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Banking on team ethics : a team climate perspective on root causes of misconduct in financial services

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A grayscale image of a petri dish containing various mold colonies. The colonies are of different sizes and textures, some appearing as small, fuzzy spots and others as larger, more dense, circular patches. The petri dish is partially visible, showing the rim and the surface of the agar.

Part III
**Social psychological root
causes of misconduct**

Chapter 7
Introduction Study 3:
research questions and data sources

Chapter 7

Introduction Study 3: research questions and data sources

In this chapter I introduce Study 3 that I have conducted with the aim to examine the way team climate can be assessed in banking and supervisory practices. Below I introduce the research questions central to this Study and the data sources that I have used to answer these research questions.

1. Assessing team climates

Whilst introducing Studies 1 and 2 in Chapter 4, I argued that team level approach offers a valuable but often neglected perspective that can help prevent unethical behaviour. Besides individual and organizational level approaches in preventing misconduct, I argue that approaches at team level should be part of banking and supervisory practices to prevent misconduct effectively.

In Study 1 and 2, reported in Chapters 5 and 6, I examined to what extent team climate analysis when examining root causes of misconduct is currently included in banking and supervisory practices. The results of these first two Studies showed that team climate, although it can harbour social psychological root causes of unethical behaviour, is a *blind spot* for banks when analysing their own misconduct cases. Furthermore, a supervisory request to conduct a root cause analysis of misconduct cases that considers team climate was insufficiently effective, since bank A had difficulty addressing team climate in its root cause analysis. The results of this root cause analysis did not deliver insights in root causes of misconduct at team level.

So, the results of Studies 1 and 2 give rise to the concern that banks are currently not able to assess root causes of misconduct at team level: either team climate is a *blind spot* in their analysis of misconduct, or when they are requested to include team level in their analysis by supervision, they experience difficulty in doing so. This is a concern since at team level concrete practices shape individual behavioural choices and business decisions (Ellemers, *et al.*, 2009; Steenbergen & Ellemers, 2009). The empirical aim of my analysis is to elucidate how this works, and how this knowledge can be used for preventing future misconduct by banks and financial supervisors. I therefore conducted a third Study, with the aim to assess the way team climates can be included in banking and financial supervisory practices.

2. Research questions Study 3

Study 3 addresses two research questions, addressed in Chapter 9, that assess the way root causes of misconduct within team climate can be identified by banks and supervisors.

Research questions Study 3, Chapter 9.

5. *Is it possible to identify the climate of a team and to characterize and compare teams within the same organization, based on key aspects of a dysfunctional team climate that can facilitate unethical behaviour?*
6. *Is it possible to capture key aspects of a dysfunctional team climate that can facilitate unethical behaviour with a survey instrument?*

To answer these two research questions, I conducted an assessment of two trading teams. In Chapter 9, paragraph 9.1, I present the results of a deep dive assessment of these two trading teams aimed to answer the fifth research question. I conducted this deep dive using a combination of instruments namely, desk research, a team observation and confidential interviews (the methodology is described in more detail in paragraph 9.1.).

A deep dive based on 'fieldwork', including confidential interviews and team observations, requires dedicated resources and a significant amount of time. To spend these resources in a rational and focused way, an initial indication of relevant team climate characteristics and differences in team climates of different teams should guide the choice of where to conduct a deep dive such as reported in paragraph 9.1. I therefore developed and tested a survey to provide an initial indication of relevant team climate characteristics and pockets of risk (i.e. teams that show signals of dysfunctional team climates driving misconduct). I address research question 6 – that asks whether it is possible to capture key aspects of a dysfunctional team climate that can facilitate unethical behaviour with a survey instrument – in paragraph 9.2. Table 7.1 gives an overview of the two research questions addressed in Chapter 9, and the data sources used to answer these questions.

Table 7.1. *Study 3: two research questions, and used data sources*

		Data sources	
		Study 3	
Research questions		5. Assessment of two trading teams using a deep dive	6. Assessment of two trading teams using a survey
5	Is it possible to identify the climate of a team and to characterize and compare teams in the same organization, based on key aspects of a dysfunctional team climate that can facilitate unethical behaviour?	Ch. 9, § 9.1	
6	Is it possible to capture key aspects of a dysfunctional team climate that can facilitate unethical behaviour with a survey instrument?		Ch. 9, § 9.2

3. Data sources Study 3

The assessment of two trading teams in Study 3 was conducted within the context of DNB's behaviour and culture supervision. The data presented reflect real practices that have been documented in the context of this supervision. The identity of the individuals and organizations involved remain anonymous and irretraceable in line with the confidential nature of supervisory information, and in accordance with DNB compliance regulations. As elaborated in Chapter 4, when introducing the data sources of Studies 1 and 2, the data coming forth from the supervisory assessment is to remain anonymous and irretraceable. The supervisory data presented Study 3 is gathered at a large bank: here referred to as bank B. This is the same significant or 'too-big-too-fail' bank of which the behavioural data was gathered that I analysed in Study 2 (Chapter 6, paragraph 6.1). Table 7.2 shows for each supervisory data source used in all three studies, the bank it relates to.

Table 7.2. Data sources for Studies 3, gathered in the context of DNB's supervision of behaviour and culture

		Data sources					
		Study 1		Study 2		Study 3	
Research questions		1. An annual litigation report	2. An internal investigation of a misconduct case	3. Behavioural data, delivered upon request	4. A root cause analysis, delivered upon request	5. Assessment of two trading teams using a deep dive	6. Assessment of two trading teams using a survey
1	Bank A	Ch. 5, § 5.1	Ch. 5, § 5.2		Ch. 6, § 6.2		
2	Bank B			Ch. 6, § 6.1		Ch. 9, § 9.1	Ch. 9, § 9.2

The supervisory data related to Study 3 is confidential. The original data is archived in a way that is accessible to the author and others who need to access the original data for verification purposes. The original – non-anonymised – data is stored on the server of DNB in a separate protected folder. These data are not public accessible, although I and others who need to access the data for valid reasons can do so after signing a confidentiality agreement.

