

Wells Fargo

The Bank You Trusted is Busted

TEACHING NOTES

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

Introduction

The teaching notes presented will facilitate the execution and presentation of the Wells Fargo case. Academic readers and students alike can benefit from the information presented as it acts as a guide to teach the Wells Fargo case study in a coherent and organized manner that also encourages engagement from the class.

Case Synopsis

Wells Fargo, one of the oldest banks in the U.S., faced a massive crisis that needed to be solved. Due to the pressure-cooker sales culture ingrained in the company's internal corporate culture, front-line employees resorted to opening 2 million unauthorized bank and credit card accounts for friends, family and unsuspecting customers. Once the scandal came to light, various regulators filed lawsuits against the company, resulting in a fine of \$185 million U.S. dollars which included refunds to customers. In 2017 an additional 1.4 million unauthorized accounts were uncovered dating back to as early as 2009.

The bank made several decisions to mitigate the crisis. Firstly, John Stumpf issued a company statement rather than a public statement revealing that Wells Fargo was under investigation. It was also revealed that the 5,300 employees, involved in the creation of the fake accounts, were laid off. After that, John Stumpf resigned as CEO and Chairman of Wells Fargo and was replaced by Tim Sloan, who had been with the company for many years. In an attempt to salvage their reputation and rebuild the trust of stakeholders, the bank invested in several campaigns to communicate the crisis and amend their past mistakes.

Learning objectives

Corporate Brand Identity

According to Kapferer (2012), a brand is not the same as a name of a product. He mentions that, for positioning itself, a brand should have an identity describing for instance its' vision, values, competences and recognizable signs. The author underlines that this identity differs from brand image – a concept closely linked to external receiver's perspective. More symbolically, identity could be described as a 'soul' and image as a 'surface' of a brand. What differentiates a corporate brand from a product brand, is the focus on the organization itself (Harris & De Chernatony, 2001). Corporate branding strategies do not differentiate between company and brand name (De Chernatony, 1997), whereas the traditional opposite, product branding, creates unique brand identities for each particular product (Xie & Boggs, 2006). Corporate brand management calls for a comprehensive approach, "in which all members of an organization behave in accordance with the desired brand identity" (Harris & De

Chernatony, 2001, p.442). As traditional brands, corporate brands also tend to have certain identities.

In order to define and align its corporate brand identity, a company can utilize the Corporate Brand Identity Matrix (CBIM) framework created by Urde (2013). As opposed to typical product management models, the framework (**Exhibit 1**) underlines the internal aspects of corporate brand identity – without neglecting the external component (Urde, 2013). The CBIM comprises nine elements which altogether delineate the corporate brand identity (Urde, 2013). However, the author adds that all these nine elements are interrelated, reflecting the so-called constitution of the corporate brand identity ('core'). Urde (2013, p.751) describes that "in a brand-oriented approach, the internal element and the core constitute the foundation and the point of departure". One could regard that the case company, Wells Fargo, was in a sort of point of departure after its' hoax was revealed. Pure 'external polish' would not have sufficed to recreate trust among the bank's multiple stakeholders – especially the internal ones. Therefore, the Corporate Brand Identity Matrix that considers both external and internal perspectives, can be seen as a relevant framework to be discussed. Due to the limitations of length, only the most relevant elements of the matrix are exemplified further in detail.

The middle-level of the framework comprises the external/internal elements: expression, personality and core – the last-mentioned including the brand promise and core values (Urde, 2013). According to Urde (2013, p.758) "the CBIM uniquely positions the core values and promise as a beacon to guide the internal and external brand building processes." The current values of Wells Fargo highlight customer-focus, employees as competitive advantage, high ethical standards, diversity and self-leadership (Wells Fargo, 2018a). One can regard the company's focus on rebuilding trust as a promise that guides, alongside with the values, all the processes and employees after the crisis (Wells Fargo, 2018b). The top-line of the matrix includes such elements as value proposition, relationships and position (Urde, 2013). Based on the company statements and values, one can conclude that relationships with customers are of great importance for Wells Fargo in the aftermath of the hoax. The company has launched different external actions – such as the 'Commitment Campaign' – to re-establish the trust among external stakeholders (Gray, 2016).

The bottom level of the CBIM includes the following internal elements: mission and vision, culture and competences. Under the tenure of the current CEO, the company's mission and vision have been scrutinized in order to recreate the customer trust (Wells Fargo, 2018c). The vision of Wells Fargo is to satisfy the financial needs of the bank's customers as well as to help them succeeding financially (Wells Fargo, 2018a). Regarding the culture, many changes have been executed within the organization for being more ethical (Wells Fargo, 2018b). In addition to business compliance controls, there have been dismissals of employees and managers – also at the top level – who were involved in driving the culture of customer betrayals (Wells Fargo, 2018b). The previous chairman and CEO John Stumpf was replaced with new Chief Executive Officer Tim Sloan in October 2016 (Wells Fargo, 2018b) that has been

a nomination both criticized and thanked. Currently the company works with external culture consultants in order to understand its' cultural weaknesses in need of reinforcement or fix (Wells Fargo, 2018b).

Corporate Reputation

Fombrun (1996) writes that a corporate reputation represents an organization's past actions and performance that outlines their capabilities to deliver certain expectations to internal and external stakeholders. According to him, building a strong positive corporate reputation is dependent on the criteria of credibility, responsibility, reliability and trustworthiness. Although there are many internal and external factors affecting a brand's corporate reputation these attributes are interrelated and pivotal in reinforcing a favorable corporate reputation (Roper & Fill, 2012). Wells Fargo was once considered one of the most valuable, respected, and highly reputable banks in the world. Today, the bank's once bright corporate reputation has been tarnished due their lack of credibility, responsibility, reliability, and trustworthiness caused from the fake accounts scandal and the manner in which the crisis was handled.

Credibility

The concept of credibility is based on external stakeholders' perception of a corporate brand's trustworthiness (Goldsmith, Lafferty, & Newell, 2000). Credibility is earned at the discretion of investors and determined by an organization's market position, comprehensive reputation, as well as product and service quality (Fombrun, 1996; Roper & Fill, 2012). According to Roper and Fill (2012) a key aspect of credibility is transparency, providing relevant and honest information to stakeholders in way that depicts a willingness to communicate important corporate issues. Wells Fargo failed to remain honest with stakeholders by not communicating the situation when it first occurred. The bank also refrained from publicly apologizing to its customers. Due to the backlash received from the fake accounts scandal, Wells Fargo was faced with a loss of credibility. The bank's corporate reputation and market positions, according to polls, were significantly reduced compared to previous years and the perception of their product and service quality also diminished (Kline, 2017).

Responsibility

Based on the attribute of responsibility, Wells Fargo has to maintain a level of accountability to its communities of employees and customers. Corporate reputation responsibility emphasizes the importance of employee and customer satisfaction (Roper & Fill, 2012), which the bank ultimately failed to deliver on. Employee satisfaction was not met as employees were exposed to a toxic pressure-cooker cross-selling sales culture that drove them to engage in unethical behavior to meet unrealistic sales goals (Reckard, 2013). The lack of employee satisfaction resulted in a

lack of customer satisfaction as the products offered did not meet expectations and were tampered with by employees for a reason other than the sole purpose expected from customers.

Reliability

Wells Fargo demolished all traits of reliability with internal and external stakeholders. The products and services offered by Wells Fargo could no longer be considered reliable because employees - ultimately detracting from the purpose of the products and services offered - were moving around the customers' money for another intent. Having a reliable reputation attracts talented employees and innovators that can contribute to a corporate brand (Roper & Fill, 2012), however in the case of Wells Fargo talented professionals will aim to work for other competitors that have a favorable reputation (Lang-Petitmengin & Piotet, 2017).

Trustworthiness

Trustworthiness is dependent on a corporate brand's level of perceived of honesty regarding the source of products (Roper & Fill, 2012). According to Roper and Fill (2012), a strong corporate reputation is also dependent on the trust of its internal and external stakeholders. In order for a corporate brand to be considered trustworthy, there should be associations with corporate expertise, trustworthiness, and likeability (Keller & Aaker, 1998). Once the Wells Fargo crisis came to light their perception of being trustworthy was diminished because accounts were made for customers without their permission. As a result, customers lost a sense of trust for the bank.

Internal corporate communication

To be able to transmit the brand values to external stakeholders, it is crucial for employees to understand the values of the corporation (Roper & Fill, 2012). Therefore, a framework is presented that reflects different aspects of internal corporate communication (**Exhibit 2**).

The framework is especially important for companies like Wells Fargo, since their employees represent an interface between the external and internal environment of the bank (Roper & Fill, 2012). According to Roper & Fill (2012), the employees' actions have a strong impact in establishing images among customers and therefore it is even more important that the staff is part of the corporate culture. The stakeholder approach includes the following four dimensions: internal line management communication, internal peer communication, internal project communication and internal corporate communication (Welch & Jackson, 2007 cited in Roper & Fill, 2012).

In the case of Wells Fargo, internal corporate communication is emphasized, since this dimension includes commitment to the company, sense of belonging, awareness of the changing environment and understanding of its evolving aims (Welch & Jackson, 2007 cited in Roper & Fill, 2012). The crisis of Wells Fargo was

grounded on insufficient internal corporate communication (Rothacker, 2017). Employees were put under pressure while working only for sales goals and thus were losing the big picture of the company because of an unhealthy company culture (Rothacker, 2017). The focal aspect of this fourth dimension, internal corporate communication, is the engagement of the employees, not only with their job but also with the organisation itself (Welch & Jackson, 2007 cited in Roper & Fill, 2012). Furthermore, the internal environment of the company contains the organisation's "structure, culture, subculture, processes, behaviour and leadership style" (Roper & Fill, 2012, p. 299) and was clearly lacking in the case of Wells Fargo (Rothacker, 2017). According to the framework, the internal corporate communication predominantly represents a one-way-communication dimension for strategic managers to all employees in terms of organisational or corporate issues (Welch & Jackson, 2007, cited in Roper & Fill, 2012).

The remaining three dimensions are mainly two-way-communications and including communication between i) managers to employees in the case of internal line management communication and ii) employees to employees regarding internal team peer communication and internal project peer communication (Welch & Jackson 2007 cited in Roper & Fill, 2015). According to Welch & Jackson (2007 cited in Roper & Fill, 2012) the framework underpins the importance of a healthy corporate communication in every phase and between all levels of a company.

As viewed in the light of Wells Fargo, this can be the lifeline in times of a crisis: Sloan's culture change project was necessary to overcome the bank's crisis and be able to reach a healthy internal corporate communication, in which the daily behavior and communication of managers was included (Colvin, 2017). Furthermore a clear vision and concrete values, which are essential for a healthy corporate communication, were communicated on Wells Fargo's website to internal and external stakeholders (Wells Fargo, 2018a).

Overview of Key Learnings

The learning objectives can be summarized into five different categories including: remember, understand, apply, evaluate and understand. These five dimensions should be reached when presenting, discussing and assessing the case, the crisis and the future actions that should be taken by the company. A more detailed description of each key learning objective is presented in **Exhibit 3**.

Discussion Questions

The key of an alive and engaging case discussion is to animate the students' full potential of cognitive abilities and accomplish the learning aims of this case. To open the case discussion the following primary question is going to ask:

- *What should Wells Fargo do to mitigate the crisis?*

To facilitate the case discussion, the following questions will guide and assist the discussion:

- *What could be the main challenges within the Wells Fargo company?*
- *Once the crisis came to light, how should Wells Fargo have communicated the crisis?*
- *How can Wells Fargo rebuild trust and credibility with internal and external stakeholders?*
- *What internal changes should be made in order to prevent a similar crisis from occurring again?*

Teaching Suggestions

The following section focus on providing suggestions about specific teaching approaches that the moderators of the case can make use of. Appropriate teaching strategies are essential in order to bring about interesting discussions and, consequently, provide the class with valuable and practical knowledge. While presenting, it is of importance for the moderators to engage and immerse the class into the topic issue as much as possible. The following section is divided into two different stages of the case presentation, namely the opening stage and the discussion stage. The appropriate teaching methods for each of these stages are also presented.

Opening stage

In order to attract the maximum level of attention of the audience, visual aids will be made use of. The visual aids consist of a PowerPoint presentation and a video presenting Wells Fargo. The PowerPoint presentation can guide, not only the audience, but also the moderator and help give an overview of the case. Furthermore, it can aid the audience to reflect on the key issues presented as well as the crisis that affected the company's reputation. In addition to this, in order to build up valuable and interesting discussions in the later stage of the presentation, a short commercial video of Wells Fargo will be shown. The video can help clarify any questions about how the bank operated and presented itself before the crisis.

Discussion stage

In order for a class discussion to take place, the moderator should try to establish a relaxed atmosphere that encourages positive audience interaction. Furthermore, the discussions that will come about should be of personal nature. In order to achieve this, the moderators will ask individuals to use name tags. By using this teaching approach, the relationship between the moderators and audience, but also the different members within the audience will be of a more informal environment. The role of the moderators, once class discussions take place, should be a more passive one in order to let the audience lead the way to interesting alternatives for solving the issue of Wells Fargo. However, the moderators should intervene if the

discussion tends to be off topic or if the discussion results in tension between two or more members.

The key concepts mentioned by the members of the audience should be written on the whiteboard by two of the moderators under the appropriate alternative. It is of relevance for the moderators to divide the different alternatives into three categories: internal reconstruction, corporate rebranding and merger. Lastly, in order to conclude the case, the audience will be asked to vote on which alternative the company should consider in solving the crisis. The number of votes for each alternative will then be summarised on the board which will then lead to the moderators revealing the actual management decisions of the company.

Board Plan

The board plan (**Exhibit 4**) represents alternative decisions that Wells Fargo can make use. The purpose of the board plan is to encourage discussion using relevant concepts and theories learned in class while evaluating different realistic alternatives. We present three options Wells Fargo could have considered in order to resolve the crisis: internal reconstruction, corporate rebranding and a merger with another company - first one of these being the actual solution. The SWOT analysis consisting of strengths, weaknesses, opportunities, and threats will be used to determine the pros and cons of each option.

Time Plan

In order to make sure we use time efficiently while presenting the case, we have prepared a time plan indicating how much time should be spent on each section. Cases differ of traditional presentations and have multiple 'stages' thus more detailed time management is required. The compiled schedule will also help us to facilitate the class discussion. Due to time restrictions, it is essential to keep the discussions focused and help students to participate. **Exhibit 5**, presented in the appendix, illustrates how we have planned to divide the time (45 minutes) reserved for the case presentation.

We will start presenting the case by introducing Wells Fargo (3 minutes) and the crisis (7 minutes). After that, the management decision questions and the working technique with the board will be presented to the students (5 minutes altogether). The class will have 15 minutes for 'solving' the case. After that, we will describe how the crisis was actually solved (5 minutes). The case will be 'closed' with a 10-minute discussion with the class.

Reflection

A first step within this case process was to find a unique case that could be described as an 'evergreen'. It was also important to choose a case that could be applied to different companies worldwide. In the beginning, we had three alternatives for cases which we discussed further in detail with the professor and PhD student for

the course. After the supervision, we decided to go for Wells Fargo as we believed this would raise fruitful discussions with other students.

During the case writing process, we have gained insights into what a toxic corporate culture can do to employees and how important it is to have a positive corporate climate in order to avoid a crisis like this one. Regarding crisis communication, we have learned about the importance of being transparent and open directly from the beginning with stakeholders. We had never written cases before, therefore this has been a huge learning experience especially since we had to approach the case from a managerial perspective.

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Exhibit 1 Corporate Brand Identity Matrix (Urde, 2013).

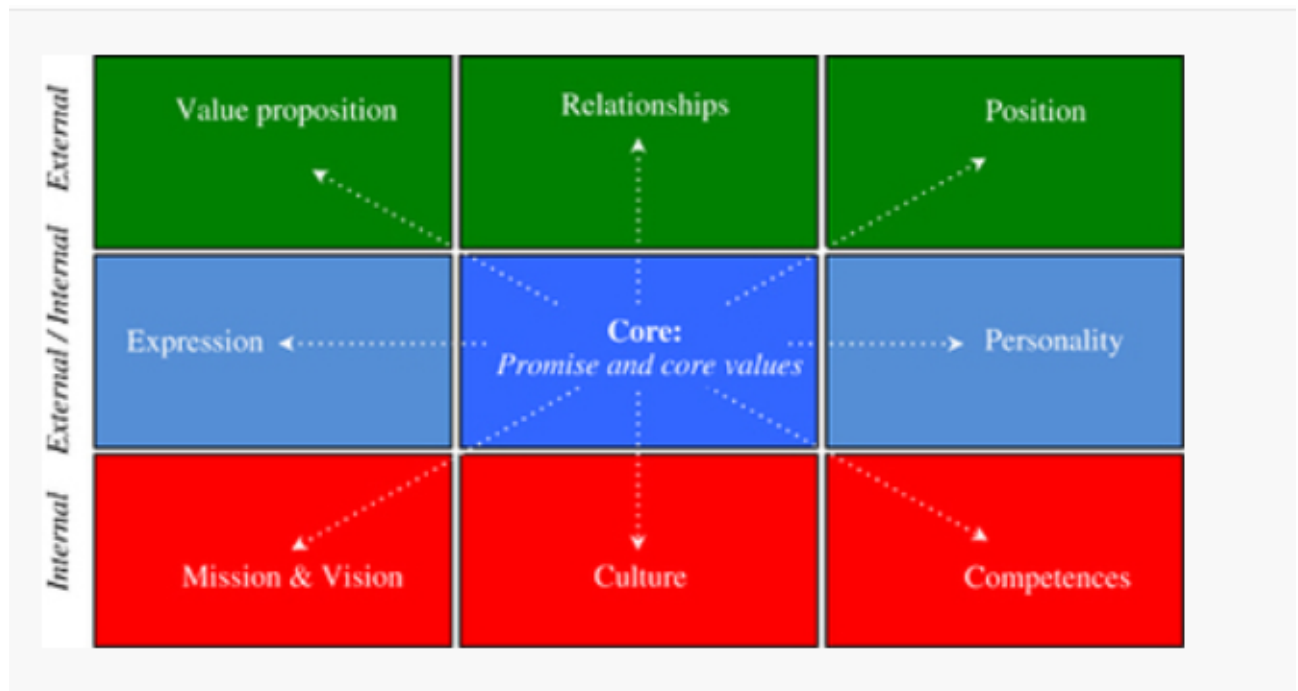


Exhibit 2 Framework of internal corporate communication (Welch & Jackson, 2007 cited in Roper & Fill, 2012)

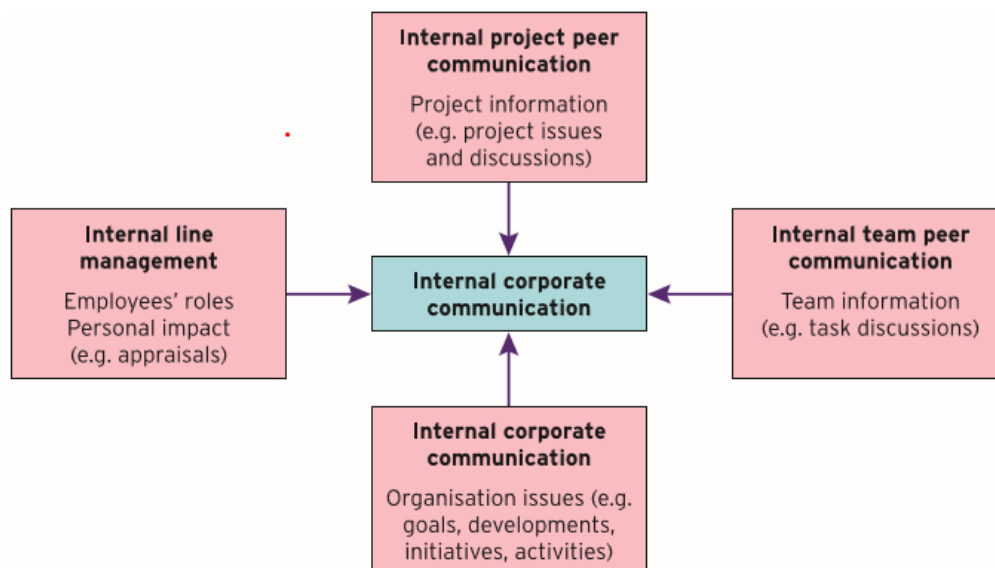


Exhibit 3 Key Learning Objectives

Key Learning Objectives (Key verbs)	Basic Learning	Advanced Learning
Remember	Remember the different events and key issues that have led up to the crisis.	There are a number of different factors that are of essence here: poor internal corporate communication and culture, and the misuse of customers' trust.
Understand	Understand the principles of the key learnings that assess the damage of the crisis.	It is of importance to understand corporate reputation and internal corporate communication within Wells Fargo to understand the issues at hand.
Apply	Apply the different learning objectives that can help understand the crisis at hand.	One should be able to apply the corporate brand identity matrix, corporate reputation model and internal corporate communication in order to pinpoint the internal and external problems.
Analyze	Analyze the learning objectives and the crisis in order to provide various solutions.	One should study Wells Fargo's situation and simultaneously analyze their brand identity, internal corporate communication and corporate reputation in order to solve the situation.
Evaluate	Evaluate the post-crisis situation and the decisions made by management to address the issues.	Discussions about the management decision to lay off many employees, to replace the CEO and to invest in corporate communication, will be held.

Create	Create an action plan for the company that addresses how to handle the crisis in order to improve their state in the future.	The action plan needs to address key factors that will enable Wells Fargo to enhance their reputation, improve their internal corporate communication and rethink their corporate culture.
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Exhibit 4 Board Plan

Solutions	1. Internal Reconstruction	2. Corporate Rebranding	3. Merger
Strengths	<ul style="list-style-type: none"> • Healthier corporate culture • Clearer communication • Better management • Released pressure from employees 	<ul style="list-style-type: none"> • Disassociate company from the crisis • Repositioning of the company 	<ul style="list-style-type: none"> • Will allow the company to have a fresh start • Halo-effect • Stronger market position
Weaknesses	<ul style="list-style-type: none"> • New CEO is part of unhealthy culture • Fairness related to layoffs of employees involved 	<ul style="list-style-type: none"> • Loss of brand heritage • Changes are only made at the surface ('logo-swap') • Costs related to rebranding 	<ul style="list-style-type: none"> • Employees share different corporate values • Employees will have to learn new systems • High costs
Opportunities	<ul style="list-style-type: none"> • Employees can now show their actual skills • Better corporate climate • Get rid of the bad apples 	<ul style="list-style-type: none"> • Create new positive image • Gaining new customers • Differentiation from competitors 	<ul style="list-style-type: none"> • Remove bad image • Benefit from the established customer base • Benefit from healthy corporate culture
Threats	<ul style="list-style-type: none"> • New CEO can make the same mistakes • Internal disagreement 	<ul style="list-style-type: none"> • Loss of loyal customers • Misalignment of Corporate Image and Corporate Identity 	<ul style="list-style-type: none"> • Internal disagreement • Loss of Wells Fargo's loyal customer base

Exhibit 5 Time Plan

Time	Action
15 min.	Case background: Introducing Wells Fargo and the crisis
15 min.	Management decision questions and board work
5 min.	Description of choices
10 min.	Closing discussion