



Wells Fargo Misread its Own Culture

Corporate leaders are responsible for both the company culture the firm proclaims and that which really exists.

There cannot be anyone remotely interested in business and management who has not heard of the troubles at Wells Fargo. This is the world's largest retail bank – a bank for “main” street and a darling of the banking sector – which, having emerged more or less unscathed from the 2008 financial disaster, watched on as “Wall street” banks crumbled.

Last year, the bank's leader (John Stumpf) was named “CEO of the year” by Morningstar. This year he has been forced to resign amid widespread headline stories and revelations that false bank and credit card accounts were being created by employees in the name of retail clients without their knowledge.

This would not make the news if it were just a matter of a few individuals, but in this case it was done some two million times, by over 5000 employees over a period of several years. Wells Fargo leaders argued that this represented a very small proportion (around two percent) of their workforce and had a minor impact on revenues. It was, they said, a bad-apple problem, not a cultural issue, impacting employees “at the lower end of the performance scale”. The discovery does however, have an impact on the fundamental thing that banks offer, trust. And it is being taken seriously by regulators and the media.

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While Wells Fargo **insists** its employees' actions did not reflect the “Wells Fargo culture” - a claim the Senate committee clearly wasn't buying - the practice was spread widely enough, and continued for long enough, to be considered a “cultural” problem.

The scandal presents a good opportunity to think about corporate culture and the role of leadership. I believe Wells Fargo's reaction to date points to some misplaced ideas about what organisational culture is and who is responsible for it.

Espousing a value doesn't make it a culture

First up, it is important to remember that business leaders don't oversee just the culture they wish they had; they are responsible for the culture that actually exists within their organisation, whether good, bad, or ugly.

We are familiar with open displays of corporate values - on websites, investor relations documents, coffee cups etc. There is no harm and **even some potential good** in leaders **espousing their values**, making it clear what sort of behaviour they are trying to encourage and, hopefully, demonstrating how this is relevant for the organisation's strategy. But these “wish lists” are harmful if they allow complacency and the mistaken belief that they are

accurate labels for how things really work within the organisation.

By effectively saying “but this behaviour is not the Wells Fargo culture,” what the besieged executives are really saying is, “this is not the culture we want to have”, which is not the same thing as the culture that actually exists, and for which the firm’s leaders are, in fact, responsible. It’s a little like the clichéd family joke, where a parent claims ownership of little Taylor only when s/he is a well-behaved kid (and pushes it to the other parent when s/he is not). This is light family humour, as no one really believes responsibility can be transferred. It’s the same in companies, whether good or bad, it’s all yours.

Employees are all part of the corporate “family”

It is also “all yours” up and down the performance curve. We don’t lead and manage only the top performers. Wells Fargo seemed to suggest that it was only the people who struggled with performance that were doing these things. But I assume these individuals all had Wells Fargo contracts and were bona fide members of the company at the time these problems occurred. Again, this is a little like the “black sheep”, or struggling adolescent, in a family being renounced because they don’t “do” the family’s values. Corporations, unlike families can, of course, sanction and release those who struggle with performance, but while employees are under the corporate roof they are part of the organisation and its culture.

Cultures can change

One misunderstanding about organisational culture is that “it’s impossible to change!” A firm’s culture is not monolithic, in the sense of being the same everywhere, as noted above, or in the sense of being stable. Cultures do change, even if it’s slow and imperceptible change, as people experiment with new actions and meanings. Moreover, cultures can certainly drift away from intended meanings and values. Coping with and maintaining organisational culture is not something that happens in cycles (like products). It’s something you should do all the time.

The links between structures and culture

Reports are suggesting that Wells Fargo’s dodgy “sales” practices stemmed largely from the steep sales targets and job security implications for underperformance.

Employees live in a context where “concrete” tools such as sales targets carry meaning. They can be interpreted in different, sometimes undesirable, ways, which becomes a motivating factor if they see

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enough colleagues adopting similar, sometimes inadmissible, practices, (in the case of Wells Fargo this was in the thousands). The lesson here is that leaders need to be part ethnographers, in that they need to know something about how management structures unfold into meanings and associations.

The challenge to inward thinking

Too many senior business leaders understand well the cultures that they want and should have, but are less clued in about the cultures that really exist within their firm. Time needs to be spent analysing how things really work around their organisation. The challenge here may stem from the enormous external pressure and scrutiny that business leaders face (from investors, analysts, regulators, customers and media) drawing their attention outside the organisation and away from the workings of the firm.

There is a strange irony in that, while corporations today probably need employees to spend more time looking outward, we need our business leaders to gain a better view of what is happening on the inside.

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