CASE STUDY

Followership and Wells Fargo bank

After considering followership as a concept, we now move into an analysis of followership in a particular context. Our Bushido illustration above provides a helpful reference for the case we are about to consider, where some followers were asked by managers to do things that the followers were not comfortable with. The case we will discuss begs us to consider what the appropriate response is of a follower when he is asked to do something that makes him uncomfortable. When managers ask direct reports to be a 'team player' by doing something that bends the rules (if not breaks them entirely) in order to achieve a business goal, how should direct reports respond? What does engaged followership look like in these circumstances? More to the point, what resources are available to followers when they are put in such a circumstance?

History

As one of the largest banks in the United States, Wells Fargo had been described as one of the best banks in the world. It was lauded for its customer-savvy and trustworthy reputation, especially after the financial crisis of 2008. For example, in 2012, *Forbes* described Wells Fargo as 'The Bank that Works.'[35] The brand tried to contrast itself to how much main-street America viewed Wall Street with suspicion. Instead of New York City, the bank's headquarters was in San Francisco, where Wells Fargo began in 1852. Wells Fargo was such a trusted financial institution that billionaire investor Warren Buffet was one of the bank's largest shareholders in 2013. Then-CEO John Stumpf was described as a down-to-earth dispenser of aphorisms like 'people don't care how much you know until they know how much you care.'[36] To reinforce the company's culture, Wells Fargo had produced a 'vision and values' booklet[37] in the 1990s, and that booklet continues to be part of the company's culture today. It emphasizes building relationships with customers, putting their needs first, and engaging in ethical behavior.

That stellar reputation was publicly challenged in December 2013, when the *Los Angeles Times* released a report about a 'pressure cooker sales culture' at Wells Fargo.[38] At the time, Wells Fargo was the nation's leader in selling add-on services to its already-existing customers. The *Times* article described high pressure sales tactics such as employees being forced to stay after work and work during weekends if they did not meet sales quotas, threats of being fired if they went for two months without meeting their sales goals, being chastised and embarrassed in front of other managers, being coached to open unwanted accounts through forging client signatures or begging family members to open accounts, and even being told to falsify the phone numbers of angry customers so they could not be reached for customer satisfaction surveys.[39]

A helpful summary for some ethical failings is that when external pressures exceed internal resources, destructive behaviors result. In these specific leader–follower interactions, the external pressures were a continual push to sell products. For these managers, the pressure to 'cross sell' became greater than the company's publicly stated values on customer service – values that could provide an internal ethical compass for managers and staff. Cross selling was the core of Wells Fargo's growth strategy. Along with finding new customers, bankers were to sell additional financial products to current customers. Employees were told to strive for the 'Great 8,' by selling an average of eight financial products per customer.

As investigators began to dig into the case, they discovered that complaints about fraud accounts dated back to 2005 – the year John Stumpf became president of Wells Fargo. Stumpf himself repeated the mantra that 'eight is great.' Later analysis revealed that thousands of employees created as many as two million unauthorized accounts for customers,[40] and that the sales of accounts were incentivized.[41] Fines for these false accounts totaled over 185 million dollars. As the details of the Wells Fargo scandal began to emerge, two factors were particularly disturbing: (1) who was disproportionally affected, and (2) how workers who spoke up were treated.

As one looks for trends among who was targeted by these sales practices, three groups emerge: (1) friends and families of the workers, (2) non-English speakers, and (3) the elderly. Regarding how friends and family of Wells Fargo employees became targeted, some bought cheap policies for friends and family, paid the premiums themselves and then canceled after the first month. In a 3 October 2016 lawsuit, one worker described being wrongfully fired after following her manager's directions to open accounts in the names of family members.[42] Another employee said he was criticized for 'not being a team player' when he refused to open accounts for friends and family with or without their permission.[43]

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Hispanic populations seemed to have been particularly affected or targeted by these sales practices. For example, Arizona, which has a high Hispanic population, was disproportionately affected by sales practices.[44] Also, as more information came to light about these sales practices, products sold by Wells Fargo on behalf of Prudential were also identified as part of the problem. Wells Fargo sold unauthorized Prudential Insurance accounts, in some cases withdrawing premiums from their customers' accounts. Bankers who helped make these sales happen got credit toward their sales quotas. Even more disturbing, many of the customers who complained to the Prudential customer service line did not speak English and needed a Spanish interpreter.[45] The lawsuit says that the majority of these accounts were sold to Hispanic sounding names in southern California, south Texas, south Arizona, and south Florida.[46] One worker claimed that bankers also opened accounts for elderly people who they thought would not notice.[47]

With pressure for sales goals leading to unethical actions, what responses could followers take? Some quit or retired early, in spite of the financial consequences. Others refused to accommodate their managers' directives and called the hotline. At least one employee used social media to satirize the bank and its management practices. Some even tried to contact the CEO directly.[48]

Results of the scandal include career derailment, congressional hearings, and declining account numbers. After the 2013 *Los Angeles Times* article,[49] Wells Fargo fired approximately 5,300 employees, mostly low level. At the time, the bank employed nearly 270,000. CEO Stumpf eventually resigned. But career derailment was not just for the wrong doers. Particularly disturbing was the negative impact on those who spoke up – some were blackballed by the financial industry.[50] Besides the cost of fines for fraudulent accounts, the bank also experienced declines in business. In January 2017, the bank reported 200,000 fewer checking and 200,000 fewer credit card accounts opened than one year previous (a 31 percent drop for checking and a 47 percent drop for credit card applications).[51]

Five component analysis

The instances mentioned in the public descriptions of the Wells Fargo case illustrate a case where followers were forced to serve as 'yes-people' or 'implementers' instead of partners who could speak to leadership about questionable ethical practices. In a healthy leader–follower relationship, the organization's core values stand at the center of the relationship. These values allow both leader and follower to hold each other accountable to certain standards. In the leader–follower interactions described here, the publicly stated customer-centered values of Wells Fargo were ignored for the sake of a different goal. Followers were ostracized if they could not achieve the goal or if they questioned the way the goal was being obtained – even when their concerns were rooted in a fear that the organization was being 'unethical.'

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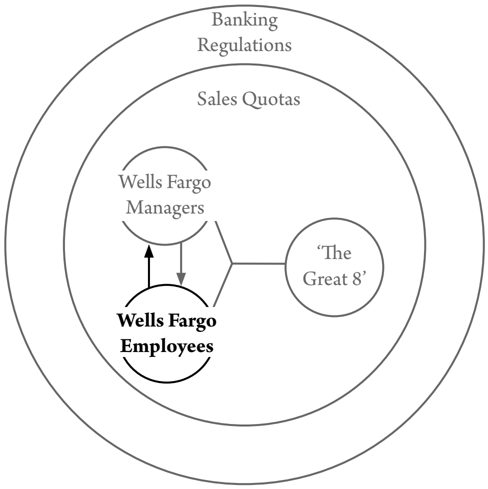
Figure 14.3 The Five Components of Leadership Model applied to the Wells Fargo case



So what possible responses could followers give? Chaleff's commentary on the Milgram experiments seems helpful here – 'If you are uncomfortable with what you are told to do, speak up early and do not let your discomfort be dissipated by answers that are technical rather than moral.'[52] Chaleff also points out that the options for followers are not simply to obey or to disobey. There is a spectrum of possible responses. Followers can ask for clarifications from managers and state their concerns that the directives given by a manager violate other ethical guidelines. Similarly, followers can follow directives as much as possible, but only to the extent that a direct action does not violate an ethical principle. Only once these examples are exhausted should the follower then consider outright refusal to follow directives, possibly bringing other resources to bear in order to counteract these directives or quitting their position. For example, a nurse who disagreed with the prescribed meds from a doctor hooked up the IV as the doctor ordered, but then told the doctor he would have to open the valve himself. In this case, the nurse followed directives as far as possible, and then left the consequential actions to the doctor himself. By forcing the doctor to be immediately responsible for what happened to the patient, the nurse helped the doctor reassess the situation.[53]

To return to the Wells Fargo case, it was achieving the goal that really defined the leader–follower relationship. The goal had been set by the highest levels of management in the company and described as 'The Great Eight.' While the positive financial impact of the goal for the organization had been considered, the negative consequences related to how that goal was pursued were not considered. As a result, the organization also suffered financial loss in the form of penalties/sanctions. Sometimes organization goals may appear to be in conflict. In this case, 'customer service' was a stated goal while in reality profit at the expense of customers became the practice. One way to recognize what is truly valued in an organization is by examining what the organization is willing to 'pay' (sacrifice, suffer) for the value. In the instances described in this case study, hitting monthly sales goals prevailed over other concerns.

One commentator on the Wells Fargo scandal pithily observed 'you get what you measure.'[54] If the sales goal is the only thing measured, then Wells Fargo's relationships and the stated values of the organization will inevitably come in second. Without some form of reporting, those stated values are not kept in front of the leaders or followers, and the progress on those values is not assessed in any meaningful manner.

Part of the tragedy here is also that the organization was previously known for its ethical business culture as expressed in both in-house and public documents. Given the previous observation that you get what you measure, I encourage readers to consider what tools needed to be in place to assess the consistent implementation of those publicly stated values. Such systems are especially important for empowered followers. Followers must have a higher value that they can appeal to in order to contradict ethically dubious directives from leaders. And, because of the power imbalance between leaders and followers, these values need to be reaffirmed in as many ways as possible – through both public proclamation and internal assessment.

Another breakdown here was in one of the tools that helps adjust an organization's culture. The ethics hotline is a way for followers to speak up and point out ethical failures in an organization's culture. Yet the hotline here did not receive the follow up needed in order for it to be an effective moderator of organization culture. The public also became outraged when former CEO Stumpf said 'we have a few bad apples,' blaming employees instead of the high-pressure culture at the bank.[55]

One may point to a competitive environment that demands continual increase in revenue as a root of the problem. Others have noted the problems inherent with a continual push for business growth that focuses on the short-term gains of investors. In this case, it seems that a similar pressure for continual short-term returns led to internal ethical failures and long-term consequences.

Besides the failure of the ethics hotline within Wells Fargo's corporate culture, two other resources seem to have failed in their intended purpose of providing protection from toxic situations like the one at Wells Fargo. While the culture of Wells Fargo may have pushed for more sales, there were supposed to be protections in place to keep these kinds of things from happening in the banking industry. For example, the Sarbanes–Oxley Act (SOX) protects employees of certain companies from retaliation for reporting alleged mail, wire, bank or securities fraud; violations of the SEC rules and regulations; or violations of federal laws related to fraud against shareholders.[56] The Act covers employees of publicly traded companies and subsidiaries, along with their contractors, subcontractors and agents.[57]

A second resource is the Consumer Financial Protection Act.[58] This Act protects employees performing tasks related to consumer financial products or services from retaliation for reporting reasonably perceived violations subject to the jurisdiction of the

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Bureau of Consumer Financial Protection.[59] These preventative failures are significant for our discussion of followership because they highlight how followers need effective resources throughout the five components of a leadership system in order to do the difficult work of being a true partner with their leaders.