

Changing Business Culture

Brittney J. Durbin

Cabrillo College

Homework Assignment

Brittney Durbin
Bus 20
Sept 8, 2019

Changing Business Culture

Today's business culture calls for extreme reconstruction as corporate scandal's continue to dominate the media. The Stanford Graduate School of Business explores the biggest factors that should be examined when analyzing corporate wrongdoing. Sachin Waikar's article; *Businesses Behaving Badly: The State of Corporate Scandal in 2019* was able to provide both insight and thought provoking questions on this topic and can be found here: <https://stanford.io/2FeRKbc>

Misconduct is systemic and can only be effectively addressed by changing company culture and shining a light on the ethical issues that happen within the workplace. Waikar states that, "...Companies are often unwilling to address problematic cultures or are even in denial about them." An example of this surfaced during the Wells Fargo scandal in 2016. Wells Fargo's top executive said, 'We do not have a culture problem — it's just a certain part of the bank.' This way of thinking could not be more wrong. Employees opening fraudulent accounts due to Wells Fargo's strong financial incentives was a direct indicator that there was a cultural problem. The desire for more money is universal while the way this is achieved is not. Did Wells Fargo fail to have a documented code of ethics or did their leadership simply desire the accrual of wealth over honesty and integrity? The core of this issue lies within the personal values of the top executives that was being modeled to management and employees.

Business Foundations, -A Changing World explains this same trickle down effect. Ferrel states that, "While you have great control over your personal ethics outside the workplace, your

coworkers and superiors exert significant control over your choices at work through authority and example.” Wells Fargo had to learn this lesson the hard way. If their top executives were leading by example with unethical behavior, their management and employees were bound to follow in the same footsteps. So how do we change this systemic problem?

In Wells Fargo’s case, they are working on shifting their company culture by changing the way they incentivize both employees and leadership. Waikar goes on to say, “Wells Fargo has significantly changed how it compensates executives. The company has instituted significant clawbacks and cuts to executive pay since the 2016 scandal.” This concept of simply examining the companies culture and enacting change to adhere to a newfound code of ethics is exactly what should happen.

If corporate misconduct is systemic, how can culture be changed to parallel a better code of ethics? The answer to this is subjective but the biggest factor in creating change is transparency paired with good personal ethics. Each and every company should, ideally, begin with one person who embodies exemplary personal ethics. They will apply this code of ethics to their business model and begin a positive trickle down effect as they scale their company. For businesses that are already established; creating a code of ethics, along with training, is crucial. This will give employees and leadership a clear model of acceptable behavior. “According to the National Business Ethics Survey (NBES), employees in organizations with written codes of conduct and ethics training, ethics offices or hotlines, and systems for reporting are more likely to report misconduct when they observe it (Ferrel).” Creating a safe environment for employees to practice whistleblowing is a step in the right direction. If leadership and employees feel comfortable reporting misconduct, it will create a culture of transparency within the workplace.

In conclusion, Wiakar's insights on corporate misconduct brilliantly outline how the importance of changing company culture is imperative to shifting this systemic problem. Wells Fargo found that reexamining their compensation of top executives as well as their incentive programs was a good start to changing their companies culture. This attempt to be more transparent and regain their lost trust is just the beginning of a long road to recovery. In my opinion, all of this could have been avoided if the company had begun with a clearly defined code of ethics. What do you think?

References

Ferrell, O. C., Hirt, G. A., & Ferrell, L. (2020). Business foundations a changing world (12th ed.). New York, NY : McGraw-Hill Education.

Waikar , S. (2019, March 15). Businesses Behaving Badly: The State of Corporate Scandal in 2019. Retrieved from <https://www.gsb.stanford.edu/insights/businesses-behaving-badly-state-corporate-scandal-2019>