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WELLS FARGO: A RUNAWAY UNETHICAL COVER WAGON

Abstract:

The purpose of this case analysis is to examine how a model of aggressive selling goals established by Wells Fargo in order to increase its level of profitability resulted in a wide scale level of unethical behavior by Wells Fargo employees. In the 1980s, Wells Fargo introduced the concept of "cross-selling" to its sales representatives. Cross selling is the process in which the sales reps for Wells Fargo would encourage its customers to open additional Wells Fargo accounts. Initially, the target number of products for the sales reps to sell each Wells Fargo customer was eight. At the end of 2015, the average Wells Fargo customer had 6.3 products.

As a result, achievement of aggressive sales goals became entrenched in the evaluation process of the employees and became part of the foundation of Wells Fargo's corporate culture. These aggressive selling tactics became public when it was disclosed that Wells Fargo sales representatives had opened approximately two million deposit and credit-card accounts without the customer's knowledge. In September 2016, Wells Fargo was fined $185 million by federal regulators for "widespread illegal" sales practices. Wells Fargo had stated that 5,300 employees had been fired in the previous five years due to improper selling of Wells Fargo products. After the selling practices became public, Wells Fargo announced that it would eliminate all product sales goals for its retail banking operations starting in January 2017.

In November 2016, Wells Fargo was again in the spotlight because the Financial Industry Regulatory Authority was investigating whether Wells Fargo employees were being fired because they spoke out against the aggressive selling tactics they were forced to use on Well Fargo customers. In January 2017, it was disclosed that Wells Fargo's bank branches were informed beforehand when Wells Fargo's internal auditors were coming to the branch to inspect internal operations. By giving the branches a 24-hour notice, the employees at the branch had time to cover up improver practices, such as opening up fake accounts and signing up customers for additional products without their knowledge.

As a result, this case study will examine the evolution of unethical behavior at Wells Fargo based on requiring the employees to aggressively sell accounts and products to its customers.

Keywords:

Wells Fargo; Cross Selling; Customer Rights