

International Business Ethics Case Studies: A Student-Faculty Collaboration

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THE GOOD, THE BAD, AND THE QUOTA

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"Remember to stay focused on reaching your sales quota on opening new accounts. We'll check back at the end of the quarter," said Amanda Moreau, the manager of American Star Financial (ASF). Like most American banks, ASF, one of the world's largest retail banking and financial services companies, has for the past several years increasingly focused on cross-selling as a key path toward profitability. Today's meeting with Amanda wasn't the first time her team has been asked to sharply increase their sales. They have been told they are well behind targets to establish new accounts. The message is clear to the account executives. Experienced after twenty years with the company, Kevin worries his superiors are losing patience with him. Kevin walked back to his office and pulled up the customer account for Mrs. Rodriguez, an elderly client whom he has gotten to know over the course of his career. He hopes to persuade Mrs. Rodriguez to open yet another account. The bank touts the benefits of cross-selling to its teams as a way to enhance customer relations and provide robust financial services. Most of Kevin's clients hold multiple accounts. (1)

Kevin relaxed, took a deep breath and picked up the phone:

"Good morning, Mrs. Rodriguez, are you enjoying the holiday season?"

"Yes, the whole family will come over. But it is stressful trying to manage a budget for gifts. I just can't help wanting to spoil my grandchildren."

"I understand how you feel. You know, you could open a new credit line in order to put a limit on how much you can spend."

"I don't know, sweetie. At this point in my life, I don't need any more credit and I don't want to be troubled with paying any more fees."

"I assure you, it would take some stress away. We have some specials on new credit lines, and we even waive the first month's fees."

"But isn't that so much work to open a new account? And, anyways, I'm not even sure I want to risk falling behind on payments with the way things are right now."

(1) Cross-selling is the strategy of encouraging existing customers to purchase additional banking products, for example, checking account holders may be offered credit lines and mortgage customers encouraged to open additional lines of credit. Companies typically tout the benefits to the customer of convenience, better customer relations and integrated services, while some consumer advocates note the financial benefit to the companies, the difficulties in switching to other companies for necessary banking services, salespeople selling products outside of their area of expertise, and the potential for aggressive sales of unnecessary products.

After much back and forth, Mrs. Rodriguez decide against the new account. Kevin sighs as he hangs up the phone and shakes his head in disappointment. Kevin walks over to the break room to grab a cup of coffee and see how his co-workers are handling the quota.

"Hey, Sammy. I just couldn't get my customer to open another new account. I don't know how I'm going to make my numbers this quarter."

"I heard about this guy in the Chicago office who used pinning to open an account just for the time being and then made up for it the next quarter after he closed the account down."

"He didn't get caught?"

"No, the clients didn't even know about the new accounts, so it didn't hurt them. And he got promoted the next quarter." (2)

Kevin thought about what Sammy told him as he walks back into his office. Opening a bogus account could backfire. Besides, it just didn't feel right. Suddenly, he got called into Amanda Moreau's office.

"Hey Kevin, how are you doing? I just wanted to touch base with you on these accounts."

"To be honest, I am struggling a bit. I'm sure I'll reach the quota by the end of the quarter but I just haven't made it yet."

"That's odd, usually you have the highest numbers each quarter. I don't want this to get around the office, but we may have to let a few employees go this year and your productivity is going to be a major factor in that decision. Make sure you don't fall too far behind."

"I understand."

"You could be in the running for a promotion soon. Don't let something as minor as this quota keep you from getting it. Some of our newer hires are going to end up flipping burgers if they don't get with the program. (3) Let's get moving."

Kevin nodded and thanked Amanda for her time. Not only was his job on the line, but he knew his family was counting on him as he opened a text from his wife, "Hi honey! How did it go this morning? See you soon." He knew he would have to tell his wife, and that would be no easy conversation. He just has to meet this quota.



PRESSURE AT WORK.... AND HOME

His mind drifted back to the information he received from Sammy and he wondered if it was really so harmful to open an unapproved account. Maybe if he just opened a few now, he could get that promotion and clean up the accounts next quarter by taking them off the books. He could treat his wife to an overdue honeymoon. If this other employee met his goals and was rewarded, why couldn't he do it as well? Besides, no one would really get hurt by it.

At home, Kevin finishes dinner and starts the conversation with his wife, Sarah.

"You never answered my text, how did the meeting go?"

"Sorry, yeah it was a long day. My boss is really cracking down on our numbers and I don't think I'll make it."

"That's a lot of pressure. So what are you going to do about it?"

"Sammy told me about someone he heard opened new accounts for some of his existing clients, without exactly securing their permission, and then made up for it by selling more the following quarter."

"Well that could be a good idea as long as you work hard next quarter."

"I know, but what if someone finds out? I would lose this job and no other place will take me."

"Would they question you? You've been working so hard; everyone knows it. And isn't everyone doing it? Does it really matter, if you're eventually opening more accounts anyway? Who would it hurt?"

(2) In a Wells Fargo case that unfolded in 2016, employees would open up multiple new accounts for clients without their knowledge. The practice of "pinning" involved generating "PINs" (personal identification numbers) without authorization. The practice added up to an estimated 1.5 million unauthorized accounts. This led to significant penalties and fines levied against Wells Fargo, financial losses, and serious reputational damage. References: <http://money.cnn.com/2016/09/08/investing/wells-fargo-created-phony-accounts-bank-fees/>
<https://www.wsj.com/articles/wells-fargo-claws-back-75-million-more-from-john-stumpf-and-former-retail-bank-head-1491823808>

(3) In lawsuits on behalf of former Wells Fargo employees, witnesses testified to sales meetings characterized by bosses shouting at their direct reports and told "you'll end up working at McDonald's" if they weren't willing to get on board with the aggressive sales tactics. References: <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html#page=1>,
<http://money.cnn.com/2016/09/09/investing/wells-fargo-phony-accounts-culture>



"I don't know, Sarah, but it doesn't completely feel right."

"Maybe you can think of something else. All I'm saying is that we just moved here and I don't want to go through that process again."

WHAT SHOULD KEVIN DO?

Kevin sits at the home computer and tries to figure out how to successfully create unapproved accounts without any one finding out. He begins researching bank account fraud. A few headlines pop up on the topic but Kevin notices that there are very few of them and all of them are concentrated on insurance fraud, not credit lines. If he doesn't get caught, everyone will get what they want.

This could be possible, he thought to himself. The accounts wouldn't make the bank very much money, but it would help him with the quota for now. All he would have to do is open the deposit or credit accounts with random pins after getting clients' account numbers, and ensure that none of them realize it. Most people don't check their account activity that closely every month. He'd close them as soon as he made up the sales next quarter. He'll use a generic email to bypass the customer identifications that they would be asked. It's a bit risky, but it's a one-time solution to his problem and he'll close the accounts as soon as he can.

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