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Abstract

Every company has core values and principles that guide the actions of that specific company. These values inform the decisions that are made and how they are made within that company, these values form the company's code of ethics. A company's code of ethics is specially designed for that company, and more often than not, cannot be implemented into other company without alterations. This is because companies have different cultures and therefore need different guidelines to guide their behavior and decision making. The paper evaluates the ethical concerns within Wells Fargo & Company, analyze its code of ethics, and evaluate the consequences that are faced by companies that engage in unethical and illegal activities. In conclusion, it is very important for an organization's culture to be based on ethics. An ethical decision making ensures that a company runs smoothly, is always in line with laws and regulations, and provides safe working conditions for employees who are more productive because of it. Organizations also benefit from running a business based on ethical decision making because this leaves the protected from the consequences that come with illegal and unethical business conduct and practices.

Keywords: *Ethical Leadership, Code of Ethics, Corporate Firms and Wells Fargo & Company*

1.1 Introduction

Every company has core values and principles that guide the actions of that specific company. These values inform the decisions that are made and how they are made within that company, these values form the company's code of ethics. A company's code of ethics is specially designed for that company, and more often than not, cannot be implemented into other company without alterations (Kaptein, 2017). This is because companies have different cultures and therefore need different guidelines to guide their behavior and decision making. The purpose of this paper is to evaluate the ethical concerns within Wells Fargo & Company, analyze its code of ethics, and evaluate the consequences that are faced by companies that engage in unethical and illegal activities.

1.2 Problem Statement

The general problem to be studied is a lack of ethical leadership and its relation to the ethical misconduct occurring in large United States-based banks. The subject garnered much attention in the wake of the 2007-08 financial crisis in which banks played a major role. Of the many causes of the financial crisis, scholars have cited as a major factor the significant deterioration of ethical leadership and ethical behavior in banks (Groenland, Jeurissen, & Zaal, 2017). The problem is a crucial one to consider. Schoen (2017) indicates banks' ethical misconduct during 2007-08 created a significant cost to governments, institutions, and consumers and included massive unemployment, significant declines in the gross domestic product (GDP), and an unparalleled mortgage foreclosure crisis. The problems with ethical failures in banks are not limited to the financial crisis of 2007-08. According to McCormick (2015), ethical failure in banks is a pervasive and systemic problem which existed before, during, and after the financial crisis. Many thought leaders in the financial services arena have suggested ethical behavior is contingent on ethical leadership. Apergis and Payne (2015) suggested there were many causes of the financial panic in 2008 outside of the underlying leverage and capital circumstances of the banks involved and asserted a primary cause was a steady decline in the ethical quality of business leadership, which played a critical part in the crisis. Blaylock and Faulk (2012) pointed to a lack of ethical leadership as a primary cause of the financial meltdown in 2008 and indicated scholars had largely ignored the issue in the available literature. A void of ethical leadership in one of the world's most essential industries is an issue in and of itself. Moreover, when combined with such glaring examples of unethical behavior as bank account fraud, mortgage servicing fraud, and overdraft protection deception, it becomes clear there is a need for an exploration of ethical leadership and its relationship to ethical behavior in banking.

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1.3 Research objective

To evaluate ethical leadership and the code of ethics in American corporate firms: with a case of Wells Fargo & Company

2.1 Literature Review

2.2 Company code of ethics

Most companies nowadays have a code of ethics that determines the behaviors of managers and employees within that company called the company's code of ethics. Wells Fargo has one of the best codes of ethics that offers guidance on how the company's decisions are made. The company's code of ethics takes into account all its stakeholders in its corporate social responsibility. Wells Fargo takes its responsibility to the community within which it operates very seriously. The company ensures that its employees do not negatively influence the communities in any way. Employees are warned against forcing customers to support the charities they favor or to let their commitment to their charities interfere with their work. The company also ensures that the human rights of all involved with the business are protected. The company ensures that the principles used in running the business protect its customers, employees, suppliers, the community, and everyone that the company works with. Wells Fargo is also dedicated to environmental protection. The company is working to integrate environmental mindfulness into all its processes. The company realizes that environmental degradation affects the whole world, and it is committed to ensuring that it does its part in working to advance environmental sustainability.

Wells Fargo strives to always be in compliance with all laws that pertain to its businesses. The company is completely anti-bribery. The company's code of ethics forbids any and all employees from giving or receiving any bribes. Furthermore, any employee who observes any corrupt behavior is encouraged to report it. The company also takes competition and antitrust laws seriously and urges all employees to be aware and in line with them at all times. When it comes to Insider trading laws, the company is unforgiving to any employees who are found guilty. Wells Fargo protects its securities and that of any company it engages in business with. Any employee found leaking or receiving any inside information is under threat of immediate termination or even civil and criminal charges. Wells Fargo's policies and principles create an ethical culture within the company that ensures that all employees always act in an ethical manner.

Local and international legal regulations are put in place to ensure that businesses act in a responsible manner. However, these legal regulations can be complex and time-consuming and additionally rapidly changing, some businesses find it difficult to keep up, or they treat complying with the regulations as a secondary requirement (Kim, 2016). There are consequences for such noncompliance, including large fines that the company has to pay to the government when caught. Criminal charges may be filed for failure to comply with some regulations, for example, failing to

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comply with workplace safety rules leads in jail time. Companies that fail to comply with regulations also face reputation troubles. Organizations require the goodwill of all their stakeholders, especially its customers, to stay in business. A company with a tarnished reputation may experience heavy losses.

A company's good name and the trust that it helps them gain from its stakeholders are two of the most important assets to that company. A company can take steps to protect that good name by ensuring an ethical organizational culture. Companies can do this by ensuring that their leadership is always ethical. Staff members take their cues from their leaders' actions. Ensuring that leaders in a company always make ethical decisions go a long way in building an ethical workplace environment and protects companies from unethical acts. Companies should also establish consistent values. There should be rules guiding the decisions within a company. All decisions, no matter how big or small, should face the same evaluation.

Wells Fargo's code of ethics clearly indicates that all company regulations are in compliance with the law and social norms. All of Wells Fargo's employees are held to the same code of conduct and are expected to embody the ethical values of the company (Kim, 2016). This means that all company employees strive to act in the most ethical way possible. There are no loopholes and acting in an unethical manner for any reason can lead to termination or even legal action against an employee. Wells Fargo's code of ethics develops an ethical culture within the company.

2.3 Addressing unethical conduct

Most people want to do the right thing. When employees observe unethical conduct, they would probably be willing to report unless they were uncomfortable going directly to a supervisor or to Human Resources staff for fear of exposure. Wells Fargo avails its employees with several means of reporting unethical behavior without the threat of retribution. They have an EthicsLine that any employee in need of reporting concerns of any type of internal fraud can call. They also encourage employees to forward the matter to any manager they feel comfortable talking with about the matter. Another resource Wells Fargo provides to its employees is the Ethics Oversight group that any employee can contact and report an ethical concern to. All three resources are a testament to the company's ethical culture; however, were I an employee at Wells Fargo and in need of reporting an ethical concern, I would use the EthicsLine. It is the most anonymous of the three options and would make me feel more protected from any backlash that reporting unethical conduct might bring.

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2.4 False Claims Act

Whistleblowers are people who forward information on the wrongdoings of a person or organization who perform unlawful or unethical activities. Before an employee decides whether he will blow the whistle on unethical conduct, they should consider the organization's policy on ethical conduct. The employee needs to look into the code of ethics within the company and make sure that the issue they observed or are aware of is ethical misconduct. They should also consider how previous whistleblowers have been treated within the organization before coming forward. They should be prepared to deal with a lot of questions from higher up or authorities who seek to verify the truth of their claims. If an employee goes through all those factors and still decides to move forward, they should first gather proof of the unethical conduct and present it to managers or supervisors to help in dealing with the misconduct.

In case the internal report is not taken seriously, or in the worst-case scenario where they are laid off for reporting, they should then report the situation to the authorities. For external reporting, the employees would fist need to get an attorney to get advice on how to proceed; they should keep a record of all the information related to their report to the organization as proof, acquire proof that they were fired as a result of reporting the misconduct, file a claim with the help of the lawyer and stay in touch with the attorney after filing the report to ensure that they are always informed of all proceedings regarding the case.

Whistleblowers are sometimes given a share of the money that the government recovers when a case is successful. Whistleblowers could be rewarded with 15% to 30% of the money recovered if they file the case under the False Claims Act, which can amount to quite a large sum of money if the case was very high profile. The False Claims Act is a federal law that charges people and companies that defraud the government (Brief & Smith-Crowe, 2016). The reasoning is that people might be afraid to come forward and therefore need the incentive to do so. The advantages that come with paying whistleblower is that the whistleblower earns some financial compensation for the hardships that he goes through by reporting the case. Another advantage is that it discourages people from acting unlawfully and unethically because there is a fear that others will come forward and report the issue. On the other hand, the disadvantage of paying whistleblowers is that people are motivated by financial gain. This leads to people reporting companies and other people for the smallest transgressions that lead to misuse of the federal system.

2.5 U.S. Sentencing Guidelines

The Federal Sentencing Guidelines are rules that inform the sentencing of defendants that are convicted under the United States federal court system. The guidelines use a number of factors to produce precise sentences (Breyer, 2018). While the guidelines are not mandatory, judges must consider them before making any sentencing decisions. Judges who do not follow the guidelines

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must present the reasoning behind the decrease or increase in the sentence. The reasons must be reasonable for the sentencing to hold true even if the case is appealed. The sentencing guidelines offer incentives and punishments for organizations as they make decisions. They offer organizations the motivation to act in a legal manner and to implement the systems that monitor, detect, and manage illegal and unethical behavior within the company.

Organizations use agents in order to be involved in any sort of action. The organization is vicariously responsible for any and all offenses that are committed by its agents. Agents are also individually liable for their offenses. Federal prosecutions of organizations, therefore, normally involve the prosecution of two parties: the agent and the organization. The general principles that courts use to decide the type of punishment a company deserves are as follows. The first principle is that the court has to ensure that organizations who are able to remedy the harm they caused do so. The second principle is that if an organization existed fully for criminal and illegal activities, the fine on that organization should be high enough to bankrupt the organization (Breyer, 2018).

The third principle states that the range within which a fine is set is determined by the grievance of the offense committed and the culpability of the organization (Breyer, 2018). The factors that are used to determine how culpable an organization is are: how involved an organization was or how far it tolerated the criminal activities that took place within it. Culpability is also determined by the prior history the organization has in involvement with criminal activities. The third factor considered in the determination of culpability is whether or not an organization obstructed justice in any way. The fourth principle considered while sentencing an organization is that organizations may be given probation if it means that the organization will implement other sanctions that have been set by the court.

3.1 Conclusion

In conclusion, it is very important for an organization's culture to be based on ethics. An ethical decision making ensures that a company runs smoothly, is always in line with laws and regulations, and provides safe working conditions for employees who are more productive because of it. Organizations also benefit from running a business based on ethical decision making because this leaves the protected from the consequences that come with illegal and unethical business conduct and practices.

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