

# How Wells Fargo is fixing a broken culture

**Mary Mack opens up on changes in progress and experts weigh in**

BY HILARY BURNS

Wells Fargo & Co. was one of Wall Street's favorite banks 13 months ago. The company made it through the 2008 financial crisis mostly unscathed, only to find a monumental challenge around the corner.

The San Francisco-based bank has spent the last year analyzing and questioning every inch of its processes and structures after it became public knowledge that Wells Fargo employees opened millions of unauthorized accounts to meet sales quotas.

"We have looked at the organization from the inside out," says Mary Mack, Wells Fargo's head of community banking. "Let's look at everything and be open to change everything that could be better."

There are business lessons to be learned from Wells Fargo's problems and road to recovery. Various corporate culture, ethics and board experts agree: If it can happen to Wells Fargo, it can happen to anyone.

At least one business professor is already using Wells Fargo's challenges as a case study for his ethics class.

"It's interesting, they are all quite appalled," says Denis Arnold, professor of ethics at UNC Charlotte.

The Charlotte Business Journal caught up with a handful of consultants, professors, experts and Mack to learn more about how companies can rise above cultural shortcomings that could lead to disaster. Here are a few lessons learned from Wells Fargo's challenges:

## Consistency

Experts say it's not enough to come up with a list of company values and post them online or on an office wall. Senior leaders in the company must live by those values every day because employees notice how people at the top behave.

"You have the values on the wall and then there is the behavior in the hall," says Mike Whitehead, founder of the Charlotte-based Center for Intentional Leadership.

Wells Fargo's issues didn't appear overnight, Whitehead says. He says scandals of this nature grow over a long period of time. Culture stems from leadership, Whitehead says. So, it's important for the senior leaders of a company to align their behavior and values.

Tim McCleary, founder and managing director of a consulting firm focused on culture called The Involvement Practice, says organizations must make sure their values are clearly understood and modeled from the top down. McCleary says a company's values should act as guardrails to help employees make good decisions when no one is looking. "There shouldn't be a lot of room for confusion," he says.

McCleary says companies should refresh their values from time to time and ask for employee input. That way employees will feel more ownership of the values, which should align with the

company's mission, vision and business strategy.

For a company the size of Wells Fargo, McCleary says it's important to engage internal influencers – people who are supportive of the desired change. That way these people can live and champion the values throughout an organization's footprint. McCleary says these influencers have a cascading effect onto the entire employee base.

"If employees see the business strategy not executing consistently, or if values are not being modeled, it will change the way they behave inside the organization," McCleary says.

Mack says her team is thinking about how to encourage employees to embrace the company's values at every turn of the recovery process. She says the team is now creating tools and guardrails to help employees serve customers the right way.

"It really has to permeate everything we do because rebuilding and maintaining trust is paramount to who we are as an organization," Mack says.

## Fix your structure

Chris Fussell, managing partner of a leadership development firm called McChrystal Group and author of a book on large-scale change within organizations called One Mission, says companies need to build transparency into their organizations in order to spot potential problems before the market does.

"It might sound sort of alarmist, but if you think you don't have issues in your organization, you're not seeing it," Fussell says.

Fussell argues that most corporate structures are outdated.

"We are the great, great, great, great grandchildren of this structure designed to control information to keep the system organized," Fussell says. "But that was pre-information revolution. Those systems were hardwired not to step back and question too much."

Fussell says leaders aiming to solve new, fast-moving problems through a slow-moving system will run into trouble. He encourages business leaders to seriously consider the way their organizations are structured. While that may seem like an overwhelming task, Fussell argues the stakes are high.

"Senior leaders have to find that narrative and make (employees) realize this is bigger than any one of us," Fussell says.

Wells Fargo has made adjustments to its structure, including centralizing the company's risk management group. Mack says you can miss red flags if the organization becomes too reliant on silos. Communication and consistency have been key in overhauling the company's culture.

"We can't communicate enough with our team member about what is going on, and then even communicate when we don't know," Mack says. "That builds trust and it ensures team members are moving along this journey with us."



Wells Fargo Bank, Market Street, San Francisco, California

IMAGEBROKER/MICHAEL WEBER/NEWSCOM

## Look deeper

Understanding what is really going on within an organization is the hardest part of a board director's job, says Peter Browning, who has served on 13 corporate boards and wrote a book on the subject. Boards of directors are ultimately responsible for the actions of an organization, yet it is hard for them to see potential problems bubbling under the surface.

For starters, board members typically rely on what senior leaders tell them about the company.

Also, people are usually on their best behavior in front of the board, Browning says. Employees rarely contact board members with concerns or problems they see.

"How do you get somehow under the covers for what the feel of the organization is, what the culture is and what's really going on?" Browning says. "That is very hard."

He says one way to learn about what's really happening within a company is to conduct anonymous employee surveys on a regular basis. Browning says if done well and shared with the entire organization, the surveys can offer a glimpse into the true mood of a company and show any glaring concerns or complaints.

"No one wants to go through this," Browning says. "I can assure you that discussion is taking place about sales programs and culture, particularly at banks. No one has told me that, but I guarantee you."

Mack says listening has been the most important first step for the bank's recovery. The bank executive went on a listening tour last fall to hear from frontline employees around the country. She continues to meet with employees today to understand how the company could better help them serve customers.

"It's not lost on me that we have more work to do," Mack says.

Mack says listening and acting on employees' suggestions will create an environment where people feel as though they can raise their hands with ideas or concerns over time.

"We will take that seriously," Mack says.