Calling Wells Fargo’s CEO: Drive Widespread Cultural Change via Implementation of the Dynamic Organizational Model and Permeation of Servant Leadership throughout the Financial Institution

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ABSTRACT

During 2016, Wells Fargo was under intense scrutiny for creating false customer accounts, a scandal stemming from an organizational culture heavily focused on revenue generation and a lack of focus on customer loyalty and satisfaction. The Dynamic Organization Model (DOM) provides leaders with a holistic view of an organization, a context for understanding the importance of a customer-focused strategy, and the foundation for communicating that strategy to associates, while creating a shared sense of purpose and ownership in customer satisfaction and pride in their work. This article explores the core tenants and principles embedded within a DOM, using U.S. Cellular as an exemplar in the implementation of the model and its influence on corporate culture. During the exploration of the DOM, particular emphasis is placed on the inherent role of servant leadership in achieving the status of a dynamic organization and its success. This article illustrates the methods, benefits, and challenges of adopting and infusing a DOM in an organization. Substantial similarities become evident between the cultural and operational environment of U.S. Cellular, prior to implementation of the DOM, and the current culture and operational environment of Wells Fargo, making a strong case for implementation of the DOM and permeation of servant leadership throughout Wells Fargo in a widespread effort to restore trust with employees, customers, investors, and the public.

Keywords: Organizational Change, Servant Leadership, and Leadership Development

ADOPTION OF THE DYNAMIC ORGANIZATION MODEL AT U.S. CELLULAR

Founded in 1983, U.S. Cellular is a public company providing a variety of wireless products and services to a target market of rural and suburban customers (Spears & Jones, 2010; U.S. Cellular, 2014). In 2000, U.S. Cellular was in disarray from the existence of unethical behavior and poor customer service, and the non-existence of teamwork in its operations (Stancave, 2010). Unethical behaviour became a paramount issue that year, when, just days after newly hired Chief Executive Officer, Jack Rooney started, the Iowa Attorney General filed suit against U.S. Cellular alleging violation of state consumer fraud and credit laws (Young, 2001). The suit was based primarily on consumer complaints that U.S. Cellular had advertised special offers it failed to deliver and had refused to allow consumers to cancel long-term contracts, a practice that was illegal in many states (Young, 2001). Rooney denied the existence of fraud and expressed his belief that the complaints were due, in part, to poor communication with U.S. Cellular customers (Young, 2001). From 1998 to 2000, the company annually lost 20-25% of its customer-base due to poor customer service (Young, 2001).
Given the troubled state of U.S. Cellular in 2000, Rooney convinced the leadership of the company to set a new vision, strategy and culture for the company. Rooney sought to have the organizational culture serve as the company’s strategy, recognizing such an approach was unique (Esler & Kruger, 2008). Rooney proposed that U.S. Cellular’s business model start with leadership effectiveness, which leads to greater satisfaction of associates and customers, and better business results (Esler & Kruger, 2008, p.50). With its focus on open and effective communication with employees and customers and its foundational belief that right and wrong are a part of every situation and the same for every person regardless of job title (Esler & Kruger, 2008), the leadership at U.S. Cellular believed infusion of the Dynamic Organizational Model (DOM) would transform the culture and be the key to the company’s success (Cottrill, 2009).

During the first six months after senior management agreed to the implementation of the DOM, the team presented its vision and strategy to the company, setting the expectation for how leaders in the organization should support the DOM, and the level of ethical and leadership behavior that employees should expect from their leaders. (Cottrill, 2009). The following beliefs, strategies and actions formed the DOM at U.S. Cellular as conveyed by senior management to the company’s leaders and employees:

1. Ethical behavior needed to be expanded beyond simply the avoidance of breaking laws to include supporting and respecting fellow workers in the organization (Stancave, 2010), a definition firmly rooted in servant leadership (Alleven, 2010; Cottrill, 2009; Esler & Kruger, 2008; Kukec, 2011).
2. Open and effective communication within the organization and with its customers, which meant soliciting feedback from both sets of constituents (Stancave, 2010).
3. Acquiring as many new customers as possible would become less important than retaining existing customers. Losing 20-25% of the company’s customer-base each year became unacceptable, especially since customers were leaving primarily due to poor customer service rather than issues with the products they were paying for (Young, 2001). As part of the new customer strategy, potential customers were screened to ensure that U.S. Cellular could provide the services the customer wanted before signing them on as a subscriber. Management instilled in employees the belief that it was better to turn away a customer than to make them unhappy (Young, 2001).
4. Best practices at customer service centres (referred to as “call centres”) were implemented as part of management’s strategy to deliver excellent customer experience. Several practices, that are atypical for call centres were instituted, such as
   a. Limiting the number of customer service representatives (CSRs) at each call centre to 400 in an effort to prevent a “bunker mentality” (Vittore, 2005), and providing each CSR with an individual desk rather than hoteling them as is standard practice in the industry (Cottrill, 2009).
   b. A more innovative approach to CSR training program became a reflection of the heightened focus on delivering an excellent customer experience (Vittore, 2005). New CSRs received four weeks of training (Staff, 2003) followed by a period of intense mentoring once they began taking calls (Vittore, 2005).
   c. Evaluation methods for CSRs were also instituted based on the percentage of subscriber issues a CSR was able to complete on the first call from the customer. Other organizations evaluated CSRs based on the number of calls they could handle within a specific period (Staff, 2003; Vittore, 2005).
   d. Tied to improving the experience of customers was a new approach of stewardship and partnership with employees, which was reflected in the use of the title “associates” rather than employees. Management was to interact with associates as collaborators and colleagues working toward a common goal (Alleven, 2010). To this end, Rooney created an email address, “Listen Jack,” where
any employee in the company could send him feedback or ask questions on anything (Alleven, 2010; Stancave, 2010). Some managers in the company were unhappy with the process and the employee feedback they received and tried to prevent their subordinates from communicating with and sending emails directly to Rooney. Rooney terminated those managers (Cottrill, 2009; Stancave, 2010). Rooney also abolished all internal newsletters in favor of one company-wide communications vehicle, called *Dynamically Speaking*, which focuses on culture-related events and achievements (Esler & Kruger, 2008).

5. Complete integration of servant leadership development enabling associates to provide customers with an ideal experience while supporting one another. Servant leadership is discussed in the next section.

Over its years of development at U.S. Cellular, the DOM became a collective pattern of principles, values, and behaviors that has at its core, a belief that servant leadership leads to employee satisfaction, which leads to improved customer satisfaction, and better business results (Griffin & Gustafson, 2007; Spears & Jones, 2010). By 2007, U.S. Cellular defined DOM as: …starting[ing] with leadership excellence which creates passionate associates, who in turn deliver the world's best customer service, leading to customer advocacy that produces superior business results. Leaders ensure that associates have the best training and knowledge so they can act freely to make informed decisions on behalf of our customers. We're guided by our core values of customer focus, respect for associates, ethics, pride, empowerment, diversity and winning. These aren't just words, they're words we live by. Together this model has helped us maintain one of the industry's highest customer satisfaction and loyalty ratings (U.S. Cellular, n.d.).

Rooney understood that it was not enough to simply share his vision of a dynamic organization, but that it was also necessary to provide training and support to associates who were being asked to make significant changes in how they approached their work and customers (Cottrill, 2009). Rooney realized that it would take time for associates to understand and embrace the new culture and was willing to coach and support associates as they made the transition as long as they were prepared to change (Cottrill, 2009). Under the DOM, the company’s role is to provide the leaders, support staff, tools, training, and information that enable associates to provide customers with an ideal experience (Esler & Kruger, 2008). Thus, the DOM provides leaders with a holistic view of the organization and context for understanding the importance of the customer-focused strategy as well as the foundation for communicating that strategy to associates while stirring a shared sense of ownership in customer satisfaction and a shared sense of purpose and pride in their work (Griffin & Gustafson, 2007). Leaders and associates are united as servant leaders seeking to serve customers while supporting one another.

**THE CORE OF THE DOM: SERVANT LEADERSHIP**

The DOM has at its core, a belief that servant leadership significantly improves employee and customer satisfaction, and in turn produces better business results (Griffin & Gustafson, 2007; Spears & Jones, 2010). Servant leadership is a form of ethical leadership focused on empathy and caring for followers (Keith, 2008; Northouse, 2007). The primary motivation for the servant leader is to serve others rather than their own self-interest (Focht & Ponton, 2015; Griffin & Gustafson, 2007; Keith, 2008; Russell & Stone, 2002), reflecting a moral desire and motivation to serve and make life better for others. Attributes associated with servant leaders include having a vision, integrity, empowering followers, being a role model, being encouraging to others, stewardship, commitment to the growth of others, building community (Avolio, Walumbwa & Weber, 2009; Keith, 2008; Russell & Stone, 2002), behaving ethically (Linden, Wayne, Liao & Meuser, 2014), and learning from others (Focht & Ponton, 2015). According to
Keith (2008), true servant leadership exists when “there is a balance of power, the primary commitment is to the larger community, each person joins in defining purpose and deciding what kind of culture the organization will become, and there is a balanced and equitable distribution of rewards” (p. 11). Servant leaders are distinguished from other leaders by their primary focus and motivation of supporting others with their own self-interest a distant second (Keith, 2008). According to Russell and Stone (2002), a servant leader must model their vision for followers in their behaviour, communicate the vision for the organization effectively, and work with followers to achieve a shared commitment to the vision. A strong vision for a shared future provides followers with a path to realizing their own goals as well as the goals of the organization and a guide to the behaviour necessary to achieve those goals (Kouzes & Pozner, 2002; Northouse, 2007).

Linden et al. (2014), suggest that a servant leader impacts followers not only on an individual level but also by impacting the culture at a unit level. The servant leader acts as a role model, establishing norms and expectations of behavior, and encouraging followers to put other’s needs before their own. This other focus creates a strong serving culture leading employees to work together to meet customer needs thereby enhancing unit performance (Linden et al., 2014).

LEADERSHIP DEVELOPMENT AT U.S. CELLULAR

A critical success factor for the implementation of the DOM at U.S. Cellular was the integration of leadership development into every aspect of the company’s culture (Cottrill, 2009; Stone, 2006). Senior management understood that a culture of servant leadership could not be maintained by their actions alone, but that associates had to share ownership of and responsibility for maintaining the culture and vision of the organization. To serve this end, senior management developed and implemented the following tools for associates:

1. In 2002, the “U.S. Cellular Servant-Leadership Workshop,” which gave frontline associates the opportunity to be assessed for leadership potential, was launched (Development Dimensions International, Inc., 2009; Spears & Jones, 2010).

2. In 2003, an assessment was developed to aid in identifying high-performing frontline associates that were potential candidates for store and sales management positions; unfortunately, only 57% of those taking the assessment passed (DDI, 2009). It became clear that the organization needed to improve its leadership development activities as U.S. Cellular’s culture and strategy depended upon leadership development throughout the organization (Spears & Jones, 2010; DDI, 2009). Leaders within the organization needed to be working more closely with associates, and the training process needed to be structured more closely in alignment with company values. Instead of the assessment being the gateway to leadership development, all associates needed to have access to training in leadership skills and behaviors. The assessment would then serve to validate the work associates had done (DDI, 2009).

3. In 2006-2007, to further the integration of leadership into the company culture, U.S. Cellular launched a new training program Leader of the Future focused on providing frontline employees with the opportunity, leadership development training, and support to move into managerial roles (DDI, 2009). Employees were nominated to participate in the training program with participants attending workshops to learn the competencies that are required for selection as a store or sales manager, completing leadership and workforce development courses, and then receiving mentoring to help them prepare for the assessment (DDI, 2009). Associates who completed the training program and successfully passed the assessment were offered positions as store or sales managers. Associates who
completed the training, but did not pass the assessment, created leadership development plans and continued to receive mentoring to prepare them to retake the assessment (DDI, 2009). A year after the implementation of the Leader of the Future program, the pass rate on the assessment improved to 89% (DDI, 2009).

U.S. Cellular’s integrated relationship of culture and strategy made promoting from within an important aspect of the DOM since it sought to puts managers in place that were already immersed in the servant leadership culture of the company. In 2009, 90% of leaders within the company had been promoted from within (DDI, 2009). As noted by Cottrill (2009) and Stancave (2010), encouraging, supporting, and facilitating the development of others is a foundational attribute of servant leadership. Rooney utilized the U.S. Cellular leadership training programs to build a rich pool of associates with the skills and attitudes needed to lead and develop future leaders, while at the same time inculcating associates to the principles of servant leadership.

A key factor to the successful implementation of the DOM at U.S. Cellular was Rooney’s intolerance for leaders who could not make the transition to the new culture. From his first day at U.S. Cellular, Rooney communicated clearly with senior leaders that his culture change would be implemented and that they needed to understand and embrace the new leadership and business model or leave the company (Cottrill, 2009). Rooney estimated that only a handful of the 50 senior leaders he initially introduced to the Dynamic Organization model were still at U.S. Cellular by the end of the transition period to the new culture (Cottrill, 2009; Stancave, 2010).

THE IMPACT OF THE DYNAMIC ORGANIZATION MODEL AT U.S. CELLULAR

The permeation of the DOM throughout U.S. Cellular fostered a culture that supported employees and focused on customer satisfaction (Kukec, 2010). The DOM model provides leaders with a holistic view of the organization and a context for understanding the importance of the customer-focused strategy. Additionally, the model provides the foundation for communicating that strategy to associates creating a shared context and sense of ownership in customer satisfaction and a shared sense of purpose and pride in their work (Griffin & Gustafson, 2007). All members of the organization came to share a common paradigm for how to behave and interact with each other and with customers.

Leaders and associates with U.S. Cellular became united as servant leaders seeking to serve customers while supporting one another. The mantra at U.S. Cellular focused on putting customers first and giving employees the tools, training, and structure they needed to serve the customer and to support their own goals for personal and professional growth and development. In a Dynamic Organization, there are two bottom lines: (1) economic and financial results, and (2) organizational culture and employee development (Griffin & Gustafson, 2007).

From 1999 to 2007, during the implementation of the DOM, the company’s customer base more than doubled from 2.6 million to 5.6 million customers, while revenues more than tripled from $1.4 billion to $4.4 billion. However, Rooney was more concerned with whether the DOM was having a positive impact on the company’s customers, associates and leaders. The company partnered with a consulting firm to develop an annual “Culture Survey” and a 360-degree evaluation process in which the performance of leaders and their progression towards implementing the DOM were evaluated (Stancave, 2010). The company’s 2009 Culture Survey revealed that of the 90 percent of associates who participated in the survey, 96 percent felt they were well-trained to do their jobs, 98 percent had a positive overall opinion of U.S. Cellular and what it was accomplishing, and 95 percent were confident in senior
leadership (Alleven, 2010). The survey validated management’s belief that a DOM, founded on a collective pattern of principles, values, and behaviours focused on servant leadership, would create strong employee satisfaction, which in turn leads to improved customer satisfaction, and better business results (Avolio, 2009).

WELLS FARGO - A REASONING LIKENESS TO U.S. CELLULAR

Founded in 1852, Wells Fargo & Company is an American international banking and financial services holding company headquartered in San Francisco, California, with branches and offices throughout the country and the world. In July 2015, Wells Fargo became the world’s largest bank by market capitalization, edging past ICBC, before slipping behind JP Morgan Chase in September 2016, in the wake of a scandal involving the alleged creation of over 2 million fake bank and credit card accounts by thousands of Wells Fargo employees. The bank faces several class-action lawsuits (e.g., Mitchell et al v. Wells Fargo Bank NA et al, U.S. District Court, District of Utah, No. 16-00966 (Customers); Hefler v. Wells Fargo & Company, et al., No. 16-cv-05479 (Shareholders); Alexander Polonsky v. Wells Fargo Bank & Company, number BC634475, in the Superior Court of California, County of Los Angeles (Employees), as well as criminal investigations by the Department of Justice, the Consumer Financial Protection Bureau and the California Attorney General’s Office, a harkening back to the lawsuit filed in 2000 by the Iowa Attorney General against U.S. Cellular, alleging violations of state consumer fraud and credit laws.

The scandal at Wells Fargo has led to the ousting of the bank’s CEO, John Stumpf, and the appointment of Tim Sloan, the bank’s Chief Operating Officer, as Stumpf’s replacement. Like Jack Rooney, Sloan took on the position of CEO with his company seriously damaged by unethical behavior and poor customer service arising out of a culture pushing lofty sales goals and unscrupulous sales practices, without regard for policy and customer satisfaction. The sales practices are commonly referred to in the banking industry as cross-selling, which entails employees putting customers under intense pressure to open multiple accounts. In the case of Wells Fargo those practices extended to the creation of bank and credit card accounts without the permission of customers (Eagan, 2016).

Similar to U.S. Cellular in 1999, the 2016 scandal at Wells Fargo and its poor customer relations has caused the bank to lose customer accounts and terminate 5,300 employees (Eagan, 2016). In its earnings report for the third quarter of 2016, Wells Fargo reported double-digit percentage drops in bank account openings, as well as declines in bank branch traffic. Moreover, the company reported that employees were retaliated against for trying to raise awareness of the sales practices through the bank’s internal ethics hotline. The retaliatory behavior caused employees to develop stress-related health problems (Sweet, 2016).

In his first speech to the company as CEO, Sloan told employees he was “sorry for the pain” they suffered and acknowledged that the bank did not respond fast enough to the problems in its branch and that senior management dodged responsibility for the bad behavior and placed blame on branch employees (Sweet, 2016). As if he were taking a page from Rooney’s commitment in 2000 to restore U.S. Cellular’s trust with employees and customers, Sloan expressed, “my primary objective is to restore trust in Wells Fargo — restore pride in our company and mission. That may seem like a long ways off today, but I promise you we will.” (Sweet, 2016) Acknowledging that Wells Fargo’s troubles are far from over, Sloan warned employees that “more difficult days could be ahead, with more tough headlines in the press, as additional accountability actions occur, and other investigations and reviews were completed.” (Sweet, 2016).
As can be seen, Sloan and the senior management team at Wells Fargo face challenges similar to those faced by Jack Rooney in 2000, as he sought to turn U.S. Cellular around through implementation of the DOM. Sloan, like Rooney did at U.S. Cellular, recognizes that it will take a long time to restore the trust of employees and customers in the bank. A question to be asked is whether Sloan is willing to make a full commitment requiring the company to devote significant resources to revamp the culture and operations of Wells Fargo? As demonstrated by the multi-year process of implementing the DOM and servant leadership throughout U.S. Cellular, with a no tolerance approach and strong focus on ethics, training and support, Sloan and his management team can restore pride in Wells Fargo and its mission by using culture as its strategy – a culture founded on a collective pattern of principles, values, and actions lived out daily through servant leadership. Strong employee satisfaction would evolve, leading to improved customer satisfaction and better financial results.

Some members of Congress attribute the scandals at Wells Fargo and its mismanagement to the bank’s size, calling for a break-up of the bank into more manageable units (McLannahan, 2016). This paper illustrates a long-term solution to an industry wide problem, and calls out to Tim Sloan to follow the exemplar of Jack Rooney at U.S. Cellular to elevate, not just restore, trust in Wells Fargo, and possibly the financial services industry. Rooney’s implementation of the DOM at U.S. Cellular provides Sloan with a road map and an understanding of the strategies and actions needed to accomplish this large scale change, ultimately serving as a benchmark for other banks who engage in the same sales practices, which have become an “industry-wide problem” (Eagan, 2016). Sloan should construct and deploy a strong, dedicated team that can successfully implement the DOM throughout Wells Fargo with servant leadership at its core. Sloan must embrace, as Rooney did, the conviction that to successfully transform Wells Fargo into a dynamic organization, he will need to not only provide the necessary training and support to associates, but will have to live out the values of servant leadership in everything he does at and for Wells Fargo.

REFERENCES


