It’s a tempting prospect - to name and shame badly behaving banking executives into doing the right thing by their customers, but when it comes to the evidence for its effectiveness, research is divided.

This idea was brought up again at parliamentary hearings with the CEOs of Australian big four banks. The standing committee on economics’ proposed policy would require banks to “publicly report on any significant breaches of [the Australian Securities and Investments Commission - ASIC’s] license obligations within five business days”.

The report would include a description of the breach and how it occurred, steps that will be taken to ensure that it does not occur again, the names of the senior executives responsible for the division where the breach occurred, and the consequences for those executives.

There are various examples of naming and shaming practices in economic policy, for example ASIC’s public listing of wayward and banned financial advisers and the CFA Institute’s listing of accountants who violate the organisation’s standards. However, the effectiveness of these policies has been simply asserted as effective without providing any support .

To our knowledge, no studies exist that credibly establish a causal relationship between these particular policies and a reduction in the offences they were designed for.

Shame and human behaviour

Shame is a self-conscious emotion (as are guilt, pride, and embarrassment). It’s characterised by a sense of exposure of personal inadequacy to a devaluing, condemning, even disgusted audience.

Social approval and appreciation are key drivers of human behaviour; therefore, we naturally try to avoid the unpleasant experience and lasting stigma of shame. This makes shaming appear to be a potent instrument for social control, especially for public figures (for example executives

and politicians) who depend on their reputation.

There are some policy contexts in which naming and shaming practices targeted at individuals have been evaluated for effectiveness. For example for sexual offenses studies have found little to no positive effects, but a high level of public support and public belief in its effectiveness. Likewise for human rights violations research found some positive effects, but also counter-effective side-effects.

The mixed findings can be explained by research on the behavioural effects of shame. There is empirical evidence that shame can motivate sharing and helping behaviour.

Some academics contend that shame is a constructive experience, that motivates those who experience it to better themselves, and raises their desire to comply with socially sanctioned standards of behaviour. However, this stands in contrast with decades of findings that shame causes withdrawal and reduced motivation, and can lead to hostility and vengeful urges.

These findings substantiate concerns tentatively articulated by NAB's and ANZ's CEOs about naming and shaming acting as a disincentive to executives for reporting breaches or taking steps to avoid their re-occurence.

Then there's the idea of “reintegrative shaming”, a restorative justice intervention advocated by the Australian National University's John Braithwaite as an alternative. It combines public disapproval of an offence with respect for the offender and rituals of forgiveness. It seeks to avoid lasting stigmatisation and to restore relationships between the offender and the community.

The empirical record for reintegrative shaming's effect on recidivism is mixed in criminology studies (in part due to

flawed implementation). It's also unfortunately too thin in findings on white collar crime specifically, to allow confident predictions about its regulatory effectiveness in the financial services industry.

Ideally politicians, regulators, and industry stakeholders would assess this evidence on shaming in the context of other relevant initiatives (such as the Code of Banking Practice, ASIC enforcement actions) and other policy options (whistleblower protection and reporting of governance effectiveness). Ultimately what needs to be balanced out is the satiating of the popular appetite for humiliating executives and a true commitment to effective regulation for ethical practice.

Franz Wohlgezogen has received funding from United States Environmental Protection Agency for his research. He has engaged in consulting, coaching, and teaching for public and private sector organisations.

The Centre for Ethical Leadership receives funding from several partner organisations, in the private and public sector, including from the Victorian Government for work on the Recruit Smarter initiative. Melissa Wheeler has also engaged in paid and pro-bono consulting and research relating to issues of social justice and gender equality (e.g., Our Watch, Queen Victoria Women's Centre, National Association of Women in Operations).

Read more http://theconversation.com/naming-and-shaming-bankers-may-be-satisfying-but-could-backfire-74307