The Relation Between Corporate Values and Firm Performance of the World's 142 Largest Banks

Author: Steven Asma
University of Twente
P.O. Box 217, 7500AE Enschede
The Netherlands

ABSTRACT,
This paper examines the relation between corporate values and firm performance of the largest banks in the world. The firm performance is determined by means of the MTB ratio and the corporate values are quantified in the CV-Index which are then put in a regression analysis to test the relation. Three MTB categories are formulated, namely banks with every MTB, underperforming banks (MTB < 1) and better performing banks (MTB > 1). The results show that for all the banks in the sample and for underperforming banks, there is no significant relation, whereas for better performing banks there is a significant relation. Next to this, the results show that there is no relation between the use of a specific set of corporate values and firm performance. This is the case for all the three MTB categories. The last empirical result from this research shows that the continent where the banks are situated has a positive influence on the relation between corporate values and firm performance. The findings of this research help other scholars to not blindly assume that because previous research showed that corporate values have a positive relation to firm performance, it also withholds for every industry.

Graduation Committee members:
Dr. M.L. Ehrenhard (m.l.ehrenhard@utwente.nl)
A. Priante MSc (a.priante@utwente.nl)
T.L. Fiorito MSc (t.l.fiorito@utwente.nl)

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1. INTRODUCTION

In the past years, there has been big interest in the use of corporate values under headings like shareholder value, corporate social responsibility and environmental sustainability (Thomsen, 2004). Most companies have core values stated on their websites and use it together with the mission and vision to communicate to their stakeholders what the organization stands for and use it as a means of promoting the organization's key factors for organizational behavior (Bjørge & Whittaker, 2015). These corporate values, or according to Hunt et al. (1989), the central dimensions of an organization's culture that differentiates one firm from another, can be used in order to differentiate from competitors and therefore create a competitive advantage. In other words, corporate values can act as a guidance for implementing strategy in day-to-day execution of processes in order to achieve a certain (firm) performance. Whether corporate values form the value statement always reflect organizational culture is debatable as this differs per company (Guiso et al., 2013).

Now that the connection is made between on one hand corporate values and firm performance on the other, it is interesting for companies in a competitive market to research which corporate value or set of corporate values is used among the top performing firms in the market, and maybe even more important, whether there is a relation between the use of certain corporate values and financial firm performance. Insights in this topic are of value since the use of certain corporate values can lead to better firm performance, and thus firms can take advantage by incorporating these values in their strategy in order to deliver to the needs of all the stakeholders. A research conducted by Donker et al. (2008), showed that corporate values are positively related to firm performance. But, this study used the 1000 largest publicly traded Canadian companies (based on assets and after-tax profits in the most recent fiscal year) as a sample, meaning companies operating in different markets. Also, this study is executed using only companies which are on the public stock market and therefore eliminates companies which are not publicly traded. Another research in the field of both corporate values and firm performance executed by Ehrenhard and Fiorito (2018), studied the ambiguous link between corporate values and corporate scandals, or corporate nonperformance, of firms in one specific industry. The difference with the before mentioned study by Donker et al. (2008) is that this time it is performed within a certain market, namely the financial sector. The study had a sample size of only 25 banks and did not focus on the possible relation between banks' financial performance and corporate values. So, the relation between corporate values and firm performance of firms in different markets has been researched, the ambiguity between corporate values and corporate scandals in the financial sector, but never a mix of these studies. That is why this paper contributes to the literature since it examines this mix: its aim is to research a relation between corporate values and firm performance in the financial sector, and more specifically among the world's largest banks with a total amount of assets above 39 billion USD. By researching this sector, this paper aims to fill a knowledge gap, since there is not much research conducted in this field as far as corporate values of banks are concerned. Also, it is interesting to test if the use of corporate values has influence on firm performance in an industry that consists of companies often claiming to have integrity among their most important values but are also in the news for facilitating money laundering and manipulating interest rates (Ehrenhard & Fiorito, 2018). Besides that, the financial sector has come under close scrutiny the past decade for putting an overemphasis on profit-making, which leads to the detriment to their customers and society (Ehrenhard & Fiorito, 2018).

At this point it is valuable to clarify the goals of this paper: this paper intends to empirically research whether there is a relation between the number of corporate values and financial performance in a specific market. Next to this, the goal is to research if there is a relation between the different corporate values and firm performance. Moreover, as the banks are situated in different countries and even continents, it is the goal to research whether the geographic location of the banks has an influence on this possible relation between corporate values and firm performance.

This research will create a better understanding of the ambiguous area around comparing corporate values to firm's financial performance among banks across the world, which was not executed before. The fact that only one industry is researched also creates the possibility for other scholars to use this model for a different industry and to test whether corporate values have an impact on the firm's performance. Banks in general can benefit from this thesis because if the results show that a certain corporate value, or set of corporate values, is used amongst good performing banks, underperforming banks can adjust their strategy in order to improve their financial performance. This leads to the research question of this paper:

Is there a relation between corporate values and financial performance of the world's largest banks?

Moreover, it is interesting to test whether there are certain corporate values, or trends to be found, among banks situated in the same continent. Companies in different cultures may prefer different values and this research can test whether banks actually use different corporate values around the world.

Now that the goal, purpose and contributions of this research are stated, the structure of this paper will be described. It starts with the theoretical framework, followed by the methodology of how this research is conducted. After that, the results of the research will be stated and will be interpreted in the discussion phase. Here, the research question will be answered using the results of the empirical research and the limitations will be emphasized.

2. THEORETICAL FRAMEWORK

The shareholder theory from Friedman (1970) stated that there is one and only one social responsibility for businesses, which is to make as much profits as possible as long as it is embodied in law and stays within the ethical customs. In his article, he also argues that businessmen speak prose when they think that responsibilities like eliminating discrimination, avoiding pollution and providing employment are also important to be considered when directing a company. Putting only emphasis on creating as much value for the company's shareholders (owners) is not shared among everybody. One contradicting theory about directing a company concerning corporate responsibility is the theory from Freeman (1994). This so-called stakeholder theory argues that all stakeholders' interests matter morally and should be considered when making business decisions. The main idea of this theory is that the success of a company depends on the extent to which the organization is capable to manage its relationships with all its stakeholders, such as shareholders and suppliers (Beurden & Gössling, 2008). A stakeholder analysis is required in order to extract stakeholder preferences and introduce ethical values into management decision-making (Goodpaster, 1991). These different preferences of the stakeholders can be converted into corporate values which then can be used to formulate an organizations' value statement. Corporate value statements communicate what a firm aspires for and what drives their value creation (Ehrenhard & Fiorito, 2018) So, in other words, corporate values provide a system of guiding principles of how

to create as much value for an organization's stakeholders (Aqueveque, 2005). Some examples of these values are innovation, integrity, environmental compliance and product quality (Seeber et al. 2003).

Even though there are different perspectives on what responsibilities organizations have, a research by McWilliams & Siegel (2000) showed that in recent years, customers, suppliers, employees, governments, and shareholders have encouraged firms to undertake additional investments in corporate social responsibilities (CSR). CSR can be defined as the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Holme & Watts, 2000). Research about the relation between CSR and financial performance has often been conducted and the researches have reported different outcomes whether CSR is positively, negatively or neutral related with financial performance (McWilliams & Siegel, 2000; Beurden & Gössling, 2008; Torugsa, O'Donohue, Hecker, 2012). According to Beurden & Gössling (2008), there is empirical evidence for a positive correlation between corporate social and financial performance, whereas McWilliams & Siegel (2000) found that the inconsistency of this correlation is due to flawed empirical analysis. This flawed analysis could be because of the missing of a certain variable, namely the investment in R&D, which is considered as an important determinant of firm performance. This variable is therefore also important to be taken into account in this research in order to not have a flawed empirical analysis.

CSR is not the same as corporate values, but corporate values are often mediated through CSR (Vilanova et al., 2009). When looking at the financial sector, this market currently develops sustainability indexes, banks elaborate and publish social and environmental reports, and managers acknowledge the benefits of adopting a triple bottom line approach (people, planet, and profits) to manage firms' accounting (Hossain and Reaz, 2007; Ziek, 2009; Lee, 2010, as cited in Matute-Vallejo et al. 2011). Needless to say, is that not all corporate values are about CSR but can also imply customer friendliness or making profits. However, is there a relation between the use of corporate values and the financial performance of the biggest banks in the world? In this paper, this will be researched based on the research by Donker et al. (2008). The first theory used in this research by Donker et al. (2008) is the CV-Index. This index entails the quantification of the corporate values in the corporate value index (CV-Index). Next to this, it is a numerical quantifiable index that is based on a set of predefined parameters (Donker et al. 2008). How this is CV-Index can be calculated will be explained in the methodology section of this paper. Based on this theory, this leads to the following hypotheses:

Hypothesis 1a There is a positive relationship between the CV-Index and firm performance.

This hypothesis examines when the CV-Index increases, or when more corporate values are used, if this leads to a higher firm performance. However, this hypothesis does not take into account if there is a specific corporate value or set of corporate values that leads to a high firm performance. Therefore, the next hypothesis is formulated.

Hypothesis 1b There is a positive relationship between a specific set of corporate values and firm performance

Donker et al. (2008) for example, examined the corporate values of the biggest companies in Canada, so there are none or only minor cultural differences among the companies. When firms from different countries around the world are being researched, culture has an influence on the use of the different corporate values (Denison et al. 2004). The influence of corporate culture on firm performance has also been tested by other scholars (Denison, D.R., 1990; Kotter & Heskett, 1992), but never whether the geographic area is a factor influencing the choice of corporate values and possibly leads to a better firm performance. Therefore, it is of interest to test if the continent where firms are situated functions as a moderator between corporate values and firm performance, especially in the banking sector. This concludes the last hypothesis:

Hypothesis 2 The continent where banks are situated has a positive influence on the relation between corporate values and firm performance.

3. METHODOLOGY

In the before mentioned research of Donker et al. (2008), two different models are used together to test whether there is a relation between corporate values and firm performance. This firm performance can be calculated by means of financial ratios in order to compare companies in the same industry (Delen, Kuzey, Uyar, 2013). Palepu et al. (as cited by Hutten, 2014) stated that this firm's financial performance can be evaluated by profitability ratios in generating earning, profits and cash flows relative to the amount of money invested. The two models used by Donker et al. (2008) are, firstly, the quantification of corporate values by means of the CV-Index and, secondly, the use of the market-to-book value for a regression analysis. These models, although a bit adjusted to the market of interest, will also be used in this research for hypotheses 1a and 1b.

3.1 Sample

The sample consists of the banks with the most amount of total assets with the cutoff point at 39 billion USD or more, and this makes it a non-random sample. The sample will be compiled according to data from the company information database Orbis. This database extracts, amongst other things, financial information from annual reports and displays them in one currency, namely USD. The focus lies on the largest banks in the sector based on total assets, since larger banks often have clearer and better accessible value statements on their website and the websites are more often translated to English compared to smaller banks. Moreover, as it is not a study about all the banks in the world, aiming for the 142 biggest banks can be considered a solid base to conduct a study and still includes the largest companies of a specific industry. A possible restraint with this sample could be that due to the fact that only the largest banks are used, it does not give a proper representation of the entire financial industry but only for bigger banks. Smaller banks, for example could have different priorities concerning corporate values than larger banks.

The financial data from Orbis used in this research contains data from the book year 2016, since not all the companies issued their annual reports over the most recent year 2017 yet. So, this is the most recent year where all the companies have their data published on Orbis. Some companies have different book years and instead use the first of April until the 31st of March to mark their financial year. When this is the case, the financial data is used from the period of the first of April 2016 until the 31st of March 2017 as this lies the closest to the book year 2016.

3.2 Data Collection

The first model entails the CV-Index. As mentioned before, it is a numerical quantifiable index that is based on a set of predefined corporate values. The corporate values are extracted from codes of ethics, or according to Kaptein (2004) the clarification of the

goals the company pursues, the norms and values it thinks are important and what it can be held accountable for. These codes of conduct can be seen as a corporate statement that registers rules of conduct, ethics, corporate principles, codes of principle or philosophy of the company about what responsibilities a company has towards its stakeholders (Langlois & Schlegelmich, 1990). So, this could be a good source for this research to find corporate values of the companies of interest. Actually, according to the research from Kaptein (2004), it showed that only 58% of the companies in different industries have a code of conducts. Among the largest 142 banks, every bank has a mission, vision and value statement but not every bank has a code of conduct. Therefore, in order to collect a higher percentage of companies' corporate values, the decision is made to extract corporate values from mission, vision and value statements on the companies' websites.

The CV-Index by Donker et al. (2008) consists of ten different predefined values which are based on commonly accepted and positive values used among firms: accountability, courage, excellence, fairness, honesty, honor, respect, trust, integrity and responsibility. This collection of values should represent recognizable and uncontroversial positive, normative corporate values best and would be recognized as such by business, shareholder, stakeholders, and the community at large. In the list of predefined corporate values, adjustments are made as there are two corporate values which are used rather often in the value statements of many banks and are not included in the before mentioned list. It is decided to stick to ten corporate values in order not to diversify too much from the study by Donker et al. (2008) as they also used ten different corporate values. Furthermore, if in this list of corporate values all corporate values are included that are used at least one time in the value statements of the banks, the CV-Index would not represent an index based on a set of predefined parameters often used in this industry. The first substitution is that of the value courage for innovation. Innovation in this context can be defined as one of the two basic functions of an organization by creating knowledge and the diffusing of existing knowledge (Drucker, 1954; Rogers, 1998). The aforementioned research by McWilliams and Siegel (2000) found that investment in R&D was a key determinant to define firm performance. Therefore, the decision is made to pursue the substitution of courage for innovation, as innovation is the main activity of the R&D department. In addition, the reason to replace courage is because the corporate value courage is not commonly used in the financial sector and this could be because people value banks more to do the right thing, with associating corporate values such as integrity and fairness, and they value banks to have a focus on performance and shareholder value, with the associating value excellence. According to the research by Ehrenhard and Fiorito (2018), the main themes as far as the use of corporate values are concerned among the biggest banks in Europe are: doing the right thing, a focus on clients, performance/shareholder value, regulators, working environment/employees and other stakeholders/wider community. Based on these six overarching groups of corporate values, the next adjustment used in this research, is the replacement of honesty for the value customer-focused. The reason for this, is that banks provide services for its customers and, normally, do not sell any products. Examples of these services, according to the Corporate Finance Institute (2018), are accepting deposits, providing business loans and offering basic investment products. When offering these services, it is important to have good relationships with your customers as for enduring relationships and loyal customers it is vital for organizations to be equipped with an effective customer-focused culture (Bratley et al., 2007). Honesty is closely connected to integrity as honesty can be defined as the opposite of lying, i.e. telling the truth, and integrity as the quality or state of being complete (Maak, 2008; Bureau & Mageau, 2014). So, both are closely connected: for an organization to be complete, it requires to tell nothing but the truth. Because they are so closely related, honesty is removed from the list of corporate values.

In this research the mission, vision and value statements of the banks are being examined in order to gather the corporate values. Synonyms of these values are also taken into account. This, because many banks use corporate values with a similar intention but use different words for it. The synonyms are based on commonly accepted definitions of the corporate values and based on synonyms from the website thesaurus.com. These synonyms can be found in table 1.

Corporate Value	**Synonyms**
Accountability	Engagement, loyalty, relationship-focused
Innovative	Creation, creativity
Excellence	Pioneer, high efficiency, high performance, leadership, promptness
Fairness	Diversity, inclusion, compliance, rightness, confidentiality
Customer-focused	Client service, client satisfaction, customer first, customer-relation focused, customer happiness
Honor	Pride, experienced, recognition, reputation
Respect	Humanity
Trust	
Integrity	Honesty, openness, transparency
Responsibility	Commitment, diligence

Table 1: Synonyms of Corporate Values

Now that the list of corporate values is composed, the quantification of these values has to be defined. Corporate values are considered a nominal variable but are transformed into a ratio variable by means of the CV-Index and this is then calculated using the following framework.

> CV-Index$_i$ = $\sum_{j=1}^{10} E_{ij}$, where E_{ij} is an indicator variable which equals 1 if a firm i states a corporate value $j \in [0,10]$. The corporate values $j \in [0,10]$, include the following terms: [1] accountability, [2] innovation, [3] excellence, [4] fairness, [5] customer-focused, [6] honor, [7] respect, [8] trust, [9] integrity, and [10] responsibility.

This CV-Index is then used together with the second model, the MTB-ratio, in a regression which will be explained in the next part.

Next, the second model used in the research by Donker et al. (2008) is the model to define the impact on the market-to-book (MTB hereafter) values, or the effect of corporate values on shareholder value. Boeninger (2012) states that financial ratios, such as the MTB ratio, are often used to compare companies in an industry in order to benchmark or measure a company's performance. The MTB ratio is defined as a ratio to indicate the value that the market places on the common equity or net assets of a company (Ceccagnoli, 2009). In other words, it implies that the MTB value represents the level of performance of a company in a certain market by the use of a ratio that divides the market value of a firm's equity by the book value of a firm's assets. MTB gives an insight to what extent a company uses its resources efficiently and this ratio can help investors determine the attractiveness of an investment (Otten, 2017). Also, it is important to define when a company can be considered a good performing firm concerning the MTB, and what would be the threshold to divide companies in good and bad performing companies. This is important because when you know what the threshold is for the division between underperforming and better

performing banks, you can then empirically test the hypotheses and see, for example, if the better performing banks use a specific amount of corporate values. When the MTB ratio is calculated, and the ratio is equal to one, this means that the there is an equal distribution of the total shares issued times the share price on one hand, and the book value of the firm's assets on the other hand. If the MTB is greater than one, this implicates that the firm's stock is overvalued (it performs well) and when the MTB is below one, it suggests that the firm's stock price is selling less than their assets are actually worth. So, the threshold in this case would be one. Above a MTB of one the banks can be considered better performing banks, and below one, banks can be considered underperforming banks.

The MTB ratios are extracted from the website Ycharts. Ycharts provides historic information about companies which is necessary for the MTB, because the market value of equity can be calculated by multiplying the number of shares issued by the share price at a certain moment and this value differs frequently. All the MTB values of the banks should be extracted from one date, so that all the banks have equal economic circumstances. The date that all the banks are reviewed, is the 31st of December 2016 as this is the day that the book year ends, and the financial results are collected for the annual reports. Some banks do not issue any shares, due to being owned by the government or because some banks are considered cooperative banks. Cooperative banks are considered banks that do not issue shares, but see people, who want to become member, as shareholders of the organization. When there is no data available about the MTB of the banks because they do not issue shares, an MTB of one is used. In this way, they are not considered better or worse performing banks, but are still included regarding their corporate values. In this regression, there is also a distinction made between firms with a MTB of higher than one (better performing banks) and lower than one (underperforming banks). Therefore, the sample is restructured into these two sub-samples with a cut-off when MTB equals one.

3.3 Statistical Test

For hypotheses 1a, a single regression will be used. The CV-Index model explained in the previous section will be used together with the MTB in the following regression model:

$$MTB_i = \alpha_{0i} + \beta_1 \text{CV-Index}_i$$

The independent variable can be explained as:

> CV-Index = log of the sum of indicator variables, which equals one if the value statement of a firm's website includes a corporate value, such as such as: accountability, innovation, excellence, fairness, customer-focused, honor, respect, trust, integrity and responsibility.

Next, hypothesis 1b is tested also using a regression model, but this time with all the separate corporate values included in order to investigate if there is a positive effect between a specific set of corporate values on firm performance. The regression formula used is:

$$MTB_i = \alpha_{0i} + \beta_1 CV1 + \beta_2 CV2 + \ldots + \beta_{10} CV10$$

The last hypothesis will be tested using a multiple regression, including the continent as moderator and thereby using the interaction term continent and CV-Index. For all the statistical results, an alpha of 5% ($\alpha = 0.05$) will be used.

4. RESULTS

First of all, the results in table 2 concerning hypothesis 1a show that from the 142 banks, 50 banks have a MTB of higher than 1 and 64 banks are considered underperforming banks (MTB < 1).

	All MTB	MTB > 1	MTB < 1
CV-Index (β)	0.400	1.464	-0.216
R^2	0.014	0.088	0.037
F Statistic (p-value)	1.950 (0.165)	4.642 (0.036)	2.364 (0.129)
Number of observations	142	50	64

Table 2: Regression CV-Index and MTB

Furthermore, the table shows that there is no significant relation between the CV-Index and the MTB of all the banks in the sample (p-value = 0.165). For underperforming banks, there is no significant relation (p-value = 0.129) as well, but for better performing banks, the results (p-value = 0.036) show a statistically significant relation. Moreover, the R^2 shows that for all the banks, 1.4% of the variance is explained by the CV-Index, 8.8% of the variance is explained by the CV-Index for better performing banks and 3.7% of the variance is explained by the CV-Index for underperforming banks.

The next hypothesis, hypothesis 1b, tests the relation between the different corporate values and firm performance and the results of this regression analysis can be found in table 3. In this table, it can be seen that none of the three MTB-based groups are statistically significant ($p = 0.282$, $p = 0.131$ and $p = 0.812$ respectively). This means that there is no significant relationship between a specific set of corporate values and firm performance. The adjusted R^2 of banks with a MTB of more than one shows that 11.6% of the variance is explained by the different corporate values and for the banks in general, 1.6% of the variance is explained by the different corporate values. The R^2 of underperforming banks shows a negative amount, namely -6.9% of the variance is explained.

	All MTB	MTB > 1	MTB < 1
CV1*accountability* (β)	0.041	-0.029	-.062
CV2*innovation* (β)	-0.019	0.324	-0.032
CV3*excellence* (β)	0.103	-0.029	-0.045
CV4*fairness* (β)	0.085	-0.127	0.038
CV5*customer-focused* (β)	0.175	0.427	-0.049
CV6*honor* (β)	0.159	0.511	-0.006
CV7*respect* (β)	0.142	0.407	-0.070
CV8*trust* (β)	-0.041	0.150	-0.021
CV9*integrity* (β)	-0.010	0.136	-0.022
CV10*responsibility* (β)	-0.182	-0.013	-0.040
Adj. R^2	0.016	0.116	-0.069
F Statistic (p-value)	1.222 (0.282)	1.641 (0.131)	0.593 (0.812)
Number of observations	142	50	64

Table 3: Regression Corporate Values and MTB

	CV1 accountability	CV2 innovative	CV3 excellence	CV4 fairness	CV5 customer-focused	CV6 honor	CV7 respect	CV8 trust	CV9 integrity	CV10 responsibility	**Total**	**Banks per continent** (mean cv's per bank)
Africa	1 (11.1%)	1 (11.1%)	1 (11.1%)	1 (11.1%)	1 (11.1%)	1 (11.1%)	1 (11.1%)	0 (0.0%)	1 (11.1%)	1 (11.1%)	9 (100%)	1 (9)
Asia	18 (8.5%)	29 (13.6%)	39 (18.3%)	12 (5.6%)	16 (7.5%)	12 (5.6%)	19 (8.9%)	19 (8.9%)	23 (10.8%)	26 (12.2%)	213 (100%)	52 (4.1)
Europe	34 (12.8%)	17 (6.4%)	36 (13.6%)	24 (9.1%)	23 (8.7%)	14 (5.3%)	19 (7.2%)	31 (11.7%)	32 (12.1%)	35 (13.2%)	265 (100%)	53 (5)
North-America	11 (8.7%)	10 (7.9%)	17 (13.5%)	18 (14.3%)	14 (11.1%)	7 (5.6%)	14 (11.1%)	10 (7.9%)	15 (11.9%)	10 (7.9%)	126 (100%)	26 (4.8)
Oceania	3 (15.0%)	0 (0.0%)	3 (15.0%)	1 (5.0%)	2 (10.0%)	0 (0.0%)	3 (15.0%)	2 (10.0%)	4 (20.0%)	2 (10.0%)	20 (100%)	4 (5)
South-America	2 (5.4%)	5 (13.5%)	5 (13.5%)	6 (16.2%)	3 (8.1%)	2 (5.4%)	4 (10.8%)	2 (5.4%)	3 (8.1%)	5 (13.5%)	37 (100%)	6 (6.2)
Total	69 (10.3%)	62 (9.3%)	101 (15.1%)	62 (9.3%)	59 (8.8%)	36 (5.4%)	60 (9.0%)	64 (9.6%)	78 (11.6%)	79 (11.8%)	670 (100%)	142 (4.7)

Table 4: Descriptive Statistics of Corporate Values per Continent of All Banks

For hypothesis 2, in order to get a better overview of the usage of different corporate values by banks in different continents, the corporate values are plotted against the different continents in table 4. The most commonly used value among the top 142 banks is the corporate value *excellence* (n = 101). This value makes 15.1% percent of the total amount of corporate values used (n = 670), whereas *honor* (n = 36) is the least named corporate value with only 5.4% usage. On average the banks have a CV-Index of 4.7, and among the three continents with the highest number of banks (52 banks from Asia, 53 banks from Europe and 26 banks from North-America), Europe has with a mean of five different values the highest CV-Index. Moreover, *fairness* in North-America is the most common corporate value with 14.3%, and for Europe and Asia this is *excellence* (13.6% and 18.3% respectively).

On top of that, the distinction is made based on MTB, table 5 therefore includes merely the banks with an MTB > 1, in order to show differences among better performing firms and bank with every MTB according to their corporate values. Banks with an MTB > 1 are also placed in a table in order to have an overview of how much the better performing banks have influence on the results of the banks with every MTB. The results show that the value *excellence* (n = 39) with 16% is the most commonly used value among better performing banks. For North-American banks, this is also the case for the value *excellence* (n = 16) with 15.7% of all the corporate values used by better performing banks. Only for Oceania, *integrity* is the most often used corporate value (n = 4) with 20% of the banks with an MTB > 1.

	All MTB	MTB > 1	MTB < 1
CV-Index (β)	0.400	1.464	-0.216
Africa (β)	2.152	-	-
Asia (β)	-0.669	0.672	-
Europe (β)	-	-	0.513
North-America (β)	-0.230	1.165	0.464
Oceania (β)	1.089	2.431	-
South-America (β)	-0.322	1.770	-
Africa*CV (β)	-	2.192	-
Asia*CV (β)	0.943	0.431	0.872
Europe*CV (β)	-	1.350	-
North-America*CV (β)	1.293	-	0.308
Oceania*CV (β)	-0.307	-1.776	-
South-America*CV (β)	1.168	-0.676	1.331
Adj. R^2	0.278	-0.028	0.122
F Statistic (p-value)	6.443 (<0.001)	0.865 (0.572)	2.458 (0.035)
Number of observations	142	50	64

Table 5: Multiple Regression Corporate Values per Continent

	CV1 accountability	CV2 innovative	CV3 excellence	CV4 fairness	CV5 customer-focused	CV6 honor	CV7 respect	CV8 trust	CV9 integrity	CV10 responsibility	**Total**	**Banks per continent** (mean cv's per bank)
Africa	1 (11.1%)	1 (11.1%)	1 (11.1%)	1 (11.1%)	1 (11.1%)	1 (11.1%)	1 (11.1%)	0 (0.0%)	1 (11.1%)	1 (11.1%)	9 (100%)	1 (9)
Asia	3 (8.6%)	6 (17.1%)	7 (20.0%)	2 (5.7%)	2 (5.7%)	3 (8.6%)	4 (11.4%)	2 (5.7%)	5 (14.3%)	1 (2.8%)	35 (100%)	8 (4.4)
Europe	9 (15.3%)	3 (5.1%)	10 (16.9%)	5 (8.5%)	7 (11.9%)	5 (8.5%)	4 (6.8%)	4 (6.8%)	5 (8.5%)	7 (11.9%)	59 (100%)	13 (4.5)
North-America	10 (9.8%)	9 (8.8%)	16 (15.7%)	14 (13.7%)	12 (11.8%)	4 (3.9%)	10 (9.8%)	8 (7.8%)	12 (11.8%)	7 (6.9%)	102 (100%)	21 (4.9)
Oceania	3 (15.0%)	0 (0.0%)	3 (15.0%)	1 (5.0%)	2 (10.0%)	0 (0.0%)	3 (15.0%)	2 (10.0%)	4 (20.0%)	2 (10.0%)	20 (100%)	4 (5)
South-America	1 (5.3%)	2 (10.5%)	2 (10.5%)	3 (15.8%)	2 (10.5%)	1 (5.3%)	2 (10.5%)	1 (5.3%)	2 (10.5%)	3 (15.8%)	19 (100%)	3 (6.3)
Total	27 (11.1%)	21 (8.6%)	39 (16.0%)	26 (10.7%)	26 (10.7%)	14 (5.7%)	24 (9.8%)	17 (7.0%)	29 (11.9%)	21 (8.6%)	244 (100%)	50 (4.9)

Table 6: Descriptive Statistics of Corporate Values per Continent (MTB > 1)

Now that the descriptive statistics of the continents versus the corporate values are discussed, it is tested whether the continent of the banks functions as a moderator between corporate values and the MTB values. The results of this regression can be found in table 6. These results show that there is a statistical significant relation ($p < 0.001$) between corporate values and the MTB of all the banks with the continent as a moderator. Moreover, there is a significant relation ($p = 0.035$) among underperforming banks with the continent as moderator, but this is not the case for better performing banks ($p = 0.572$). The adjusted R^2 shows that 27.8%, -2.8% and 12.2% of the variance is explained for all the banks, banks with an MTB > 1 and banks with an MTB < 1 respectively by the three variables (MTB, CV-Index and Continent). It can be safely said that there is a significant relation between corporate values and firm performance when the continent functions as a moderator for all the banks and for underperforming banks. Next to this, there is no significant relation between corporate values and firm performance with the continent as a moderator for better performing banks.

5. DISCUSSION

The main goal of this research paper is to answer the research question: Is there a relation between corporate values and financial performance of the world's 142 largest banks? Next to this, it is the goal to test whether there is a relation between the number of corporate values and firm performance. In addition, it is the goal to research if the location of the banks has an influence on the relation between corporate values and firm performance.

The objective of the first hypothesis is to empirically test whether there is a positive relation between the CV-Index and firm performance. This is tested using the methodology of the research by Donker et al. (2008) and applying it to one specific industry. Their research showed that there is a positive relationship between corporate values and firm performance and for firms with a low MTB, it showed an even lower *p*-value. Surprisingly, the results from this research in table 2 show that there is only a positive relation between corporate values and firm performance for banks with a MTB of higher than one and not for banks in general and underperforming banks. These findings suggest that for better performing banks, when the CV-Index rises, the MTB values also increase. This means, on one hand the hypothesis can only be accepted for better performing banks, and on the other hand it cannot be accepted for the banks with every MTB and underperforming banks, which is not in line with the research by Donker et al. (2008) A possible explanation for this could be that the samples are different, as Donker et al. (2008) used only publicly listed companies for their sample and this research also incorporated companies that do not issue shares on the public market. This difference could be due to the fact that state-owned financial institutions have different priorities than publicly traded companies and therefore may cause different preferences for corporate values. For instance, it can be of importance for state-owned banks to appeal to be supportive for people living in ethnical minorities because the bank represents the national government, whereas private-owned banks could have their focus on creating as much value for its shareholders.

The second hypothesis, or hypothesis 1b, tests whether there is a positive relation between a specific set of corporate values and firm performance. All the different corporate values are included in the regression analysis, but for none of the three MTB-based categories, the results show a significant relationship. Next to this, the adjusted R^2 shows for banks with an MTB < 1 a negative amount. This implies that the R^2 is really low and therefore there is almost no variance explained by the use of the different corporate values to get the firm performance of underperforming banks. Although other scholars have empirical evidence that there is a relation between CSR and firm performance (McWilliams & Siegel, 2000; Beurden & Gössling, 2008; Torugsa, O'Donohue, Hecker, 2012), and there is empirical evidence that corporate culture is positively related with firm performance (Denison, D.R., 1990; Kotter & Heskett, 1992), in this research there is no significant relation between the use of a specific set of corporate values and firm performance present. This means that the performance of the banks does not change positively by the usage of a set of corporate values. It can therefore not be stated that there is significant evidence for a specific corporate value or set of corporate values that leads to a higher MTB and thus the hypothesis is rejected.

Friedman (2007) discussed that the only responsibility companies have is to make as much profit as possible and that all the other scholars talk prose when they emphasize that other corporate values also are part of those responsibilities. Though, this research showed that for the biggest 142 banks spread across the world, an average of 4.7 different values are seen as the central dimensions of an organization's culture and a total of 670 values are incorporated in the business philosophies. It has become of more importance for organizations to incorporate more and different corporate values aside from making profit by means of CSR (McWilliams & Siegel, 2000). On average, in North-America the banks incorporate 4.8 different corporate values and their most commonly used corporate value is *fairness*. Europe has an average of 5 corporate values with *excellence* as the most often used corporate value, and for Asian banks, there is an average of 4.1 corporate values per bank with also *excellence* as the most often used value. When this is compared to the study form Ehrenhard and Fiorito (2018), *excellence* is among the number three most used corporate values in their research and in this research, it is the number one. The number one category of corporate values in their research is "Doing the right thing" with the connecting corporate values *integrity, professionalism* and *fairness*. *Integrity* in this research is considered the third most used corporate value with 11.6% and *fairness* the sixth with 9.3%. The reason for this could be, that in the research by Ehrenhard and Fiorito, Europe is the only continent where the banks are situated and a sample size of only 25 is used, compared to the 142 banks in this research. Next to this, corporate values are combined in their research to six overarching groups and the most common overarching group could consist of a corporate value that is used most often and a corporate value that is used the third most often. So, there is a difference in the way the values are ranked, which can lead to different outcomes. When tables 4 and 5 are compared, a difference is noticed in the continent North-America as far as the most commonly used corporate value is concerned. In table 2, the most common value in North-America among banks with every MTB is *fairness* and among better performing banks, *excellence* is more often used. This is a logical result, as banks which have *excellence* as their core value, perform all their actions in order to be the best bank, and banks that do not include this value but have *fairness* instead, value being fair for its stakeholders more than to be the best performing bank. The average number of corporate values from all the banks and from better performing banks shows a minor difference: 4.7 and 4.9 corporate values. In short, results show that among banks with an MTB > 1, on average banks incorporate 4.9 different corporate values and the most often used values are *excellence, integrity* and *accountability*.

For the last hypothesis, hypothesis 2, it is tested if the location where the banks are situated functions as a moderator in the relationship between the number of corporate values and firm performance. Deshpandé and Farley (2004) argue that although cultural components differ across countries, the differences of the effect of organizational culture on firm performance across

countries is not significant. This is contradicting to the findings of this research, as in this case, the results show that there is significant evidence that the continent has an influence on the relation between corporate values and firm performance for underperforming banks and banks with every MTB. This means that the continent where the banks are situated has a positive effect on the relation between corporate values and firm performance. Hypothesis 2 can therefore be accepted for banks with every MTB and for underperforming banks but has to be rejected for better performing banks.

Just like any other research, it has to deal with limitations. First, that the greater part of the largest banks is situated in the continents Europe, Asia and North-America. Africa for example only had one bank represented in the list, so in order to make a more reliable research about the use of corporate values in every continent, more banks should be included in the sample. Therefore, we could conclude that the continent has an influence on the relationship between corporate values and firm performance according to this research (based on hypothesis 2), but it would be valuable for future research to include an equal sample size across the different continents in order to make a more reliable statement about this topic. Next to that, the book years differ among the banks. It would have increased the reliability if all the book years were from January 1st until December 31st. But this is inevitable when companies all around the world are measured together, as countries such as China use different calendars and therefore different book years. Moreover, the MTB ratio is used by Donker et al. (2008) as the determinant for calculating firm performance, but this also has a disadvantage. Because the MTB ratio includes the current value of the outstanding shares divided by book value of the firm's assets, it only focuses on the financial performance and not on non-financial performance such as customer satisfaction employee happiness and supply chain efficiency. Lastly, the corporate values were extracted in the beginning of 2018 whereas the financial data is from the end of 2016. Because corporate values are often used for a longer period of time, this does not have a big influence on the outcomes of this research, but it would have increased the reliability if the corporate values from the year 2016 were available and then included in this research. Therefore, it is interesting for future research to test if there is a relation between the corporate values from 2018 and the firm performance of the largest banks in 2018.

The findings of this research help other scholars to not blindly assume that because the research by for example Donker et al. (2008) showed that corporate values have a positive relation to firm performance, it also withholds for every industry. This research showed that this is not the case for all the banks in the financial industry. Next to that, it may help future research to test if the results of this research withstand in future years or if a change will occur. In addition, as the change of corporate values can be executed easily, it would be interesting if there will be a focus on different corporate values in the financial industry in for example ten years. Next to this, the framework used in this paper can also be used to investigate other industries and see if the corporate values have a positive relation on firm performance.

In conclusion, based on this research, it cannot be said that there is a significant (positive) relation between corporate values and firm performance for the worlds' 142 largest banks. Although, focusing on better performing banks within the sample shows a significant positive relation.

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