Values, Values on the wall, Just do business and forget them all: Wells Fargo, Volkswagen and others in the hall[1]

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Enron's heyday ended long ago. We all hoped that other companies would have learned their lesson and paid more attention to the issue of ethical or value-based management. However, the global business community is now watching a painful new chapter in this saga. On the 8th of September 2016, Richard Cordray, director of the Consumer Financial Protection Bureau, announced that Wells Fargo would pay $185 million in fines for illegally creating unauthorized deposit and credit card accounts across the USA.

The saddest part of Wells Fargo's fraud is that no one is surprised. The leading Israeli humorist, gestalt master and coach, Lenny Ravich is quoted to say: "99% of bankers give a bad name to this profession." We would go as far as to add, "Many bankers nowadays are ashamed to introduce themselves as 'bankers' in public presentations".

Wells Fargo's stock price dove, shaving 24 billion dollars from its' investors. 5,300 employees were fired, but surprisingly few senior executives among them. Not one senior executive has yet accepted personal accountability. To date, there have been no senior-level resignations nor returned personal windfalls generated from the fraudulent activities. On the contrary, Carrie Tolstedt, the former head of the consumer banking division and executive who has been directly responsible for overseeing the retail banking sector of the company where the fake accounts were created, was rewarded for her act. Instead

[1] Note: A condensed version of this paper has been published in **Business Times** on September 28th ,2016. Copy can be downloaded at: http://itemsweb.esade.edu/research/fwc/news/BT28Sep16.pdf. We wish to acknowledge the comments of Dr. Chad Albrecht, an expert in organizational fraud, for his suggestions of an earlier version of this paper.

of being fired and denied a bonus, she was allowed to retire in July of this year, holding roughly $96.6 million in various stock awards.
This must be cruel and unimaginable to see statements like the following in the official documents of Wells Fargo: "*Leaders are accountable. They share the credit and shoulder the blame. They give others the responsibility and opportunity for success*." ~ (from Wells Fargo Vision and Values official document)

At the Banking Committee Hearing, Senator Elizabeth Warren questions Wells Fargo's CEO and Chairman of the Board John G. Stumpf about accountability. He refused to share any opinion on any matters regarding personnel, senior leadership resignations or claw back.

This is not the first time in the history of business that greed has overpowered values. A few years ago, BP compromised on their stated first core value of safety, causing the largest, most harmful and costly oil spill in history, bringing BP almost existential risk. The cost of not delivering on organizational values is massive. Today many organizations are teaching their values only from the wall, rather than through their actions in an inefficient manner.

Adding insult to injury are John G. Stumpf's values and vision for Wells Fargo as included in their website: "*We believe in values lived, not phrases memorized. If we had to choose, we'd rather have a team member who lives by our values than one who just memorizes them*."

In the case of Wells Fargo, most of the company's values and vision were breached – not merely a few rotten apples but 5,300 employees broke the code of ethics. These employees did not do it for a day or two; they did it daily over a period of several years.

These employees deserve to be fired because they committed criminal offences. They cheated. Regardless of explicit core values, in virtually all societies, stealing is treated as a criminal act. However, when you are a low-wage earner whose livelihood depends on reaching an unrealistic sales target, you sometimes prefers to comply rather than hold to your values. If your colleagues are all involved in a fraud that clearly is making your bosses happy, you are actually being taken advantage of by your superiors in the organization (see: Albrecht et al, 2015) . It seems that not only did leadership fail to provide efficient training and compliance, but also avoided taking any responsibility in the case of Wells Fargo.

Economist Milton Friedman has argued that it is the social responsibility of corporations to increase profits, thereby putting more people to work and paying more taxes to support programs that benefit the general public. On the other hand, business ethicists caution against a myopic pursuit of earnings. The quarterly reporting syndrome that pressures companies to meet earnings expectations promotes temptation that can push some to distort the truth.

In the case of Enron, 16 former execs were sentenced to prison. Its former chair, Ken Lay, was also convicted, but passed away before his guilty verdict could be appealed, so the case was thrown out. Additionally, in the unfolding case of Wells Fargo, former and present employees have filed a $2.6 billion class action against the bank in Los Angeles County Superior Court on September 24th 2016. "*The biggest* *victims of this scheme are a class of people that nobody else has talked about. The biggest victims of Wells Fargo's scam is the class of victims that were fired because they did not meet these cross-sell quotas by engaging in the fraudulent scam that would probably end up in the CEO's pockets*" (taken from the 26 pages class lawsuit).

Senior executives at Wells Fargo might ask themselves, "What are we doing wrong in the hiring and orientation processes? What are we missing in our training and compensation models that encourage so many of our employees or colleagues to cheat on our behalf?

Wells Fargo did wrong for their customer by faking their authorizations and charging them unknowingly. Did leadership provide sufficient training of their values and code of ethics or supervisory effective compliance? How could they expect employees to follow their values while concurrently applying relentless pressure to achieve unrealistic sales targets?

From a leadership perspective, cross-selling and providing one-stop-shop services for the financial needs of your customers is a legitimate goal. Yet, there must be a balance between "greed goals" that feed the stock value and practicing the value of what's right for the customers. The desire to satisfy shareholders must be balanced with the need to service all corporate constituents — all of whom contribute to a company's worth. That structure must be reinforced with values that build trust, as well as by more cognizant oversight and notable penalties for egregious acts.

If you were a CEO, would you fire two best-performing sales persons who contribute 60% of your company's profits? Is it true that it is "kosher" to do anything for short term share value growth?

In contrast, one should assuredly mention the case of the Chinese giant Ali Baba. In 2002, an internal investigation at Ali Baba found that two sales persons were violating the values and paying off hefty sums to the company. Jack Ma, the founder and legendary CEO, had to make a painful decision. Keep in mind that this was 2002, before Ali Baba became worth more than even Wells Fargo bank. This was a time when the money in question could have been the determinant of Ali Baba's survival. Jack Ma said, "*If we fire them immediately, the company will not make a profit; if we do not kick these two employees out, then what this signifies about us? It would imply that our words are empty. So we finally decided to let these two employees go*." Furthermore, in a later interview he said, "*We focus on the employees and the culture. Everybody is helping each other instead of just making money.*"

Would Jack Ma have opted to pressure employees to meet cross sales quotas? Well, here is another anecdote connected with his value proposition: he dismissed a sales trainer for teaching poor practices. He said, "*The training instructor was speaking about how to sell hair combs to monks. After five minutes, I got extremely angry and expelled the instructor. I thought the instructor was a cheat. Monks do not need combs in the first place.*"

In our work on coaching and managing by values across the globe, with many of the best global organizations, we continually witness a crisis of "values in action." For example, we were involved in a process of culture reengineering of a large auto manufacturing company belonging to the Volkswagen group. We found a general company attitude that values were unclear and unshared. Working with the company executives, we started revising the mission, vision and core values. Specific changes followed, affecting the policies and practices of HR. A scandal emerged in the larger Volkswagen group, proving employees were involved in tampering with vehicle emission systems, and the manufacturing process was halted. Had the head office of Volkswagen intervened earlier, the likelihood of engineers engaging in such unethical and unprofessional practices would have been significantly decreased. It is estimated that in addition to a significant scratch in the Volkswagen brand, the scam will cost Volkswagen over 17 billion dollars in total costs.

There is a growing discrepancy between the values stated on the wall and values in action. Here is another example that we had experienced. A few years back, we trained the senior executives of a large telecommunication company. Over 50 senior executives (many of them were VPs) have participated in the program. At one point during the training, they were asked to write down the official values of the company; to our surprise, only 2 of the 50 executives actually identified the complete list of values of the firm. Imagine that your top managers in your company do not know the core values of your firm. One would wonder what the day-to-day management practices will be in your company. It is said that changes have taken place and this is no more the case, but we do not have recent evidence to support such claim. The data that we have accumulated over the years, and across the globe, show that over 75% of companies have a significant gap between the stated values (the values on the wall or on their web site), and the values in action (the values actually being practiced). The most common current employee training methods largely reinforce values by using a push strategy, which relies heavily on memorizing the official values and retaining them, but not on pull strategy, which means incorporating and practicing them proactively on a day-to-day basis.

One reason that companies do not practice values is the difficulty of measuring values and of aligning them with the company mission and vision. This is the essence of the process of cultural re-engineering that we have proposed and introduced to firms over the past 20 years (See: Dolan et al (2006) Managing by Values: A corporate guide to living, being alive and making a living in the 21st century (Palgrave MacMillan); or Dolan (2011): Coaching by Values. iUniverse). An effective way to practice values in action focuses on the process of identifying core values, measuring the practice of values in the firm and introducing policies to reinforce it and align it with their mission and vision.

Perhaps one example can show the level of complexity in selecting a core value that will not become just another eloquent phrase on the wall. Teamwork is one such value. IDEO, one of the most famous and successful design companies in the world, has chosen Teamwork as a value, rather than Collaboration. They consider Teamwork to be a dynamic action that provides a clear path of action and inspires result-driving behavior. IDEO reinforces this value with their HR policies and practices (i.e. team incentives and bonuses).

In contrast, in many firms, people are still being paid on the basis of individual performance. This creates the paradox -- If we wish to encourage team work, why pay individuals and not team? In the North

American continent -- a very individualist, dog-eat-dog competitive market -- the concept of teamwork is a wish, even a cliché, but very seldom a reality. If I compete with my team, why should I collaborate and work as a team?

Organizations spend billions of dollars on engagement surveys, climate and profiling tools, yet they seldom inquire about the personal values of their team members. As new generations grow into the workforce, there is a need to help them connect with the core values of the organizations they serve and take ownership of them. Valid and quality value audits are no longer bonus management practices, but rather are mandatory requirement.

Today, we need to retain and motivate millennials. The individuals in this demographic are not only looking for values; they want to have greater sense of purpose and meaning. Learning what their personal values are helps them to connect with the corporate culture, to scan for similarities, and to develop respect for diversity. Moreover, our data shows that alliance of values also contribute to greater innovation (see: Brillo et al. 2015). Which company doesn't want to have a creative and innovative workforce? Companies, thus, should focus on value alignment.

Here is a checklist of questions that may help you reflect on the need for alignment between your company culture with your employees values:

1. Do you practice "hire and fire" for values? Do you put an emphasis on attitude and suitability for your company culture and values?
2. Do you tolerate deviation from your culture and values, giving concessions and turning a blind eye to revenue-generating but ethically questionable performance when it is needed for your short term results?
3. Are your policies and processes aligned with your values? Do you create paradoxes by setting unrealistic targets?
4. When was the last time that you conducted a value audit to identify the current gap between the values on your wall and values in practice?
5. With new generations and disruptive technologies and business models, are your values still relevant? Do you need to refresh and update them?
6. Are you at liberty to review and update your existing values? Are you willing to explore change and solicit wide based feedback to improve existing values or are you forced to live with the words on the wall?
7. Do you provide tools to help teams in your organization understand the values of their team members?
8. How do you teach your values? Do you emphasize only verbal memory retention or do you have procedures to check if values are actually practiced? Do you expect role modelling and sense of ownership?
9. Do you involve many of your employees in your strategic sessions or do you work traditionally top down?
10. Are the words on the wall an empowering, vigorous, and effective call to action?

We wish to conclude this paper with a visionary view that can help mitigate or reduce the kind of issues that we were discussing in this paper. It is time for both business, governments and stock exchange officials to change their mindset connected with the world of finance, as well as with culture and values. We can't expect the cat to guard over the milk. There seems to be an inherent conflict of interest in the current business model, where public companies appoint both their boards and their auditors. Both are paid by the company and obviously have an inherent personal interest to maintain their position or source of continued revenue. Thus, why would an individual go against the management of the company?

In public companies, the role of the auditor is to protect the true owners of the company – the shareholders. We propose a scenario where auditors are nominated by the respective stock exchange in which company stocks are traded. This would result in rotation of audit firms (say every two years), and auditors would know that they too would be checked by the incoming auditor firm. This procedure might bring about a higher level of professionalism and prudence. In this proposed model, public companies would pay a fixed fee to the stock exchange to cover auditing costs. The stock exchange would find a better price for volume using a RFP system. Auditors working for the exchange to represent the public interest, would be impartial and objective; their duty and loyalty would be to the public and the audited companies would be transparent. Last, but not least, perhaps the time has arrived to consider the undertaking of two types of audits: A financial Audit (with the idea expressed above), as well as a Culture Audit. The tools, methodologies and processes are available today for both types of audits, and we hope that in the future we will see more legislation and action taken by firms themselves to offer these new procedures.

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