

Chapter 3: Wells Fargo: The Stage Coach Went Out of Control : 3-4 Resolution

Book Title: Business Ethics: Ethical Decision Making and Cases

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3-4 Resolution

With the above considered, it is no surprise that Wells Fargo is struggling to keep customers. Despite taking credit for the scandal, having the CEO step down, and implementing marketing campaigns targeted at rebuilding consumer trust, Wells Fargo's business practices have been compromised in the eyes of consumers. In addition to government investigations, former Wells Fargo employees have filed lawsuits against the firm. Thus far, one whistle-blower has already won a lawsuit. Former CEO Stumpf was forced to pay back millions in compensation for allegedly turning a "blind eye" to the misconduct. The level of misconduct is so great that regulators are even considering holding the board of directors accountable, something which is rarely done unless it can be proved that the board of directors neglected their duties and was aware (or should have been aware) of the massive fraud taking place.

Ultimately, the stakeholders injured in this situation were the individuals who were victims of the creation of fake accounts, the stockholders, and the employees convicted of fraud. Wells Fargo chose to adopt a short-term perspective and abandoned a deontological approach for the temporary gains that came with committing fraud. Deontology focuses on the means used to achieve an end rather than the end itself. According to deontological moral theory, the means of attaining a certain outcome are just as important morally as the outcome itself. If Wells Fargo executives and managers had prioritized *how* employees were making their sales goals, then they would have detected the fraud sooner and taken steps to correct it.

Wells Fargo had a duty to its customers and employees to operate in an ethical manner, but the company allowed lofty sales goals to get in the way of ethical business practices. The company had a duty to its depositors to manage their accounts honestly rather than opening fake accounts without depositors' knowledge. Moreover, Wells Fargo also had a duty to its employees to create an environment where sales goals could be met without employees taking matters into their own hands. Instead, whistle-blowers are now coming forward to say they were punished for speaking up, which likely created a strong culture of distrust with employees and kept the misconduct hidden. While the company valued its position as a top retail bank in the United States, deontology states that Wells Fargo's duty to its stakeholders carried significantly more weight than meeting sales goals.

In going forward, Wells Fargo must put its duty to its stakeholders above the company's aim to make short-term gains. Taking a more long-term, ethical approach would benefit not only its stakeholders but the firm itself. Since the banking industry is built on trust, Wells Fargo has a duty to maintain that trust with depositors and employees even if it means sacrificing some profits in the short term. Developing a strong ethical culture that is intolerant of misconduct will not only allow Wells Fargo to avoid future scandals, it will allow the company

to rebuild trust over time. Thoroughly embracing its ethical values will help Wells Fargo regain trust among regulators, consumers, and employees. Until Wells Fargo fully embraces its duties, the company will struggle to put the scandal behind it. Wells Fargo must adopt a renewed focus on its stakeholders to repair customers' shattered trust and rebuild its reputation.

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