

Analysis of Management Strategies

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Key Failures of Management

- Disregarded company code of ethics by establishing company sales practices that focused on receiving incentives rather than providing exceptional customer service
- Employees had an anonymous hotline they could call to report unethical behavior and “whistleblowers” who were identified were later fired- reports like this since 2010
- *Transactional management*: everything was based on what you can do for someone else
- Wells Fargo business practices failed all three decision standards of Deontology
 - Management either overlooked or ignored this
- Transactional leadership style combined with corrupt executive practices created a crisis that affected different types of stakeholders

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Key Failures of Management

- The day after the scandal broke, Wells Fargo released a statement that included: ... “[promising to take] disciplinary actions, including terminations of managers and team members who acted counter to our values”
 - However, 5,300 low-level employees were fired almost immediately following the scandal becoming public, while it took a month for the CEO to resign and until February 2017 for just four upper level executives to be fired
 - This is an example of “control fraud,” where top executives set up and sustained a scheme that benefited them most, while low-level managers and employees suffered
- Wells Fargo executives chose to be an organization solely focused on profits instead of striving for authenticity throughout their company
 - Ignored Kant’s Dignity and Respect Formula: Instead of valuing employees and customers, they used them to gain profit unethically
 - Failed to be facilitators of success: If they had used a consequentialist analysis to focus on potential outcomes, they would have realized the huge potential of a negative outcome

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Recommendations for Future Management

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Recommendations

- Complete internal research that gauges employee satisfaction with the workplace, company culture, and suggestions for improvement to begin to rebuild internal culture
- Complete external research on all relevant publics to begin to rebuild the external brand
- Redesign/define corporate culture- create a participative rather than an authoritarian organizational culture
- Emphasize the importance of ethical culture throughout the company
 - “An established ethical culture helps ensure that employees will resist any pressure or temptations to compromise ethical standards.”
 - Corporate culture is what drove the scandal: “The result was a corporate culture that drove company team members to fraudulently open millions of accounts using their customers’ funds and personal information without their permission.” — Sen. Richard Shelby
- Consider ethical compliance issues when evaluating implementation of strategic initiatives
 - “We let down our customers, our shareholders and our team members,” Sloan said. “We had serious problems in our retail bank, where products became the focus rather than the relationships with our customers.”

1. Egan, Matt. “Wells Fargo’s whistleblower problem worsens.” *CNNMoney*, Cable News Network, 6 Apr. 2017. Web. 10 Apr. 2017.
2. “Lessons From the Wells Fargo Scandal.” *Strategic Finance*. N.p., n.d. Web. 10 Apr. 2017.

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Recommendations

- Create an open and tolerable platform for company members to come forward with confidence when unethical and illegal practices are in order (anonymous hotline)
- Regain employee trust
- Implement servant leadership
- Use a deontological, not utilitarian, management style
- Hire a Chief Communications Officer that can manage a team of public relations professionals
 - A CCO would create a direct reporting line to the CEO and enhance the organizational culture
- Focus on rebuilding the company brand and consumer trust in that brand

In new ad, CEO thanks all who have stood by Wells Fargo

“Regaining your trust remains our top priority,” Wells Fargo CEO Tim Sloan writes in an open letter that will publish in U.S. newspapers this week.

Bowen, Shannon A., Brad Rawlins, and Thomas R. Martin. *An overview of the public relations function*. New York: Business Expert Press, 2010. Print.

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