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How Could 5,000 Employees Be So Deceptive? Science Explains the Wells Fargo Scandal

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As you've no doubt heard by now, Wells Fargo recently received a $100 million penalty from the Consumer Financial Bureau, in response to illegal banking practices of its employees. This brought the bank's total bill for these infractions--which included secretly opening unauthorized accounts for customers--to $185 million.

You've probably also heard about the 5,300 Wells Fargo employees that have since been fired.

But many are asking the question: How could so many have gotten caught up in this web of deceit?

That's the subject of my Inc. column this morning, entitled: Why We Cheat: The Science Behind the Wells Fargo Scandal.

Many news outlets have placed part of the blame for the scandal on pressure applied by management to employees, to try and get customers to obtain a greater number of the company's products (bank or credit card accounts). Employees were then moved to engage in fraudulent activity.

It appears that the 5,300 employees were allegedly involved in at least part of the following:

- secretly issuing credit cards customers never asked for
- setting up fake bank accounts that resulted in customer fees
- creating fraudulent email accounts to sign up customers for additional services
- actually transferring customers' money back and forth between accounts, without permission

Of course, this raises all types of questions about the bank's leadership. (Especially with the fumes of Dieselgate still fresh over at VW headquarters.) But when it comes to our actions as individuals, the research of Dan Ariely can help explain.

Ariely is a professor of psychology and behavioral economics at Duke University. I recently watched a documentary based on his work, entitled (Dis)Honesty: The Truth About Lies. For decades, Ariely has studied the science behind why people cheat. His conclusions help explain how a scandal like that at Wells Fargo gets out of hand so quickly.

Below I've summarized just two main points from this morning's column. (Make sure to check out the full piece if you'd like to see the details around the data, as well as two other points that seemed to play a large role in the scandal.)

Most people cheat, if they can get away with it.

In the film, Ariely presents the details of what is known as the Matrix experiment.

The Matrix experiment sets up a group of participants to take a math test with 20 simple problems. The facilitator informs these individuals they will receive money for every question they answer correctly.

Catch number one: They only get five minutes to complete the test.

Upon completion, participants receive the correct answers and double check them against their own. Then, they place their tests into a paper shredder.

Catch number two: The shredder is modified. It doesn’t actually destroy the test; rather, it only shreds the edges of each paper. Afterwards, the facilitator compares the number of answers participants said they got correct versus the truth.

Over 40,000 people have participated in the Matrix experiment.

What are the results?

- People reported six correct answers, while only answering four correctly (on average)
- Nearly 70% of test-takers cheat

What does this have to do with Wells Fargo?

It must be acknowledged that many of these employees would never have cheated if they knew they would get caught, and subsequently, fired.

Apparently, the belief that their actions would continue to go undetected simply lowered the barrier to cheating in the first place.

Social proof can inspire damaging behavior.

In one variation of the Matrix experiment, an acting student sits in the room with the other test-takers. Just 30 seconds after the test begins, he raises his hand and says he’s finished. He is then allowed to check his test and shred it. Next, he informs the facilitator how many questions he got correct, collects his money, and leaves.

If you were one of the test-takers, how would witnessing that series of events affect your own actions.

According to Ariely, many more people cheat.

Here we see the principle of social proof at work: When it becomes evident that others are cheating, it becomes more acceptable to cheat, too.

Apparently, thousands of Wells Fargo employees fell victim to this thinking. But we see evidence all around us in the world today--from the increased level of doping in sports to the prevalence of online piracy.

People simply think to themselves, “Well, everyone else is doing it. So it must not be so bad.”

These are the first two lessons from Dan Ariely’s research, as applied to the Wells Fargo scandal. In this morning’s column, I discuss two more, namely:

- The dark side of creativity and conflicts of interest
- The neuroscience of how the brain adapts to lying

As an author and one of LinkedIn's Top Voices, I share my thoughts on business best practices and emotional intelligence weekly. If you're interested in tips on how to make emotions work for you instead of against you, subscribe to my free monthly newsletter by clicking here or contact me via email using jbariso[at]insight-global.de. (You can also reach out here on LinkedIn or via Twitter: @JustinJBariso.)