The 1920 Farrow’s Bank Failure

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**Introduction**

The case study of 1920 Farrow’s Bank Failure reflected the hubristic behavior that contributed to the downfall of the Bank. In other words, it is related to corporate culture responsibility, leadership, motivation and the overall impact of the business environment. Power and motivation affect ethical decision making at Farrow’s Bank. The likelihood of hubris syndrome developing is enhanced when organizations grant too much discretion to their leaders. Senior managers and the Board of Directors were most capable figures which contribute to the probability of management of hubris when external control mechanism are inefficiently applied. Irresponsible and the careless attitude towards the day to day running of business had negatively affected the bank.

**Discussion**

Thomas Farrow was more concerned with his self-image, and his leadership supported his hubris, and it was pronounced tendency to view the world in heavily grandiose and moralistic ways. He was detached from the reality and not seriously involved in the drawing up of balance sheets. Because of the ego-centric and narcissistic attitude his power was increased in the bank which lacks the external control. However, the bank was registered under the Friendly societies act of 1904 which provides for strict auditing regulations.

Managerial hubris and ethical decisions influence the overall impact on the business environment. In general, the economic theory of the firm argues that other constituencies should either protect themselves through health laws and occupational safety (Aminu, & Oladipo, 2016). It is the responsibility of management to ensure ethical values in the banks for the pursuance of profitable goals. To reduce the impacts of ego and hubris corporate managers can involve the stakeholders for consultations and regulations of the decisions. Ethical problems are common in business, but economic ethics is concerned not only with individual conduct but also with the operations of financial markets (Batiz-Lazo, & Efthymiou, 2016). Corporate social responsibility is associated with the commitment of management which was not available in the Farrow’s Bank. Failure to follow the ethical values contributes to bankruptcy as seventy percent shares was downed of the companies like Valeant Pharmaceutical Intl. Long term value cannot be achieved without addressing the ethical decision making.

The pressure was associated with ethical decision making at Farrows Bank which stands with the compliance to stipulated regulations and bank performance. Lacks of an obligation of a bank was another reason like the financial statement and value on books of account. Banks are urged to observe ethical issues along with the rules and regulations to maintain the honesty. Managerial hubris in the Farrow bank lead to the presumption of a specified condition (Giannarakis et al., 2018). One of the significant flaws that downed the bank was the fraudulent practices which involve the provision of misleading financial data. As a corporate leader Farrow remains the sole person responsible for ethical decisions and coordination.

Similarly, the level of managerial hubris would have been decreased if Farrow Bank had a genuinely ethical business environment. It affected the financial outcomes of Farrow Bank because the business culture of the bank became a dictatorship. Few people are entered in the circle of Farrow, and he constructed an empire inside the bank. Again the issue of ethics is vital as the ethical operations are essential for the success of a business. Mutual trust and respect was crucial but not followed by senior management (Jamnik, 2017). There were the choices of reducing the Farrow's managerial hubris through the ethical company culture. The need for engaging others could help Thomas to retain the bank with the best management approach. In every decision-making process there is need of some preferences which must be given on the ethical grounds.

Ethical grounds can reduce the pressure and it could enhance the productivity of the bank. Self-sustaining of the business can only be preferred with the healthy competition to other entities. Such types of decisions could change the failure of Farrow’s Bank, and it can redefine a managerial approach (Mclean, 2016). Same are the points taken up by Grigoris Giannarakis in his article on the effects of the corporate social responsibility in the purview of corporate financial governance. Total assets, productivity and the positive relationship is absolute with corporate sector responsibility disclosure. Corporate characteristics can be examined like the environmental or economic issues for progressive management (Mortgage crisis, 2012). There could have a significant decrease in the managerial hubris if the correct values of ethical business could have been followed in the Farrow’s Bank.

The past governments have set specific rules for banks in the United States. The setting of these rules is to ensure that bailout should not happen again and again. While following these rules, many banks provides a stronghold for the American economy (Toye, 2017). The United States Federal Reserve also supports ethical protocols. These steps are beneficial in making the American banking industry to remain cost-effective. Corporate sector should be careful in following rules and regulations for the sustainability of the business environment.

**Conclusion**

Concluding the discussion, the case study of Farrow’s Bank failure in 1920 was due to the managerial hubris. Thomas Farrow was profoundly influenced by ego-centric and bad attitude during the time of collapse in 1920. Further, the well-explained and thoroughly descriptions are considered to address the above questions. The overall atmosphere of business is connected with ethical decisions and values. The pressure can also be managed through the set of rules and regulations which are essential for the corporate sector.

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