

Chapter 3: Wells Fargo: The Stage Coach Went Out of Control : 3-3a The Decision Makers

Book Title: Business Ethics: Ethical Decision Making and Cases

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3-3a The Decision Makers

Although the accusations claimed Wells Fargo employees had opened 2 million fake customer accounts since 2011, managers at Wells Fargo claim these same practices had been occurring long before. Susan Fischer, a former Wells Fargo branch manager who worked at the bank for five years starting in 2004, joined almost a dozen Wells Fargo workers to confirm that these shocking sales tactics that encouraged employees to open unauthorized accounts had been around much longer than bank executives have acknowledged. A letter to the CEO was recovered from 2007 describing how employees were opening up fake accounts and forging customer signatures. CEO Stumpf claims he never received these letters. However, several employees are coming forward to claim that they reported the misconduct and had their employment terminated as a result. If true, the misconduct takes on a more sinister turn. Not only were executives aware of the misconduct, but anyone who protested was punished as a result. This would also directly violate laws that protect whistle-blowers from retaliation.

Although the employees themselves were the ones who made the ultimate decision to engage in fraudulent behavior, it is worth examining the corporate culture to determine why so many chose to do so. It soon became clear that Wells Fargo had established aggressive cross-selling sales quotas that employees must meet or risk being fired. What started off as a legitimate sales strategy became increasingly coercive as employees began to take short-cuts to meet sales goals and keep their jobs.

To reach its lofty sales goals, Wells Fargo also set up incentives to engage employees, which increased commissions around the product being emphasized. These products were cross-sold to customers with an aggressive sales incentive program tied to employee compensation. This incentive program suggests that Wells Fargo executives, managers, and employees forgot that a bank's reputation is built on a basic cultural value of trust. Rather, it falsely became a leader in the banking industry through the utilization of unrealistic sales goals. With the desire to become a leader in the industry through achieving unrealistic sales goals, management became the relevant decision makers responsible for setting up a system that encouraged misconduct. Managers at many branches played a large role in the establishment of unauthorized accounts.

Yet the responsibility for the misconduct stemmed even further up the organization. After all, if the managers' branches did not meet these new goals, not only could employees be terminated, but the managers could be as well. Although employees opened the accounts and managers implemented procedures to ensure goals were met, it was the high-level executives who initially set the goals that are the most relevant decision makers in this ethical dilemma. These executives were faced with the challenge of finding new ways to distinguish the bank as the leader in the banking industry. To do so, Wells Fargo executives

made the decision to establish the sales of simple-to-understand, simple-to-use products such as credit and debit cards, coupled with traditional banking services such as car and home loans. These products were then cross-sold to customers with an aggressive sales incentive program. Once Wells Fargo branch employees realized they could not reach the high sales goals, many began opening unauthorized accounts so it would look like they were meeting these goals. In so doing, they betrayed the trust of their customers.

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