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

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

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I. Introduction

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

a) Diversity

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

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

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.

b) Organizational Culture

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

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".

c) Sales Goals

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.

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 the managers ignored the unethical practices.

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.

d) Job Security

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

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

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

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Since Wells Fargo is a financial institution, it does not have the option to move branches oversees, but it had options to move back-office operations, and call center operations to a different countries. Calvey (2012) stated that "Wells Fargo is looking to way to reduce employee cost and move its back office processing, retirement services and technology areas to India and Philippines. Wells Fargo spokesperson did not mention how this will impact job losses".

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

II. Identification of Issues and Action Plan

Based on the author's personal experiences, observations, and researches, Wells Fargo's high employee turnover rates, lack of communication are closely related to diversity, organizational culture, ethic, and outsourcing. A combination of all three factors plays an important role in employee turnover. Wells Fargo's training based on product knowledge, sales strategies, and regulations. Wells Fargo is missing the importance of diversity training. The company needs to train its employees to create a better work environment. Employees should not have a bias to each other and should not change their behaviors based on other employee's ethical background, disability, gender, color, education level, etc. If multiple employees are behaving like this, this shows that Wells Fargo does not educate and train its employees.

Wells Fargo's diversity management program should be the best interest of both employees and employers. And also, it needs to be an ongoing, measurable, and integrated system. The company can create a diversity statement like mission and vision statement to have employees adapt the diversity approach from the beginning of employment. The company needs to teach its employees to be respectful of each other's culture. When employees start to respect and listen to each other's, this will help to fix the communication problem.

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

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

When Wells Fargo decided to do outsourcing, it needed to communicate with its employees efficiently to explain reasons for outsourcing or offshoring and how it will effect business and employees jobs. Employees had fear and uncertainty because of a lack of knowledge. Since they did not know what will happen to their jobs, they started to worry about it. Effective communication or meeting by upper management for employees might help to reduce fear and uncertainty.

III. Conclusions

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

Unfortunately, unethical employee behaviors of Wells Fargo were on the news last year. This also affected Wells Fargo's business. Some customers closed their accounts, and moved their assets to different financial institutions. Wells Fargo lost customers, customer's trust, employees and profit. The company needs to restructure its sales goals and train the human resources department, managers, and employees. Employees and managers should feel comfortable report unethical practices. Along with that, both employees and managers should not have fear or certainty of job security. Job security was the main reason for unethical practices. Doing right thing and gaining customer trust are Wells Fargo's top values. The company needs to work on to meet its values. In branches, business practices way too far from values.

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

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

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