

Case Prospectus

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Background: Wells Fargo's business environment is being radically reshaped by business-to-business electronic commerce (B2B e-commerce). Though still harvesting respectable profits from traditional financial services, Wells Fargo recognizes that revolutionary technology is changing the nature, bundling, and delivery of financial (and related) services. These changes threaten its traditional methods of creating value and, simultaneously, encourage formidable competition from nonbank organizations. Presently, Wells Fargo is embellishing old services while developing new ones in a strategic attempt to convert technology-driven business risks into profit opportunities. While these service developments may not significantly affect Wells Fargo's current earnings, they could affect its future earnings and current business risk disclosures.

Case learning objectives: At the end of this case, students will be better able to:

- Understand how emerging e-commerce technology is changing the business landscape (business opportunities and risks) faced by financial-service organizations. In addition, students will gain an understanding of why, in strategic-systems auditing (SSA), an auditor would evaluate Wells Fargo's ability to manage technology-driven business risks.
- Understand that SSA auditors engage in early identification of an organization's business risks in order to assess possible implications on the organization's viability.
- Assess the multi-period audit risk implications of Wells Fargo's potential strategic responses to technology-driven business risks.

Level of use: This case is suitable for undergraduate and graduate auditing courses. The case also may be used in undergraduate or graduate (MBA) strategy courses as well as in undergraduate or MBA courses that focus on emerging business risks and current earnings in market valuations. Instructors may find two other recent business cases helpful: *Wells Fargo and Electronic Banking* (Bamford and Burgelman, Stanford Graduate School of Business, 1997) and *Wells Fargo Online Financial Services* (Kaplan and Tempest, Harvard Business School Publishing, 1998).

Time to complete: Assuming a 90-minute class, a minimum of two classes are required to address all the discussion questions herein, however, three classes are recommended. The two-period approach requires judicious scaling back of discussion time devoted to each question. A one-class treatment of the case could be employed only if selected questions are to be covered (see teaching note for elaboration).

Note: As background, students should be encouraged (required) to read, *Auditing Organizations Through a Strategic-Systems Lens* by Bell, et. al.