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JOB MARKET

What Went Awry at Wells Fargo? The Beaten Path of a Toxic Culture

Preoccupations

By JON PICOULT OCT. 8, 2016

A company discovers that its employees have been behaving badly, even unethically. Regulators swoop in to investigate. Public outrage grows. Company executives express shock at the revelations and assert that they never directed the staff to act in such a reprehensible way.

Sound familiar?

This describes the recent scandal at Wells Fargo, where it came to light that some of the bank's employees, in an effort to meet aggressive sales goals, had opened bank and credit card accounts for customers without their knowledge.

John G. Stumpf, the bank's chief executive, declared that the actions were an ethical lapse involving 5,300 low-ranking workers, who have since been fired. But some current and former employees have cited an environment in which managers checked with staff members several times a day to monitor progress toward sales quotas. Those who met sales targets earned hefty bonuses.

But this isn't just a Wells Fargo story line. It is a well-worn narrative that has ensnared many an organization.

At Volkswagen, engineers outfitted millions of cars with software to cheat United States emissions testing so the vehicles would meet budget requirements. At General Motors, managers reportedly delayed recalling defective and potentially dangerous switches out of concern over replacement costs. And let's not forget the Department of Veterans Affairs scandal, in which patient waiting lists were falsified to meet aggressive and unrealistic service levels.

In all these cases, management expressed dismay over the lapses, and investigations ended up blaming the company "culture" for the situation.

But how can a toxic culture develop in a way that is diametrically opposed to everything leaders supposedly say and stand for? The answer lies in a variation on the classic "Do as I say, not as I do" admonition. Employees will get their cultural cues not from what management says but from what it signals.

Those signals are embedded throughout the workplace. They can appear in overt ways, such as how compensation and recognition are done. Or they can emerge in subtler ways, as in which metrics managers obsess over, what questions they pepper employees with and how they react to dissenting opinions.

These signals can easily overpower even the most carefully crafted corporate statements of mission and values. They surround employees at every turn, directing their focus and shaping their perceptions about what constitutes good versus bad behavior.

The troubles at Wells Fargo, Volkswagen, G.M. and Veterans Affairs are all prominent examples of how workplace signals can shape organizational culture and employee behavior in apparently unintended ways. But this dynamic is present virtually everywhere, as I have witnessed while helping organizations find these contradictions.

In the worst cases, these signals motivate unethical or even illegal behavior. More frequently, however, they simply inform employees' views about what types of people and behavior a company truly values. While those effects might not make the headlines, the consequences can still be quite severe.

For example, one company I worked with struggled to get its phone representatives to focus on the quality, rather than speed, of call handling. No matter what the executives said, employees stubbornly remained fixated on getting off the phone as quickly as possible, customer service be damned.

What was really driving their behavior? With every call, their computer monitors prominently displayed a digital clock, menacingly ticking with every second the call persisted. That's a workplace signal that management's pronouncements simply could not eclipse.

Another company was challenged by low morale among its service staff members, who perpetually felt like second-class citizens despite management's repeated assertions about the importance of service to the company's success.

But the workplace signals told employees a different story. The service staff was housed in a tired, worn building — in stark contrast to the majestic gold-domed structure that housed most of the other employees across the street.

That gold-plated signal of privilege also pervaded the company's incentive systems. Outperforming sales representatives were rewarded with trips to lavish resorts. When service staff members exceeded their goals, they got a free meal ticket to the company cafeteria.

And then there was the retailer with employees who were so focused on adhering to rules and regulations that they lost sight of the very customers they were supposed to serve. After digging into the workplace signals, the company spotted a problem. The first topic new hires heard about during corporate orientation was the 17 ways they could be fired for violating company rules. No wonder they were so focused on compliance at the expense of customer service.

Organizations are often puzzled when employees act contrary to a company's stated values or to its executives' exhortations. There is no reason for surprise, though. The writing is on the wall, in the form of behavioral cues that shape a company's cultural norms. Until business leaders start paying attention to these subtle workplace signals, they will continue to be surprised by what their employees are motivated to do.

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