Name of student

Name of institution

Name of instructor

Date of submission

Scandal summary and identification of ethical issues

Wells Fargo is one of the major providers of banking, credit card, and mortgage financial services across the world. The company was in the limelight in 2016 for using clients details to open fake accounts. The financial crisis that affected the world before 2016 affected many companies across the world. Such a crisis meant that the top management of every company would try and come up with strategies to fight the crisis. They needed to increase sales quotas and this made the top management of the company to pile pressure on the employees to perform better. Since employees did not have any other way to increase the sales, they resorted to using existing clients’ details to fraudulently open accounts. The result of this was that many clients were forced to pay fees that come with operating such accounts. The scandal led to the company losing a lot of money which was paid to the government and the clients who were affected by the actions of the top management of the company and the employees. The scandal not only led to the tainting of the company’s image but also led to the CEO of the company losing his job. Wells Fargo has been recovering slowly ever since it was hit by such a corporate scandal (Veetikazhi, 2019).

There are many ethical issues that were evident during the scandal. The first one is that the employee used details of the clients without their knowledge. The banking sector is one that has sensitive information belonging to clients. One of the major rules of the industry is that employees should not make use of clients details for any reason without the knowledge of the clients. Another ethical issue that was touched by the scandal is defrauding clients of their money (Veetikazhi, 2019). The actions of the employees were meant to create money for the company. The ethical way to make money in the banking industry is to offer genuine services to be paid by the clients in return.

**GVV analysis**

What is at stake for the key parties involved?

The parties involved in this scandal are the employees, the management of the company, the clients, and the government. They all have interest in the dealings of the company and must, therefore, be part of the solution that they seek to create. The employees are the major players in this scandal because they are the ones that used the details of the clients to open fraudulent accounts. The actions affect their ability to be trusted by any other company. Other banks may not be willing to employ them since they have a history of engaging in fraudulent activities that led to clients losing a lot of money. The government is responsible for making rules as well as keeping law and order (Veetikazhi, 2019). The scandal clearly reveals breaking of law. Details of clients have been used to open fraudulent accounts that have affected citizens of the country in a negative way. It is the role of the government to ensure that the company is charged for such actions. The clients lost money through the scandal. Some of the that did not lose money ended up losing trust on banking. This is because they believed other companies could also decide to carry out such a process. The management of the company are responsible for keeping a good image of the company. The pressure they put on the employees led to most of them using clients’ details to open fraudulent accounts. The management played a role in this scandal and are therefore charged with ensuring the good image of the company back.

Factors that could affect my ability to blow the whistle

Although there are many reason that prompt me to become a whistle in this scandal, there are factors that my make me to reconsider my decision. First, since I am member of the company I am also concerned with the well-being of the company. It is my duty to ensure that the company has good image. Blowing the whistle on such a scandal would lead to a negative image which can lead to clients running away from the company. Blowing the whistle is the right thing to do but it does not in any way increase the performance of the company. It affects the company and me too (Veetikazhi, 2019). Another factor to put into consideration is whether the company has noticed what has happened and the steps being taken to correct the situation. In case the company has realized that there is a mistake and there are plans to rectify, then there is no need of exposing such a situation. In case I inform the company management about the problem and they have immediately initiated plans to solve it, then there is no need of exposing the situation in the company. The cases of whistle blowing that have existed in the past can also decrease my intention to blow the whistle. In case I notice that previous whistle blowers were discriminated and treated, then I would retreat so as not to get myself into such a situation.

Factors that may increase my intention to blow the whistle

Blowing the whistle will also depend on the factors that will lead to a decision to perform my intended action. The first factor is the willingness of the company to solve the situation. Once I notice that there are cases of fraud and clients are losing money in the process, it is my duty to inform the top management of the company. If they do not show any sign of goodwill to correct the situation, then I do not have any other option but to blow the whistle. It will force the company to initiate ways of solving the case and ensuring that explanations are given (Boatright. & Smith, 2017). The ethical considerations that come with such revelations are other set of factors that will prompt me to blow the whistle. Since I have noted the scandal, it is my duty to ensure that clients and the government get explanations as to what led to such actions by the employees.

Levers that I can use to influence the person that I choose to confront about the situation

The effect of the scandal is one of the levers that I can use to confront the person about such a situation. By informing the person that the scandal will have a negative effect on the image of the company, it is possible to influence them to take actions against the people that started the process. Talking to the person about the effect that such activities have on the clients and the long-term effect of this on the company is also another way to influence the person. The person will be concerned about the ability of the company to perform well in future. By convincing him or her that the scandal will scare away existing and prospective clients, I will have influenced the person to take actions to correct the situation.

Exact text that I would use

Dear CEO, I am writing to you to inform you of the actions that have been going in the company. I have been prompted by the fact that I feel these actions are likely to have negative impact on the performance of the company if noticed by the companies. It seems employees are under pressure to deliver big sales quotas which in real sense may not be possible to achieve at this time (Boatright. & Smith, 2017). The employees are currently using details of clients to open fake accounts as a way of convincing the managers that they are performing well. This may be due to the need to keep their jobs. Kindly look into the issue and help to resolve in time. Thank you.

**Implications of the scandal related to social corporate responsibility**

There are different stakeholders who are affected by the scandal. The implications define how every stakeholder will react to the situation. It is the duty of any business to maintain a good relationship with every stakeholder. The implications can go beyond the organizations and people who were directly involved or affected by the action of the employees. The stakeholders who were directly affected by what happened in the company include employees, clients and the management of the company (Boatright. & Smith, 2017). The employees who took part in the scandal will lose their jobs in case it is noted that they led to the scandal. Such employees will be dismissed on the basis that they do not uphold the values of the bank. They are the major representatives of the business in any situation and should always ensure they show the best of the company. In case they do not do this, they are failing in their duties as employees and risk getting dismissed from the company.

The government is also affected by the scandal. It is the duty of the government to ensure that every business within the country complies with all the rules regarding their operations. Citizens start losing trust in the government if companies can fraud them in such ways. The top management of the company is another group that is directly affected by the scandal. For the case of Wells Fargo, the pressure came from the managers. As a result of their need to get good results from the employees, they ended up raising targets that made it hard for them to use the right means to achieve them. Other banks are also affected by what took place at Wells Fargo. As competitors they may gain or also lose in the process (Boatright. & Smith, 2017). The gain can come in a form where clients from Wells Fargo decide to join them. They can lose in that their existing clients will start doubting them. The clients may feel that their respective banks can also engage in such activities. When trust is lost, it becomes difficult to win more clients.

Things that can be done to prevent this type of scandal in future

In future, stakeholders can take many precautionary measures to ensure there is no repeat of such a scandal. The management can be at the forefront to ensure that they formulate laws that do not push their employees. By looking at the prevailing situations at any given time, it is possible to create goals that employees can achieve. Employees are always taking care not to lose their jobs. When companies set goals that seem realistic to achieve, the employees opt for other ways of achieving them. In most cases, the ways used by the employees to achieve are always illegal. The employees decide to use unethical means to achieve this. The management can, therefore be advised to be setting realistic goals that their employees can achieve. For the employees, they can always be advised on the importance of carrying out their duties diligently while following all the ethical considerations that they should be following. The middle level managers who deal with the employees directly can also be advised to stop piling too much pressure on the employees (Boatright. & Smith, 2017). When people focus so much on attaining the set goals, they end up not looking at the prevailing conditions that can hinder employees from achieving the goals. The middle level managers can always be assessing the sales quotas are not fake. In most cases, they fail to check and as a result, employees find it easy to get away with such acts.

|  |
| --- |
| 1. Recognize the ethical issue:  * Should I blow the whistle on what is happening in this company? |
| 1. Get the facts  * The use of clients’ data without their consent * Creation of fake accounts |
| 1. Identify all relevant stakeholders   - Customers  - Government  -employees  -Management |

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Evaluate your options, considering facts and relevant stakeholders | Option 1 | Option 2 | Option 3 |
| Golden Rule | * The golden rule is appropriate because it helps to solve the case | * It is the right thing to do | It does not give the company a good image |
| New York Times Test | * The New York Time Test provides the best way to do it | * The New York times does not offer a solution | It takes short time to reach the people |
| Obey the Law | -it is the right thing to do | -it helps to punish law offenders | -it discourages future occurrences |
| Rights | -it can get the rights of clients back | -it interferes with the rights of management to make decisions | -it does not give the management the right to take matters into their hands |
| Justice | -it provides justice for the clients | -justice for the government | -justice for other competing firms |
| Social Contract Theory | -it eliminates fraudsters | -it promotes the spirit of belonging | -it does not cater for firm’s performance |
| Kantian Ethics | -it promotes use of ethics | -it promotes transparency | -ensures employees will do the right thing |
| Utilitarianism | -ensures clients consume the right services | -transparency | -no use of details for wrong reasons |
| Ethics of Care | -ensure employees are the custodians of clients’ data | -promotes cohesion | -improves employee performance |
| Virtue Ethics | -helps to emphasize employee performance | -employees come to love their work | -ensure employees only do the right thing |

Works cited

Veetikazhi, Ramachandran, and Gopinath Krishnan. “Wells Fargo: Fall from Great to Miserable: A Case Study on Corporate Governance Failures.” South Asian Journal of Business and Management Cases, vol. 8, no. 1, Apr. 2019, pp. 88–99, doi:10.1177/2277977918803476.

John R Boatright & Jeffery Smith. (2017).Revel for Ethics and the Conduct of Business -- Instant Access, 8th Edition. Pearson

[*The Corporation*](https://en.wikipedia.org/wiki/The_Corporation_(2003_film)), a documentary and book examining and criticizing the corporation and its history.

Cohen, Jeffrey R., Ding, Yuan, Lesage, Cédric and Stolowy, Hervé (August 1, 2008), Managers' Behavior in Corporate Fraud, [SSRN](https://en.wikipedia.org/wiki/Social_Science_Research_Network) [1160076](https://ssrn.com/abstract=1160076)