to Görlitz to do banking than for the Polish bankers to get Germans to come to Zgorzelec.

7.2 Cross-Border Banking

This group of questions specifically asks Polish respondents about cross-border banking in Görlitz. Many questions ask about the products and services the Poles seek in German banks and their reasons for opening accounts there. Four ask about the needs for Poles in Görlitz banks to have services offered in Polish or English; one asks the Poles about the need to hire Poles to serve Poles in German banks. Another asks respondents’ opinion about a number of German banks. Answers to the questions in this group could be used by German bankers to adapt their operations to the demands of Polish customers. A final question asks Poles actively banking in Germany what services and products they use.

Polish respondents left no doubt that the German bank managers should hire Polish people, have staff speak Polish, and translate document into Polish. Ninety-two percent said it was important or rather important for Görlitz banks to hire Poles, between 89-94 percent, depending on the question, that the German banks needed to give legal advice, sell insurance, and offer notary services in Polish. Eight-two percent wanted IT services to be in Polish. They were just as insistent, if not more, about the need to translate written materials. Seventy-four percent thought it important that advertisements “always” be translated, 84 percent that “information brochures” “always” be translated, 88 percent that “product specifications” be “always” translated, 98 percent that “legal document and contracts” “always” be translated, and 91 percent that transactions forms “always” be translated.

The Poles also expected to get better service in German banks than in Polish. Thirty-seven percent of respondents said the service would be better, 8 percent worse than in Poland, and 23 percent that it would be the same; the numbers for “more courteous” service in Germany were 40 percent, 7 percent less courteous, 18 percent the same; those for “better informed employees, 38 percent better, 7 percent worse informed than in Poland, 20 percent the same; 15 percent better informed managers, 1 percent worse informed, 31 percent the same; 23 percent better e-banking in Germany, 4 percent worse, and 26 percent the same; 33 percent better ATM Services, 3 percent worse, 29 percent, the same, and 28 percent better International ATM networks available in Germany, 3 percent worse, and 14 percent the same. The results speak as much about poor regional banking in Poland as about Germany; they offer an incentive for German bank managers to entice clients from Poland.

The conclusion about poor Polish service is reinforced by Polish answers to a question about why they wished to open accounts in German banks. German bankers should note the high Polish demand to bank in Germany, for of Polish respondents 80 percent said it was important or rather important to have a Giro Account in a German bank, 7 percent not; for 76 percent it was important to have a business account, for 6 percent, not; 58 percent said that it would improve his/her firm’s image to have an account in a German bank, 9 percent not; 86 percent that they wanted an account in a German bank to have access to credit cards (as credit cards in Poland are sold under Visa and MasterCard marquee without international recognition), 2 percent did not; 86 percent that it was important or rather important to have an account to get personal loans,7 percent did not; 63 percent that it was important or rather important to have an account to get business loans, 6 percent did not; 74 percent said that an important or rather important reason was to get lower bank fees,6 percent not; 90 percent said that an important or rather important to open German account was to get a mortgage,1 percent did not.

After asking Poles what they expect in products and services in Germany, the next question asked what products and services those banking there (Poles and Germans) actually use. Of the 90 Poles in the respondent pool, fifty-four percent answered; it is assumed that they bank in Göerlitz. Of the 90 Germans between 76 and 79 answered, depending on product or service, the same question. The Polish and Germany answers about the products and services in German banks they usually use are compared in Table

Table 9: Relative Importance of Retail Financial Products & Services to Poles and Germans, 2005
(Sorted in order of importance for Germans. Percent of total responses. Missing values excluded.)

Product or Service	Poles	Germans	Product or Service	Poles	Germans
Giro Account	16%	100%	Business Planning	13%	28%
ATM	29%	95%	Share Dealing	15%	28%
Savings Account	21%	80%	Leasing	6%	12%
Home Banking Computer Interface (HBIF)	10%	68%	Bank deposit/guarantee	10%	13%
Credit Card	29%	73%	Forward Exchange Rate	10%	13%
Currency Exchange	21%	65%	Letter of Credit	8%	9%
EC Card Terminal PoS or PoZ	17%	47%	Fixed rate deposits	17%	16%
Investment Funds	15%	43%	Company Liability Insurance	13%	11%
Cross Border Payments	13%	39%	Business Credit Card	29%	26%
Business Loans	15%	39%	Interest rate forward	15%	8%
International Contacts	10%	32%	Lawyer/Legal Insurance	21%	12%
Personal Loans	25%	46%			

Obviously fewer Poles actually use these services and products than German respondents. Moreover, there is a big disparity between the services Poles say they seek in German banks and the ones they actually use. The participation rate could be low for the Poles because they are only taking part of their business to Germany. Only one product/service is ranked the same for Poles and Germans (i.e. Letter of Credit, eight and nine percent respectively). Five products/services, all clearly within the remit of international banking practice, Poles ranked higher than Germans (Fixed rate deposits, Company liability insurance, Business credit card, Interest rate forward and Legal insurance). This suggests that Poles are willing to cross the border to secure products/services for their business dealings in Germany more than for personal reasons. The low ranking by Poles makes even more sense considering that 47 percent of the Poles preferred one contact over several specialists in a retail bank. At present there is no-one for them to contact at the Dresdner Bank. The Germans will be able to exploit their Polish customer potential only by ending the deficiency in German banks' knowledge of the Polish language by hiring at least one Polish speaking person to the customer-facing staff.

7.3 National Stereotypes

Another group of questions covers national stereotypes. They ask the respondent, using a list on which certain attributes are named (open—reserved, modern----traditional, courteous---discourteous, etc.), to make judgements about peoples' national traits on a scale that runs from important to rather important to indifferent to rather unimportant to important. One set of questions, listing attributes, asks the Polish respondents what he/she thinks Germans think of Poles. Another, listing the same attributes, asked the Polish respondent what he/she actually do think of Poles. Another question, also using the same list, asks Germans respondents what they think Poles think of Germans. A final question-set asks the German respondent what he/she think of Poles. The distinction drawn here is important because it could well be what Germans think about Poles and Poles about Germans is quite different from what Poles think Germans think about them or from what Germans think Poles think about them. To know this difference could help German bank managers develop policies that foster cross-border banking.

For the results offered in Table 10 we have collapsed "rather important" and "important" into one category. And we also include the percentage of "indifferent" responses, meaning that the respondents were not much interested in the question. The "indifferent" answers about stereotypes are particularly significant to the results, especially for the Germans. Of the ninety who filled out the questionnaire only 70-75, depending on the attribute on the list, bothered to check an answer. Forty-one percent of the Germans, moreover, answered "indifferent". The number of Polish respondents was greater (in the 80th percentile) but the "indifferent" response rate for the Poles of 27 percent was also high. Together 34 percent of all respondents to the question about stereotypes checked "indifferent". Anecdotal evidence shows that respondents were uneasy if not upset about the topic. They found it "insulting" to comment about whether neighboring peoples were intelligent, lazy, arrogant, etc. But those who answered provide some useful results. See Table 10.

Table 10: Preconceptions of National Characteristics by Poles and Germans, 2005
(Percentage of those respondents who checked the trait. "Indifferent" in parenthesis)

	Germans on Poles	Poles on German View of Poles	Poles on . Germans	Germans on Poles View of Germans
Open	61 (26)	67 (17)	29 (18)	17 (26)
Reserved	13	16	53	58
Modern	54 (27)	45 (21)	38 (13)	34 (19)
Traditional	21	34	49	47
Courteous	57 (31)	45 (21)	24 (31)	40 (23)
Discourteous	11	34	36	37
Cheerful	45(27)	37 (28)	32(19)	16(21)
Serious	28	35	49	62

Communicative	53 (32)	54 (30)	38 (29)	41 (25)
Uncommunicative	14	16	33	34
Interested in Culture	59(23)	30(25)	61(21)	59(22)
Not Interested in Culture	18	45	18	19
Generous	36(49)	33(34)	19(40)	17(32)
Pedantic	14	33	41	51
Dreamy	21 (47)	44 (16)	17 (26)	20 (18)
Realistic	32	21	63	62
Reliable	23 (49)	32 (25)	54 (22)	45 (24)
Unreliable	27	43	24	31
Hardworking	42(49)	40(16)	54(21)	50(25)
Lazy	9	44	24	25
Honest	24(60)	36(33)	33(34)	28(44)
Dishonest	16	31	33	28
Inspiring Confidence	24 (46)	28 (34)	35 (31)	26 (53)
Not Inspiring Confidence	30	38	34	21
Helpful	61(27)	42(24)	33(22)	32(30)
Not Helpful	12	34	45	38
Family Oriented	63 (23)	58 (22)	44 (25)	45 (18)
Career Oriented	14	20	31	37
Skilled	36 (53)	37 (17)	38(28)	40(27)
Unskilled	11	36	34	33
Satisfied	39 (37)	27 (23)	40 (22)	36 (26)
Unsatisfied	28	50	38	40
Arrogant	14 (48)	38(33)	45 (38)	45 (42)
Not Arrogant	38	29	17	13
Credulous	17 (52)	43 (27)	22 (36)	27 (24)
Suspicious	31	30	42	49
Efficient	17 (66)	46 (19)	22 (36)	51 (18)
Inefficient	17	35	28	31
Intelligent	50 (46)	33 (33)	44 (36)	42 (34)
Not Intelligent	4	34	20	24
Xenophobic	20 (47)	17 (35)	43 (31)	48 (33)
Not Xenophobic	33	48	26	1

7.3 Discussion

The fact that the number of "indifferent" is so great is probably a healthy sign because it could mean that stereotype judgments no longer hinder intercourse between peoples. People are no longer interested in stereotyping. But there are stereotype answers which, for German bankers, should give cause for worry. The disparity between what Polish and German respondents thought of each other is one answer source (first and third columns). The fact that Poles have a more negative view of Germans than Germans do of Poles in many of the answers should prompt German managers, seeking business, to try to correct. They could invoke policies to convince Poles that Germans, as Poles believe, are not arrogant, are not xenophobic, are helpful. This effort might be especially successful because the evidence shows (first and second column) what Germans actually think of Poles is much more favorable than what Poles think Germans think of them (Not interested in Culture, Pedantic, Lazy, Not Helpful, Unskilled, Credulous, Arrogant, and Efficient).

8 Summary and Conclusions

We began by stressing how important the economy is to the fate of a bank's management. The two examples used, AIB and Hypo Vereinsbank, existed in very different economies with management in them operating under quite different constraints. AIB management could survive malfeasance in the management of it subsidiary, and the heavy loses it induced, because of a boisterous Irish economy. Hypo Vereinsbank's management lived a more precarious existence because of a poor German economy. And so did other banks in Germany. The evidence from the interviews and the questionnaires suggests that the economic factor probably effected the judgment of Poles and Germans in the Neisse region about co-determination. The American claim that co-determination was inefficient management might not have been true but Germans in this border region, in the economic situation in which they found themselves after unification, could not afford to run the risk of suffering the consequences if it were. It would be better in this economy not to chance increasing inefficiency by letting employees participate in management. So German and Polish respondents to the questionnaire mostly rejected co-determination for the top-down management model with which they in any event were familiar under Communism. Moreover, in this region of Germany, the supporters of co-determination were particularly weak. Trade unions in large firms that had been the backbone of the co-determination movement in West Germany had very little influence in this de-industrialized borderland area. Their opinion would not have been much represented in the pool of those questioned.

The respondents to the questionnaire approached the second aspect of the Rhineland model, the "kingly merchant tradition" differently. For investment bankers and their clients in the big financial centers, no doubt Anglo-American capitalism posed a big challenge to *Hausbank* finance. But the Zgorzelec-Görlitz respondents were interested in retail banking, and the kingly merchant tradition in this regard presented a much less visible and indeed not as great a challenge to the Rhineland model. Germans could make trust and loyalty a major factor in their decisions about banks in their town, as could people in small-town America. Since most Polish banks were in foreign hands, the Poles seemed much more willing to move from bank to bank, making their decisions on interest rates, fees, and product availability. Germans in Görlitz stayed with German banks and overwhelmingly with the local savings bank (*Sparkasse*). But Germans answering the questionnaire also wanted their banks to give better and cheaper service, although they disliked American style hard-sell product and service marketing. Whether they can have both or it is just a matter of time before banking based on persuasion and consumerism become the norm, probably depends more on the general economic recovery of central Europe than anything else. If the economy goes wrong, the trade-off – the abandonment of the social harmony structured into the Rhineland model – would be great, since the hundred years of effort it took to create it would go down the drain.

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