Title: A Lack Of Corporate Governance & Ethics In Banking Was the Root Cause of the Global Financial Crisis In 2008

Thesis Submitted in Partial Fulfilment of the Requirements For the Masters in International Banking & Finance Degree MSc

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Declaration:

I declare that all the work in this thesis is entirely my own unless the words have been placed in inverted commas and referenced with the original source. Furthermore, texts cited are referenced as such, and placed in the reference section. A full reference section is included at the end of this thesis.

No part of this work has been previously submitted for assessment, in any form, either at Dublin Business School or any other institution.

Signed: Robert Brian O’Mahony

Date: 22/08/2014
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Google docs the free online e-source was an excellent application which easily allowed me to quickly and easily setup an online survey to contact respondents and gather information. Thanks to Google for making this freeware easily accessible.

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**Executive Summary:** The purpose of this thesis is to investigate, analyse and conclude on the following statement ‘*A Lack Of Corporate Governance & Ethics In Banking Was the Root Cause of the Global Financial Crisis In 2008*’. The title of this thesis was chosen to make the point that strong corporate governance and ethics are the foundation of successful banking and that a lack of this can lead to disastrous consequences. This is particularly relevant to the last number of years where we have seen unprecedented failures in the global banking systems, failures which culminated in a near meltdown of the system and placed banking as we know it close to the abyss of systematic failure. This thesis will critically review literature on the various aspects of the topic including a wide view of the main factors which were identified as key drivers of the meltdown. Next a number of specific case studies included to introduce key details regarding this crisis, particularly the roles of some of the Chief Executive Officers (CEOs) within the banking system. From this the elements of Corporate Social Responsibility (CSR) and ethics will be introduced along with the external challenges which managers face at the top. Essentially this is all about getting the mix right, higher profits, success and growth on one hand and also strong corporate governance and ethical practices on the other. Some argue you can’t have one without the other, others argue by focusing on one there is a trade off from another. Underpinning all of this is the most important concept, trust, Coppola (2013) ‘without trust, banking is impossible’. Trust has been included as the central element.

The research section of the thesis will focus on key themes and drivers identified during the literature review process. Examples include the argument for and against CSR and also people’s opinion on how much progress has been made post financial crisis. Recent examples of huge losses at the banks through fines or fraud are also included in more detail to highlight aspects which are perhaps unchanged post crisis. Through surveys and interviews the research will conduct a deeper analysis of respondent’s current views and opinions and help quantify the level of trust people have with the financial system as a whole.

The future of Corporate Governance and ethics will also be addressed along with social media and how this is of huge focus for the banks, a new tool to communicate their message. Some aspects of this new shift towards a new media are included in this thesis to specifically underscore the steps banks are taking to amend the mistakes of the past and move forward into a new beginning. Winning back business and investment is not just about the right product offerings but also about restoring trust.
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Chapter 1: Introduction
Overview

The thesis will focus primarily on the financial crash in 2008 particularly from the American and Irish perspective with specific examples from relevant case studies. Both countries had very similar problems with their banking systems. Both were overly exposed through excessive risk from the property market and highly leveraged borrowings. Both ultimately required government intervention to prevent the collapse of their banking system.

1.1 - Definition of the Problem

‘A Lack Of Corporate Governance & Ethics In Banking Was the Root Cause of the Global Financial Crisis In 2008.’ Kahle, M. (2010:3) states the crisis as ‘It became the worst financial crisis since the Great Depression’. As the subprime property market in America imploded financial institutions like Lehman Brothers and Bear Sterns became victims of the crisis. Brunnermeier, M (2009) explains bank losses were due to over investment, leverage, and overexposure to toxic assets all rooted in excessive risk. The thesis is not about the granular details about how the banking system became overheated but focuses on corporate governance and ethics and how these core values were fundamentally the root cause. The goal of this thesis is to identify at a high level the main causes of the financial crisis, how these causes relate, and then tie these back to the core values and into the overall foundation of banking trust. In doing so the expectation is to highlight the interdependencies of these themes and their relevance within the backdrop of the financial crisis which according to Khimm (2012) America alone tallies ‘a very conservative figure of $12.8 trillion’ for the ‘total impact of the financial crises’.

Banks provide liquidity into the economy which essentially acts like petrol in an engine. It is the life blood of the marketplace; all business is reliant upon liquidity for loans, investment and start-up capital, as well as making day to day ends meet. The events which unfolded in 2007-2008 was unprecedented, billions lost in subprime mortgage loans, highly leveraged banks like Lehman Brothers going under and Bear Sterns which had to be rescued by JP Morgan. A financial system now so interlinked and interdependent when market direction changed the devastating effects was played out on a global stage.

The recovery approach adopted by some governments was that of nationalisation, America and Ireland for example, the Irish banks taken over by their government via cash injections funded by the ordinary taxpayers. Carswell (2011) Irish Banks like Anglo worth ‘13 billion in
June 2007 to nil in January 2009’; these events have dramatically changed the banking system over the last number of years. Since the crisis we have seen more banks failing, CEO changes, tighter regulations, more transparency and overall a shift back to banking basics. The approach adopted has been doing more with less, more control and more regulation with less liquidity.

In order to test the title of this thesis a broad critical literature approach is initially taken, commencing with Phillip Swagel (2013) a report which outlines the ten causes of the financial crisis. The report in combination with a number of other sources will help identify and find similar aspects to the main drivers of the crisis, not to mention some notable academics who had predicted the crisis. Bear Sterns, Lehman Brothers and Anglo Irish Bank are used as specific case studies chosen because of their relevance to both the American and Irish perspective. An explanatory model from Cannon (1994) illustrates the pressure on the manager/CEO of a company on the external factors. The relevance of this model to the case studies can then be examined in more detail. Once the factors have been narrowed down to the individual the ethics and corporate governance elements are introduced and finally the core of banking trust at its centre.

The aim of the literature review (chapter 2) is to gather as much relevant information as possible and critically examine the source material. Understanding exactly how and why the system was brought to the point of meltdown and what measures are necessary to ensure this does not recur are vital so that we can learn from the mistakes of the past and avoid repeating them.

1.2 - Hypothesis to be Tested / Aim and Objectives

The hypothesis to be tested is ‘A Lack Of Corporate Governance & Ethics In Banking Was the Root Cause of the Global Financial Crisis In 2008.’ This hypothesis will also bring in two other key motifs in this thesis risk and trust!

The aim of this thesis is to highlight the importance of corporate governance and ethics. When scientists study the creation of the universe Fred Hoyle’s (1949) ‘Big Bang (theory)’ their methods involve winding the clocks back and unearthing the singularity point at which everything began. In much the same way this thesis is attempting a similar approach drawing all the events back to basics corporate governance and ethics right down to the singularity, trust!
By doing this the objective is to show how the events of the crisis are rooted in the same soil, by focusing down to the core issues we get a better understanding of the systematic problem. How all the issues tie back to similar concepts allows for a deeper understanding of the financial crisis and a better grasp of a problem may help manufacture a lasting solution.

1.3 - Approach to the thesis in achieving the results

The literature review is fundamental in gathering the information relevant to the hypothesis being tested. In doing so the evidence will support, refute or provide an alternate hypothesis to the title at hand. In conjunction with the literature review the primary research will help test, develop and perhaps provide alternative solutions to the title being tested. The conclusions and recommendations will be based solely on both the literature review and primary data collected during this thesis.

1.4 - Organisation of the Thesis

To begin the literature review in chapter 2.1 will examine the broad factors of the financial crash. This is examined through the report by Phillip Swagel (2013) as well as through Authors, J (2013), one aspect which examines the overall factors and another view analysing the ensuing global currency wars which threatened the Euro. An interesting compliment of sources, the currency wars a consequence of the factors which drove the global economy downward. The reasons why the system broke down and also why it continued on its downward spiral eroding trust the core of what banking is based upon.

Following this there are three case studies in 2.2 chosen because they give further insight into the financial collapse. The fall of two giant investment firms Bear Sterns and Lehman Brothers provide an insight from the American perspective while Anglo Irish Bank provides an example from the Irish perspective. These case studies were chosen due to their similarities. Highly leveraged capitalist firms adopting more risk driven by head strong CEOs.

Section three of the literature review 2.3 introduces the external environmental pressures on the manager/CEO testing Cannon, T. (1994: See appendix two). Through this model the criteria of both corporate governance and ethics can be introduced and linked into the overall effect on the individual. The source which is now twenty years old can challenge the relevance of these factors today. This section is also about highlighting how corporate
governance and ethics are really one in the same and how the root of these morals begins with the individual (CEO) and from this flows trust!

Mallin (2010) 2.4 will take us through an overview of corporate governance, what it is along with what companies do to comply with the policies. Along with this there are also arguments against corporate governance and how some see it as an inadequate checks and balance system.

Section 2.5 investigates corporate social responsibility (CSR) the evolution of CSR but also the trade-off implementing these practices, arguments for and against. One extreme view from Yunus (2010) will be contrasted with Canniffe (2009), the goal of finding middle ground for effective and meaningful policies to be implemented. Crucially, an important point to note, despite all the efforts involved for improved CSR when the system experiences a massive shock all the hard work becomes undermined when trust is gone.

2.6 will focus on the ethical side of financial institutions. This includes some examples of the deregulation in the system along with early concerns over what this might lead to. This includes some of the various bodies like governments, rating agencies, and politicians - who had various roles to play in the lead up to the crisis as outlined by Dunbar (2009) and Farlow (2013).

In 2.7 the aspect of trust will be reviewed by Coppola (2013). Included will also be proponents of the crisis and how these early warning signs were left unheeded.

The rescue of the banking system its evolution and future will also be outlined in 2.8 of the literature review. This will include the relevance of corporate governance moving forward and its future within the industry.

Chapter three, the research and methodology approach, will be used to drive chapter four which will consist of data analysis and findings in the research.

It is anticipated this thesis using the main causes of the financial crisis will tie back to core elements, corporate governance and ethics and ultimately trust. The relevance of the study itself will be crucial in understanding people’s views and opinions on the events of the last number of years and the level of progress made. The research study will then lead into the conclusions and recommendations aspect (See Chapter 5). This chapter will be crucial in
taking stock of where we are in terms of a recovery process, the positive steps taken so far but also the challenges moving forward.

Chapter six is a self-reflection. The purpose of this chapter is to take stock of the challenges and lessons learned from conducting this thesis. It’s very much reflection of growth from a personal, professional and academic level. It is also the chapter where one can capture the challenges of this thesis process and steps taken to overcome these challenges and well as future prospects post masters qualification.

The final chapter of this thesis is made up of two sections, the referencing section, which provided invaluable sources for information gathering and the appendix section used to capture diagrams, questionnaires, interview transcriptions and other ad-hoc but relevant items used during this thesis.

1.5 - The Major Contributions of the Research

Six years on from the financial crisis of 2008 is about taking stock of where we have been, what we have accomplished and where we are going. This study will be a unique snapshot in time capturing people’s opinions and priorities within the scope of the banking collapse. What were people’s general levels of trust in the system pre and post crisis and what are the lasting impressions from this event? So many complex articles have been produced over the years trying to explain what went wrong; this research will be a unique approach in defining such a complex problem with fundamental issues. Was the financial crisis all down to a lack of corporate governance and ethics?

1.6 – New & Relevant Research

In order to investigate this further the driving research will focus on the individual from which the model will be framed (See appendix two). Cannon, T (1994:102) illustrates the pressures of the industry with the manager/CEO central. From the manager stem four distinct categories, the wider society, immediate community, the firm and the environment. From this the research can test and challenge how each of the main causes of the financial crisis would have tested this model. Cannon’s model borrowed from a reference now twenty years old should help define its relevance today and where the potential for greater focus needs to be. At the time this model was designed the events of the last few years were yet to unfold. Therefore this will be a new approach, testing an old model against a new problem and
highlighting how each of the elements which helped bring the market crashing down were
 driven by a lack of corporate governance and ethics.

The research element will be crucial in taking a snap shot of how people’s opinions may have
changed over the years towards the industry and what their concerns are in light of the events
of the crisis in 2008. The research will be brand new research conducted in a why which
makes this thesis unique and relevant.

1.7 - Scope & Limitations of the Research

The data gathering process will be taken from both primary and secondary sources. Chapter
two will encompass the secondary data collection stage. This is through a critical review of
various sources identified during the data gathering process including sources from the DBS
library, local library and various other sources online. The review of these will help target the
primary data collection process. In many aspects chapter two will have varying points of
view. Where applicable these aspects can be extracted and challenged/validated in the
primary data collection in chapter four.

Limitations of this thesis include the following. Time, the researcher from start to finish is
limited by a small window of approximately three months to complete this thesis in its
entirety, for example the quantitative research carried out over a one week period is a
restrictive window but a necessary one in order to meet the thesis deadline. This is
compounded by the fact that the researcher is also working a full time job. The challenge is to
time manage effectively and meet target dates for completion. Every step of this process has
been completed solely by the researcher alone with no outsourcing of any steps. Cost wise the
thesis in it’s entirely has been completed on a very affordable budget, circa one hundred
Euros, the biggest cost is time. The researcher is writing and formulating ideas solely,
therefore knowledge limitations would be another limiting factor. The challenge here is to use
the one to one mentor sessions wisely and ensure any guidance and feedback is dually noted
and acted upon. Ensuring enough time is allocated for data collection and targeting effective
questions will help overcome this limitation. Access is another limitation, the researcher is
attempting to get as many respondents within the Irish Financial Services Industry Dublin as
well as an equal proportion of non-banking professionals, the two week email gathering
process and ‘getting the word out’ the method employed to drum up interest and awareness of
the research. Word count is another limitation, the thesis itself limited to circa 20,000 words,
being targeted, specific and to the point will help overcome this limitation. Objectivity is another challenge; while every attempt is made to remain as neutral as possible the research is written by one individual and one’s own biases may come into play. To overcome the literature review and data analysis is essential in supporting sound judgement and logical conclusions.

The case studies in the literature review covered examples from both the Irish and American perspective. Do to the researcher’s lack of access to the American aspect the data was primarily driven from respondents in the Irish market. However many respondents worked for American banks within Ireland. The researcher also has a lack of contacts to carry out an exhaustive survey poll. The survey will be sent out to approximately 400 people from both banking and non-banking backgrounds, assuming the majority are non-respondents it is estimated that between 50-100 people will complete the survey, this estimate is derived from the researchers own experience in data collection which is outlined in further detail below.

1.8 - Suitability of Researcher for the Research

The topic in this thesis is one which is of particular personal interest. Having worked professionally in a banking role since 2005 the researcher has acquired an extensive knowledge and experience of the industry to present a unique and original take on this topic. The researcher has strong network of colleagues, friends, acquaintances and contacts which will provide valuable information as part of the primary research process.

The model approach and testing ‘causes of’ requires the ability to deconstruct the main issues and align them with the core elements being tested. From an academic point of view the researcher has an undergraduate degree in Science and a Higher Diploma in Business Studies, along with a Certificate and Diploma in Financial Services. The Science background provides a strong foundation in analytics and methodological approach and the business and finance element a credible qualification in collating, understanding and presenting the ideas and finding in this thesis.

From a research point of view the researcher spent a year working in a market research company whose sole responsibility was carrying out market research through face to face interviews and over the phone. The experience and knowledge gained will prove invaluable when carrying out the qualitative and quantitative research.
From a learning style perspective the researcher has progressed through each level of the post graduate courses seven and eight and now working towards a level nine master’s level. In order to progress through each stage there was an extensive amount of work in terms of assignments, group work, laboratory work and regular exams to attest the knowledge base and competency. In addition the researcher has in a professional capacity carried out successful interview for various internal projects and developed the necessary people skills to ensure effective, reliable and successful interviews.

1.9 - Recipients for Research

Dublin Business School as well as the primary and secondary markers will be the ultimate recipients for this research. However the research conducted in this thesis will be of use to a wide audience, primarily those working in the financial services industry. Employees at all levels would benefit from availing themselves of the research and information conducted and evaluated. Other stakeholders would include the rating agencies of financial institutions and government officials who may have a particular interest in this field. In terms of monitoring and enforcing the framework anyone involved in the legal profession would benefit from a deeper understanding of the challenges which face the industry. Students who are potentially future employees in financial institutions would also benefit directly from the research carried out here. Many of the themes will have generic applications across all industries and across all sectors. Therefore the recipients for this research could potentially be from all different age groups, countries, gender and backgrounds.
Chapter 2: Literature review
2.1 – Causes / Factors leading to the financial crash

Phillip Swagel (2013) presented a report ‘by three members of the Financial Crisis Inquiry Commission’ on ten causes of the economic crisis as outlined by Hennessy, K. Holtz-Eakin, D, & Thomas, B. (2011) ‘Credit bubble, housing bubble, non-traditional mortgages, credit rating & securitisation, financial institutions concentrated correlated risk, leverage and liquidity risk, risk of contagion, common shock, financial shock and panic, financial crisis causes economic crisis.’ Three of the causes all use the word ‘risk’ a common theme throughout the crisis, however simply listing ten causes of the crash does not provide enough insight. Authers, J (2013) maintains the seeds were sown in the subprime mortgage but shows how the crisis deepened particularity from a European perspective, the currency war ensuing, a symptom of the shock and panic. Both sources focused on different aspects of the crisis the root of both being the subprime market and the way the market evolved through securitisation and credit default swaps into the international markets coupled with exponential growth. Swagel’s (2013) ties in with Coppola (2013) which outline five key risks of banking, credit, liquidity, market, operational and conduct. All these areas were affected in the crash and
underscored by Coppola (2013) ‘the fundamental causes of the financial crisis was the mistaken belief that risk had been eliminated, when they had simply been transferred to unsuspecting and unprepared recipients. Some risks cannot be eliminated - only managed.’ However, in this source it does not appear to be about managing risk at all but passing on this risk to someone else.

The Economist (Sept – 2013) outlines in detail many of the similar points above but takes a different slant, ‘the most obvious is the financiers themselves.’ The article goes on to explain those at the top claimed to ‘have found a way to banish risk when in fact they had simply lost track of it.’ However according to Coppola (2013) the risk was known but transferred. The article also points out that the ‘macroeconomic backdrop’ through years of stable growth and low interest rates had provided the perfect stage for events like this to unfold. The Economist a more insightful view provides details on how these events could have proliferated, for example the low interest rates created an environment where bankers needed to find alternative ways of making higher profits. While no source disagrees on the impact of risk analysis the Economist touches on the two key points Swagel (2013) and Coppola (2013) overlook, the financiers themselves and also the macroeconomic backdrop.

On the other hand Cociuba et al (2011) outline in their journal ‘lower than optimal policy rates reduce the returns to safe assets and lead intermediaries to shift investments towards riskier assets’. This shift was not something referred to in quite the same way by Swagel (2013). In further detail Swift (2011) in his article in Forbes magazine quantifies some of the highlights of the factors leading up to the crisis. Swift (2011) states ‘84% of the sub-prime mortgages in 2006 were issued by private lending - nearly 83% of the subprime loans to low- and moderate-income borrowers that year - nonbank underwriters made more than 12 million subprime mortgages with a value of nearly $2 trillion’. Previous sources give a higher level overview of the issues at hand but Swift’s ability to provide quantifiable facts and figures help put the crisis in greater perspective. Swift also introduces nonbank underwriters which indicate a wider issue which Swagel (2013) and Coppola (2013) do not capture.

According to Farlow (2013) the risk represents, debt! With this (2013:8) ‘next big global imbalance - was patterns of savings and consumption.’ Farlow explains in more detail how artificially keeping interest rates low the US Federal Reserve was (2013:17) ‘encouraging bubbles in global credit markets and in asset prices.’ While other sources cover the element
of risk being almost factored out of the equation Farlow talks about the (2013:18) ‘under-pricing of risk’. According to Farlow risk was not removed but its true value was not accurately calculated in the build up to the crisis. Farlow also points out in (2013:344) in Queen Elizabeth’s visit to London School of Economics after her brief explanation of the factors leading up to the financial crisis asked the obvious question ‘If these things were so large how come everyone missed them?’

2.2 – Anglo Irish Bank / Bear Sterns & Lehman Brothers
The cases of Anglo Irish Bank, Bear Sterns and Lehman Brothers help illustrate the lack of corporate governance and ethics. These institutions did not cause the crisis alone but quickly fell victim to it through excessive risk and ignorance which culminated in huge losses and crippling after effects. Anglo was chosen as a starting point as this example is one most Irish people would be familiar with, then moving across the Atlantic to where the crisis began - Bear and Lehman play out similar stories with regard to mismanagement, excessive risk and overexposure.

Taylor, G. (2011:604) explains how Anglo Irish Bank was once the ‘flag bearer of the Irish banking sector’. At the start of 2007 few could disagree with Anglo named as the best performing bank in the world over the last five years. The themes of risk and undiversification coming into play, but unlike Anglo’s peers there was another element which separated Anglo from the rest. ‘As the depth of mismanagement at Anglo Irish Bank unfolded, recapitalisation was acknowledged to no longer be an option’, the key word mismanagement stemming from responsibility and ethics from CEO level. In Carswell (2011) aptly titled novel ‘Inside the Bank that Broke Ireland’ Carswell outlines the rise and fall of Anglo from its humble beginning in 1964 valued at EUR 127,000 at the time of (2011:5) ‘conservatism of Irish Banking’ to its high of 13 billion in June 2007 to its collapse and ultimately cost to the tax payer in the region of 30 billion euro’s. A very detailed perhaps over dramatised source playing out the events of the high profile collapse in Ireland, nonetheless a fascinating insight into the ego and self-righteousness of Sean Fitzpatrick, David Drumm, Willie McAteer to name just a few. But to a certain extent doesn’t provide anything further than this one story. Carswell (2011:97) outlines how in June of 2007 ‘financial consultants Oliver Wyman named Anglo Irish Bank the best bank in the world’. One can understand how this would have played into the egos of those in charge. This source drills down further into the level of mismanagement with a particular example of the huge stake in Anglo by Sean Quinn
Carswell (2011:105) ‘Ireland’s richest man – the very existence of a large secret shareholding is potentially destabilising’. Again with these sources the reoccurring themes of risk and trust are motifs. The uncovering of this position at a time when the financial crisis was unfolding only served to amplify losses and destroy trust; this was directly reflected in Anglos share price which began tumbling in the ensuing months.

Bear Sterns and Lehman Brothers are two examples of financial institutions which were among the first colossal institutions to fall during the crisis. Core similarities of these two were highly leveraged risk and mismanagement at CEO level. Angelo Mozilo and Richard Fuld CEOs at Bear Stern’s and Lehman were mentioned in Time (2010) as ‘25 People to Blame for the Financial Crisis’. Everyone loves a fall guy and a finger pointing article on the crisis would no doubt generate revenue for Time but twenty five seems a little too low and convenient to truly cover the issue. The failure of Lehman Brothers according to Swagel (2013) was down to the fact that Lehman did not possess the necessary collateral. In contrast Bear had enough collateral to allow the American Federal Reserve to step in and guarantee the losses with JP Morgan. Time magazine does list these two CEOs in the top 25 people responsible for the financial crisis but fail to mention nonbank institutions Swift (2011) and certain Hedge Fund Managers described by the Financial Times. However in contrast the Financial Times and New York Times focused on the earning of Hedge Fund managers like John Paulson for example Boylan, M. (2014: 326) ‘who earned an estimated $3.7 billion in 2007’. Guardian (1992:38) ‘Greed is still the boardroom creed’ an old quote from 1992 but still very much applicable in today’s media jargon, examples of ruthless CEOs and their ability to single handily bring down financial institutions. Green (2013) quoted Richard Fuld with ‘Hi, I’m Dick Fuld, the most hated man in America’ introducing yourself in such a manner suggests two things, you have accepted the title or are arrogant enough to use it in a whimsical way, Green perhaps leaving that up to the reader to decide. McDonald (2009:298) in his novel on the collapse of Lehman Brothers quoted Fuld as saying to the Treasury Chief at the time ‘I’ve been in my seat a lot longer than you were in yours at Goldman – Don’t tell me how to run my company’, McDonald believing the fate of Lehman was sealed at that point. This is an insightful source as it’s told from the inside perspective by Larry McDonald a former Vice President in Lehman. The source gives further clarity into why Dick Fuld would have been included in Greens article and also highlights how at the time of crisis the responsibility in many cases leans with one man. In saying that McDonald’s book could
arguably over dramatise events for greater book sales revenues, it’s also written from an insider who could have personal agendas or old scores to settle.

2.3 – External Pressures on the Chief Executive Officer (CEO)

Referring to the above case studies in 2.2 all the failures can be traced back to those in charge at the time. Therefore to examine the root cause of these failures further investigation is needed to gather insight into the challenges of being at the top. Boylan, M. (2014) states that the foundation of ethics begins with the individual through a decision making process, the CEO’s decision for example. His theory stems from the idea that many decisions we make on a day to day basis like what to eat or wear do not apply ethically but ‘instances in which ethics are important form a small subset of all the decisions that we make.’ If we take this concept a step further organisations are made up of people. Boylan, M. (2014: 59) ‘people organised into a group can act as a unit’. This unit is comprised of the ‘moral responsibility of individuals’ which is then projected ‘to the level of organisations’. With this in mind Boylan is very much of the opinion that the ethical side of the business is driven from core values of the individual. McDonald’s point on Fuld’s attitude and blatant disrespect is counter to what Boylan is preaching but highlights the problem when this process is not prescribed.

Boylan, M. (2014: 356) Securities Exchange Commission (SEC) is ‘responsible for protecting investors – capital markets – enforcing laws and regulations – detect white collar crimes’. SEC charges Goldman (2010) a government document which states Goldman and a VP who were charged with defrauding investors by selling collateralised debt obligations (CDS) Boylan (2014: 327) ‘by misstating and omitting key facts about a financial product tied to subprime mortgages’, being sold on behalf of John Paulson the biggest grossing Hedge Fund manager in 2007, Boylan focuses more on organisational CEOs but what about non-organisations? Authers, J. (2013:90-91) makes reference to a Barclays scandal uncovered post crisis where ‘it had deliberately manipulated the interest rates used for setting many variable mortgage rates and other loans.’ This resulted in a $450 million fines payable to the regulators in a number of countries, Authers states ‘bankers were not treating money as they would their own ’ Boylan (2014) would criticise this in a much harsher light as unethical and a moral breach.

Looking at some of the key aspects in business ethics Cannon, T. (1994:57) stressed that innovation, people, technology and markets present challenges under the ethics umbrella. The
source, now twenty years old, connects with many of the factors presented by the Financial Crisis Inquiry Commission. Authers, J. (2013:29) ‘Markets are driven by the interplay of greed and fear, both rooted in human psychology’. Authers (2013) outlines at one of the lowest points in the financial crisis 70% of respondents in the American Market were feeling bearish. On the flip side CEO of Citigroup Vikram Pandit assured employees by outlining some key achievements ‘best quarter to date - and that deposits were relatively sound’

Authers, J. (2013:69) ‘In such conditions, it needs only a minor news item, like an unaudited, non-legally binding internal memo, to turn confidence around.’ The example highlights the way in which a CEOs words can impact one way or another underscoring the human ethical side. Perception is still a powerful tool – this perception theme ties into the Lehman source which blamed the short sellers for causing unnecessary panic, Fuld stating negative perception was driving the share price down while those outside of Lehman’s would argue the opposite.

Appendix two used as a framework for testing many of the factors of the crisis and also in the research gathering process to help illustrate the challenges of the market place. Sorkin (2009) outlines many external challenges. The environment consists of the media ‘deliver(ing) their firms eulogy’, the immediate community would include other banks desperately trying to save themselves, the example of Merrill approaching Bank of America for a takeover, the wider society which included the government bodies scrambling to intervene and of course the firm itself. Did Lehman have a business model which could be saved? Warren Buffet one of the world’s richest men called in at the last minute to potentially help save Lehman wouldn’t, Sorkin (2009:57) ‘You just can’t trust people like that.’ The source details further Buffets own personal aversion to investment banks having being burned in the past by an experience at Salomon. Buffets further aversion to certain individuals indicates how the fate of a company can really hang at times upon one individual.

2.4 – Corporate Governance (CG)

Mallin (2010) a detailed edition solely on CG seems to cover all aspects of this topic bar a simple definition. The vast encapsulating grasp of CG in this source includes how it was developed from the owners and stakeholders right up to the structure of the board and Directors. The source opens with a brief summary of many of the fiascos which marred financial institutions and major companies alike over the years, Enron, Royal Bank of
Scotland and Barings Bank to name a few examples which made the news for all the wrong reasons. The examples according to Mallin underscore the relevance of CG and its place within institutions. The examples too are also a reminder of the limitations of corporate governance. Mallin quoting Tony Blair highlights an important point with underpins a key theme of what this thesis is measuring, (2010:15) ‘Managers are supposed to be the agents of a corporation’s owners, but managers must be monitored and institutional arrangements must provide some checks and balances to make sure they do not abuse their power’. This key point essentially sets out that CG is a framework in which CEOs and managers should be operating. However Mallin does not point out what Blair says when this fails.

Mallin (2010) however does not cover what excessive CG can lead to. It can be counter intuitive as pointed out by Moos et al (2012) ‘we encounter both high-performing companies that exhibit poor CG and unsuccessful companies that embody every CG best practice’. Despite all Mallin (2010) is saying Moos at al suggesting in practice CG may be irrelevant. However Moos at al do not prescribe an alternative to CG.

The approach laid out by the Irish Stock Exchange (ISE) official website is one which ‘promotes best practice CG by the companies on its markets’. Therefore any companies wishing to be listed on the ISE are required to apply via ‘comply or explain base’. This source highlights how the framework is enforced by the ISE but in saying that the ‘explain’ basis also allows for deviation from the framework where sufficient details are provided. One can easily observe in practice that the application of CG may not be as black and white; there is an allowance when deemed appropriate to deviate from the norm. Referring to appendix four of the ISE (2014:1) it states that ‘ISE recognises that the UK Corporate Governance Code - has set the standard for CG internationally’. Mallin (2010) disagrees stressing the CG codes in four different regions around the globe suggesting the UK model is not a simple case of cut and paste for the rest of the world. Perhaps trying to adopt one model to another is not the answer but Mallin (2010) never addresses the point of creating a new global model which could perhaps supersede all existing models.

Mallin’s (2010) summary he covers the fact that the events which occurred over the last number of years have served as an impetus to (2010:343) ‘improve – corporate governance’. A clear indicator of two aspects, firstly CG infrastructure was lacking and secondly by improving on it indicates its sustained relevance today. He is of the view that (2010:343)
'there will be more, and maybe bigger, scandals in the future’ stressing the example of Royal Bank of Scotland which made headlines for two particular reasons firstly ‘the excessive remuneration packages paid to its directors and – (secondly) rewards for failures.’ This is something Yunus (2010) would disagree with, citing a new model is needed; allowing failures to occur over and over is ‘not self-sustaining.’ Mallin (2010) acknowledges that it may only ‘partially succeed’ but the act of trying can be enough to spur on other meaningful concepts like generating confidence in the market. Mallin (2010:343) stating that ‘Corporate governance is fundamental to well-managed companies and to ensuring that they operate at optimum efficiency’. However as pointed out by Moos et al there are many well managed companies who would not have strong CG and ‘optimum efficiency’ seems counter intuitive due to the enhanced cost and red tape associated with implementing greater CG controls.

There are further proponents of CG who argue against Mallin (2010). LawTeacher.Net challenges some of Mallin’s views in an essay entitled ‘Arguments for and Against Corporate Governance’. In this essay some of the outlined failing of CG include ‘corporate governance is fundamentally a weak check and balances approach’ that trapped ‘a trusting or negligent board, shaped the corporate culture and ethical climate, and ensnared the auditors, the external attorneys, and ... politicians and regulators’. The essay draws upon all the major bodies who would typically be advocates of CG. The essay raises an important point the trade-off between more control and regulation and the ability to carry out everyday tasks as efficiently and cost effectively as possible. However the article does not address any alternative. In Mehta et al (2009) similar to Mallin (2010) the Enron example is used, Mehta’s take on it is an example of CG failures, but Mallin (2010) uses the example to argue for more governance. Mehta et al brings in some of the weaknesses of CG which included ‘poorly designed rewards package (and) excessive use of share options.’ Key points on CEOs and their pay and bonus packages. Mehta also delivers some key points regarding further failures of CG these included ‘questionable ethics – behaviour at the top – weak internal control – risk management’. Mehta’s points echoed by Swagel (2013) the government document which outlined many of the factors contributing to the financial crash. Swagel’s take on this is more from a global perspective while Mallin only really concentrates on regions and specific case studies.
2.5 – Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CRS) is an important element of CG. It is defined by the European Commission as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.’ Mallin also covers this topic in his Corporate Governance book mentioning Carroll as its founder defined under (2009:146) ‘the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time’. Financial institutions global reach and influence is paramount in today’s society. Cannon (1994:preface) ‘it is argued that ethics, governance, responsibility to the natural or built environment and justice are facets of the same issue’.

This is a key point from Cannon (1994) in many ways when we address one area we are also covering another, this point also helps underscore how corporate governance, CSR and ethics all spawn from the same root. And that root is trust!

Muhammad Yunus (2010) argues in his book that corporate social responsibility is ‘not self-sustaining’, Yunus argues what is needed is a new way which is self-sustaining and addresses the needs of the poor. The biggest flaw for Yunus is the drive for profit which has an eroding effect on corporate responsibility. Yunus argues finding a balance between the two effectively means a trade-off, one or the other. ‘Making a complete break from the for-profit attitude creates a huge and important difference for the businessperson who really wants to commit him or herself to social change.’ However, building a non for profit global model and driving a new kind of dramatic social change is perhaps one extreme view which in execution is improbable in capitalist societies. However recognising this side of the spectrum is the first step in trying to strike an important balance between ethics, corporate governance and corporate social responsibility and sustaining profits for financial institutions.

Canniffe (2009) puts forward the question ‘is social responsibility now a necessity in a new business world?’ She also outlines how some companies feel ‘it should be an integral part of the way their operation is managed.’ Also recognising the argument against where others feel it’s ‘a load of hot air and feel they can get by with a bit of lip service and tokenism.’ Some very good examples of companies implementing strong CSR are Guinness who makes provisions through housing and healthcare to its employees. Cadburys and Lever Brothers building garden villages to ‘provide good quality living environment for their workers.’

Canniffe (2009) also highlights the four main arguments against CSR as ‘profit maximisation
and free choice – competitive disadvantage costs and the free-rider issue – lack of requisite skills among business people – the lack of accountability.’ Canniffe (2009) raises an important perhaps cynical point regarding the free-rider issue not raised by other sources, at the end of the day banks are businesses that need to make profits to survive, excessive CSR leads to eroding of profits and beneficiaries perhaps becoming overly reliant to the point of diminishing returns.

Jun Rowley (2009) narrowed the CSR element down to ‘people, planet and profit.’ She argues that it’s ‘more than just a set of guidelines to keep companies out of trouble – the standard of CSR is being redefined and is evolving as a driver for innovation.’ Examples of innovation were lacking in this source, this would have been an important point to bring in new innovation examples like Facebook and Twitter. These powerful tools have the ability to create positive reputations or destroy them at the click of a mouse. The future of financial institutions and how they are marketed through social media is still a very new concept but the new stage in which CSR and ethical stories and practices will be played out and commented on for all to see.

2.6 – Ethics

Appendix three is as an example of eight ethical values outlined by Standard Bank Group. When reading about the events which unfolded during the financial crisis one can’t help but think about how ethical lines became blurred. When it comes to the beginning of the financial crisis sources overwhelmingly begin with the subprime market in America. Dunbar (2009) outlines ‘The Depository Institutions Deregulation and Monetary Control Act of 1980 was enthusiastically endorsed by then-President Jimmy Carter’ this allowed the proliferation of interest rates during the early 2000s and for lending institutions to charge unregulated interest rate charges on loans. Many sources have overlooked this key piece of information which arguably was the first step into this crisis. Dunbar (2009) also makes reference to ‘the Parity Act’ passed which allowed for interest only mortgages, balloon payments, adjustable rate mortgages. This source provides an excellent insight into how the stage was set from a legal perspective. Perhaps legislation changes should have also been included as another factor for Swagel. Dunbar (2009) also simply and effectively explains how the so called passing of the buck occurred ‘many subprime lenders made their money up front - lenders were selling their loans to Wall Street - a financial version of hot potato’. The term hot potato used by Dunbar
(2009) suggests the level of risk was still very much in the forefront of investors selling on the stock while the above sources make reference to the risk being eliminated or undervalued, whichever point of view risk was definitely not eliminated.

In light of Dunbar’s (2009) referencing to legislation changes there is no mention of opponents to these changes until Brennan speaking at the house of representatives in 1998 ‘I think this house of cards may tumble someday, and it will mean great losses for the investors who own stock in those companies’

Additional points on ethics, Dunbar (2009) mentioned how borrowers could simply declare their ‘stated income’, effectively borrowing what they wanted and the lenders encouraged this process. To a large extent this source is very fact driven and excellent for sourcing information on the crisis but difficult to argue against. Farlow (2013:313) quoting Bill Clinton who ‘now regrets not regulating the over-the-counter derivatives market’ it makes you wonder what else he regrets about the crisis!

The ethical challenges are apparent in all sources. In Dunbar (2009) less regulation allowed borrowers to self-declare their ‘stated income’. Farlow (2013:42) refers to the ‘balloon’ mortgages and goes into further detail on how they operate. From Dunbar’s point of view the new legislation effectively allowed the creation of predatory lending companies to operate within the revised legal framework, the emphasis not apparent in Phillip Swagel (2013) which overlooks legislation changes.

Sorkin (2009:89) talks about the process of securitisation high and low risk ‘mortgages being amalgamated – reduce risk and increase liquidity.’ Farlow (2013:38) describes the same process but in greater depth ‘originations in 1998 – peaking in 2005’. Farlow’s (2013) perspective is tailored towards a tangible facts and figures approach. Both however, call into question the ethical side of the practice of bundling good and bad loans together into tradable instruments which became known as collateralised debt obligations (CDO’s).

Interestingly despite all Dunbar says there seems to be a missing element of auditors and legislation in the source. In the famous Kingston Cotton Mills case Lord Justice Lopes (1896) is quoted as saying ‘An auditor is not bound to be a detective, or, as was said, to approach his work with suspicion, or with a foregone conclusion that there is something wrong. He is a watchdog, but not a bloodhound’. Auditors have a role to play but to a certain extent when
the industry began to get out of hand perhaps the watchdog needs to become a bloodhound to put a stop to the industry evolving the way it did.

The next step in the ethical chain is the rating agencies that rubber stamped the quality of the CDO’s; Moody’s, Standard and Poor’s and Fitch Group are examples. Sorkin (2009:226) outlines in detail the pressures of credit ratings and the impact a simple downgrade would have ‘If either Standard & Poor’s or Moody’s lowered its rating by one notch, AIG would be required to post $10.5 billion in additional collateral.’ In terms of quantifying for the reader the magnitude and pressure of the role of the rating agencies Sorkin excels over other sources. One can appreciate the ethical pressures and quantify the impact of each grading notch by the agencies. Ethically should the rating agencies have practised tighter controls? Farlow (2013:275) the finance minister of Greece when confronting a downgrade said ‘We should not be the scapegoat or easy excuse that will be used by European and international institutions in order to hide their own lack of incompetence.’ The rating agencies to a large degree when downgrading were also pointing a judgemental finger of blame in the markets.

When it comes to those at the top, CEOs and Hedge Fund Managers the Economist (Sept – 2013) and Boylan, M. (2014: 326) do not overlook these important details. Huge banking bonuses and even greater performance payments in the Hedge Fund business reward an appetite for increased earning fuelled by greater risk.

2.7 – Trust (Time Dependent)
As pointed out by Coppola (2013) ‘without trust, banking is impossible’. Trust is essentially what the foundation of banking is all about. This is why it has become a core element of this thesis and an inescapable concept when viewed against the banking crisis of 2008. Ray (2009) in his novel of essays over the last ten years points out the ‘present global financial crisis is an ethical Black Hole at the heart of corporate capitalism’. Ray goes on further to point out that the current model is flawed, and it is this flaw which will prevent the rekindling of trust which has been fundamentally destroyed by the events in 2008. While other sources focus on tough austerity measures Ray’s views are one of total change to the current paradigm ‘State support for Credit Institutions should therefore be conditional upon a change in the underlying Business Model’. However a change of this magnitude is somewhat of a fantasy at this point in time additionally Ray (2009) provides no better alternative to the current model.
‘The United States is like the Titanic, and I’m here with the lifeboat trying to get people to leave the ship… I see a real financial crisis coming for the United States.’ That was Peter Schiff speaking in 2006. Nouriel Roubini (aka Dr Doom) has also been credited as another American economist who anticipated the crisis in 2008, Fortune magazine wrote, ‘In 2005 Roubini said home prices were riding a speculative wave that would soon sink the economy’. This was a key moment as there was arguably time to fix the problem before 2008. Perhaps if enough magazines, news reports and CEOs played closer attention to these early warning signs things could have played out differently.

What’s interesting is how many of the sources don’t explicitly refer to trust. Many of the themes are subsets or derived characteristics of trust. For example Swagel’s report on the ten factors contributing to the crisis focuses on risk, excessive risk which would be driven from high levels of trust. The CEO’s who ran Anglo, Bear and Lehman’s according to Boylan the ethical practices would be driven by the CEOs implemented over time have the ability to create strong levels of trust. Sorkin’s analysis of the chain of events under ethics show how at each stage, the selling of assets, securitisation and rating agencies, ethical boundaries were blurred but there is no specific reference to trust being broken.

Dunbar who talked about self-declaring income levels could have been more detailed in how these levels of trust were being breached in both directions, financial institutions lending out money with insufficient checks and balances as well as borrowers taking on more debt than they can afford. This would have been an excellent opportunity to investigate further if the lending between lender and borrower was taking place on mutual trust or trust in the system? Trust in the rating agencies, who were grading the security types, trust in the auditors who were responsible to ensure sufficient levels of oversight. All essentially subsets of trust!

2.8 – Rescue / Evolution & Controls / Banking Future

2.8.1 Rescue

Understanding how the banks needed rescue intervention and what needed to be done allows further investigation on exactly how a lack of corporate governance and ethics were the root cause. Authers, J. (2013) states how government intervention helped rescue the banks on a global scale, the Federal Reserve in America recapitalising its major banking institutions, keeping interest rates low to stimulate a flow of capital. Author’s focus primarily the
American banks. Author’s statement is broad in that he believes without rescuing these banks the consequences would have been catastrophic. But there is no specific mention of what this could mean, were all banks in all countries affected to the same degree? In Farlow (2013) post crisis review covers themes of banking reform through (2013:312) ‘sound financial regulation – transparency and oversight’ general buzz words but not a lot of detail on how to achieve this and effectuate positive change. The reference feels more like a guide to the crisis in an effort to capture what happened to ensure we don’t play out the same mistakes again, but inevitably ‘what has been will be again’ (2013:350) Regulation aspects feeds back to Dunbar (2009) who outlined the deregulation aspect in the 80s and its profound effects twenty years later, and transparency and oversight aligns with Mallin’s framework of corporate governance. Farlow (2013:313) mentions ‘recognising the dangers...was not rocket science, but it was contrary to the conventional wisdom and certainly contrary to the economic interest of Wall Street’. From this source it’s clear that the financial crisis was a result of focus being shifted towards Wall Street’s agenda, an agenda focused on high risk high return mentality, overexposure and leverage. However it is not just Wall Street solely responsible as outlined by Carswell (2011:314) ‘Anglo’s cost to the state €29.3 billion to €34.3 billion’.

2.8.2 Evolution and Controls

How far have we really moved on from the banking crisis? Isidore et al (2013) wrote an article for CNN on the nicknamed ‘London Whale’ about how JP Morgan was fined $920 million in 2013 through mismanagement of its hedging strategy by a sole trader based out of London. The story highlighted a number of points, ‘inadequate risk controls’ and no criminal enforcement just hefty fines which according to Cornelius Hurley a former councillor to the Fed said ‘the large civil fines are the only check on the so-called ‘too big to fail’ banks that rarely face any kind of criminal enforcement’. JP Morgan accepting their mistake and learning from it, the high level article does not go into any detail of how these mistakes were fixed and what controls have been implemented to ensure this does not happen again.

In another story Bloomberg News in June 2014 covered Citi’s trouble this year with its Mexican unit. As a bond underwriter Citi ‘suffered a $400 million loan-fraud loss’. Chaudhuri, S. (2014) article on the same event focuses on the repercussions of these events. The chairman of the unit hit directly with a pay cut of 14% for 2013 and reports of at least twelve employees at very high levels within the company being dismissed. Further actions
included ‘regulatory sanctions - Citigroup also said it is considering whether to recover pay previously awarded to its employees’. CEO Michael Corbat of Citi quoted as saying ‘I can assure you there will be accountability for those who perpetrated this despicable crime and any employee who enabled it.’ The article presenting some relevant points firstly that fraud is still an ongoing issue but financial institutions want to be seen to move quickly and hold those accountable. However the way the story was spun appeared to focus the blame on subordinates within the company, making particular references to individual employees below the CEO, there appears to be no acknowledgement at the top of accountability but blame game at lower levels. These sources give the impression that the banks have faced so much bad publicity from top levels over the years that the focus has moved to lower ranks, a shift in the wrong direction.

2.8.3 Banking Future?

The New York Fed (2010) outlines the international response in the form of a time line. ‘Bank liability guarantees, liquidity and rescue interventions, unconventional monetary policy and other market interventions’ effectively the governments stepping in to save the banks, ultimately using tax payer’s money to repair the damage. A government response document is very sterile, prescriptive and bias, in using tax payer’s money to foot the bill the responses make no reference to how this will ultimately affect tax payers into the future. Farlow’s closing thoughts he focuses in on (2013:345) ‘individualised risk and light touch regulation’ he also makes reference to the ‘rituals of regulation’ hiding the ‘actuality of oversight’ along with the crash in 1930 saying (2013:350) ‘what has been done with be done again.’ Some may say Farlow has a pessimistic view but in reality more a realists approach. The purpose is to document the mistakes of the past and learn from them, mistakes will be made in the future, but how we learn from them now and adapt is important, a stance very much anti total reform as mentioned by Yunus (2010).
Chapter 3: Research Methods & Methodology
3.1 – Research Introduction
The purpose of this chapter to describe and explain the research approach adopted for this thesis, this will be using the ‘onion’ approach from Saunders et al (2009). With this the philosophy adopted along with how this supports the approach in line with Gummesson (2003) and various other research academics. The methods include the analysis choices and justification for these choices along with the sampling selection and how the data collection will take place. This chapter will also include a critical review of the data collection in terms of reliability and validity ethical considerations and methods in conducting research of this type.

3.2 - Research Questions (Quantitative & Qualitative)
In line with ethical compliances the complete data from both research methods has been included in this thesis. For a full detailed list of questions for this thesis please refer to the appendix five, six and seven. The appendix covers questions from the quantitative and full transcriptions from the qualitative research.

3.3 - Methodology approach
Hussey & Hussey (1997) outline the terms ‘research method’ and ‘research methodology’ often as being used interchangeably. However others have argued methodology is a more specifically adapted to the approach taken as well as any paradigms used. In Mason (2002) we learn that methodology is a concept and that the methods lay within the methodology.

In order to help illustrate the research methods adopted in this thesis the six layer research ‘onion’ approach from Saunders et al (2009) has been used to illustrate the process. The two research gathering methods used for the thesis include ‘quantitative’ and ‘qualitative’ approach. According to Weinreich (1996) both methods will 'provide a more complete picture of the issue being addressed.' The research will focus on an in depth analysis of the literature in a deductive reasoning approach which according to ‘the truth of the input - logically guarantees the truth of the output proposition - provided that no mistake has been made in the reasoning.' Gephart’s (1999) interpretive philosophy will also be utilised as a way of comprehending the results of the research. Understanding each level of the ‘onion’ gives the researcher structure and approach in carrying out successful research.
3.3.1 Research philosophy (Layer one)

Saunders et al. (2009) highlight that typically a researcher would think of the central theme first, the data collection part, however all the proceeding layers are just as important and necessary to reflect upon before any research is carried out and is why equal importance will be placed upon each layer during the research and methodology phase.

Gummesson (2003) states that all research is ‘interpretive in some way’; therefore both methods employed, quantitative and qualitative research, have elements of interpretation about them. In contrast one could also argue that this scientific method approach is based on positivism. That being said the approach is attempting to be as objective as possible during each phase. Also the post-positivism approach is relevant to this philosophy of research, in that the values of the researcher may be influenced by what is produced in the data collection part of the thesis. The researcher is writing and designing the data collection and there is no separation between what is written, collected and formulated based on the findings. There will also be an inductive element regarding the quantitative research as the survey will be open ended in the final question to allow for any additional comments outside of the structured approach. There is also an element of constructionists in that a large majority of
the group being sampled work in the same organisation or within the same geographical location.

Levin (1998) explains how the research philosophy is a thought process regarding how data should be collected and analysed. Therefore the researchers philosophy selected would have an important bearing on the researchers own views. This is further supported in Saunders and Lewis (2012) and methods chosen in this example are a clear reflection of what the researcher is attempting to achieve.

The researcher adopts an interpretivism approach while reviewing the ‘epistemology’ the source of knowledge and the validity according to Johnson and Christensen (2008). This approach will be encapsulated in one of the key questions within the survey designed to measure the respondent’s ‘level of knowledge within the industry’. As it’s self-declaring it is recognised as being subjective. Which according to Bryman and Bell (2007, p. 17) ‘share a view that the subject matter of the social sciences—people and their institutions—is fundamentally different from that of the natural sciences’. Therefore these differences make it more challenging but the emphasis of being specific and targeted in the data gathering will help overcome this limitation.

3.3.2 Research approach (Layer two)

Saunders et al. (2009) state that different philosophies chosen are linked to different research approaches. In order to gain the greatest understanding a qualitative approach according to Gummesson (2005) is needed. Therefore this approach has also been adopted by the researcher. Proponents to qualitative include Goulding (2002) who argue that the highly descriptive nature mean a trade off in rigorous data. However Miles & Huberman (1994) argue this is where the emphasis is on the integrity of the researcher is essential. Atkinson et al (1996) define the deductive and inductive approach as the two main types of reasoning.

Tewksbury, R. (2009) outlines the two most common methods of research as qualitative and quantitative. For the purpose of qualitative data collection the inductive approach will be most appropriate. As outlined by Myers and Newman (2007) this is also known as ‘bottom up’ research. The advantage of this approach over a deductive approach is that it will give the researcher the flexibility to allow for alternative results. In doing so the researcher has the ability to adapt and formulate new conclusions if the results dictate this. Also for some
research the deductive approach will be necessary in defining a base line for research gathering.

3.3.3 Research strategy (Layer three)
The research ‘onion’ in Saunders at al (2009) outline the strategy options as experiment, survey, action research, case study, grounded theory, ethnography and archival research. To a large degree many of these strategies are being implemented; the survey, action research, case study, grounder theory and archival research all part of this thesis. Eisenhardt (1989) also highlights the importance of case studies however their effectiveness in application is down to the researcher’s ability to implement successful and insightful studies (refer to Anglo, Bear Sterns and Lehman in chapter two).

The strategy for the quantitative approach will be a combination of the five point likert scale, multiple choices and some basic data acceptance will be employed to carry out the survey analysis. Miles and Banyard (2007) contend the basis for this will be to formulate an overall picture of respondent’s view of banking and ethics and how/if people’s views have changed in light of the events of the past few years.

Lobe et al (2007) make reference to the importance of researchers who choose both methods to combine them effectively. The questionnaires will also identify key themes and ask the respondents to rate these in order of importance, people/tech and markets for example. This would be an example of testing the model in appendix two along with identifying key areas to research further in the interview stage.

By structuring the data analysis approach with multivariate approach the researcher can deduce where common themes are cropping up. Findings can then be correlated and from this can be referred back to the model/theory being tested.

3.3.4 Research choice (Layer four)
Referring to the fourth layer in the research ‘onion’ Tewksbury, R. (2009) outlines the two most common methods of research are ‘quantitative and qualitative’. Both methods will be used for this thesis as they have been deemed the most appropriate by the researcher.

The quantitative research for this thesis has been chosen as a survey type approach because it is a fast, effective and a cost efficient method in gathering a wide variety of data from a large
sample of respondents. According to Kumar (2005) this method is also a very ‘structured approach’.

The research from the quantitative element of the data gathering will be used to formulate the qualitative piece. Qualitative research has also been chosen as an appropriate method for this research is it allows further in depth analysis of the quantitative data and also a level of interaction, feedback and open-endedness which the quantitative research does not provide Kumar (2005) referring to this method as a ‘more unstructured approach.’

The deductive approach in the quantitative element will allow for an inductive approach in the qualitative research. Overall the researcher is trying to prove / challenge a hypothesis and in doing so the relevant questions will be formulated to allow for a deductive approach.

The qualitative research will be structured but open ended to allow for Thomas & Carswell (2000) snow balling of ideas. This research will be highly subjective to the individual and is based on how the individual perceives both their own environment and also responds to the information from the quantitative research. This will be tested on two Experts to gauge their own thoughts and priorities towards CSR and ethics in banking. It will therefore be very interpretive based on the knowledge and expectations of the individual. It will also be responsive based on the prior research. From a naturalist point of view the researcher imagines that there will be varied points of view in response to the questions posed and that the qualitative research may contradict/agree or somewhat agree with the quantitative research. This research will therefore challenge/support the quantitative results.

The research strategy will be a structured and open ended approach. The aim of which is to develop ideas, information from the quantitative research to drive the qualitative research. An inductive approach will be used to test the theories and the researcher will not weigh any preconceived thoughts or predictions into the investigation. The research will be purposive as it will be relevant to the particular research already conducted.

3.3.5 Time Horizon (Layer five)

Due to the fact that the thesis has quite a restricting time frame to work with a cross sectional approach method will be employed. Ramenyi et al (2005) explain that cross-sectional give us insight into how something was at the time of research; it is a representation of people’s views/opinions at a specific point in time. This approach is appropriate in the work of
Saunders et al. (2009) explains how a vast majority of academic journals would adopt this approach due to similar time constraints. In this case the time frame is approximately twelve weeks to complete from start to finish which essentially leaves a few weeks of research to complete within this short timeframe. Due to the fact that the researcher is studying events at a particular point in time this approach is the most appropriate.

The analysis is derived from a targeted population of banking professionals within the same area (Irish Financial Services Centre - Dublin). This is both convenience sampling and also targeted sampling as the respondents should have at least a basic level of industry knowledge. A cross-sectional approach will be taken and the information gathering will take over a one week period. Respondents will make up a cross section of low level to mid-level employees. In order to get a balanced view another section of non-banking respondents will be included as part of the survey. These respondents are being sourced through a combination of word of mouth, friends of friends, family, social media and the researchers own email contact lists.

3.3.6 Data Collection (Layer six)
Mason (2007) maintains that new data collection as opposed to using current data is preferred primarily because some 'feel there may be something ethically, practically or epistemologically problematic about re-using qualitative data.'

Blaxter et al (1996) explain the challenges with regard to accessing, people and documentation when conducting a thesis. This was addressed by the researcher, Clark et al. (1998) point out how this usually begins at the ‘data collection stage’ Fielding (2004) called those difficult to access as ‘elusive population’. The researcher using their own contacts and contacts of others will help overcome this obstacle. The data collection will be both primary and secondary data. Primary data is data which has been collected first hand, for example interviews and surveys. Secondary data is data which is collected via published sources like books, e documents and journals. For this research data has been collected from both primary and secondary sources. The information gathered in chapter two will drive the secondary data material and chapter four will encompass details from the primary data collection.

The initial data collection will be quantitative and primary research. The approach driving the data collection method outlined in the ethical issues and procedures is a result of two main factors, manpower, and timing constraints as outlined by Dillman & Couper (2000). This research paper is being conducted by one researcher and the timeframe for completion is
short the self-reporting likert style approach will enable a fast and accurate method to data collect [see Couper (2000) for full details regarding web surveys]. The types of questions will be financial institution/industry based along with respondent’s views towards certain themes (see appendices two, seven & eight). This will allow for an exploratory analysis of the results which will also be presented via pie and bar charts which will allow the researcher to illustrate the results from the quantitative analysis in a clear and concise way.

Wright, Aquilino & Supple (1998) outlined the constraints of this approach, in comparison to the interview approach data collection errors and areas of non-response were higher in the self-reporting approach. However the research approach of using both methods in data collection is anticipated to help close the gap on some of the limitations in this theory.

3.4 - Ethical Issues & Procedure

3.4.1 Quantitative Ethics
As outlined by Eynon et al (2009) there are many challenges for ethical research especially conducting online data collection. Google docs, an online free source application allows users with a Google Gmail account to set up a data collection page and use this for the survey build and execution. Once set up the user can then email the link to respondents, responses are then automatically received and collated into live graphs. These graphs are then updated automatically after each response. In preparation for the data collection stage the researcher contacted as many colleagues, ex colleagues and friends of friends as possible to advise of the research being carried out and to make people aware of this. The researcher also used this time frame of approximately two weeks to collate emails of as many potential respondents as possible. Once the survey questions had been decided and approved upon the document was made available via an email link. For details of the ethical email wording please refer to appendix four. For anonymity respondents details have been omitted in this thesis.

3.4.2 Qualitative Ethics
Individual managers will be contacted separately via email. In a similar manner they will be given the option to take part in the research. The research is completely anonymous, for example name and banking institution will be removed from the research. The research will also be recorded via a Dictaphone and the respondent will receive a written transcript post interview to allow for evaluation and will also be given the opportunity to change/remove in part or in whole their contribution up until two weeks after receiving the transcript.
3.5 - Population & Sample

3.5.1 Quantitative Population
The population chosen involves a specific financial area in Dublin, the Irish Financial Services Area (IFSC). The area consists of men and women in the age group of 18 and over from entry level to mid management level. These individuals work in the industry and will have a solid grasp of industry knowledge and the ability to provide constructive answers to the research. This sample is very specific and does not represent the general public it's known as non-probability sampling approach as the researcher has not randomly sampled individuals from the public domain. The researcher is targeting many individuals through colleagues and friends of friends within the industry who would be interested in taking part.

This type of sampling method used is convenience sampling. The justification for this is the researcher has direct access to this sample population, it's cost and time effective and also requires access to individuals with industry knowledge and who may have an interest in this field. Additionally the researcher believes the sample population would give a higher respondent rate. However in recognising the limitation the sample population may not be representative of the population of a whole but is still relevant in addressing key themes and formulating hypothesis which will be necessary in addressing further research in the thesis.

In order to maintain a balanced unbiased view the research will also conduct random sampling of individuals who do not work in the industry, a question in the survey will reflect this. The aim is to try and capture a balanced view of ideas from those within and those out of the industry. Those outside of the industry will be targeted through convenience sampling again using friends, ex colleagues and friends or friends to try and capture as large as possible as group of respondents.

3.5.2 Qualitative Sample
For the purpose of a deeper dive and more exploratory research a sample size of two relative and in depth interviews will be carried out. This will provide further clarity and observation of the hypothesis.

The sample technique is non-probability and focuses in on two particular individuals from a senior management level in financial institutions in Dublin Ireland, the Irish Financial
Services Area (IFSC). The sampling is non-gender specific. It is also known as relevance sampling as the feedback will be relevant to a manager in this specific population.

The individuals chosen for the qualitative research is determined by their relevance to this particular thesis. The key themes are ethics and corporate responsibility. Therefore managers will be chosen based on backgrounds in areas such as risk and controls, compliance that have the necessary experience and skill set to add value to this thesis.

3.6 - Piloting Phase
Piloting phase is a crucial step in preparation for the data collection phase of the thesis. According to the Centre for Evaluation and Research piloting ensures ‘everyone in your sample not only understand the questions, but understand them in the same way’. For example the researcher discovered in the preparation stage that the Google documents link to the survey was not accessible from the work place. This immediately changed the data collection dynamics, the researcher instead contacted as many people as possibly within the banking industry to source non-work email addresses to ensure respondents could access the link without issue. In addition the researcher was made aware in some cases the survey link email could end up in people’s trash box, in anticipation of this the researcher advised as many people as possible to be aware of the email arriving to them within a specific time frame. The researcher also piloted the survey with two test cases before sending out. Both tests were carried out by respondents with no banking experience and little knowledge on the topics being asked, the purpose of this was to ensure the questions were as understandable as possible and the flow of the information made sense. In both cases changes were made, a few questions were rewritten for clarity and some questions were removed where unnecessary. This allowed for a more focused and targeted data collection.

A similar but more basic approach was adopted for the interview questions, these were reviewed and accessed pre interview. In this example due to the fact that the interviewee had substantial experience and knowledge of the subject more industry specific technical questions were possible. [See appendix six & seven]

3.7 - Data Analysis Coding & Editing
Data analysis and editing will be via Microsoft Excel and Google results and will be used to drive the results of the quantitative feedback to generate charts and score respondents
answers via the likert scale. This will also allow for a multiple regression test to challenge the key themes tested in the quantitative research which will be utilised in the qualitative section.

Fereday and Muir-Cochrane (2008) talk about data analysis using themes as part of the categories for analysis. This approach will also be used along with Hay (2005) who talks about two distinct steps in the coding process. The first step is a coding to establish a general theme. From this, step two is a more in depth comprehensive review in which further detail can be extracted.

3.7.1 Qualitative Data Collection
The qualitative collection is primary research and conducted via face to face interview with two expert individuals within the banking sector in Ireland. The approach will be via a structured interview, but open ended to allow for additional feedback /comments and to build on the quantitative. The types of questions asked will flow mainly from a reactionary point of view from the quantitative data. There is also an element of a deductive approach as the interviewer will be responding to information and formulating an opinion based on the information given. This approach will be largely thematic.

3.7.2 Qualitative Data Editing Coding & analysis
The data editing and coding section is used in parallel with Microsoft excel and results via Google documents which automatically extrapolate graphs and results based on respondent results. The software package will allow the researcher to extrapolate themes and results from the qualitative research to test, challenge and verify the data collected in the quantitative section. This method follows a structured pattern and will allow the researcher to be able to quickly identify common themes or differences in respondent’s answers. Using this method should allow for an inductive approach grounded in theory derived from the literature review and challenged in the quantitative research. A structured approach will allow for a deductive approach. As a result the coding will be very much driven by how the questions are answered. The open ended style question in the conclusion will allow for additional information to be captured and depending on what is captured further additional analysis may be warranted.
Chapter 4: Data Analysis/Findings
4.1 - Data Analysis / Findings Introduction
Chapter four focuses on the presentation and the analysis of the quantitative and qualitative research conducted for this thesis. Both Expert interviews were structured in line with the survey and also allowed for further expansion to challenge / contradict or validate the information in the surveys. [Full transcriptions see appendix five, six and seven]. Where relevant, sections have been extracted and presented below in line with the literature and survey results. The chapter will focus on seven main themes and with this the literature, survey and interview extracts will be aligned to help analyse the data. These include demographics, financial crash and external pressures on the manager, corporate governance and corporate social responsibility, ethics, trust, the future of banking and the thesis title agreement question.

4.2 – Sample & knowledge base of recipients for research
The respondents were equally weighted male and female, a varied age group was also represented, and respondents from both a financial and non-financial background were sampled. Also key to this information gathering process was the fact that 92% of respondents felt they had either some or a strong knowledge of the financial crisis in 2008, the majority of respondents were living in Ireland.
Expert [A] interviewed was working as an Associate Director in one of the smaller financial institutions in the Irish Financial Services Centre. The expert had close to ten years’ experience in the industry and an MBA and CFA qualification. Expert [B] is working as a Senior Vice President in the same financial institution as the researcher and has approximately ten years in the industry. For the purpose of anonymity and confidentiality their details have been omitted from this thesis.
4.3 – Research of the Financial Crash & Beyond

**Figure 4 Opinion on reoccurring crisis**

From the research conducted and illustrated in the graph above 67% of respondents believe another crash of the scale seen in 2008 will reoccur in their lifetime, Coppola (2013) pointed out the view that risk had been eliminated, the current results indicate this is no longer the case. This is a strong majority indicator that respondents are feeling unoptimistic and cautious about the future. Similarly Expert [A] agreed that another financial crisis like the one seen in 2008 ‘it’s something that could well happen again’. This was supported by the example of new products being introduced to the market and ‘risk won’t be understood properly or measured properly’. In saying this Expert [A] has captured two important aspects also outlined in the literature review about risk being measured incorrectly or in some cases believed to be removed from the equation. Expert [B] I ‘totally agree that it will happen again’ adding the relevant example from Ireland the ‘huge price increase which is resulting in another bubble’. Expert [B] adding, due to ‘more regulation and supervision’ that it would not be on ‘the same magnitude’ but yes it will happen again.
Interestingly just over half of respondents feel a lack of ethics was the cause of the crisis, while nearly a quarter view a lack of corporate governance, this equates to an majority 76% between the two opinions. However Expert [A] agrees ‘with the 14% on legislation. You can find individual cases of unethical practises within banks but I don’t think that is the root of the crisis’, returning back to an earlier point about auditors and legislators at the forefront of the issue. Expert [B] ‘I would rather say all of the above to be honest’ elaborating further by saying how ethics ‘alone is the basis of this but it’s not enforceable or measurable’. This finding here is a disagreement between both experts, one leaning towards the legislation side of things while the other focusing on the larger picture which is driven by the underlying basis of ethics.

Figure 6 Culprits of the Crisis
The biggest single culprit of the crisis viewed by respondents was financial institutions with 23%, while 44% of respondents expanded this blame to include ‘all of the above’. In contrast Expert [A] did not agree that financial institutions were the biggest culprit ‘regulator is the one that should be taking care of this’. This point of view agrees with only 14% of respondents. The evidence here suggests a lack of responsibility that relies on others to rigorously define the framework in which to operate. Lord Justice Lopes (1896) would disagree; the banks should take their share of responsibility. Expert [B] agreeing with Lord Justice Lopes (1896) ‘pretty much all the ones here you have quoted have to be included’ and also in line with 44% of respondents. Expert [B] also introduced another element here drilling down further to ‘brokers / trades’ those on huge commissions. These finding reflect the Hedge Funds and Private Equity firms outlined by Expert [A] and also support the evidence from Swift (2011) regarding risky loans from private equity firms, Hedge Funds however only getting one vote above from the entire 82 respondents sampled. Suggest many respondents were unfamiliar with Swifts (2011) work.

**Figure 7 Summary Results Financial Crisis**
When respondents were asked if they could sum up the crisis in 1-4 words the majority chose the word ‘Greed’ synonymous with media coverage and a less technical view. Expert [A] chose to use ‘profit maximisation’, not a phrase you would typically expect. But the angle here is banks are a corporate trying to return value to the shareholders. They were doing this in a way which was rewarding when times were good and catastrophic when things changed. Profit maximisation is not a phrase covered in the literature review but under-pins what all the corporate were trying to achieve through ‘excessive risk’ which are covered extensively by Swagel (2013). Findings here that Expert [A] does not capture the ‘crisis’ element only what the crisis was trying to achieve. Expert [B] ‘if you give me a few more words it was banks were lending money they didn’t have to people who could not afford it. That’s how I would really sum this up. It’s risk.’ Expert [B] also again showing his broader approach to the cause (over Expert [A]) of the crisis as ‘I would rather say all of the above to be honest’, the issue again expanded to encompass more bodies into the reasons behind the crisis.

4.4 – Research of the External Pressures on the CEO / Manager
Regarding remuneration the majority of respondents 91% feel that these are either overly excessive or somewhat excessive. Expert [A] ‘You can always argue that the remuneration of CEOs is excessive but you only need to look at IT companies where CEOs are paid a lot higher than CEOs in banks. To be honest I think nationalised banks which have been bailed out by the government should have limits.’ In the case like Anglo where the Irish tax payer had to step in a bail the bank out, if the bank were still in existence salaries at the top would and should be scrutinised in these examples. Expert [B] I agree they are too excessive’ focuses a little deeper within the banks ‘I think far worse than CEOs can be traders who’s
remuneration is way too excessive’. Expert [B] does not cover any differences between varied performing banks but takes a general view of the issues at hand.

The research on the CEOs being ‘wholly’ responsible was quite a varied response. With 27% of respondent’s neutral, 36% agree while 20% disagree. In Cannon (1994) [see appendix two] the model of external pressures was challenged in the quantitative research. Varied responses indicate a similar emphasis on each of the aspects, Boylan, M. (2014) talks about beliefs and ethics beginning from the individual. A question like this encapsulates the varied opinions of respondents with no overall majority preference. Cannons (1994) diagram was challenged with Expert [A] who stated that ‘pressures always come from the shareholders’ again returning to the popular motif of ‘profit maximisation’. Expert [B] also answered the question in a similar fashion to Expert [A] ‘The firm the one with the biggest impact, shareholders the pressure always comes from here’. To a large degree these responses could be indicating a bigger issue that CEO pressures are too excessive from within and that one’s own ethical compass can be manipulated by the pressures from The Firm.

Figure 8 Salary / Bonuses & CEO Responsibility

I believe salaries and bonuses paid to top management are.....

- Overly excessive [47] 57%
- Somewhat excessive [28] 34%
- Appropriate to the going market rate [7] 9%

CEOs/managers are wholly responsible when companies collapse?

- Agree
  - 36%
  - 27%
  - 20%

- Disagree
  - 10%
  - 7%
4.5 – Research of Corporate Governance (CG) & Corporate Social Responsibility (CSR)

Figure 9 Corporate Governance (CG)

Excessive Corporate Governance can do more harm than good

What’s interesting is how the majority of respondents feel about CG, there is a high level of importance and emphasis place upon this with 76% agreeing or agreeing strongly that it should ‘be able to respond and evolve quicker to changing financial practices’ this point is also further supported in the feedback that 69% of respondents who believe that CG ‘is fundamental to well-managed companies.’ This majority result support Mallin (2010) a strong advocate for CG. Also it's important to note the question on excessive CG doing ‘more harm than good’ with 39% of respondents were neutral compared to the ‘agree’ and ‘disagree’ opinions were roughly split 50/50.

Expert [A] ‘Corporate Governance is very important in the organisation I work for- it’s something that’s looked at very carefully’. Within the banks it’s something which always has a lot of focus Expert [A] then elaborated further regarding Hedge Funds and Private Equity saying it was perhaps ‘more greed’ than a lack of CG which exasperated the situation. Expert [B] also holds CG in high regard ‘the amount of CG and risk awareness has increased hugely, even over the last five years or so’. CG is overwhelmingly a topic which is supported by all sources apart from Mehta (2009) who would use any failure as an example of CG shortcomings. Overall the findings are that CG is something which is still very much in the forefront of the industry today, perhaps more so than ever.
The results from CSR indicate sentiment towards banks CSR policies as neutral to low. That being said 43% also agree with the argument against CSR with 36% also agreeing with the ‘free rider’ element. This sentiment is echoed via Expert [A] saying ‘I don’t think it’s up to the corporate to promote that. It’s something to be taken on at the individual level.’ From this we find that CSR is something which is either not well understood by non-bankers or something which does not have much focus and something which perhaps might not necessitate as much focus in general. Expert [B] appears to come from a financial institution with a bit more focus on CSR than Expert [A]. In saying so Expert [B] covers the point an ‘element when large corporate do engage in these events are they self-serving?’ It’s really just not out of the goodness of their hearts. Expert [B] is from a larger bank that Expert [A] which could help explain the differences in opinion and also brings about another aspect that
Perhaps the level of CSR through contribution and focus could be dependent on the size and impact of the financial institution on the wider society.

4.6 – Research Findings on Ethics

Dunbar (2009) talks about how the beginning of the crisis began with deregulation, then proceeding hindsight comments on warning signs, issues which arguably crossed ethical boundaries, Swagel’s report on the financial crisis a combination of more and more risk. Regarding the question on ethics the research shows that 38% of respondents are neutral regarding the ‘great progress’ of banks ethically since 2008 while another 48% of respondents disagree or disagree strongly. This suggests a large portion of respondents are unsure of progress to date and also another large portion do not feel a lot of progress at this point has been made. Crucially on the question regarding ethics as a standard 63% of respondents either agree or agree strongly that ‘it is the most important standard’.

Interestingly 36% are neutral, disagree or disagree strongly which indicate more than a third favour another traits over ethics. Perhaps linking in trust against ethics would have been a more relevant comparison and could have helped explain in more detail this anomaly.

Expert [A] believes ‘in general I would say yes a lot of progress has been made profit maximisation is the most important standard. Things still need to be done in an ethical way but again I don’t think it’s the most important standard’. This attitude could help explain the majority view which had 85% of respondents as neutral, disagreed or disagreed strongly that ethically a lot of progress had been made. Expert [B] ‘I do agree- it’s very intangible’ it was quite a challenging question, very difficult to measure but Expert [B] adds ‘there are other important elements to it also.’ Expert [B] does not elaborate further on this point.
4.7 - Research Findings on Trust
Coppola (2013) views regarding banking as ‘impossible without trust’ were challenged in the research. Some interesting finding in the survey reveal nearly half of respondents believe ‘mutual trust’ is what the industry should be based upon, while 45% believe they ‘should be able to trust financial industries’ while 0% believed ‘financial institutions should be able to trust ME’. What’s even more apparent is the level of trust both BEFORE and AFTER the crisis, a glaring shift in trust from high to low. The graphs almost a mirror image of each other. The low level of trust industry wide present glaring challenges today and into the future, how can we have a successful, prosperous industry again if levels are this low?

Figure 12 Research of Trust

Some say the whole banking industry is dependent on TRUST to function correctly. With this in mind please choose from the following

![Diagram showing survey results]

How would you rate your level of TRUST in Financial Institutions BEFORE the banking crisis 2008?

- High: 35%, 33%, 16%, 2%
- Low: 19%, 33%, 45%

How would you rate your level of TRUST in Financial Institutions AFTER the banking crisis 2008?

- High: 12%, 23%, 27%, 35%
- Low: 2%, 19%, 45%

Expert [A] ‘trust will recover; I think people tend to forget very easily and the level of trust will recover. I hope people will read contracts before they sign them if they do I think that will be a great achievement’. Expert [A] referring to what Dunbar (2009) outlined in terms of self-declaring income when drawing down mortgages. Expert [B] also agrees with Expert [A]
on the point that ‘the public tend to have - short memories’. Expert [B] also goes on to explain how his own trust ‘has not really changed much’ since the crisis in 2008.

4.8 - Research Findings on Thesis Title and Beyond
An overwhelming 77% of respondents either agreed or agreed strongly with the title of this thesis. Also the fundamentals of banking were measured with 57% of respondents choosing either trust or ethics as the core; this was a surprising figure which meant 43% felt other core issues were more important.

**Figure 13 Thesis Title Results**

A Lack of Corporate Governance & Ethics in banking was the root cause of the global financial crisis of 2008

Expert [A] responding with ‘I think there might have been individual cases were there was bad corporate governance within some financial institutions, greed is there but greed is there for every corporate. Greed – you can call it greed you can call it profit maximisation it is all a matter of regulation. Banking is a very particular industry and it needs to have a level of regulation which is superior to traditional levels of regulation within corporate. Mainly because of the consequences of a default of a bank. For me it’s about a lack of regulation and the regulator always playing catch-up to the market. Auditors not doing their job properly as I said before there might have been some greedy people within banks, questionable incentives like bonuses being based on short term results. I don’t think the corporate governance within banks is worse than any other corporate sector of the economy.’ expert [A] in this example disagrees with the thesis title and offers the auditors and regulators as the ones to blame.

Expert [B] ‘I would agree it’s the root cause but - If you take it a bit wider and include the governments and legislators then I would totally agree’. The key differences here are Expert
[A] deflecting the blame to the regulators and auditors and Expert [B] encapsulating a wider audience to share the blame for the crisis.

**Figure 14 Communications & the Core of Banking**

In my opinion the MOST important method of communication to the public by financial institutions today is...

In my opinion the CORE of banking should be about....

Expert [A] ‘I think it’s down to the central banks to make clear they are in control of the whole banking industry. And you as an individual bank, investor, and shareholder are not going to lose your money because banks are acting in a way so the crisis won’t happen again.’ This is the opinion of the expert regarding the most effective ways for banks to communicate their message. However a near majority of 43% rely on television with social media a close second at 19% on where they receive their information about banks. A clear mismatch in opinions but highlights a key gap worth further thought and focus. Expert [B] also agrees with the respondents ‘TV newspapers, the more established ones then social media in terms of importance - probably going to increase a lot in the near future not only for banks but I think for every company.’

A large proportion 38% feel that trust is what the core of banking should be about, echoing Coppola (2013).Expert [A] agreeing with 38% of respondents and also with Coppola (2013)
‘without trust banking is impossible’. This is a crucial factor to focus on as the findings are that levels of trust are currently very low and with banks already struggling post crisis the act of rebuilding trust again is another obstacle to overcome.

Using these findings a clear point to make is how banks should approach communicating their future messages and company strategies. Understanding the important communication lines will allow greater focus on how to relay their message and restore the elements of trust in the market.

Overall Expert [A] had a very technical and opinionated view of the banks and the crisis. For the most part Expert [A] felt that the legislators and auditors were not doing their job properly and this was compounded by risky Hedge Funds and Private Equity Firms which were exasperating the situation. The banks were, in his eyes, not as culpable for the crisis and were only acting within the framework which was being policed by auditors and legislators. Expert [B] however, felt the blame should be shared by all bodies. This included banks, legislators, and auditors. For the most part Expert [A] agreed with the majority of issues and fundamental themes but disagreed it was purely within the banking sector that this crisis culminated. It was a wider issue!
Chapter 5: Conclusions & Recommendations
5.1 Conclusions

5.1.1 Conclusions Introduction

As outlined in the introduction the purpose of this thesis was to dissect the beginning of the crisis by winding the clocks back in much the same fashion as Fred Hoyle’s (1949) ‘Big Bang’ theory. Unearthing the core issues of banking risk and trust and how they were affected is a pivotal point in gaining a deeper understanding of how the crisis occurred. Swagel’s (2013) report helped identify the causes of the economic crisis and also identified the motif of risk being at the core of the issues. This was further supported by Coppola (2013) who maintained ‘the mistaken belief that risk had been eliminated.’ Seen again in The Economist a very similar motif ‘risk - had simply lost track of it’. The Experts also echoed these themes ‘risk – (not) understood properly or measured properly’, the focus on risk a key element in the motivation for ‘profit maximisation’ which can have a devastating effect on judgements and decisions from an ethical point of view.

5.1.2 Conclusions Trust

Trust also became a central theme of the ethical aspect of things as revealed by Coppola (2013) pointing out ‘without trust banking is impossible.’ The level of trust in the industry according to the research was something high pre-crisis and low post crisis. Concluding this is something warranting a large amount of focus. Trust is an intangible characteristic to measure but clear results indicate that large rebuilding steps need to be taken to restore consumer/market confidence to pre-crisis levels. Both Experts agreed trust is something which will be restored quickly, ‘people tend to forget easily’. 94% of respondents believed in either mutual trust or respondents solely trusting banks. The time element of trust was not something which was measured by respondents. However the majority of respondents feel events like this are likely to reoccur in their lifetime. Suggesting respondents will NOT forget about the past so easily and therefore levels of trust not being restored anytime soon.

Concluding from this the crisis for most people has had such an impact anyone living through the after affects will never view the banks in the same light again, this conclusion agrees with Ray’s (2009) hypothesis on the after effects of restoring trust.
5.1.3 Conclusions Chief Executive Officer (CEO)

The similarities between the Irish and American perspective told through the case studies of Anglo, Bear and Lehman’s illustrate striking similarities. This was particularly relevant at CEO level where common themes of mismanagement and arrogance were prevalent. These examples help illustrate how external pressures can impact ethically at CEO level. This was further investigated during the research where ‘pressures always come from the shareholders’. Perhaps Cannons (1994) model is more heavily weighted towards ‘The Firm’ as the external pressure from a Corporate chasing ‘profit maximisation’ from shareholders. This was something both Experts focused their attention on concluding that within the industry this is of greatest importance. Examples from Boylan (2014) and Authers (2013) show how CEOs deliberately ‘manipulated (or) misstated’ in order to reflect better performance. The evidence supports the concerns of both Experts interviewed and based on this the researcher concludes that the pressures at the top are so significant that ethical boundaries have been crossed in order to generate greater returns for the shareholders.

Remuneration also plays an important aspect when looking at the performance of CEOs. Anglo winning ‘best performing bank in the world over the last 5 years’ only to go bust shortly afterwards – along with Lehman’s massive growth with Richard Fuld at the helm to its demise at the hands of the same man. Many banks needed tax payer cash injections, some more than others as the crisis had differing impacts on banks depending on their level of exposure. Expert [A] introduced an intriguing point that remuneration should be driven by the performance of each particular bank, the importance of CEOs too and their ability to make or break a banks reputation by words alone (Citi’s Vikram Pandit and Richard Fuld chapter two). It’s still very much a debatable topic the conclusion being that it’s something which needs to be reviewed and scrutinised within each individual corporate. Given the Anglo example it’s apparent that huge growth and massive profits driven by the CEOs were not questioned / scrutinised. Supernormal profits merited awards and recognition and deflected from growing issues. Concluding that when things look too good to be true they possibly are. More robust CG policies are needed and an alignment of profits and risk exposure needs to be at the forefront of the corporate.
5.1.4 Conclusions Ethics

The motif of ethics continues with examples which proliferate today. The examples from Isidore et al (2013) outlining the London Whale debacle and Citi’s own scandal with its Mexican subsidiary by Chaudhuri (2014) demonstrate the ethical challenges today within the banking industry and how it continues to be crippled with events of this magnitude. That being said the motif of ethics within the context of the financial crisis has been shown to be of wider significance. As pointed out by Cociuba et al (2011) with ‘lower than optimal policy rates’ government driven initiatives creating this shift in industry approach to a riskier appetite. The wider issues extended from Swift (2011) who stressed the impact of private equity firms who during the crisis lent more than ‘$2 trillion in sub-prime loans’ this figure was contextualised by Khimm (2012) who outlined the estimated financial cost from the American perspective at around ‘12.8 trillion’, as also shown in chapter two serious failings in ethics around self-declaration of earnings both from the lender and the receiver. Expert [A] also included private equity firms as a key culprit expanding this further to include Hedge Funds, auditors and legislator Dunbar (2009) on deregulation. The evidence is certainly conclusive that other bodies outside of the banks had a large part to play in the culmination of the crisis which is also reflected by 44% of respondents who blamed ‘all of the above’ for the crisis along with Expert [B] who agreed. Therefore the root cause of the crisis according to the evidence was **NOT simply industry specific to banks but a wider issue.**

5.1.5 Conclusions Corporate Governance (CG)

The levels of CG within banks too have been shown to be lacking pre crisis. This is profoundly evident from both Experts interviewed who claim the levels of GC post crisis ‘has increased hugely’ within their own corporations. The findings suggest the levels were not sufficient beforehand. The failing of this governance at a wider level is echoed within the literature review with the comment ‘If these things were so large how come everyone missed them?’ (Queen Elizabeth 2013) A very basic question but nonetheless encapsulates a wider issue evident by other bodies including the rating agencies, legislators, auditors, Hedge Funds and Private Equity Firms. The responsibility of robust, manageable, measurable and effective CG does not lay with the regulator Lord Justice Lopes (1896) ‘watchdog not a bloodhound’. The finding also suggest even lacking the relevance and importance of GC is something which is still of significance and importance today this is evident in both Experts and in 69%
of respondents who agreed or agreed strongly. Concluding that the levels of CG not only industry wide but also wider still were not sufficient to stem the impending crisis.

Responsibility and accountability in each sector needs to be robust and dynamic and all bodies need to bear a level of ownership and responsibility. Chapter two also covered Yunus (2010) and the belief in a fundamentally flawed model. Perhaps this is true but as the only model in production it’s all we have to work with and understanding its flaws and accepting them can be the answer to moving forward in a productive and constructive way. CG provides the framework to operate, however ‘light touch’ regulation threatens to undermine the foundation. Therefore getting the balance correct is the key to a successful and lasting model.

5.1.6 Conclusions Corporate Social Responsibility (CSR)

CSR is one with very mixed responses. The differing responses and focus from both Experts provide an insight into perhaps how the size and influence of a bank could be a direct reflection of the level of importance placed on CSR. There is a clear distinction from the results of CG, CSR not having the same level of support and importance placed on it. Overall the researcher concludes that there is room for effective CSR within the industry. Considering the wider social and economic implications when the crisis occurred banks have an obligation to ensure their level of impact to society is one which does not cause devastating effects. Given the fact that ‘trust’ in the system is so low enhanced CSR policies and positive change within the industry is something which should be championed and reported upon. The researcher has also not seen a lot of evidence where CSR and effective communication have been utilised effectively. This was reflected in the 36% of respondents who were neutral on the topic. Concluding there is a mismatch between strong CSR policies and these being communicated and implemented by the banks.

5.1.7 Conclusions on Thesis Title & Beyond

Challenging the title of the thesis in the quantitative research was effective in determining the base line of what the thesis was focusing on, with an overall majority of 77% of respondents agreeing with the thesis title. The 23% who didn’t agree were not given an alternative solution. This is where the qualitative research allowed for a deeper exploration of the issue. Both Experts agreeing in the root cause but maintaining it was not just banks but the issues
were wider and encapsulated more responsible bodies, governments, legislators, Private Equity Firms, Hedge Funds, auditors, the ordinary tax payers taking on debt and risk they could not afford. This was also clearly evident throughout chapter two where Dunbar (2009) touched on the deregulation during the eighties which began to open the floodgates of this crisis. Concluding here that ‘A Lack of Corporate Governance & Ethics in banking was (NOT the only) the root cause of the global financial crisis in 2008.’ The researcher has concluded that the title of the thesis would need to include other bodies which are also accountable for the crisis.

Given the unprecedented levels of low trust in banks the conclusion here is that banks need to focus on the most effective and powerful medium to communicate their message to the public. In chapter two examples of CEO comments through unregulated and unaudited comments (Vikram Pandit) still has the potential to impact performance. Expert [A] believed the responsibility was ‘down to the central banks’, however the overwhelming majority focused on the current favourite ‘tv’ with ‘social media’ coming second. Having a deep comprehension of these communication outlets and also having an appreciation for how quickly they are evolving is crucial for the future, particularly given fast paced evolution of ‘social media’ and how quickly this has expanded over the years. According to the research it is ranked as number two as the most popular but this figure is surely to grow over the coming years. Communicating ethical practices along with CG policies and in cases of CSR can be managed or mismanaged through this area. Concluding a large part of the future of communication of banks and by extension auditors, regulators come down to having effectively aligned CG and CSR through TV and social media outlets. This is the future of where the industries are moving!

5.2 Recommendations

5.2.1 Recommendations Legislation
The researcher has found through Dunbar (2009) that legislation plays a crucial part in creating an environment which proliferated the crisis. This included lower than optimal interest rates and lighter touch regulation regarding the banks. The events in the eighties began to have negatively impacting consequences over time. As a result one of the key recommendations is to implement legislation which is robust and can also be reactive in dealing with an overheating financial system. However these regulations need to be driven
from key influences, America and Europe for example, as shown in chapter two, events in one country can have global implications. Therefore legislation needs to be formulated with a consideration for the global implications and regularly reviewed against the ‘macroeconomic backdrop’ The Economist (2013) to ensure its relevance is adjusted accordingly to evolving financial markets.

5.2.2 Recommendations Risk
The motif of excess risk and mismanagement of risk are prevalent through chapter two and a key factor for both Experts in chapter four. Risk is a key issue in all facets from securitisation, exposure, lending, Hedge Funds, leverage, Private Equity and across all corporate and governmental bodies. The failing of Anglo in chapter two serves as an important lesson in risk taking and also an important case study in failings. Thus a key recommendation here is for all bodies not just banking to ensure that risk awareness and mitigation becomes the front line of defence across all businesses. This includes greater risk controls and less exposure where appropriate. These case studies should serve as what NOT to do and should be lessons learned across all industries. Understandably Hedge Funds and Private Equity Funds will be exceptions to this but risk needs to be appropriate, measurable and mitigated as much as feasible.

5.2.3 Recommendations Trust
As pointed out by Coppola (2013) ‘without trust, banking is impossible’. This was mirrored by both experts but also discovered in the research part where trust in the system is at an all-time low. Recommending how to win back trust is a very difficult undertaking and as seen in chapter two mismanagement, lack of responsibility and ethics all play key roles in eroding trust and degrading the industry. Tightening up communication, processes and risk management are all methods the industry can improve and is doing so should intuitively restore trust. Both Experts agree ‘people tend to forget easily’ however from the quantitative research the majority opinion 67% believe another financial crisis will reoccur in their lifetime. Restoring trust based on these figures may just be a matter of time – time in this case could very well be measured in generations as opposed to years.

5.2.4 Recommendations Ethics
Ethical failures examples from ‘self-declaration – predatory lending and light touch regulation’ are prevalent within the industry. With 63% of respondents still believing ethics
is the cornerstone of banking banks not only need to be seen acting ethically but need to be ensuring that their practices can live up to scrutiny. That being said ethics is a lot about getting back to the basics of banking tightening up process and restoring trust. In many respects living by robust and ridged ethical practices may in fact mean less risk and therefore less profit. Where banks need to generate greater earnings it should not be about confusing or misleading customers through loans with complex contracts but about informing and guiding and ultimately leaving the decision up to the borrower. Better informed borrowers can make more informed decisions and ultimately these policies should be driven from the highest levels within the organisation. Striking the right balance between lending appropriately and managing risk should propagate from strong ethical practices.

5.2.5 Recommendations Chief Executive Officer (CEO)
CEOs like Richard Fuld and Sean Fitzpatrick serve as useful case studies and benchmarks on how not to lead a bank. The research concluded the main driver of influence in banks is from within, the demands of the shareholders [See Cannon (1994)]. From this it’s highlighted the dangers of driving a corporate based on shareholder demand alone chasing short term gains. The case studies have also show how personality types of arrogance and mismanagement can crystallise the fate of banks. Recommend that during testing times the lines of communication between CEO and shareholder need to improve, CEOs cannot make brash short term decisions to appease shareholder demands and their personality cannot overshadow their position. Adequate board room policies need to be implemented to prevent banks becoming more about the individual and less about the bank.

5.2.6 Recommendations Corporate Governance (CG)
Given the relevance and importance of CG today the recommendation is to emphasise and implement increased levels of CG throughout banks. As seen in chapter two many banks will have dealings with naturally higher risk bodies like Hedge Funds and Private Equity Funds. The key take away here is to ensure robust policies are in place to limit exposure and protect systematic failure within this sector. As Expert A said banks are a ‘specific type of corporate and that’s why I think they should be very specifically regulated as well’. The key focus of enhanced policies should deal directly with exposure to higher risk areas. Therefore the recommendation is on greater CG policies with particular focus on higher risk exposure with bodies like Hedge Funds and Private Equity to name just a couple.
5.2.7 Recommendations Corporate Social Responsibility (CSR)
CSR is an aspect with varied views and no overall conclusive argument could be made from the research. What is apparent to the researcher is that sound CRS policies and actions should be proportional to the size and influence of a bank within its locality, Expert [A] from a smaller less influential bank against Expert [B] a larger bank, both having two distinct opinions on the relevance of CSR within banks. Therefore the recommendation is that CRS policies should be commensurate to institutions and only implemented in such a way that it is value adding to the organisation in the long term. A symbiotic relationship of this nature should therefore be more robust and dual serving.

5.2.8 Recommendations Further Research
A final recommendation is that further research is needed within this area. While this thesis managed to obtain a vast quantity of data a greater more in-depth analysis is recommended, specifically more respondents from an American perspective and also more Experts within the industry who could provide further clarity on the issues. Additional research into the comparisons between the Irish/American banking systems alongside banks and countries who did not require a bailout is needed. In line with this regular data collection similar to the survey in appendix five could be used to track the impact of progress in the banks over the coming years. This would be particularly useful in quantifying levels of ‘trust’ in respondents and the steps banks are taking to win back that trust. Further research into communication through social media is also something the researcher has found will gain greater significance over the coming years. Learning how to utilise this tool effectively could be paramount in winning back confidence and restoring the industry.

5.3 Closing Thoughts
The idea of dissecting back the core elements into basic building blocks of trust and ethics through mediums of CG and CSR proved to be a successful way in drilling down to the core of banking. However in doing this, the researcher quickly understood that the issues at hand were broader and therefore not localised to just the banks. Other bodies like Private Equity Funds, Hedge Funds, Governments and auditors had their hand in responsibility for this crisis. While there were genuine issues of poor judgement and mismanagement the real issues were the mismatch between the running of the banks and those who regulate. The concept that the auditor is always playing catch with the banks is profoundly indicating a system out of sync and therefore susceptible to flaws. Ultimately this research has shown that we need a
system which is more unified where the bodies can all operate efficiently without causing systematic failure and a big bang to occur! We also need a system where all the responsible bodies can work together to restore trust not just in banking but in regulation too. Risk and exposure will always be a challenge into the future, understanding and measuring this correctly as well as limiting exposure is fundamental to moving forward positively. While the events of the past may never repeat the inevitability of future a crisis is something unavoidable. How we learn from these past mistakes and mitigate for the future will help our current model plan and prevail for testing times ahead. Perhaps when the warning signs from future Schiff’s and Roubini’s are sounded the events of 2008 will be heeded upon, but only time will really tell.
Chapter 6: Self-Reflection on Learning & Performance
Self-Reflection Introduction

Honey and Mumford (1992) identified four types of learning styles as activists, reflectors, theorists and pragmatists. Someone pragmatic would prefer to apply new knowledge and test its legitimacy, while reflectors preference journals and brainstorming to reach individual conclusions. Theorists enjoy case studies and lectures and would typically shy away from experts, while activists would actively seek out new experiences to enhance learning. To a large degree the researcher found all these learning styles applied at some point throughout this thesis and masters course. The researcher has framed the learning styles around Kolb (1984) to help illustrate the process.

Kolb (1984) outlines the process of human learning through the below model which consists of four discreet stages Concrete Experience, Active Experimentation, Reflective Observations and Abstract Conceptualisation. The application of this model is to help outline how both the teaching and learning elements were impacted at each stage of the process. Feeling, watching, doing, thinking and combinations of each element allow for digestion of information and processes at each stage.

Figure 15 Kolb’s Learning Styles

http://www.brainboxx.co.uk/a3_aspects/pages/kolbcycle.htm
The self-reflection aspect of this thesis is structured around figure 16 below and inline with Kolb’s (1984) learning cycle in figure 15. The aim of both diagrams is to take the reader visually through the process of writing the thesis, the goals challenges and future endeavors. The personal learning diagram has been broken down into four phases Pre Planning, Planning, Actions and Future Action Phase, and has been explained in line with Kolb (1984), Honey and Mumford (1992) and various other academics on learning.

Pre Planning /Planning / Action and Future Phase Diagram

Figure 16 Researcher Personal Learning Diagram
6.1 Pre-planning phase / Reflector Phase
Kolb’s (1984) abstract conceptualisation is the first step in the idea formulation part of the thesis. This embodies the two years of part time study along with knowledge and experience assimilated along the way. The preplanning phase is essentially about absorbing and digesting all the aspects of the modules required for this course, including the syllabus, projects and relevant exams during the leaning and development phase. It is also an ideal opportunity to practice report writing skills, including referencing, formatting, presenting and developing critically the ability to review and evaluate sources on their content and merit. It was also an ideal opportunity to self-reflect on what aspects of the course were truly interesting and challenging. In Honey and Mumford’s (1992) learning style this phase is a good example of the reflector phase as it was the ideal opportunity to take stock of where the researcher was in terms of the knowledge acquired and what to focus on for the thesis.

Honey and Mumford’s (1992) activist learning style were engaged during both the verbal presentations and the written aspects which required a level of detail and attention which the researcher did not have a lot of exposure to. Presenting verbally is always a huge personal challenge and something the researcher would typically shy away from. In this masters course presenting was unavoidable however it was a chance to grow in confidence and experience. Accurate referencing and writing reports to a professional standard was another skill developed greatly over the last two years, this thesis was an opportunity to showcase the researchers skills in this area. The course had many interesting aspects; particular examples included the Macroeconomics module, understanding the evolution of economics over the last few hundred years’ right up to the financial crash in 2008 and Risk Management which fundamentally underpins every aspect of each module. One of the most challenging modules was Quantitative Analysis, pricing options and running regression models in excel. In saying that the amount of time spent on certain projects and overcoming challenges enhances your knowledge and understanding greatly.

Honey and Mumford’s (1992) reflective stage proved to be one of the biggest challenges, trying to find the right subject matter to tackle in the thesis was difficult to decide upon. From an early stage the ideas changed from topic to topic. Finally the idea of corporate governance and ethics was borne from further reflection and a recent module in college which helped spark the idea. Corporate Governance and ethics was a natural choice as it is both very topical and also relevant across all types of businesses and countries. It’s also an effective
way of linking in a number of topics from the masters course into the thesis. The recent financial crisis to the researcher was one of the most fascinating stories to come out of banking in recent years and an opportunity to frame a thesis around this intriguing topic was not to be missed. This also draws upon Kolb’s (1984) reflective observation and concrete experience phases in generating the right topic to cover.

Felder and Silverman (1998) propose another view whereby they believe that teaching effectively is about adapting to your audience or class in order to tailor learning experiences for maximum effect. This was very much the case for the researcher’s particular situation in Dublin Business School. Very low class numbers allowed for a dynamic and interactive environment which allowed students and teachers to engage in a greater individual basis which meant enhanced learning and understanding from both sides.

6.2 Planning phase
Honey and Mumford’s (1992) maintain you are not bound by one learning type; this can change depending on experience and the situation. The thesis writing experience was something completely foreign to the researcher, but once taken through all the steps and provided a framework to operate in the prospect of writing a thesis became less daunting, a huge undertaking nonetheless but something not outside of the researcher’s capability.

Honey and Mumford’s (1992) theorist phase was relevant to the planning stage of this thesis. The researcher is typically a very strong planner; enjoying routine and structure to follow right the way through. Typically the researcher shies away from disorganisation and last minute cramming. Deadlines and target dates are key motivators but typically the researcher aims to have draft assignments finished a little early to allow plenty of time to review and rewrite where needed.

Mancini (2005) is a great advocate of time management saying effective ‘time management provides hands on techniques and tools for making every minute count’. This is a key area of focus given the short amount of time to complete this thesis along with working a full time demanding job. The researcher has also found sometimes time management is not enough and many personal sacrifices have to be made in order to create as much free time as possible. Sacrifices in social life, sport and hobbies have been made in order to create greater capacity to complete this thesis.
One particular module on Scientific Research Methods was invaluable in a number of areas. Firstly the challenge of putting together a thesis proposal was helpful in getting the process started, the module provided structure, timelines, and guidance on how to carry out research and crucially the Gantt chart (see appendix 1) was invaluable in mentally structuring the timelines for the summer of 2014. There were a number of areas which the researcher also lacked focus and experience, using the correct Harvard method for referencing was once particular area, an excellent document online which has served as a referencing bible throughout this thesis. Presenting both verbally and on paper was also an area of weakness for the researcher. In terms of experience and confidence building, putting together power point presentation and presenting was new uncharted territory. The experience and skills learned from this was quickly adapted in the researcher’s professional career where a high level presentation was required to a number of colleagues. Using both the framework provided in Scientific Research Module along with some additional formatting tools learned in Microsoft Word the researcher was able to quickly close some gaps identified early and produce a document to a professional standard. The researcher in particular, honed these skills further during the last few modules of the course. Writing reports and critical literature reviews were essential experience which would pay off during the thesis writing process.

Sternberg (1986) talks about how education allows one to become more of a critical thinker. Crucially finding and referencing as many varied and credible sources as possible was paramount to be able to successfully complete this. The researcher found upon reading different source material reoccurring themes were easily identified. Overall the critical writing section was most challenging; the researcher found it difficult to remain critical and the tendency to slip into essay based writing was always paramount. The challenges highlighted by Sternberg (1986) helped the researcher overcome this obstacle.

6.3 Action phase
Kolb’s (1984) active experimentation and Honey and Mumford (1992) overview of the activist and pragmatists phase are both relevant phases to the researcher. Being the type of person who really dislikes last minute pressure a certain amount of work was completed each day to stay on track. This approach effectively required the allocation of certain hours throughout the working week and large blocks on weekends to maintain momentum. This phase involved researching, writing, analysing and formulating conclusions. The researcher, typically very methodical realised early on the best way to complete this thesis on time was to
effectively tackle multiple chapters at the same time, for example analysing data in chapter four, and formulating conclusions and recommendations as well as documenting progress for chapter six.

Lewis and Smith (1993) cover the area of critical thinking through philosophy and psychology. The critical thinking phase was prevalent throughout but most notably a challenge during the literature review in chapter two. The philosophy continued into the research in chapter two but more so during chapter five which involved the critical element of making conclusions and recommendations based on the research at hand.

Ancker and Abramson (2012) outline the dangers of weak or inadequate quantitative research, especially in the medical profession where decisions may be made based upon the research. Using surveys to contact people was daunting as the work, ideas and thesis approach were on display for all to view. However the researcher embraced this fear and used it to help ensure the quality of work sent out was of as high a standard as it could possibly be. The act of formulating a survey was in itself a challenge, using new software and designing a page which was logical and intuitive to the user was itself a challenging task and one where the piloting phase outlined in chapter three benefited.

6.4 Future planning phase
One of the key drivers in selecting this particular master course was the exposure to different facets of banking which the researcher felt was lacking in the working career. Some particular modules were extremely relevant to the industry like Options Theory and Practice which gave the researcher a deeper appreciation and understand behind the mechanics of option pricing along with different types of securities and how elements like time, risk interest rate and volatility affect them. Working in Fund Accounting the researcher found financial statement analysis skills were lacking and this module gave the researcher further confidence and clarity in understanding and a deeper comprehension in this area. This is a skill which has given the researcher further confidence in and the confidence to apply with greater enthusiasm into more technical roles within the department or outside of the bank when opportunities present themselves in the future.

Risk Management was one module which was uncharted territory for the researcher but a particular module it was felt was something the researcher could relate to. This module was fundamental in highlighting the importance and relevance of risk in every aspect as well as an
area the researcher could see moving into as a future job prospect. Despite the industry being a fast paced dynamic environment this thesis and course has driven home the theme that risk will always be an issue, understanding quantifying and mitigating this will always be at the forefront of this industry and is an area the researcher is going to focus on moving into in the near future.

Undertaking a master’s course and completing it to a high standard is sometime the researcher is very proud of. The knowledge and confidence gained from these two years part time is equaled if not surpassed the three years spent in full time undergraduate level. Looking back the level of confidence and personal growth the researcher achieved is something which will be brought forward into future endeavors. This thesis showcases skills as an independent researcher, capable of completing work to a professional standard, something which will no doubt complement future interview process and serve as a key discussion point during the interview process.

This masters course provided the researcher with many soft skills which are transferable to future prospects. A key example includes the ability to problem solve. In many cases resolving complex issues begins with very little data, proactively sourcing information and piecing together a logical solution is something the researcher will take forward into future situations. This is particularly relevant in project work and new process design. In most cases processes are being written from scratch and limited information is being pieced together by various subject matter experts. Working positively, productively and confidently in this environment is crucial for success and something this course have instilled in the researchers values going forward.

The two intensive years has also provided the researcher with the work ethic and organizational skills of balancing a rigorous work schedule with the demands of the college. Gaining a masters degree is something the researcher believes will stand personally and professionally and will serve as a key attribute in taking the professional career forward within the banking industry. The knowledge and experience gained is something which has given the researcher the confidence to look outward and upwards for a greater career path and development. Moving higher on the professional ladder is something within the researcher’s capabilities and within the short term goals on completion of this course.
The next step above Masters Level is PhD, at this point the researcher has no current plans to complete a PhD, but there are a few specialised courses which are of particular interest and something to focus on in the very near future. Examples include completing accounting exams along with some soft skills like improving general levels of Microsoft Office applications and public speaking. The biggest focus for the last two years has been completing this Masters Course but at the same time has given the researcher focus on where to drive their career going into the near future.
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Chapter 8: Appendices
**Appendix 1 - Thesis Gantt chart**

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<th>Research Log Continual</th>
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<td>Write &amp; finalise literature chapter</td>
<td>Contact suitable companies for research investigation</td>
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<td>Hypotheses development and finalisation</td>
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<td>Write / finalise discussion, conclusions &amp; abstract</td>
<td>Referencing, appendices &amp; final proofing</td>
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Appendix 2 - Pressures on the CEO

- **Wider Society**
  - Government
  - Law
  - Professional Bodies
  - Religion

- **The Firm**
  - Economic & Market Demands Values & Expectations

- **Immediate Community**
  - Family
  - Friends
  - Peers

- **Environment**
  - Natural Environment
  - Built Environment

**The Manager**
- Education
- Training
- Family Pressure
- Social Pressures
- Values
- Business Objectives
Appendix 3 - Standard Bank Group Code of Ethics Example

Appendix 4 - Ethical Email Wording

Quantitative

Hi All,

I am currently finishing my Masters Course in Dublin Business School and commencing my thesis. The thesis is focusing on Corporate Governance and Ethics in Banking and I am looking to sample a population size to do some quantitative research on. I am seeking 5mins of each of your time to answer some general survey questions.

Please note that all responses will be treated in the strictest of confidence and your participation is optional. Questions are below:

Thank you in advance for taking part in this survey your participation is most appreciated.

Kind regards,

Rob

Qualitative

Dear XXXXX,

I am currently finishing my Masters Course in DBS and commencing my thesis. The thesis focuses on corporate governance and ethics in banking. I am looking to do some qualitative research in the form of a face to face interview. As this is of particular focus in your profession within the bank I am hoping for the opportunity to interview you for my thesis.

Please note to ensure anonymity your name and company will not be included. I also plan to forward on the interview questions in advance to allow you time to review and plan for any responses. During the interview I plan to record what is said to allow me to transcribe post interview. A transcription copy will also be provided to you post interview as well as the opportunity to amend / omit any responses if you so choose to do so.

I will also provide you with a cut off date if you choose to remove your participation from this thesis altogether. This will be agreed post interview.

Thanks in advance for taking the time to read this email. If you wish to take part please use the voting buttons attached to indicate your decision.

Kind regards,

Rob
Appendix 5 - Quantitative Research Data

**Sum total of Responses:** 82 responses obtained using Google Docs online survey questionnaire.
https://docs.google.com/forms/d/160oBuCL5hvasV4PmRtIramsA5DywAHp1zhvbN2mRfA/edit#

**Summary**

**Male or Female?**

- Male [40] 49%
- Female [41] 51%

**Please specify your age group**

- 18 - 30 [27] 33%
- 31 - 40 [46] 56%
- 40+ [9] 11%

**Do you or have you ever worked for a Financial Institution/s?**

- No [44]
- Yes [37]
Yes 37 46%
No 44 54%

What sentence would best describe your KNOWLEDGE/UNDERSTANDING of the Financial Crisis in 2008?

Excellent detailed knowledge on the subject 2 2%
A Strong Understanding of the subject 37 45%
Some understanding 38 46%
Little to no understanding 5 6%

Some say the whole banking industry is dependent on TRUST to function correctly. With this in mind please choose from the following

I need to be able to trust Financial Institutions 37 45%
Financial Institutions Need to be able to trust me 0 0%
Mutual trust in my opinion is the best practice 40 49%
I don't know 5 6%

How would you rate your level of TRUST in Financial Institutions BEFORE the banking crisis 2008?
1 8 10%
How would you rate your level of TRUST in Financial Institutions AFTER the banking crisis 2008?

I DON'T believe the financial crash seen in 2007/2008 will reoccur in my lifetime

Agree 6 7%
Disagree 55 67%
Unsure 21 26%

Corporate Governance industry wide, need to be able to respond & evolve quicker to changing financial practices.
Corporate Governance is fundamental to well-managed companies and to ensuring that they operate at optimum efficiency.

Excessive Corporate Governance can do more harm than good.

Primarily I believe the Financial Crisis was caused by a lack of.....

Corporate Governance 19 23%
Industry wide, Financial Institutions have made POSITIVE steps forward post crisis and are rebuilding the mistakes from the past number of years.

In my opinion the biggest culprits of the financial crisis were

Financial Institutions 19 23%
Governments 7 9%
Rating Agencies 2 2%
Hedge Funds 1 1%
CEOs 7 9%
All of the above 37 45%
None of the above 3 4%
I don't know 6 7%
Option 9 0 0%
I feel confident that ETHICALLY great progress has been made by financial institutions since the crisis of 2008.

1. 0%  0%
2. 12%  15%
3. 31%  38%
4. 22%  27%
5. 17%  21%

ETHICS is THE most important standard for financial institutions.

1. 20%  24%
2. 32%  39%
3. 15%  18%
4. 11%  13%
5. 4%  5%

If I could sum up the Financial Crisis in 1-4 words it would be.....

Bank Bonuses  1  1%
Bailouts       8  10%
Government Intervention  1  1%
Greed         35 43%
Deregulation  11  13%
Systemic Failure  12  15%
Lack of Corporate Governance  7  9%
Other         7  9%

CEOs/managers are wholly responsible when companies collapse?
I believe salaries and bonuses paid to top management are.....

Appropriate to the going market rate 7 9%

Somewhat excessive 28 34%

Overly excessive 47 57%

CSR is about companies being responsible for the goods & services they produces/sell, abiding by legal requirements, doing what is right & fair and supporting local communities through charity. With this in mind how would you rate the CSR of financial institutions?
Some argue AGAINST CSR saying it's 'just a lot of hot air - companies getting by with tokenism and lip service to the local community'. How would you rate this statement with financial institution in mind?

1 1 13%
2 2 5 30%
3 2 2 27%
4 1 3 16%
5 1 1 13%

CSR has been accused of ENCOURAGING the so called 'free rider' element. Please state your level of agreement with this statement

1 7 9%
2 2 2 27%
3 2 6 32%
4 1 6 20%
5 1 0 12%
In my opinion the MOST important method of communication to the public by financial institutions today is...

- Television / News Coverage: 35 (43%)
- Newspapers: 8 (10%)
- Social Media Facebook / Twitter: 15 (19%)
- Word of mouth: 9 (11%)
- Radio: 0 (0%)
- Annual Reports: 14 (17%)

In my opinion the CORE of banking should be about....

- Confidence: 15 (19%)
- Trust: 31 (38%)
- Legislation: 11 (14%)
- Making money: 4 (5%)
- Corporate Governance: 5 (6%)
- Corporate Social Responsibility: 11 (14%)
- Other: 4 (5%)

A Lack Of Corporate Governance & Ethics In Banking Was the Root Cause of the Global Financial Crisis In 2008
Number of daily responses

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![Number of daily responses chart]
Appendix 6 - Qualitative Transcription Expert [A]

INTRO –

Thanks for joining me for this interview. You have read what the thesis is about Corporate Governance and Ethics being the fundamental reason for the financial crisis. So please tell me a little bit about your position and role in the company – I am working as an Associate Director in credit risk management for a major financial institution in the IFSC assigning rating to cities, regions, something very similar to Moody’s and Standard and Poor’s.

4.3 A large majority of the sampled population 67% believe a financial crisis of this scale will happen again in their lifetime. What are your thoughts on this? And in what ways are banks taking steps to avoid the mistakes of the past? I would agree with that 67% of people it’s something that could well happen again, my view is that the regulator is the one that should be taking care of this, new products will always be launched, risk won’t be understood properly or measured properly. I don’t think something of this crisis will happen in the very short term although some central banks are taking measures which could be seen as a little bit too aggressive like throwing money into the system for example which cause easily cause something like the crisis to happen again. Regarding taking steps to avoid mistakes of the past central banks regulating instruments in a way which has not been done before, in terms of CG everything is being looked at very carefully within and banks and also outside of the banks. But there will always be risk in the system whether those risks are worth it or not, you can’t keep throwing money at a system which is starting to return to growth either like the US for example where bubbles will be created.

4.3 When it comes to the biggest culprits of the financial crisis 23% blame financial institutions while 44% say all of the above which include hedge funds, governments, rating agencies and CEOs. What are your thoughts on this? Responsibility has really been everywhere; I am not saying that banks financial institutions are not to blame they are responsible in the way that they granted loans to those people who could not pay loans back. You can’t blame them for causing the crisis you can blame them as a shareholder. When bonuses are paid there will always be an element of greed trying to get short term achievements, overall I feel there was a lack of regulation. But in saying that you only need to look at Hedge Funds and Private Equity Funds which are not as well regulated as traditional banks and they carry out some activities which could have also lead to the crisis. My focus would be on the regulators, the banks the hedge funds, those things should have been picked up. They may have acted wrongly but at the end of the day as long as it was within the law they overall goal was to maximise value for shareholders. Overall I would rank this as regulators and central banks first, auditors second and then hedge funds and private equity firms after this.

4.3 Nearly half of respondents summed up the financial crisis with the word ‘Greed’. How would you sum up the crisis in your own word and why? My view is that greed is about profit maximisation and this is apparent in every sector not just banking. By definition corporations always try and maximise profit, my focus would be more of lack of regulation and auditors not picking up anything.

4.3 Primarily I believe the financial crisis was caused by a lack of 53% say ethics, 14% legislation, 23% corporate governance or 10% none of the above. What are your thoughts on this? I would agree with the 14% on legislation. You can find individual cases of unethical practises within banks but I don’t think that is the root of the crisis, as I was saying before banks were trying to maximise profit for a while it worked then suddenly it stopped working. And this was down to several elements which came together.
4.4 With 57% of respondents believing salary levels are ‘overly excessive’ for top management how would you rate the current levels of remuneration? You can always argue that the remuneration of CEOs is excessive but you only need to look at IT companies where CEOs are paid a lot higher than CEOs in banks. To be honest I think nationalised banks which have been bailed out by the government should have limit, CAPs in terms of salary. Whether those CAPs are excessive or not you could argue that but I have seen some cases of EUR 500,000 a year to me that’s a lot of money but you need only to look at Google who would be on that much if not more. So when it comes to banks which have not been bailed out I don’t see why a limit should be imposed. It should be within what the shareholders deem acceptable in terms of the return they are getting for their investment.

4.4 And what are your thoughts on who should be held responsible when a financial institution collapses. When an institution collapses you go to the very top, they normally have to take responsibility because at the end of the day they decide the policy of the bank, what the bank does and doesn’t do. When a collapse happens it’s easy to blame top management but there are also market events but I would not link this to the banks causing the current crisis. Banks are very different to any other corporate because at the end of the day you have to bail them out when things go wrong, you can’t have people losing their savings, they are a very specific type of corporate and that’s why I think they should be very specifically regulated as well. I mean if Google defaults course you will care but you are not going to lose your house. But a default of a bank could that is why I believe they should be more regulated than a typical corporate.

4.4 External pressures of the manager? What would you rate from highest to lowest in terms of your own personal importance? (Diagram) I think if you are talking about CEOs the pressure always come from the shareholders. I mean those are the ones who are pushing you to perform so that they can be paid dividends. In terms of the context of banks and CEOs to me it would always be about the shareholders.

4.5 When given the choice – Primarily I believe the financial crisis was cause by a lack of ethics, legislation, corporate governance or none of the above 53% said ethics. What are your thoughts on this? Think again legislation and regulation would be primarily what I would focus on. I am not saying there has been a lack of ethics with some individuals but I would not say that was the general issue across the financial industry I mean banks in general were acting within the law they were doing what they were allowed to do by law. So they were trying to maximise shareholder profit.

4.5 How would you rate the levels of corporate governance within your own bank? Corporate Governance is very important in the organisation I work for. It’s a very specific type of bank and same as really every type of bank at the moment it’s something that’s looked at very carefully. Again I think there are some sectors other industries where I am not sure if lack of corporate governance is the words but more greed like hedge funds, private equity firms, regular banks and traditional banks where CG is taken very seriously and I would not really see any issues with banks blatantly not complying with CG policies.

4.5 When it comes to corporate social responsibility 88% of respondents rate financial institutions from the neutral to poor scale. What are your thoughts on this and what’s the future of CSR in your opinion? My own thoughts personal level, are if corporate promote such a thing then fair enough but I don’t think it’s up to the corporate to promote that. It’s something to be taken on at the individual level. There are always people who will do the charity drives and the positive steps within local communities but it’s not something that’s of particular focus where I am.
4.6 Ethics is THE most important standard for financial institutions. Do you agree disagree with this statement and why? Ethics is not the most important standard for any corporate profit maximisation is the most important standard. Things still need to be done in an ethical way but again I don’t think it’s the most important standard. People should of course act ethically within the banks but the focus is on profit maximisation.

4.6 When you think of ethics in the context of the financial crisis what in your opinion were the biggest ethical boundaries crossed? It is hard to say, I don’t think traditional banking there was the issues with ethics you might argue that hedge funds or private equity if they buy a large company that’s in trouble pay themselves a big dividend then let the company collapse that they are acting unethically. I don’t think ethics are as big a problem in traditional banking I think it’s something more for hedge funds and private equity funds. Maybe in some investment banking areas but not in all areas of the bank.

4.6 / 4.7 Ethically what sort of progress if any do you believe banks have made post financial crisis? I would say a lot of progress has been made in some areas of traditional banking in some sectors, not much with regard to hedge funds and private equity funds but in general I would say yes a lot of progress has been made.

4.7 When you think of trust in the industry mutual trust, one way trust, no trust, how do you feel this has changed over the years and what are your thoughts on the future of this? It will take time but I think the level of trust will recover, I think people tend to forget very easily and the level of trust will recover. I hope people will read contracts before they sign them if they do I think that will be a great achievement. I think that would be one of the few positives of the financial crisis.

4.7 How would you rate your own level of trust to the industry before the crisis in 2008 and after the crisis? I would say I read every contract I sign as I have always done. Obviously we have some concerns that have been raised but my level of trust is lower before the crisis but on the same token I have realised the importance of taking on debt and reading contracts fully before committing to something.

4.8 Do you ever think the industry will recover to the same levels of trust before the crisis? Yes it will do!

4.8 My thesis title is ‘A Lack of Corporate Governance and ethics was the root cause of the financial crisis in 2008?’ Would you agree is disagree with this statement and why? Again I think there might have been individual cases were they was bad corporate governance within some financial institutions, greed is there but greed is there for every corporate. Greed – you can call it greed you can call it profit maximisation it is all a matter of regulation. Banking is a very particular industry and it needs to have a level of regulation which is superior to traditional levels of regulation within corporate. Mainly because of the consequences of a default of a bank. For me it’s about a lack of regulation and the regulator always playing catch-up to the market. Auditors not doing their job properly as I said before there might have been some greedy people within banks, questionable incentives like bonuses being based on short term results. I don’t think the corporate governance within banks is worse than any other corporate sector of the economy.

4.8 The core of banking to most people consist of certain elements, making money, legislation, trust, corporate governance, CSR, confidence other aspects. With this in mind what particular item stands out the most to you and why? I think all those elements are relevant but CSR the least important to
me. Individually if you want to engage in community work that’s fine but again corporate are there to maximise profits. It’s more a government take. But all of the other elements there are valid elements I don’t really think any particular element really stands out. Making more but banks are all there to make money like any corporate. Typically are there to make a lot of money in good times and vice versa during bad times. I couldn’t really comment any further on any one of those.

4.8 Communication by banks can be categorised into certain fields, social media, tv, radio, word of mouth, annual report, newspapers. With this in mind what are your thoughts for the future and what should banks be focusing on to communicate their message going forward? I think it’s down to the central banks to make clear they are in control of the whole banking industry. And you as an individual bank, investor, shareholder are not going to lose your money because banks are acting in a way so the crisis won’t happen again. I mean there is plenty of information about the banks via the financial statements and you can access these whenever you want. Other matter is are these reports accurate and audited properly. Imagine they are accurate I tend to think that if they are audited by firms who are authorised to audit them they should be accurate. Whether you can trust this or not is up to the auditors showing that they can do their job and avoid scandals like what we have seen here in Ireland with Anglo and Permanent TSB. Doing activities which were clearly illegal which should have been identified by the auditor, central banks etc. I think the main way to recover the trust in banks is about having a strong regulator with the capacity to turn things around. Central Banks and the regulators in my opinion are the main bodies who have the task and the capacity to turn around the perception the people have on the banks.
Appendix 7 - Qualitative Transcription Expert [B]

INTRO –

Just to give you a bit of background on this my Thesis is on A Lack of Corporate Governance and Ethics in Banking was the root cause of the financial crisis in 2008. **So please tell me a little bit about your position and role in the company** – My name is (Name Removed) I have been working in (Bank removed) for 9 / 10 years I am working as a Senior VP within the Funds Department.

4.3 A large majority of the sampled population 67% believe a financial crisis of this scale will happen again in their lifetime. What are your thoughts on this? And in what ways are banks taking steps to avoid the mistakes of the past? I totally agree that it will happen again. We probably don’t even have to go out that far within my lifetime. I don’t think it is going to take that long. It probably won’t be quite the same magnitude but I am pretty sure that it will happen again. If we look at the housing market here in Ireland the way the prices are going both for rents and also for the prices of real estate, they have risen 25% within Dublin in the last year according to the Irish Times last week. So we are reaching a point to where we were in 2006 levels. A huge price increase which is resulting in another bubble, I don’t think this will have the same impact from a banking point of view due to the mechanisms and controls which have been put in place since. Plus there is more regulation and supervision from the central bank. As I said I don’t think it going to be the same magnitude but I have no doubt that it will again.

4.3 When it comes to the biggest culprits of the financial crisis 23% blame financial institutions while 44% say all of the above which include hedge funds, governments, rating agencies and CEOs. **What are your thoughts on this?** Yeah I don’t think you can narrow it down to just the financial institutions. That would have been very easy and we would have gotten out of it much easier if this was the case. This crisis was from 2008 and now it’s 2014 it lasted pretty much six years, or the best part of it. I am convinced the culprits are pretty much everywhere. Starting with the regulators and the legislators, very poor regulation and poor supervision and laws that were not banning the financial instruments which ultimately caused the crisis, pretty much all the ones here you have quoted have to be included. Hedge Funds definitely, governments as I have said with lack of legislation / supervision / rating agencies, CEOs although I would not just narrow this down to CEOs I think further down the line brokers / trades.

4.3 Nearly half of respondents summed up the financial crisis with the word ‘Greed’. **How would you sum up the crisis in your own word and why?** It is greed yes. I think that covers it but if you give me a few more words it was banks were lending money they didn’t have to people who could not afford it. That’s how I would really sum this up. It’s risk. Banks were lending money which was not theirs especially the real estate boom and the cheap money banks were able to get on the markets. You could call it greed but greed it’s a bit difficult as ultimately banks are there to make money. I would agree its profit maximisation.

4.3 Primarily I believe the financial crisis was caused by a lack of 53% say ethics, 14% legislation, 23% corporate governance or 10% none of the above. **What are your thoughts on this?** I would rather say all of the above to be honest. Ethics is the basis of everything, you are not meat to steal or kill anyone that is the basics of ethics and there are laws to prevent this from happening. Ethics alone is the basis of this but it’s not enforceable or measurable. So I think ethics always has to go with legislation. Banks should be pursuing responsible finance but if you don’t have the laws to ban certain financial instrument which are too risky and cannot be valued ethics alone is a bit difficult.
And corporate governance there is a very big focus now on CG much more now than before. I notice now in my work there is a huge focus on risk and mitigation of risk. Especially in this department over the seven years I have been here. Rather than saying none of the above I would say all of the above.

4.4 With 57% of respondents believing salary levels are ‘overly excessive’ for top management how would you rate the current levels of remuneration? I agree they are too excessive. But I think the biggest problem is not even the top management because that only a few and they have a limited impact on the operational business. I think far worse than CEOs can be trades who’s remuneration is way too excessive. Biggest problem is the incentive creation for the individuals which are not in line with the corporation. The way these bonuses are structured actually incentivises the individual trader to take a much higher risk than the banks would like. Overall I agree with the statement but I would also look at trades.

4.4 And what are your thoughts on who should be held responsible when a financial institution collapses. I would think the banks themselves. When they have profits they don’t share them and when the losses hit they expect the tax payers to bail them out. If they need to go bankrupt I think they should do at the same time they were saved by the governments and central banks because the risk of contagion to governments and central banks. There will always be an element of that but at the same time we should always be a bit more brave and let banks go bankrupt if needed. Ultimately blame should not just rest on the CEOs shoulders, the CEO is only one within every banks there are always more responsible.

4.4 External pressures of the manager? What would you rate from highest to lowest in terms of your own personal importance? (Diagram) The firm the one with the biggest impact, shareholders the pressure always comes from here. Biggest drivers come from within the bank.

4.5 When given the choice – Primarily I believe the financial crisis was cause by a lack of ethics, legislation, corporate governance or none of the above 53% said ethics. What are your thoughts on this? If I had to pick one of the three here I would not pick ethics, it would be between legislation and corporate governance. CG is a wider and a bit more defined terms than ethics. CG includes ethics and has a lot more to it. I could not tell you which one but I would not pick ethics.

4.5 How would you rate the levels of corporate governance within your own bank? It’s hard for me to tell, because I work in a department where we are not taking high risk. We work on behalf of other companies who are taking the risk, its more administration than a trading business. But the amount of CG and risk awareness has increased hugely. Even over the last five years or so I know it’s much harder to get credit lines the risk awareness and the admin work if errors happen within the bank are a lot higher.

4.5 When it comes to corporate social responsibility 88% of respondents rate financial institutions from the neutral to poor scale. What are your thoughts on this and what’s the future of CSR in your opinion? I can see why you get this result because when you look at Guinness for example they are producing a product we are not but there is a lot of charity initiative locally and globally. There is a lot happening, I would not rate this as poor but neutral. There is also the element when large corporates do engage in these events are they self-serving? Is there a marketing element in there as well and at the same time would you blame them if they do?

4.6 Ethics is THE most important standard for financial institutions. Do you agree disagree with this statement and why? I do agree, as I mentioned before it’s very intangible you have to bring in ethics
as that’s what banks are built on. It’s not really money, fundamentally it’s about trust and that’s why banks are so dangerous if the trust is gone there is a very high risk of contagion and the collapse of the whole financial system. I do agree ethics is the most important aspect but there are other important elements to it also.

4.6 When you think of ethics in the context of the financial crisis what in your opinion were the biggest ethical boundaries crossed? Well the lack of common sense from people. For a while the elements within banking system were working very well, they were making a lot of money, governments were making a lot in tax revenues and banks were making a lot of money. People were getting their mortgages approved, new houses, it really worked well for everyone. I can’t really tell you where the ethics fell down but this was covered in the high risk lending part.

4.6 / 4.7 ethically what sort of progress if any do you believe banks have made post financial crisis? Yes but I am not so sure it was driven by the realisation about ethics or driven by tighter legislation. As I mentioned before the levels of CG has improved at least in the area where I work. Plus banks were rescued by governments a few years ago I don’t think that they will do this again. Many countries like Ireland probably could not even afford it.

4.7 When you think of trust in the industry mutual trust, one way trust, no trust, how do you feel this has changed over the years and what are your thoughts on the future of this? I think the level of trust especially from customers to banks has deteriorated a lot since the crisis. Ultimately if a customer goes into a bank with their money they only do with trust that you will hold it and whenever they want this money they will get it back. That’s what was seriously damaged during the financial crisis. The trust will always have to be mutual. We cannot be in a position where banks won’t lend people money. But overall this was seriously damaged by the crisis.

4.7 How would you rate your own level of trust to the industry before the crisis in 2008 and after the crisis? Honestly it was never high. As I said before banks are there to make money and will always act in their interest. It has never been really high and it has not really changed much.

4.8 Do you ever think the industry will recover to the same levels of trust before the crisis? It probably will as the public tend to have a few short memories. These things will be forgotten after a while, but it all depends upon how quickly we end up in another crisis. If it’s in 30-40 years people will forget but if it in 10 there will be reestablishment of trust.

4.8 My thesis title is ‘A Lack of Corporate Governance and ethics in banking was the root cause of the financial crisis in 2008?’ Would you agree is disagree with this statement and why? I would agree it’s the root cause but I would also include legislation here, ethics is a voluntary thing but it’s also driven by society. What customers would expect from a company. Legislation allows one to measure ethics a little more. If you take it a bit wider and include the governments and legislators then I would totally agree with this statement. You can put the blame only on the banks.

4.8 The core of banking to most people consist of certain elements, making money, legislation, trust, corporate governance, CSR, confidence other aspects. With this is mind what particular item stands out the most to you and why? To me its trust. They are all important but I think trust is the most important.

4.8 Communication by banks can be categorised into certain fields, social media, TV, radio, word of mouth, annual report, newspapers. With this in mind what are your thoughts for the future and what
should banks be focusing on to communicate their message going forward? Social Media is probably going to increase a lot in the near future not only for banks but I think for every company. Banking and Financial Institutions are a little more conservative so at the moment I don’t think annual reports as nobody reads them apart from a very small number of individuals. Word of mouth is probably going to be a very important one. TV newspapers, the more established ones then social media in terms of importance.

THE END