UNDER PRESSURE

WELLS FARGO, MISCONDUCT, LEADERSHIP AND CULTURE

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I- Introduction

In October 2017, Wells Fargo reported its lowest quarterly return in 7 years. This comes as no surprise given that the company has been managing the fallout from its recent cross-selling revelations and enforcement actions. About a year ago, Wells Fargo announced a settlement of $185 million with federal regulators after admitting to having opened millions of unauthorized customer accounts, falsifying bank records, forging customer signatures and contact information, and even manipulating/transferring funds between accounts to charge overdraft fees, all without customer knowledge or consent.

The settlement was seen by many observers as an admission to fraudulent practices, sparking a frenzy among consumers, government officials, and the media. In an attempt to repair its reputation, the bank responded by dismissing John Stumpf, then-chairman and CEO, and

Wells Fargo's Current Vision Statement:

WE WANT TO SATISFY OUR CUSTOMERS' FINANCIAL NEEDS AND HELP THEM SUCCEED FINANCIALLY.

This unites us around a simple premise: Customers can be better served when they have a relationship with a trusted provider that knows them well, provides reliable guidance, and can serve their full range of financial needs.

promised to identify the causes of the fraudulent activities and implement reforms with full transparency to all relevant stakeholders.

As part of its reforms, in April 2017 Wells Fargo released a report by a Board Oversight Committee, (hereafter Investigative Report) summarizing an investigation conducted by independent counsel Sherman & Sterling LLP analyzing the bank sales practices and causes of their ethical failures. The report was based on over 100 interviews and reviews of over 35 million documents, identifying possible causes behind the violations and recommending corrective measures. The bank also publicly maintains on its website a page that notes steps in its reform progress, updating the public on remedial measures taken post-scandal.

However, just three months after the release of the Investigative Report, Wells Fargo once again found itself embroiled in crisis, this time surrounding auto insurance practices. In July 2017, it was brought to light that between 2012 and 2016, the Bank had charged 800,000 loan customers unnecessary auto insurance, pushing 274,000 customers into delinquency which led to approximately 20,000 wrongful vehicle repossessions. Some customers were also charged late fees, incurred insufficient funds charges, and credit damage in connection with unauthorized insurance policies added to their accounts. This new revelation was one indication that the misconduct associated with the unauthorized accounts scandal was not just a one-off phenomena, but perhaps more systemic.

Wells Fargo prides itself on its brand purpose, which is supported by three pillars:

- relationships that last a lifetime;
- expertise and guidance to help customers make confident decisions; and
- going the extra mile to do what's right.

Despite these intentions, Wells Fargo has now become a case study for the role of culture in driving ethical outcomes in an organization. What went wrong? The facts from the Investigative Report and media coverage highlight an organization whose culture prized short-term rewards at the expense of customers, leaders who didn't respond quickly enough, and whose initial crisis management approach didn't recognize the systemic cause of the scandal. These factors may have contributed to the massive loss of faith and substantial reputational damage among consumers, which the company will struggle to regain for many years to come.

The structural, procedural and behavioral practices that led to the scandal makes Wells Fargo an apt case study from which other organizations can glean lessons to learn how to be proactive in preventing large-scale ethics lapses. Hence, we delve into the context of the scandal by focusing on the sequences of events that led to the scandal, the remedial measures they implemented, and an analysis of these factors in light of the academic research and models on ethical culture in organizations. We conclude with recommendations to address these issues.

II- What Went Wrong: The facts, through the lens of ethical culture and leadership models

We focus our analyses on two critical contributing factors to the ethics crisis: culture and leadership. To provide sound and comprehensive recommendations, we draw on two established ethical leadership and culture models:

- Trevino and Nelson's Ethical Culture Model (ECM); and
- Brown, Trevino and Harrison's Ethical Leadership Model (ELM).

Our primary source of data and information for this case study are the Investigative Report and Wells Fargo's website, which details remedial measures (herein referred to as the 'Timeline'). We did not access any individuals at the organization, or any consultants working with them. As such, the analysis below is based completely on publicly-available information.

"Our ethics are the sum of all the decisions each of us makes every day."

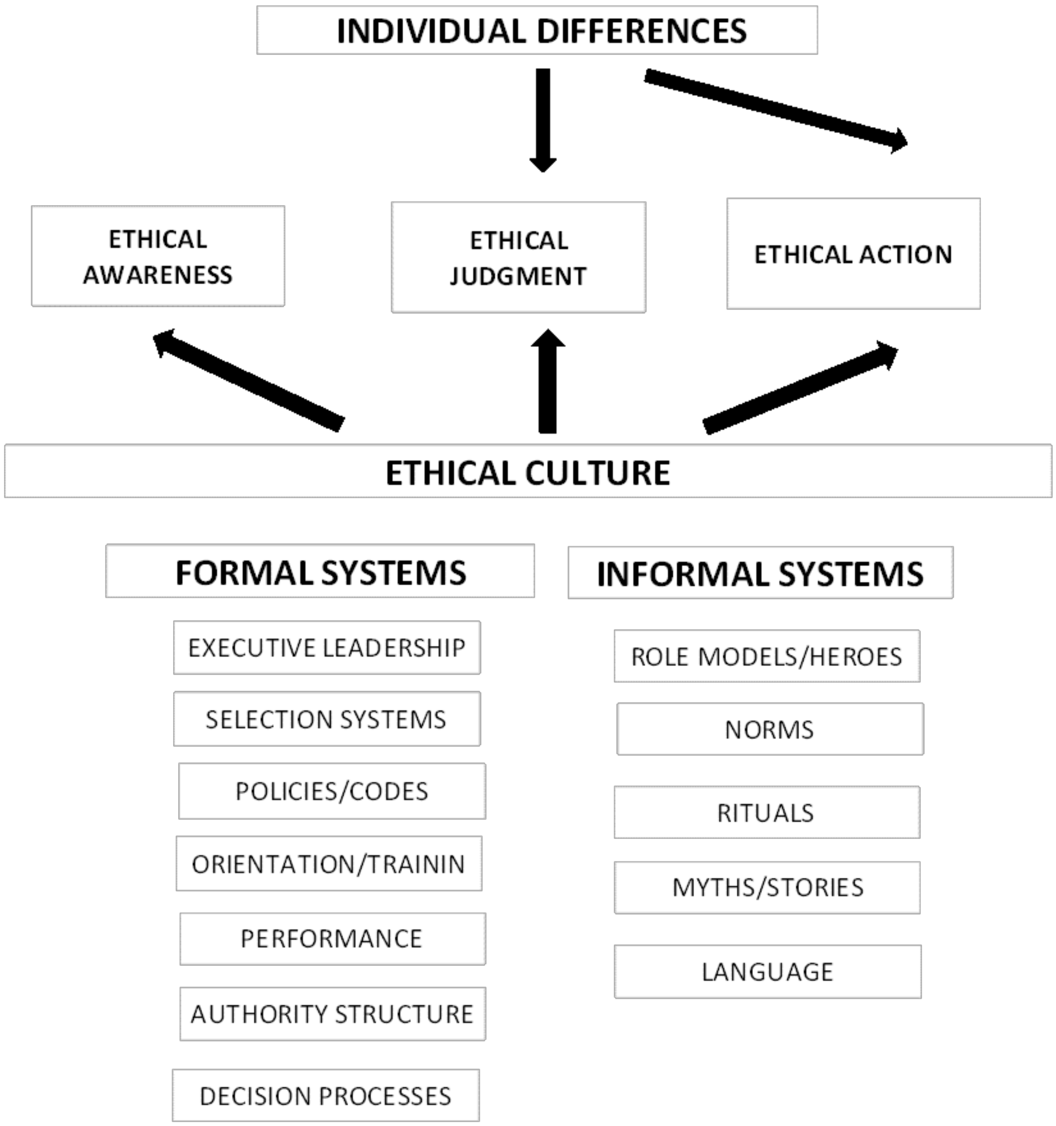
This quote was taken directly from the Wells Fargo's Vision and Values statement. Companies often struggle to live up to their own stated values -- an organization's ethical journey is a process in which the alignment between vision and reality is often challenged, and cannot be easily achieved by vision statements or ethical codes of conduct. Talk is cheap, as it's often said in the business ethics community. Instead, it takes a tremendous collective and ongoing effort to cultivate an organizational culture that is ethical and beneficial for all stakeholders.

An organization's ethical culture reflects its values and informs the perceptions formed by both employees and customers. As such, the culture becomes the primary driver for both individual and group ethical decision-making and behavior. However, maintaining ethics in business settings, especially in large organizations such as Wells Fargo is a complex and challenging process. Ethical behavior and decision making in organizations involves dynamic forces, making it easy for ethics to slip between the cracks, or fall into blind spots, often unnoticed until it is too late. Given its complexity, ethical breaches can only be circumvented when organizational elements align with ethical components, continually pushing individuals to do the right thing.

Trevino and Nelson's Ethical Culture Model (ECM) accounts for such complexities, as it is composed of multifaceted systems encompassing both formal and informal systems at work in an organization (see figure 1 below). The ECM posits that the level of alignment between the formal and informal systems determines the strength or weakness of an organization's ethical culture. If ethical integrity is prioritized by making it salient at the formal level, then the message is heard loud and clear at the informal levels, thereby influencing daily norms in the workplace. The work to sustain an ethical climate, however, does not stop there but requires active engagement by managers and senior leaders at all times.

As such, individual differences[1] at the micro-level and ethical culture and leadership at the macro-level, help determine why employees behave the way they do within the organization.

To provide a thorough assessment of Wells Fargo's organizational culture, we use a strategy



recommended by Trevino and Nelson: delving into a company's history and values to analyze the alignment between the formal and informal structures to provide an explanation for what went

[1] *Note that individual differences are beyond the scope of this study, and we only focus on macro-level factors, i.e., culture and leadership.*

wrong. Further, the remedial measures implemented by the bank will be critically reviewed through the lens of the ECM to assess their sufficiency.

Wells Fargo and Company, known as Wells Fargo Bank, was established in 1852 as a pioneering stagecoach express company and banking services provider in California. In spite of its humble beginnings, Wells Fargo is now one of thirty [Global-Systematically Important Banks (G-SIB's).]() Headquartered in San Francisco, Wells Fargo has become a diversified multinational financial holding company, ranking first in market value in the nation and third globally in the financial services arena (Engstrand, 2013).

If we look at the company's rankings in Fortune and Barron's, for many years it had successfully gained their customers' trust. In 2015 it was recognized as the 22nd most admired company by [Fortune](), and the 7th most respected company worldwide by [Barron's]() (Colvin, 2017).

The reputational damage was broad and swift. [The Harris Poll](), one of the longest-running surveys measuring public opinion in the U.S., documented the largest drop ever measured in its eighteen-year history, where Wells Fargo fell from 70th to 99th place in its 2017 corporate reputation survey. The Harris Poll claims some have deemed Wells Fargo's reputation irreparable and have started to refrain from conducting new business with the bank (Colvin, 2017). Wells Fargo is now increasingly viewed by many observers as morally bankrupt.

the harris poll.
2017 REPUTATION QUOTIENT®

	RANK 1-25	RQ		RANK 26-50	RQ		RANK 51-75	RQ		RANK 76-100	RQ
1	Amazon.com	86.27	26	BMW Group	78.19	51	Macy's	74.79	76	Walmart	67.96
2	Wegmans	85.41	27	Nestle	78.06	52	CVS (CVS Health)	74.69	77	General Motors	67.84
3	Publix Super Markets	82.78	28	General Electric	77.90	53	PepsiCo	74.34	78	Mylan*	67.67
4	Johnson & Johnson	82.57	29	Hewlett-Packard Company	77.83	54	Procter & Gamble Co.	74.10	79	Royal Dutch Shell	67.55
5	Apple	82.07	30	Honda Motor Company	77.80	55	Starbucks Corporation	74.07	80	JPMorgan Chase & Co.	67.07
6	UPS	82.05	31	Kellogg Company	77.59	56	State Farm Insurance	74.03	81	Family Dollar*	66.74
7	The Walt Disney Company	82.04	32	Hobby Lobby	77.51	57	JCPenney	74.00	82	United Airlines	66.59
8	Google	82.00	33	Nike	77.46	58	Target	73.49	83	Citigroup	66.39
9	Tesla Motors*	81.70	34	Whole Foods Market	77.15	59	Nissan Motor Corporation	73.43	84	Chipotle	66.36
10	3M Company	81.50	35	Mondelez International	77.10	60	Dell	73.38	85	Sprint Corporation	66.24
11	USAA	81.37	36	Walgreens	77.10	61	Yum! Brands	73.20	86	Dish Network	65.95
12	The Coca-Cola Company	81.18	37	Fidelity Investments	76.98	62	Capital One	73.04	87	ExxonMobil	64.55
13	General Mills	81.15	38	Aldi	76.96	63	American Express	72.90	88	Time Warner	64.43
14	Costco	81.14	39	Kohl's	76.92	64	Ford Motor Company	72.88	89	BP	63.99
15	Under Armour*	80.67	40	IBM	76.90	65	Progressive Corporation	72.72	90	Comcast	63.72
16	Toyota Motor Corporation	80.21	41	eBay	76.79	66	Facebook	72.29	91	Volkswagen Group	63.46
17	L.L.Bean	80.05	42	Sony	76.76	67	Geico	72.16	92	AIG	63.22
18	Netflix	79.86	43	The Kraft Heinz Company	76.21	68	Dollar General	72.11	93	Charter Communications	62.80
19	Lowe's	79.67	44	The Home Depot	75.50	69	T-Mobile	71.75	94	Sears Holdings Corporation	62.74
20	Microsoft	79.29	45	Nordstrom	75.49	70	Burger King	71.41	95	Bank Of America	59.69
21	The Kroger Company	79.20	46	Best Buy	75.41	71	Verizon Communications	71.12	96	Halliburton	58.30
22	Berkshire Hathaway	79.19	47	21st Century Fox	75.27	72	Yahoo!	70.56	97	Monsanto	56.61
23	FedEx Corporation	78.99	48	Hyundai Motor Company	75.20	73	Fiat Chrysler Automobiles	70.02	98	Goldman Sachs	56.32
24	Southwest Airlines	78.56	49	Samsung	75.17	74	McDonald's	69.74	99	Wells Fargo & Company	49.11
25	Chick-fil-A	78.52	50	United States Postal Service	74.85	75	AT&T	68.42	100	Takata*	48.70

*New to Most Visible List this year (not in 100 Most Visible 2016); **Name change in 2016 (measured as "Kraft Foods Inc." and "Time Warner" in prior years)
Guide to RQ Scores: 80 & above: Excellent | 75-79: Very Good | 70-74: Good | 65-69: Fair | 55-64: Poor | 50-54: Very Poor | Below 50: Critical
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The Investigative Report attributes the leading causes driving the bank's ethical failures as:

1. A misalignment between stated and actual organizational vision and values
2. A high pressure and cut-throat sales culture created by aggressive sales management, and performance management systems and unattainable incentive mechanisms.
3. A decentralized corporate structure leading to reduced accountability
4. A leadership in denial, minimizing the scale and nature of the problem
5. A transactional approach to problem-solving

These factors correspond with the misalignment conceived by Trevino and Nelson's ECM. The Bank has now committed itself to regaining its reputation. Key remedial measures implemented by Wells Fargo include:

1. Replacement and reorganization of leadership
2. Elimination of sales goals
3. Improving incentive and performance management systems
4. Centralizing control functions
5. New office of Ethics, Oversight, and Integrity

Having laid out an overview of the causes and the corrective measures that Wells has implemented, we now evaluate each factor through the lens of the ECM.

III- Formal Systems

i. Performance Management Systems (PMS)

The Investigative Report identified the Bank's sales incentives programs and performance management measures as the primary drivers of the ethical breaches. It specifically identified "motivator reports"[2], retail scorecards, sales campaigns and individuals gaming the system as crucial factors in what led to ethical misconduct. The company created a competitive atmosphere by frequently ranking performance between and among individuals, branches, and regions. Rankings were also regularly circulated bank-wide, creating significant pressure to outperform peers and shaming of those who fell short.

Although goal setting has been prescribed over the years by numerous scholars as a panacea for employee motivation, some research recognizes its limitations. Ordóñez et al's. (2009) paper, *Goals Gone Wild*, describes the downsides of goal-setting, especially its link to risky and unethical behavior. Ordonez et al (2009) draw parallels between goal-setting and prescription strength medications -- i.e. if overprescribed, it could lead to egregious side effects such as "narrow focus that neglects non-goal areas, a rise in unethical behavior, distorted risk preferences, corrosion of organizational culture, and reduced intrinsic motivation". Further, the researchers recommend that for goal setting to be successful, the organization needs to closely monitor and supervise the rollout and implementation of the goals. In the case of Wells Fargo, pushing unattainable goals that were linked to compensation, motivated employees to engage in risky behavior and cutting corners to benefit from financial rewards as well as job security.

[2] As per the Investigative Report, motivator reports "contained monthly, quarterly and year-to-date sales goals, and highlighted sales rankings down to the retail bank district level" These reports "ramped up pressure on managers, such that some "lived and died by" the Motivator results" pg. 20.

Strict enforcement and high-pressure implementation of unfeasible goals also destabilized the customer centricity professed by the Wells Fargo mission statement by over-emphasizing a focus on sales and profits. The bank's role as a service provider became distorted into that of a product retailer. Moreover, employees were rewarded solely through their ability to reach sales targets without taking into consideration how those goals were met.

The revenue-based compensation mechanisms motivated employees to seek returns even if it meant that the products were not in the best interest of the customer. It would instead have been advisable that Wells Fargo devise systems that reward profits only when customers' needs have also been met in an ethical manner. For example, it may be useful to complement financial goals with other indicators such as ethics and compliance goals. In this case, perhaps Wells Fargo could have found ways to quantify customer needs (through customer satisfaction surveys, or longevity of client relationships) and rewarded their employees who had better customer-focused outcomes.

Given the powerful motivation that financial rewards offer, organizations need to be mindful of financial measure bias and develop strategies to counteract it. Bento, Mertins, and White (2014), found that in several studies evaluators are more likely to prioritize financial measures in evaluations and also find a significant financial bias in appraisal and bonus decisions. Bento et al (2014) strongly suggest that organizational values be integrated in employee evaluations as they play a huge role in how evaluators assess mixed results, such as the tensions between financial performance and social responsibility. They emphasize the importance of developing awareness of how the interaction of personal values, beliefs about organizational values, and professional/societal ideologies impact decision-making.

Competition is also another element in the Wells Fargo PMS that the research shows can be a double-edged sword.

It is an inescapable part of organizational and employee dynamics, as it creates incentives for recognition, promotions and bonuses, which often motivate employees, increasing efforts for better results. Competition also has physical impacts on individuals—research shows that it increases physiological and psychological activation, preparing the mind and body for increased effort and performance (cited in Steinhage, Cable and Wardley, 2017). Competition in the workplace, however, can lead to divergent results, based on the underlying cultural context, sometimes leading to creativity while other times, to ethical ruptures. Steinhage, Cable and Wardley (2017) find that competition that elicits fear and anxiety leads to unethical behavior while competition that triggers excitement, facilitates creativity. As such, Steinhage, et al. (2017) recommend that leaders invest in generating excitement amongst their employees. For example, when framing competition remind employees to use their signature strengths, and to provide recognition and rewards for outstanding performers, as opposed to shaming low performers.

At Wells Fargo, the Investigative Report recognizes that the *perception* among employees was that promotions for the sales teams at the retail bank were purely based on financial performance. It was reported that some branch and district managers considered *only* sales performance for overall performance rating. Hence, for many, this meant that selling more than your colleagues was a prerogative and failing to do so meant penalization, transfer and even termination. All of this contributed to an environment of fear, and provides a possible explanation for the unethical behaviors that followed. Some witnesses stated that inexperienced bankers were frequently promoted purely based on sales performance, thus creating a detrimental tier of managers who were inexperienced in necessary core skills.

The Timeline states that on January 1, 2017 Wells Fargo launched a new compensation program for retail banking staff, which "emphasizes customer service, a team approach, and long-term relationships." Importantly, they no longer have product sales goals as a requirement for compensation. This is a step in the right direction. It is also important to take into account the aforementioned psychological drivers when designing incentive plans. Eliminating the downside risk of sales goals is one factor, but the PMS should consider how to motivate better stakeholder management and reward employees who think of the long-term wellbeing of their customers. A compensation program that aligns with a company's Code of Ethics rewards ethical behavior in order to tap into an employee's motivation to provide superior customer service and cultivate long-term relationships, for example.

ii. Leadership

Within the ECM, leadership plays an important role in both formal and informal systems i.e. executive leadership in the former and role models in the latter. Brown et al. (2015), state that leaders provide substantial ethical guidance for employees by shining a light on how things should be done. As such, Brown et al. (2015, pg. 120) define ethical leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making".

Aligning with this definition, Brown et al. (2015) proposed an Ethical Leadership Model (ELM), which builds on Albert Bandura's Social Learning Theory. ELM posits that followers vicariously learn and emulate behavior that is expected, rewarded, and punished from role models.

Specifically, the ELM establishes that the emulated behavior is closely related to various factors, including (a) the leader's honesty, (b) whether or not the leader treats his/her followers with dignity and respect, (c) interactional fairness, (d) socialized charismatic leadership and (e) abusive supervision. Furthermore, the ELM provides that leadership behavior predicts outcomes that are important to the leader's long-term management of a company: the followers' job satisfaction and dedication, and their willingness to report problems to management.

At Wells Fargo, the complicity of leadership went hand-in-hand with the high pressure, numbers-focused sales culture. The conduct, decisions, and interactions of the senior leadership provided ethical guidance to middle managers regarding behavioral expectations, which were then cascaded to lower level employees. Looking at the timeline of the scandal's unfolding, and according to CEO John Stumpf's congressional testimony, the fraudulent practices were first brought to their attention in 2011, but were downplayed as minor one-off incidents. It was only after media reports in 2013-2014 that leadership slowly started to take things seriously. And then finally in 2015, consultants were brought in to investigate the full scope of the problem (Ochs, 2016).

"On average, 1 percent [of employees] have not done the right thing and we terminated them. I don't want them here if they don't represent the culture of the company,"[3]

- John G Stumpf

Early signs pointed towards a leadership in denial. Wells Fargo managers saw the events as isolated incidents that were the result of a few bad apples in the company as opposed to a systemic and cultural issue — a common but fatal error by the senior leadership.

A name that extensively appeared both in the Investigative Report as well as in various media sources was Carrie Tolstedt, head of the Wells Fargo Community Bank at the time. She has been said to have downplayed the risk associated with unethical sales, "ran a tight ship with everything buttoned down," resisted scrutiny, repelled outside intervention/oversight, and actively worked to impede escalation of issues and obstructed information from the Board. Tolstedt has also been portrayed as "defensive," "obsessed with control," "not open to criticism," and "did not work well with other parts of the organization." This climate puts a lid on speak up culture. When a leader is not open to feedback or different views,

[3] https://www.washingtonpost.com/news/wonk/wp/2016/09/13/wells-fargo-ceo-i-feel-accountable/?utm_term=.11e39f30c94d

employees fear retaliation so they do not raise concerns (Brown, Trevino & Harrison, 2005), thereby allowing ethical issues to metastasize.

iii- Selection Systems

Ideally, when an organization hires new employees, it should signal its organizational values from the first interactions with potential hires i.e. through its recruitment practices in a way that is in alignment with its code of ethical conduct; and vision and value statements. It seems that Wells Fargo fell short of doing this.

For example [4], during recruitment, the message to potential recruits was that high competition is the norm for Wells Fargo and its industry. They were told that “being able to address and overcome customer objections” is considered important to the bank. Even before new hires joined the Bank, they were socialized to think that winning over competitors, at any cost, is a priority. As such, recruits were specifically asked to respond to how they “would overcome objections from a potential customer who is currently banking with another financial institution and is receiving a product, service or benefit from our competitor that we don’t offer.” These instructions emphasize the focus on competition and winning at all costs, and brings into question whether the bank had the customer’s best interest in mind.

Coordination across Wells Fargo with respect to hiring was also highly decentralized, which was consistent with their HR strategy, especially at the Community Bank. It was the prerogative of each business unit to ensure that employee performance goals were met, and they managed HR at the business unit level towards these goals. The functions included “employee terminations, hiring, training, coaching, discipline, incentives/compensation, performance management, turnover,

[4] Source: The primary exhibit in a class action lawsuit (pg 28) available at: delshadlegal.com/wp-content/uploads/2016/09/Conformed-Complaint-Class-Action-Employees-v.-Wells-Fargo.pdf

morale, work environment, claims, and litigations," the decentralization of which caused an absence of visibility regarding the scope and nature of sales practice problems. This enabled an environment not grounded in overarching values and practices, thereby tolerating rule-breaking.

In line with this, Ochs (2016) makes an interesting connection between mindset and tolerance for rule breaking. Her research shows that those in the Financial Services industry consider self-reliance as an admirable trait and are less likely to reach out for support, to ask for help, or discuss questions relating to processes. This was found to be especially prevalent among mid and high-level bankers and correlated with tolerance for rule breaking. Ochs recommends that active measures be taken to encourage collaborative problem solving, engaging all employees, through emphasizing the importance of the means by which goals are achieved, not just the ends.

To maintain that an organization reflects on the importance of ethical integrity through its selection systems (i.e. the formal practices related to recruitment and hiring), Trevino and Nelson (2016) recommend William Byham's work which advocates integrating ethics-related questions in interviews.

Byham provides eleven questions which have been designed to provide insight into the compatibility between the potential recruit's personal ethical values and the organization's values by garnering relevant information about their response to behaviors in the past. Byham also provides examples of "good" and "questionable" answers to guide the interviewer.

Wharton professor, author and Ethical Systems collaborator Adam Grant recommends screening out individuals with selfish tendencies and retaining those who are generous, helpful and concerned for others.[5] Further, Grant recommends that organizations create more ethical cultures

[5] Source: https://youtu.be/MNix_6_Z5Q8

by promoting pro-social behaviors, such as tracking employee performance by measures that consider an individual's impact on colleagues and peers.

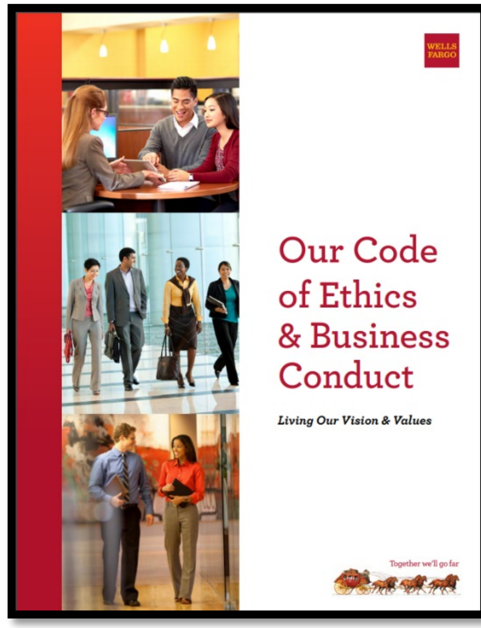
IV- Informal Systems

The ethical culture of an organization is not just formal systems; it's also comprised of how people use language, rituals, norms, myths, and who are upheld as role models. At Wells Fargo, branches were called 'stores,' clients were called 'customers' and daily goals were called 'solutions.' They had a "run it like you own it" mantra about their business, which was loudly voiced to indicate decentralization of practices.

Decentralization encouraged independence and self-reliance, which on the one hand had benefits for financial performance, but on the other hand likely fueled unethical behaviors through lack of oversight and accountability for how business goals were accomplished. It was up to each business line and employee to meet their goals. Coming back home with having completed the sale was the main message — and the main expectation set, and rewarded. Such informal language within the organization signaled that sales goals were of utmost priority, even at the expense of the customer.

In order to meet the sales goals, micromanagement became the norm. This included constant updates on goals, shaming, and threats of terminations by managers if sales goals floundered. An environment of this nature only justified high employee turnover, and unrelenting attention to revenue targets. Fear and pressure led employees to game the system by misrepresenting and manipulating sales to receive compensation and/or meet goals. Over time, unethical practices became the norm.

Wells Fargo's Code of Ethics & Business Conduct includes a non-retaliation policy, where "providing information in good faith about suspected unethical or illegal activities, including possible violations of this Code" is encouraged and protected.



The document also lists an ethics hotline and "Raise Your Hand" initiative, "encouraging team members to speak up when they see something unethical — or if they have an idea to help reduce risk." It is important that structures to report problems are adequately set up in organizations, including anonymous hotlines. Furthermore, the organizational culture must be one that supports those who wish to raise their hand about issues, without fear of retaliation if they do. The work does not stop with merely setting it up, but putting these new practices in place to ensure that the non-retaliation policy is made salient.

BUSINESS DAY

Wells Fargo Whistle-Blowers' Fate Becomes Just a Footnote

Common Sense
By JAMES B. STEWART MAY 4, 2017

In other words, the organization must work to reinforce the policies into practice at every opportunity. Non-retaliation needs to be built into the bedrock of an organization's culture, so that managers at all levels understand that employees are the first line of defense against wrongdoing. For Wells Fargo, several whistleblowers came forward to raise issues, but according to news reports (see especially this piece [from *The New York Times*]) several employees allegedly were fired for internally reporting the existence of the fraudulent accounts.

The Investigative Report, however, reduced the subject of whistleblowers and retaliatory actions to just a footnote. The footnote on page 87 states that there was no pattern of retaliation identified based on the "limited review completed to date."

In an ethical culture, company values permeate through all aspects of the organization from top to bottom and are intrinsically tied to how people behave. However, we can see from allegations of retaliation at Wells Fargo, as well as the fraud against customers, that what was established at the policy level did not permeate into practice in daily behavior.

While Wells Fargo's values statement prioritized doing right by the customer, the aggressive sales culture demanded that customers be viewed and treated as solely a means for profit. Similarly, even though the leadership declared that high ethical standards were the norm at Wells Fargo, the policies and procedures implemented by management relied on daily sales targets that pushed employees towards cutting corner to achieve goals. Such conflicting messages indicate that there was lack of alignment between the formal and informal systems at the bank.

Employees are naturally socialized to follow the behavior of those around them, often irrespective of their personal beliefs. Employees may even tend to internalize organizational norms by accepting the organizational culture as their own. As such, socialization and internalization determines the ethical direction employees take as individuals and as a collective. Wells Fargo had high employee turnover leading to a steady stream of incoming new and inexperienced staff. Trevino and Nelson state that socialization of employees to behave unethically is easier with inexperienced staff. When deception is the norm, new employees are easily influenced to follow suit, particularly because they have not seen any different behavior. High turnover also sends a message to remaining employees that in order to keep their job for the long-term, conforming to norms is essential.

V- Conclusion

We have read about the scandal and its ancillary issues ever since the first piece in [*the LA Times* in 2013], to which the Bank responded by professing a commitment to regaining the lost trust with the implementation of remedial measures.


Wells Fargo's pressure-cooker sales culture comes at a cost

Federal regulators said Wells Fargo employees opened accounts in customers' names without their consent.

By E. Scott Reckard · Contact Reporter

However, Wells Fargo continues to deal with new revelations of misconduct, as recently as the July 2017 *The New York Times* report (described above) of unauthorized auto insurance policies issued to Bank customers. This brings into question whether Wells Fargo is addressing the systemic issues at the Bank. It is critical that the Bank avoid a transactional approach to the crisis with merely a checklist of corrective actions — it should instead focus on making ethical integrity ubiquitously salient throughout the organization, top to bottom, through a cultural and leadership shift.

The longer a company's operations are misaligned with its ethos, the higher the chances of an even larger ethical breach. Hence, Wells Fargo's remedial measures need to be integrated into the bank's culture and viewed through a systems lens, addressing the alignment of formal and informal systems. Otherwise, any short term fix will likely lead to further long-term repercussions.

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