

# 1 Identification of Wells Fargo Bank's Organizational Culture and 2 Ethics Issues

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## 6 **Abstract**

7 Organizational culture, ethics, and values are important aspects. Each organization has a  
8 different culture, even if in the same industry. It is important for organizations to hire  
9 employees who have the same beliefs, ethics, and values with the organization. Wells Fargo  
10 Bank is one of the biggest and well-known banks in the US. It was established in 1852 and  
11 continued to grow over the years. Recently, the bank started to have some issues and bank  
12 started to get a bad reputation. These issues were high employee turn-over rates, sales  
13 pressure, unethical practices, and lack of communication between managers and employees.  
14 Wells Fargo's training based on product knowledge, sales strategies, and regulations. Wells  
15 Fargo is missing the importance of diversity training. The company needs to train its  
16 employees to create a better work environment. Training of managers, effective two-way  
17 communication, providing job security for employees, setting up attainable sales goals can  
18 help Wells Fargo Bank to keep trained employees, get a better reputation and increase the  
19 number of customers and sales.

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21 *Index terms—*

## 22 **1 Introduction**

23 Wells Fargo was established in 1852, and it has been continued to grow. Wells Fargo Bank is one of the biggest  
24 and well-known banks in the US. Recently, the bank started to have some issues, and bank started to get a bad  
25 reputation. These issues were high employee turn-over rates, sales pressure, unattainable sales goals, unethical  
26 practices, and lack of communication between managers and employees.

## 27 **2 a) Diversity**

28 Each problem that Wells Fargo Bank is experiencing, closely related to diversity. One of the main reason for  
29 the lack of communication was different backgrounds and ethnicity of employees. Because of different ethical  
30 backgrounds, some employees created the small groups in the workplace, supported each other all the time, and  
31 isolated themselves from the rest of the organization. On the other hand, there were employees who resist to  
32 change and did not appreciate diversity in the workplace. These employees consist of native Americans and  
33 do not want to support or help employees from different countries. Based on the author's experiences, these  
34 employees' point of view was, "This is our country and people cannot just come from a different country to work  
35 in my country and take the position that could have been taken by citizens". These types of behaviors also caused  
36 to the separation of some employees because of the unhappy work environment. All these reasons add up and  
37 increase the numbers for employee turnover. Wells Fargo (2016) mentioned that "One of our important values is  
38 diversity. We value and promote diversity at every level of our organization".

39 Organizations started to understand the importance of diversity in the workplace. Diversity can be described  
40 as differences between people. Not everybody thinks the same or behaves the same. These differences sometimes  
41 can cause issues in workplaces if they cannot be managed well. Especially, if employees are from different  
42 cultures and backgrounds that might cause serious organization issues. The most common diversity factors that

## 6 D) JOB SECURITY

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43 encountered in organizations are; race, gender, background, ethnicity, education level, sex, religion, disability, etc. Especially discrimination against women, disable, and different cultured people are more common than the other factors. On the other hand, diversity is closely related to the organization's area of business, size, and type of organization and how long it has been in business.

47 The world has become global, and organizations are expanding internationally. These factors also remind us the importance of diversity. Managers in multinational organizations can be relocated to a different country, and if managers are not well trained or knowledgeable, this relocation can lead to failure for the manager. According to Cox & Blake (1991), cultural diversity can effect six components of organizational effectiveness, and these contain the ability to attract technology problems, decision making, productivity, positive effects of diversity labor in the organization, expenses, and organizational tolerances.

### 53 3 b) Organizational Culture

54 Every business wants to be successful, make more profits, expand, and have a good reputation. To be successful companies have to have organizational culture and need to behave within acceptable organizational ethics. Every organization has its own culture, values, beliefs, goals, and ethics. Wells Fargo was established in 1852, and it has been continued to grow. Like any other institution, Wells Fargo has its own organizational culture, and ethics. Wells Fargo (2016) stated that "Culture is one of the most important aspects for us. We believed that culture is making employees come to work every day with a positive attitude. Our

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61 A culture consists of doing right things for customers and doing things right".

62 Based on Wells Fargo's values culture and ethics are important. But in real life, it is hard to apply all of the business values to work. Depending on personal experiences, researches, and lawsuits against to company, Wells Fargo has been struggling to stick with its own ethical practices rules. Wells Fargo (2016) stated that "We have the responsibility to always act with honesty and integrity. When we do so, we earn the trust of our customers. We have to earn that trust every day by behaving ethically, rewarding open, honest communication, and holding ourselves accountable for our decisions and actions".

### 68 5 c) Sales Goals

69 According to Kieler (2015), Wells Fargo's high sales goals made employees act unethically, and one customer sued Wells Fargo because of unethical practices in Los Angeles. Cross-selling has been Wells Fargo's focus on increasing sales numbers. The company's sales goals set for each employee is the same regardless of the location of the branch. Each banker has to open a certain amount of checking accounts, credit cards, send referrals to mortgage, and investments, sign up online, mobile banking and bill pay. Each teller has to refer a certain amount of customers to a banker to open any type of product. If an employee cannot hit the sales numbers in the first following quarter, managers give a verbal warning. If an employee cannot hit sales goals in the second-quarter again, managers give written warnings. And next quarter it happens again, an employee will be getting fired. These goals set by upper management, and most of the time, it is an almost impossible to hit all of the goals. And also, if an employee works in a busy branch, it is a higher possibility to hit sales goals number, and if an employee works in a slow branch, it is a lower possibility to hit sales goals. But management does not consider these factors and sets up the same goals for both location employees.

81 Based on the author's experiences and observations at Wells Fargo bank, sales goals always were a big issue. The author worked at the slow branch, and it was hard to hit numbers every single day. As a banker, the author was required to find customers and sell products to them every day. When it was a slow day, the author was sent by branch manager to businesses to sell products or do cold sales calls. The author has seen employees were opening products to customers without their knowledge or when they open the product, not to explain fee portions to customers. In other words, mis-presentation which is not acceptable in banking. As long as bankers got numbers and helped the branch to hit numbers, most of the managers ignored the unethical practices.

88 After the economic crisis, employees did not want to lose their jobs. The job market is so competitive, and unemployment rates are still high. On a regular day at Wells Fargo branches, every hour manager comes to bankers and asks how many products they sold and reports to district manager. These behaviors put lots of pressure on employees and against Wells Fargo's own culture and values. Some of the employees felt to hit numbers, keep jobs and support family, etc.; they need to open fake accounts and products. Kasperkevic (2015) mentioned that "Wells Fargo employees protest the organization for unreasonable sales goals." The unethical practices which pushed by management to do, against Wells Fargo's honesty, earn trust first and do right things approach and culture. These practices damaged the company's reputation; most of the customers closed their accounts and moved their relationships to different financial organizations. These unreasonable goals caused loss of customers and profits for Wells Fargo.

### 98 6 d) Job Security

99 Most of the companies are looking to a way to reduce costs. One of the highest cost, for companies is employee salaries and benefits. Because of lower labor costs lots of multinational company moved their operations to China

101 or India. Some of these companies saved on labor cost but maybe not on transportation costs. It is a critical  
102 decision to make offshoring or outsourcing based on the business area. Managers should not only focus on the  
103 cost side of it, and also they need to think about offshoring or outsourcing effects on employees. When a company  
104 decides to move some of its operations to a different countries, these cause fear and uncertainty for job security.

105 Job security is important for workers. When an employee performs a duty, he/she should not have fear of  
106 losing her/his job. If an employee starts to feel like his/her job is not secure anymore, this will lead reduce in  
107 performance, motivation, willingness to work, and a reduction on a commitment to the organization. Low morale  
108 and motivated employees might cause a reduction in work quality, customer dissatisfaction, and complaints, bad  
109 reputation, and loss of sales and profits. If a company wants to have a good public image, it has to make its  
110 employees happy and satisfied.

111 The employees whose jobs are outsourcing will have a fear of loss of a job especially if that employee is not  
112 trained or knowledgeable about any other department's duties. The employees whose jobs are not outsourced  
113 will also have fear for the loss of a job. They will start to think that my position can be next. All these fears  
114 and uncertainty affects all organization and can be harmful to companies.

## 115 **7 Global Journal of Management and Business Research**

116 Volume XIX Issue XII Version I Year 2019 ( ) A Since Wells Fargo is a financial institution, it does not have the  
117 option to move branches overseas, but it had options to move back-office operations, and call center operations  
118 to a different countries. Calvey (2012) stated that "Wells Fargo is looking to way to reduce employee cost and  
119 move its back office processing, retirement services and technology areas to India and Philippines. Wells Fargo  
120 spokesperson did not mention how this will impact job losses".

121 Even though Wells Fargo, only outsourcing its back office, investment, and retirement divisions to oversees,  
122 it puts stress and fear for employees who work at that department, and employees who work in a different  
123 departments. Back office, investment, and retirement department employees have fear of losing their jobs; other  
124 department employees might think if a company starts to cut costs, this will come to my department and affect  
125 me. This uncertainty also has a negative effect on the organization. Wells Fargo already has employee turnover  
126 or communication issues, outsourcing and offshoring can make it worse.

## 127 **8 II. Identification of Issues and Action Plan**

128 Based on the author's personal experiences, observations, and researches, Wells Fargo's high employee turnover  
129 rates, lack of communication are closely related to diversity, organizational culture, ethic, and outsourcing. A  
130 combination of all three factors plays an important role in employee turnover. Wells Fargo's training based on  
131 product knowledge, sales strategies, and regulations. Wells Fargo is missing the importance of diversity training.  
132 The company needs to train its employees to create a better work environment. Employees should not have a bias  
133 to each other and should not change their behaviors based on other employee's ethical background, disability,  
134 gender, color, education level, etc. If multiple employees are behaving like this, this shows that Wells Fargo does  
135 not educate and train its employees. Wells Fargo's diversity management program should be the best interest of  
136 both employees and employers. And also, it needs to be an ongoing, measurable, and integrated system. The  
137 company can create a diversity statement like mission and vision statement to have employees adapt the diversity  
138 approach from the beginning of employment. The company needs to teach its employees to be respectful of each  
139 other's culture. When employees start to respect and listen to each other's, this will help to fix the communication  
140 problem.

141 Wells Fargo has issues on organizational culture and ethics. The company was sued because of unethical  
142 practices last year. Wells Fargo needs to analyze its data to figure out what can be the reasonable sales goal for  
143 employees. And also, it needs to set up different goals for busy and slow branches. It is not fair for slow branch  
144 employees to put way too many efforts to make numbers. Management should not be ignoring the unethical  
145 behaviors. This shows that the human resources department is not performing well. Either employees are scared  
146 to report to the human resources or the human resources department is not performing its duties. The human  
147 resources department needs to be trained, and employees need to have an assurance not to get fired if they report  
148 unethical behaviors. It is the human resources department's responsibility to give this assurance to employees.  
149 They can do training and email reminders periodically. Most of the time, employees do not see the human  
150 resources team after the hiring process, and they think human resources will not help them efficiently and will  
151 focus on new hires.

152 The company needs to train its managers first. If a branch is not able to make numbers, the branch manager  
153 should not have fear of losing his/her job or relocation to a smaller branch. Upper management should assure  
154 that as stated at their values, doing the right things for customers and increasing customer satisfaction have to be  
155 the primary goal, not sales numbers. If branch managers do not get pushed by upper management for numbers,  
156 they will not push employees. This will increase employee satisfaction and will bring positive energy the work  
157 environment.

158 When Wells Fargo decided to do outsourcing, it needed to communicate with its employees efficiently to explain  
159 reasons for outsourcing or offshoring and how it will effect business and employees jobs. Employees had fear and  
160 uncertainty because of a lack of knowledge. Since they did not know what will happen to their jobs, they started

161 to worry about it. Effective communication or meeting by upper management for employees might help to reduce  
162 fear and uncertainty.

163 **9 III.**

164 Conclusions Wells Fargo's identified issues were high employee turnover rates and a lack of communication within  
165 the organization. According to researchers and the author's experiences, these issues are closely related to the  
166 company's diversity, ethical, and offshoring approach. Lack of diversity management and training, workers, are  
167 not knowledgeable about the advantages of diversity. Well prepared diversity management, which should be  
168 ongoing, measurable, integrated, can help to solve diversity issues. Solving diversity issues can help to fix the  
169 communication problems. When employees free of bias, do not change their behaviors based on other employees'  
170 gender, ethnicity, background, etc., this will bring better communication and will prevent small groups which  
171 were created against different culture employees.

172 Unfortunately, unethical employee behaviors of Wells Fargo were on the news last year. This also Year 2019

173 **10 Global Journal of Management and Business Research**

174 Volume XIX Issue XII Version I ( ) A affected Wells Fargo's business. Some customers closed their accounts, and  
175 moved their assets to different financial institutions. Wells Fargo lost customers, customer's trust, employees and  
176 profit. The company needs to restructure its sales goals and train the human resources department, managers,  
177 and employees. Employees and managers should feel comfortable report unethical practices. Along with that,  
178 both employees and managers should not have fear or certainty of job security. Job security was the main reason  
179 for unethical practices. Doing right thing and gaining customer trust are Wells Fargo's top values. The company  
180 needs to work on to meet its values. In branches, business practices way too far from values.

181 Effective communication can help Wells Fargo to overcome the outsourcing problem. Outsourcing can cause  
182 fear and uncertainty for employees. This will give a reduction of job security to employees. Management needs  
183 to communicate closely with employees to assure their position. Explaining reasons for outsourcing or offshoring,  
184 explaining the company's plans for the following months or years, can help to reduce the fear and uncertainty of  
185 outsourcing.

186 As a result, Wells Fargo has been in business since 1852. The business has been changed; the world has  
187 become global and more diversified, technology has developed. Wells Fargo has been adapting new technology,  
188 globalization requirement. But on the other hand, it needs to update the diversity management and human  
189 resources department. The company also needs to train managers and employees about diversity and ethics and  
190 needs to increase the level of communication between managers and employees. If Wells Fargo can make all these  
191 required changes, this will bring a desirable, happy job environment for employees, quality, and good service for  
192 customers, and an increase in profits for the company. <sup>1 2</sup>

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