Greek Ethical Identities in Continuity and Change: A Social Networks Approach of Applied *Philotimo* in Economo-scape of Local Communities; the Case of Cooperative Banking

Theodoros A. Katerinakis, MSc, PhD Candidate
Tel: +215 895 6143, e-mail: tk325@drexel.edu

Department of Culture & Communication,
Drexel University, 3141 Chestnut St., Philadelphia, PA 19104, USA
Mail Address: 106A North 21st St., Philadelphia, PA 19103, USA

Abstract: The core value of Greek philotimo derives from the root concept of kalokagathia and is manifested in the institutional and transactional ethos of Cooperative Banks in Greece. A major case study of Cooperative Bank of Chania (CBC) is presented to introducing the analytical approach of social network analysis, via UCINET, to represent membership ties and managerial ties in the second largest Greek cooperative bank. The concept of ethics in doing business is extended in a deliberate tendency to build transactional networks that enforce pre-existing social networks and stay tuned with sustainable local economies, a notion consistent with locality in multicultural Europe. Cooperative banking operates in intersection of emotional capitalism and social enterprise, as a cultural process through which new interactional-emotional scripts of economic relationships are illustrated by the cultural frames of cooperation or team work. The case of CBC of Chania shows how non-commercial ties of buyers-sellers matter in “major purchases” and insulate from crisis. Most such transactions take place among kin, friends, or acquaintances that substitute impersonal markets, especially when decisions involve high uncertainty; so common values like philotimo promote connectedness and builds trust that prevails in dealing with risk in order to make financial decisions, sustain and support them.

Keywords: culture, philotimo, kalokagathia, network, cooperative banking, homopolar ties, trust, IPA, ethics
The Greek value system since antiquity offers insights on atomistic behavior, private ownership of property and its protection, the division of labor, free foreign trade, exchange value, money and interest, and policy issues using the ideas of Hesiod, Democritus, Plato, Xenophon, Aristotle and others (Doukas, 2007: p. 140; Petrochilos, 2002). These theorists seem to converge in the concept of kalokagathia, as the ethical basis of life in the Greek city-state. Originally kalokagathia uses human physique (kalos) coupled with virtue, justice, and wisdom (all in agathos) that emphasizes the moral responsibility found in Homer’s texts. The pragmatic content of the concept suits to a community organized on the basis of scattered individual households to defend against enemies (of the time) in a society with a shame culture. So, agathos politis (good citizen) becomes the one who contributes to a prosperous of the city in general, practicing philanthropy as a primary service explained by Contantellos (2008). Hellenes considered eco-nomics (governing the oikos) as part of their inquiry on ethics, politics, and their social organization. So, while profit making is legitimate since ancient Greece and part of the atomistic system (Doukas, 2007: p. 222-223), profiteering (aishrokerdia) is punished back in mythological times: Creon in Sophocle’s Antigone threatened the guard under the suspicion that he has received money to allow the burial of Polynices (Petrochilos, 1999). Greek economic thought is placed within the Mediterranean tradition that perceives economy as embedded in a web of social and political institutions, regulated by religious and ethical norms (Baeck, 1994). Applying this concept in developing interpersonal relationships based on mutual respect of oral commitments, trust, pride and honor the virtue of philotimo is emerging (Ioannou, 2009).

Greeks since antiquity put emphasis on integrity (akeraiotita), the primary layer of current philotimo. Integrity originally reflected the public pressure to behave uprightly, a norm of the citizen. It would be unthinkable that someone without integrity - in terms of honesty, justice, truthfulness- is admired. Philotimo seems to gain the status of a collective conscience in modern Greece, where people no longer philosophize about it but take it for granted and assume its widespread existence.
Greeks are an “ethnos anadelfon” or brother-less nation (Sartzetakis, 1985). Philotimo is defined as an innate faculty that may boost people to do more than what is expected, to offer yourself without expecting anything in return. Hence, philotimo is a life principle for Greeks; it is interpreted as love for honor, honor “to show” for the others and honor “to receive” from the others, a characteristic of intense in small communities of the Greek periphery. It is a case of an ideal occurrence where participants generally accept a norm based in the foundation of that normative society, as defined by Habermas (1990: pp.182-183). This type of normative ethics transcends deontology of duties and rules, as well as consequentialism. In this sense philotimo closer matches with virtues and moral character that define virtue ethics. Furthermore, the three central concepts of virtue ethics virtue, practical wisdom and eudaimonia are comprehensible, objective, and empirically truthful (Held, 1980: p.331) in various manifestations of philotimo. It is a virtue that matches with credibility, with the tendency to cooperate and the ritual of keeping your word (face and commitments) without reserving it in a contract; it is a way of life with ethos, consistent with the teleological approach of Aristotle. Philotimo has its anthropological roots in the “poetics of manhood” (Herzfeld, 1991: p. 8) that are easily observable in micro-communities of the Greek periphery, like Crete. It is also a direct counter measure to rouspheti – the reciprocal dispensation of favors (Clogg, 2002: pp. 4-5) – as practiced and enforced during the post-Byzantine Turkish rule of Hellas, and remains as a major modernization obstacle. This attribute of personal integrity, keeping face and trust is essential for any banking practice and gets institutional support in community networks that form cooperative banks with elements of collective rationality. It is a script of a collective programming of mind (G. Hofstede, 1991: p. 25) for Hellenes, a determinant of the foundation of cooperative and credit-related institutions in the European Mediterranean culture and the Greek tradition. In monetary transactions and intimate relationships trust is mutually co-produced and goes beyond Homo Oeconomicus of "rationality," "calculation," and "efficiency" or institutional “economization” as impersonal economic imperatives.
Cooperative and Social Enterprise and International Cooperative Principles

Traditional Greek value of philotimo is the origin of security and status that are very important for Greeks in business, as well as the need for self-esteem (Bourantas & Papadakis, 1996). These cultural traits explain to an extent the “small, family-owned firm” phenomenon in Greece. In such a format business ventures somehow deal more with agape and altruistic behavior, accountability, professionalism, symmetry in action and impact, and put in act the heart of survival as a “collective entity with a common destiny” to rediscovering community (Muel, 2004). A reflection and extension of the socially organized business finds an exemplary application in cooperative economy and banking. The same notion seems to be the cultural foundation recognized with a Nobel Prize for the institution of Grameen Bank with seven million borrowers (Yunus, 2006). The bank is self-financed and makes a profit with a high repayment percentage, as the borrower maintains face to their own community that guarantees normality and solvency in bank’s operation. That is a characteristic example of an amalgam of social and value capital supported by a banking network that redefines entrepreneurship and social fabric in small communities.

The nature of social business is closely associated with the return of material capital not in monetary units but in units of social capital (like resources, solidarity, mutual recognition, respect and the sense of belonging and contributing), embedded in the structure of social entrepreneurship. A major type of such enterprises are the modern cooperative banks, in which money transactions are complemented with service agreements that give birth to active reciprocal relations among their members. Such banks are important in order to accomplish sustainable characteristics in a reference society, providing the material base to ensure the reproduction of monetary and social capital (Lin, 1999). Cooperative organizations in specific sectors like agriculture, with the Raiffeisen Agricultural Banks Association and the Irish Agricultural Organisation Society, have emerged with some considerable degree of success (Yerburgh, 1896). In 2007, the CEO of CBC underlined that “in the past 16 years cooperative identity made the difference based on self-assistance, equity, solidarity and communal responsibility;
with no deviation from our principles CBC evolved in competition by utilizing its size with flexibility. It was not a highway but a footpath coupled with humans as our capital.”

The Cooperative Movement represented a complementary, ethically motivated, incentive of this response to capitalism and, with its ideals of local support, mutuality and democratic participation, was to become a dominant force in the 20th century and beyond. Robert Owen, the father of cooperation, defined social structures and not individuals as responsible for “the moral degradation of capitalism” (Donnachie, 2000).

ICA³ defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.” Cooperative doctrine is identified by seven internationally recognized principles of cooperatives with a literal description in all constitutional agreements of cooperatives: i) voluntary and open membership, ii) democratic control by members, iii) member economic participation, iv) autonomy and independence, v) education, training and information, vi) cooperation among cooperatives, vii) concern for the community. Thomas (1997), following Owen’s4 organizational experiments, applied the above principles in defining the member entities of a cooperative in the banking context. This “cooperative globe” represents his notion on Inclusive Partnership Approach (IPA) to business (Figure 1):

![Cooperative bank partners as of Owen](adopted from Thomas, 1997)
IPA designed above identifies seven partners to whom companies (and banks) have a responsibility: shareholders/members, customers, employees and their families, suppliers and partners, the community at large, wider/global society, past and future generations of co-operating entities. This approach was officially accepted in Greek Cooperative Network, as an institutional declaration of commitment in the Association of Cooperative Banks in Greece (1999).

**Social Network Analysis in Cooperative Bank of Chania Case study**

Currently, sixteen cooperatives banks operate in Greece with a total network of 220 branches covering the major part of the country, except the islands of Cyclades and Eptanisa, with 210,000 members all over Greece. Bank of Greece has granted approval for two of these banks (Pancretan and Chania Bank) to operate country-wide, while another four have reached the cooperative capital required to allow them to expand their operations in the neighboring regions as well.

The island of Crete, till the start of 2011 with the “Kallikratis” reform plan, consisted of four prefectures and is the base of the two largest cooperative banks in Greece with a cumulative network of 84 branches all over the island. The capital of Crete is Heraklion, the base and headquarters of Pancretan Bank and another historical main city is Chania, the base of several public and military authorities and the birthplace of Bank of Chania.

CBC is a low profile bank founded by the people and governed by them and their directly elected executives; operates for their greater good as a whole, consisting of pre-existing ties of homophily that transmute to homopolar bonds among members of the community of Chania. Three are the primary attributes of social entrepreneurship that boost stability and growth for CBC: (1) deep knowledge of local environment, people, and their relations (2) hands-on engagement with the economic and social life for employees and customers; and (3) referral trust and solidarity, crucial for self-employed individuals and small-medium size enterprises living in Crete. At a community level as living in affinitive local societies, members of CBC transform their cultural values to ethical – originally meaning *daily-expected* – traits when they decide to register, pay the ticket-share and...
start doing business\textsuperscript{7}. This is an Aristotelian ideal that \textit{“we are what we repeatedly do”}; ethos is a way of life diffused through the cooperative network fabric. The core value of Greek \textit{“philotimo”} safeguards integrity and performance in Cretan society, as an enthymeme of a social added-value. Greekness as identity\textsuperscript{8}, manifested in Crete with philotimo, enriches transactional ethos with a social dimension that makes CBC ethical and a benefit dimension that makes it sustainable. The application of social network analysis of CBC via UCINET\textsuperscript{9} as described in Scott (2007) generates a typical dependency matrix (viewed as ego network of main branch, Figure 2):

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{dependency_matrix.png}
\caption{Dependency Matrix and the ego network of Branch No 22}
\end{figure}

Cooperatives, in many respects, are just like other banks. The important difference is that these are the only banks that give customers transparency in how their money is managed; most importantly, \textit{“by encouraging their input into the ongoing development of bank’s ethical policy”} (Brooke et al, 2000). Consequently, cooperative bank has achieved its differentiation by drawing a generic identity on the philosophy of the cooperative movement, in order to place itself within a separate position in the banking industry (Wilkinson & Balmer, 1996); cooperative identity becomes a social accepted brand when sometimes banks find their future in examining their past.
Discussion

The Greek Commercial Banking System is generally considered as social responsible in the past decade (Arapoglou in HBA report, 2008; p. 51). But competition and complementary character of cooperative banks seemed to play a decisive role in a bottom-up approach of enriching banking operation with ethical principles. Further research is needed for a detailed representation of formal hierarchical ties that exist in Bank’s organization chart and a comparison with all the overlapping lines of connection. Additional analysis of the dimensions of philotimo and their compatibility with cooperative principles may reveal structural connections that connect social relationships with doing cooperative business. Other network related inquiries in the intersection of managerial attributes with philotimo traits are the following: determine what members think of their co-operative, how do they value its performance and in which ways they understand that it meets their needs, who they choose to share important information with, etc. In the end people have to decide whether they attribute “homophily” in their bank or they feel a mirror image retrospective to their own characteristics and personality. They have the right to choose as banking competition is unrestricted (in Greece) but when they choose they have to interpret their understanding in the following value component: “utility value, affirmation value, ego-support value, stimulation value and security value”. The network setting is responsible of holding local communities tight together, when the concepts of “value”, “success”, and “philotimo” are among criteria of action for individuals. In the end, such an approach has to assess how central a cooperative bank is in their strategic approach for self-sufficiency and sustainability in local communities. In the case of Greece a comparative review of the parameters of trust – with personality constraints, cultural expectations, learned attitudes, and decision mechanisms - and philotimo as an interaction factor that may lead to the probability that “A will connect with B” could reveal intersections and overlaps useful to analyze the cooperative phenomenon.

CBC encapsulates a back to basics approach that dictates the motto “teach your company to feel small again (as when it started).” That is what makes people pay attention to
detail, work around the clock, stay involved when they are not in office, and put an effort that is worthwhile for their community. In CBC doing business is another facet of the social networking coin. Social cohesion grounded on *Homo Dictyous* is the novel legacy that persists overtime for the continuity and resilience of Greek society, as a whole, and for self-sufficiency and sustainability in its local communities.

**Endnotes**

1 John Psaropoulos explains the concept in his article “*From Homer to coops*” in Business File Quarterly Review No. 74, Economia (Dec 2009).


4 Lord Thomas of Macclesfield was the Managing Director of The Cooperative Bank (of Manchester in England) until 1997.


7 Geert Hofstede provides a well-documented analysis of cultural aspects in business in several publications and in his site at http://www.geert-hofstede.com/ (accessed on October 2009).


9 UCINET software by Hanneman & Riddle (2003) is one of the standard tools used by The International Network of Social Network Analysis.
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