2008

Leading For Growth: Assessing the Growth Impact of Umpqua Bank's "Cultural Makeover"

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Available at: http://scholarship.law.unc.edu/ncbi/vol12/iss1/17
LEADING FOR GROWTH: ASSESSING THE GROWTH IMPACT OF UMPQUA BANK’S “CULTURAL MAKEOVER”

I. INTRODUCTION

In Leading for Growth Raymond Davis explains how Umpqua Bank, a rural institution in an economically stagnate region, achieved remarkable growth under his direction.1 When Davis became Umpqua Bank’s CEO in 1994, it had $140 million in assets.2 In 2008, Umpqua has more than $7 billion in assets.3 Leading for Growth, which reads like a self-help book for corporate executives, highlights the innovative strategies Davis used to differentiate Umpqua from its competitors and to grow the bank by 500%.4

Leading for Growth suggests a correlation between Davis’ novel leadership and Umpqua’s “relentless growth.”5 But as this book review will demonstrate, Davis overstates the causal link between his novel approaches and Umpqua’s growth.6 This overstatement springs from a noticeable disregard for other balance sheet affecting variables, such as economic growth, regulatory liberalization, and mergers and acquisitions.7 Part II of this Note summarizes the unique and quirky strategies Davis

1. See Ray Davis with Alan Shrader, Leading for Growth 2 (2007) (explaining that South Umpqua State Bank employed “sixty people in a rural, economically depressed region of Oregon” and that while Silicon Valley “had an abundance of computer chips, biotech and venture capitalists,” they had the Spotted Owl and a great lack of synergy).
2. Id.
3. Id.
4. See id. at 175 (explaining that Umpqua’s “culture is what differentiates [it] from the competition and [that] culture will continue to give [Umpqua] a strong competitive edge as long as [it has] the discipline to sustain it”).
5. See id. at 8-9 (stating that the ingredients for “relentless growth” are discovering what business you are in, never-ending discipline, positive passion, snapping the rubber band, and watching behind your back).
6. See infra Part III.A-D (discussing factors suggesting Davis overstates the link between the strategies described in Leading for Growth and Umpqua’s growth).
7. Id.
attributes to Umpqua Bank’s success. Part III highlights other factors Davis fails to mention that may have been more influential than Umpqua’s culture in spearheading the bank’s previous growth. Part IV offers a conclusion as to whether Umpqua’s innovative strategies should be emulated by community banks similarly situated to the 1994 Umpqua Bank.

II. BACKGROUND

Davis explains that he has, with “disciplined passion,” created, defined, and nurtured Umpqua’s unique culture. The “DNA” of this culture is what differentiates Umpqua, giving it a decisive competitive advantage and accounting for its prolific growth. The Umpqua culture is manifest through novel and innovative concepts and strategies; these concepts and strategies communicate Umpqua’s culture to its customers in a powerful way. It is culture that Umpqua is essentially selling, and the heart of the strategy credited in Leading for Growth is the preservation and promotion of that culture. In Davis’ eyes, culture is synonymous with brand. The ways in which Umpqua instills its

8. See infra Part II.
9. See infra Part III.
10. See infra Part IV.
11. See Davis, supra note 1, at 30. Davis explains “how discipline can create a positive environment for the people in your organization. But Discipline without positive passion is like a car without gasoline . . . . Positive passion is the fuel you need to propel your company to greatness.” Id. Davis adds “[d]iscipline without passion leads to rigid adherence to rules, bureaucracy of the worst sort. Adding passion and optimism to discipline provides the impetus for constantly challenging and renewing the rules . . . . You need both: discipline and positive passion.” Id. at 31.
12. See id. at 181 (stating that your “culture is not something you wear, any more than your skin is”).
13. See id. at 173 (explaining that Davis thinks of his bank’s culture as its DNA, but that unlike biological DNA, which is inherited and unchangeable, organizational DNA is created, can change, and can deteriorate).
14. See id.
15. Id. at 175. Davis posits “from the look and feel of Umpqua’s stores, Umpqua-brand coffee, line of Umpqua merchandise, and unwavering standards of excellence in serving customers and commitment to the community, Umpqua has established a culture that sets it apart and fuels its growth.” Id.
16. See id.
17. See Davis, supra note 1, at 150. Davis explains “your brand is what your
culture include playing by retail rules, culture-oriented internal operations, and strategic networking in the community.\textsuperscript{18}

A. Playing by Retail Rules

Davis maintains that the only way to break away from the pack in a situation where you "compete in an industry that offers products or services that are commodities" is to start operating on a different playing field.\textsuperscript{19} Perceiving bank products as "commodities," Davis looked outside the banking industry to find strategies for success.\textsuperscript{20} He focused on the following models: Nordstrom, Gap, and Starbucks in the retail industry;\textsuperscript{21} the Ritz Carlton in the hospitality industry;\textsuperscript{22} and Southwest Airlines in the airline industry.\textsuperscript{23} By looking outside the bland and traditional culture of the banking industry, Davis decided to "play by retail rules rather than banking rules."\textsuperscript{24} One way Davis set out to infuse his bank with a flavor of retail is through the use of terminology.\textsuperscript{25} For example, the word "branch" is not used in Umpqua's official internal terminology, as the bank operates 127 "stores" in Oregon, California, and Washington.\textsuperscript{26} Davis also compares his bank holding company's unique name, "Umpqua," to "Wachovia."\textsuperscript{27} He notes that both of these names sound "cool" and that neither

\begin{itemize}
  \item buildings look like, your web site looks like, and your products and services look like." \textit{See id.}
  \item \textit{See infra} Part II.A-C.
  \item \textit{See DAVIS, supra note 1, at 19 (explaining that Umpqua "decided to play by retail rules rather than banking rules").}
  \item \textit{See id.} at 3 (explaining that Davis brings lessons he has learned from companies he has admired such as the Ritz-Carlton and Nordstrom for customer service and Nike and Apple Computer for marketing).
  \item \textit{See id.} at 14-15.
  \item \textit{See id.} at 23.
  \item \textit{See id.} at 2.
  \item \textit{Id.} at 19.
  \item \textit{See DAVIS, supra note 1, at 153 (explaining that customers expect something different when they hear the "Umpqua" name, and explaining that, for the same reason, Wachovia's name survived when it was acquired by First Union).}
  \item \textit{See DAVIS, supra note 1, at 153 (theorizing that Wachovia's name survived after it was acquired by First Union because "Wachovia was a hell of a good name").}
\end{itemize}
sounds like a traditional bank name.28 Having a unique name communicates these institutions' culture and differentiates them from their competitors.29

Umpqua's store atmosphere and design makes customers feel like they are in a retail store rather than a bank.30 People who walk into an Umpqua "store" for the first time may find it hard to believe they are in a bank.31 Davis' vision was to "create a bank environment that was distinctive, attractive, and inviting" compared to traditional banks that have "ropes to keep people in line, empty desks, and stale coffee."32 Davis offered free Internet access, Umpqua brand coffee, a spacious seating area, and flat-screen televisions to make people "want to hang out"33 at his bank stores, and perhaps "read a tastefully printed brochure about certificates of deposit, checking accounts and loans."34

Another integral part of Davis' retail vision is to offer "knock your socks off" customer service while communicating Umpqua's distinctive culture.35 Davis achieves this by hiring people with retail experience36 and giving employees the resources and autonomy to deliver exemplary customer satisfaction on a case-by-case basis.37 Perhaps the most innovative way Davis has enhanced customer services is through the concept of the

28. See id.
30. See DAVIS, supra note 1, at 16 (explaining that because Davis decided Umpqua was really in the retail business, Umpqua hired Charlene Stern of Stern Marketing to challenge it to break free of ideas that might still be holding it back and to really focus on the retail experience it was trying to create).
31. See id. at 13 (describing "the typical bank [as] quiet, cold, and boring [with] . . . ropes to keep people in line, empty desks, and stale coffee"). Comparing this image to an Umpqua store with a computer café, it is easy to imagine a first-time customer not believing they were in a bank. See id. at 16.
32. Id. at 12-13.
33. Id. at 16.
34. Id.
35. See Walker, supra note 26.
36. See DAVIS, supra note 1, at 16 (saying that Davis was not looking for people with job skills but instead was looking for people with a "certain energy" and "twinkle in the eye").
37. See id. at 73 (explaining that Davis tells his people "not to be afraid to break rules" and not to "defend bureaucratic procedures against individual initiative that will enhance the customer's experience").
Disenchanted with the stereotypical image of the preoccupied or disinterested bank employee, Davis created the Universal Associate concept, "which entailed centralizing the administrative duties to a 'backroom.'" The Universal Associate concept is complemented by a culture-infused training program, which Umpqua calls The World's Greatest Bank University.

Between chipper employees whose enthusiasm is clichéd and corny, Starbucks-like coffee, and Nordstrom-like displays, Umpqua competes with financial institutions under retail rules. Interestingly, there is nothing novel about the retail strategies that Umpqua uses. The novelty exists in applying these basic components of the retail business to the business of banking. This is a powerful way Umpqua differentiates itself from its banking competitors.

B. Internal Operations

Davis emphasizes a unity of vision and culture. In his eyes, every component of the business must typify the Umpqua

38. See id. at 162 (saying that Davis created the "Universal Associate" position so that Umpqua could enhance customer service by creating a situation where any associate that might encounter a customer can handle any normal banking transaction).

39. See id. at 161.

40. See id. at 180. According to Davis, the World's Greatest Bank University "goes far beyond offering associates the job skills they need; it provides them with an understanding and appreciation of [Umpqua's] unique culture." Id.

41. See DAVIS, supra note 1, at 34 (explaining that when Umpqua employees began greeting customers by saying "welcome to the world's greatest bank," its competitors did not take them seriously and made fun of them, but after years of growth, some of those scoffing competitors became acquisitions of Umpqua).

42. See id. at 19 (explaining Davis' philosophy that "when everyone in your industry is playing by one set of rules, you must decide to play by another").

43. See supra note 20 and accompanying text (underscoring that Davis looked to and emulated existing models of success in retail and in other industries).

44. See id. at 11 (stating that Davis stopped Umpqua's people from thinking like bankers and got them to think like people in the business Davis thought Umpqua was really in, retail service).

45. See supra note 15 and accompanying text (highlighting some of the ways Umpqua holds itself out like a retail store instead of a bank).

46. See DAVIS, supra note 1, at 91 (explaining that Umpqua's vision of itself being a community-oriented bank remains clear, notwithstanding its growing from a dozen stores to well over a hundred).
Davis insists that all of his executives personify the Umpqua ethic and that its internal operations embody the culture (and brand) the bank strives to communicate. For example, Davis requires that every team in Umpqua begin the day with "motivational moments." These exercises embody Umpqua's values. They also serve to enliven the employees, which enhances employee attitude in the eyes of customers, and thereby reinforces the culture and brand Umpqua tirelessly communicates. Davis takes the motivational moments very seriously; disregarding the exercises may be grounds for dismissal.

In line with Umpqua's culture is the accessibility of its executives. Davis criticizes CEOs "that retreat to their ivory towers." He also criticizes inertia-producing "bureaucracies" where the flow of communication is from top to bottom. Thus, Davis frequently visits stores and personally encourages frontline employees. Much like the motivational moment exercises, this ethic builds employee morale, keeping it in line with Umpqua's culture. Perhaps the bank's most elaborate employee morale

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47. See id. at 173 (quoting Davis as saying, "at Umpqua, our culture is everything and made possible by positive passion, by how we support people while holding them accountable, by making sure people have the power to take action at the local level, by the intangibles we measure, by our focus on great service and our aspiration to be the world's greatest bank . . . .").

48. See id.

49. Id. at 22 (depicting one of Davis' typical "motivational moment" exercises, titled "Thinking 'Outside the Boxes'"). A motivational moment is "a brief group activity (five minutes or less) that promotes fun and teamwork and often teaches key lessons or provokes fresh ways to look at [Umpqua's] business." Id. at 5.

50. See id. at 5 (explaining that at Umpqua employees start every day with a motivational moment).

51. See id.

52. See DAVIS, supra note 1, at 5.

53. See id. at 17 (describing the "Serious About Service Center" as a way for anybody with a problem to directly call the CEO).

54. See id. at 98 (saying that Davis as a CEO believes in "letting his hair down," and letting his people see him outside the work environment and without his CEO badge on).

55. See id. at 197 (asserting that "bureaucracy is an enemy of culture").

56. See id. at 177.

57. See id. at 75. Davis explains "[i]f you want people to talk of empowerment seriously, [you] . . . have to celebrate people who take initiative and reward them." Id. Davis adds "[at] Umpqua, when an associate makes a decision to do what's right for a customer, we have programs in place that thank, reward, and recognize that
booster is the "Umpqua Oscars." The bank's annual "Celebration of Excellence" is an internal event designed to inspire employees. The Celebration of Excellence focuses "on our employees who work on the front lines." No awards are given to executive management.

As for spreading the intangible qualities that are Umpqua's culture, Davis created the President's Club, a prestigious internal organization that recruits cultural ambassadors from within the company. Its members serve as "direct links" between associates and senior management and are role models for the bank's culture.

To Davis, "intangibles matter most." He has implemented an internal mechanism that quantifies certain intangible qualities vital to Umpqua's culture. This "return on quality" program, which measures cross-sales, functions not only as a measuring tool, but also as a motivational tool, as the scores are posted within the company to create competition among the teams.

58. See Davis, supra note 1, at 187.
59. See id. (explaining that Umpqua's Celebration of Excellence is its award ceremony that recognizes associates for their great work and commitment to the bank's culture—it is Umpqua's version of the Academy Awards and winning associates receive gold statutes that resemble Oscars).
60. Id.
61. See id. at 187 (explaining that the spotlight is kept on the associates and the hard work they have done, with awards like Rookie of the Year and Store Associate of the Year).
62. See id. at 179 (explaining that Umpqua has created an ongoing program called the President's Club to "recruit cultural ambassadors").
63. See id.
64. Davis, supra note 1, at 128.
65. See infra note 67 and accompanying text.
66. See Lissa L. Broome & Jerry W. Markham, Regulation of Banks and Financial Service Activities, Cases and Materials 297 (2004) (explaining that cross-selling or cross-marketing financial products is one reason for and benefit of forming a financial holding company). Cross-selling or cross-marketing financial products involves sales or marketing facilitated by inter-affiliate relationships within a holding company structure. See id.
67. See Davis, supra note 1, at 130 (explaining that the "Return on Quality" program, or ROQ, was created to "develop a ranking system to measure the bank's progress in a variety of important service quality and sales measurements").
C. Community Networking & Strategic Partnerships

A large part of Umpqua’s philosophy is to be a “community bank,” or a “human centered bank.” As Umpqua grows and opens stores in more distant locations, preserving its community bank qualities is increasingly challenging. Davis, however, perceives “local” not as the opposite of “global,” but as the opposite of words like “careless,” “indifferent,” and “business as usual.” The bank’s community flavor, according to Davis, can be preserved even in a rapidly growing bank by connecting to the communities where the bank does business. One way Umpqua maintains connections to the local communities it serves is by the creation of community boards. These boards help Umpqua maintain its commitment to remain a community bank even as it grows. In addition, “the bank’s neighborhood store strategy redefines conventional banking practices and design.” Similar to cafes and other local gathering places, these neighborhood stores are “embedded into established neighborhoods, providing residents with an engaging space to browse local merchandise, shop online, enjoy a cup of coffee, and learn about community events and resources in addition to performing bank transactions.”

Davis reasons that being a community bank is more than being small, accessible, and embedded in the local economy. He sees partnering with local groups as a way to strengthen the bank’s

68. See id. at 168 (explaining that Umpqua decided it was all about “human-centered banking” and while other banks were focusing on efficiency and convenience, Umpqua was focused on delivering great service and helping customers).
69. See supra note 46 and accompanying text.
70. See DAVIS, supra note 1, at 134.
71. See id. at 189 (explaining that Umpqua works hard to make sure it stays connected to the community).
72. See id. (explaining that another way Umpqua stays connected to its communities is with local advisory boards, which are made up of business and community leaders in the communities Umpqua serves).
73. See id.
75. Id.
76. See DAVIS, supra note 1, at 189 (discussing Umpqua’s various connections to the communities it serves).
community ties. Umpqua’s partnership with Rumblefish provides a striking example. In contrast to the austere and inartistic image associated with most banks, Umpqua collaborated with Rumblefish to start a program aimed at discovering local musicians. Needless to say, this community partnership is just another way Umpqua will continue to attract young, hip customers and perpetuate the bank’s quirky brand image.

Even Umpqua’s mergers aim to preserve its community bank feel. Its merger practices are complimented by a variety of programs that benefit the affected communities. Struggling financially before its merger with Umpqua, Humboldt bank was vulnerable to a greater reduction in its workforce than a merger typically requires. When the banks merged, Davis took proactive steps to ameliorate the deal’s unemployment effects. The steps taken included creating a career center that offered assistance in finding new jobs, inviting the displaced employees to apply for new positions resulting from the merger, and giving displaced employees money to buy clothes for job interviews.

77. See id. at 145 (explaining that partnering with other companies can give a fresh perspective and that Umpqua partnered with Microsoft to explore how their technology could help transform the banking experience of customers).
78. See id. (explaining that Rumblefish is a leading music-focused marketing agency immersed in the world of independent artists).
79. See supra note 26.
80. See Walker, supra note 26.
81. See infra Part III.A. (discussing Umpqua’s mergers).
82. See supra note 1, at 202 (explaining that Umpqua has successfully integrated every company it has acquired in a way that maintained and enhanced the bank’s unique culture).
83. See supra notes 77, 79-81 and accompanying text.
84. See id. (explaining that Umpqua planned to eliminate close to one hundred positions after the Humboldt acquisition and therefore created a career center inside of one of its own facilities for the affected employees and their spouses as well).
85. See id.
86. See id. (explaining that because of Umpqua’s efforts all but six of the one hundred laid-off employees found new jobs, and of those six, two retired).
87. See id.
88. See id.
III. Factors Other Than “Quirky Culture” That May Have Contributed to Umpqua’s Growth

While the Umpqua “revolution” is worthy of the attention it has received from publications such as The Wall Street Journal and Business Week, Leading for Growth fails to account for other factors that have substantially contributed to Umpqua’s growth. The following analyses of mergers and acquisitions (inorganic growth), changes in banking regulations regarding geographic expansion, growth in the banking industry, and growth in the regional and national economy demonstrate that the correlation between Umpqua’s “quirky cultural makeover” and its growth is not as powerful as Davis suggests.

A. Growth Through Merger

Economic trends and regulatory change can be described, in the context of this analysis, as exogenous variables. They are external and occur outside of and independently from Umpqua or any action it takes as an entity. Umpqua’s merger activities, however, are effected from within the organization. In this context, therefore, mergers and acquisitions can be seen as internal, or endogenous. This exogenous-endogenous distinction is relevant because it underscores the “attributable” nature of the merger variable. That is, Umpqua’s acquisition strategies can be

89. See DAVIS, supra note 1, at 142 (explaining that “revolutions do not have a big ‘R’ on their sweaters but instead often start small and become overwhelming over time”).

90. See infra Part III.A-D. (discussing factors contributing to Umpqua’s growth).

91. Id.

92. See Statistics.com, Statistical Glossary, http://www.statistics.com/resources/glossary/e/exogenvar.php (last visited Jan. 3, 2008) (explaining that exogenous variables are variables with no causal links leading them from other variables in the model; or, in other words, exogenous variables have no explicit causes within the model).

93. See id.

94. See DAVIS, supra note 1, at 201 (reinforcing that Umpqua’s merger strategies are effected from within the organization).

95. See Statistics.com, supra note 92 (explaining that endogenous variables are variables with no causal links leading to them from other variables in the model; or, in other words, endogenous variables are variables that have explicit causes within the model).

96. See supra notes 92-95 and accompanying text.
attributed to Davis' vision and leadership, further linking Davis' tenure as CEO to Umpqua's growth. This link, however, is strikingly understated in Leading for Growth. By exalting the role of his leadership and marketing strategies, Davis overshadows the relationship between Umpqua's acquisitions and its asset growth. Determining the relative impact of Davis' leadership and marketing versus acquisitions on Umpqua's growth is necessary to properly quantify the Umpqua cultural effect exalted by Davis. An examination of the proportion of Umpqua's growth between 1994 and the present that may be attributable to inorganic growth resulting from mergers and acquisitions helps to quantify the true impact of Davis' leadership and marketing strategies.

Organic growth is the growth rate that a company achieves by "increasing output and enhancing sales." This excludes any profits or growth attributed to takeovers, acquisitions or mergers. Takeovers and mergers do not bring about profits generated within the company and, therefore, are not considered organic. Inorganic growth, on the other hand, is a growth in the operations of a business that arises from takeovers or mergers, rather than an increase in the company's own business activity. Firms that choose to grow inorganically can gain access to new markets and fresh ideas through successful mergers and

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97. See id.
98. See infra note 120 and accompanying text.
99. See supra note 4 and accompanying text.
100. See infra note 120 and accompanying text.
101. See supra notes 92, 95 and accompanying text.
102. See id.
103. Investopedia.com, Your Source for Investing Education, http://www.investopedia.com/terms/o/organicgrowth.asp (last visited Jan. 3, 2008) (providing that organic growth represents the true growth for the core of the company. It is a good indicator of how well management has used its internal resources to expand profits. Id. Organic growth also identifies whether managers have used their skills to improve the business. Id.
104. Id.
105. Id.
106. See id. (providing that inorganic growth is seen often as a faster way for a company to grow when compared with organic growth. In many industries, such as technology, growth is often accelerated through increased innovation, and one way for firms to compete is to align themselves with those companies that are developing the innovative technology).
acquisitions.107

To illustrate how profoundly an inorganic growth spurt impacts a company's balance sheet, consider the Humboldt Acquisition.108 In July of 2004, Umpqua completed its acquisition of Humboldt Bank.109 At the end of June 2004, just prior to the Humboldt acquisition, Umpqua had approximately $3.1 billion in assets.110 Shortly after the acquisition, Umpqua's assets exceeded $4.9 billion.111 Most of this $1.8 billion growth is attributable to the acquisition.112 Consider also Umpqua's acquisition of Western Sierra Bancorp in May of 2006.113 In March of 2006, Umpqua had over $5.4 billion in assets.114 In June of the same year, after the acquisition, its total assets grew approximately 31% to $7.1 billion.115

The numbers behind these acquisitions demonstrate that a significant portion of Umpqua's growth has been inorganic.116 The distinction between organic growth and inorganic growth is

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107. Id.
108. See Davis, supra note 1, at 204.
110. See FDIC, Institution Directory, http://www2.fdic.gov/idasp/main.asp (last visited Nov. 11, 2007) (enter “Umpqua” into the box titled “Institution Name” and click “Find”; then click 17266 beneath the “Cert” box; then select “June 2004” in the “Report Date” menu and generate a report; this process can be repeated and customized to obtain similar data for different dates and for different institutions).
111. See id. (selecting “Sept. 30, 2004” in the “Report Date” menu).
112. See id. (enter “Humboldt” into the box titled “Institution Name,” change “Institution Status” to “Inactive (closed),” and click “Find”; then click “27582” beneath the “Cert” box; then select “June 30, 2004” in the “Report Date” menu and generate report). Humboldt had approximately $1.46 billion in assets just prior to being acquired by Umpqua. Therefore, it is logical to deduce that a large portion of Umpqua’s $1.8 billion in growth subsequent to the acquisition came directly from absorbing Humboldt’s $1.46 billion in assets. See id.
114. See FDIC, supra note 110 (enter “Umpqua” into the box titled “Institution Name” and click “Find”; then click 17266 beneath the “Cert” box; then select “Mar. 31, 2006” in the “Report Date” menu and generate a report; this process can be repeated and customized to obtain similar data for different dates and for different institutions).
115. See id. (selecting “June 30, 2006” in the “Report Date” menu).
116. See supra note 106 and accompanying text.
important in evaluating the link Davis implies between his novel management techniques and Umpqua’s growth. Organic growth is a good indicator of how well management has used its internal resources to expand profits and improve the business. A more distant relationship exists between inorganic growth and management talent. Again, Leading for Growth implicitly communicates a message of “leading for organic growth,” and Davis understates the augmentative effects of Umpqua’s acquisitions. Billions of dollars have been have added to the asset side of Umpqua’s balance sheet by way of acquisition.

In fairness to Davis, there are ways to view the events surrounding Umpqua’s growth that enhance the significance of Davis’ management and marketing talents. First, notwithstanding major inorganic contributions, Umpqua has enjoyed periods of impressive organic growth since Davis’ reign. For example, the discussion above shows that approximately $1.46 billion of Umpqua’s third quarter growth in 2004 was attributable to the Humboldt acquisition. However, Umpqua achieved over $300 million in organic growth during that period, lending support to the idea that Davis’ innovative leadership strategies are responsible for Umpqua’s growth. Based on this, one might conclude that Leading for Growth justly links Umpqua’s organic growth to Davis’ vision and talent but understates the

117. See supra notes 103, 106 and accompanying text.
118. See id.
119. See id.
120. See DAVIS, supra note 1, at 201. Davis maintains “[his] strategy has not been to grow Umpqua through acquisitions but, instead, his strategy was and is to create organic growth.” Id.
121. See supra notes 84-90 and accompanying text.
122. See infra note 129 and accompanying text.
123. See FDIC, supra note 110.
124. Id. (showing that Umpqua’s size after the merger was $300 million greater than the book value of the Humboldt acquisition and, therefore, must be attributed to organic growth).
125. See FDIC, supra note 110.
126. See id. (evidencing that, upon analyzing Umpqua’s and Humboldt’s quarterly figures, Umpqua achieved $324,417,000 of organic growth in the third quarter of 2004). This fact can be inferred by looking at the difference between the book value of Humboldt at the time it was acquired and Umpqua’s total growth during the period. See id.
inorganic growth it achieved through acquisitions.\textsuperscript{127} Put another way, Davis deserves the praise he and others have awarded him, but the equation described at the start of book, that “Davis’ leadership plus twelve years equals 500% growth,”\textsuperscript{128} is misleading and overstates the degree to which his talent\textsuperscript{129} helped grow Umpqua.\textsuperscript{130}

A more significant concession to the message communicated in \textit{Leading for Growth} is the possibility that Davis’ talent and innovations have contributed to Umpqua’s inorganic growth spurts.\textsuperscript{131} It is possible that the bank’s organic growth attributable to Davis’ leadership has given it the leverage to make the acquisitions that have dramatically enhanced its overall growth.\textsuperscript{132} In other words, it would be unfair to assume that no causation exists between Davis’ strategies and Umpqua’s inorganic growth.\textsuperscript{133} But for Davis’ revolution of Umpqua’s culture, management talent, and organic growth strategies, the bank might not have gained the market share needed to be in the financial position to execute its inorganic growth strategies.\textsuperscript{134} It is nearly impossible to impute with exactness a proportion of the bank’s inorganic growth to Davis’ marketing strategies, but it is unfair to suggest that \textit{all of}

\begin{itemize}
  \item \textsuperscript{127} See supra note 120 and accompanying text (suggesting that Davis credits organic growth more than inorganic growth). However, it is evident that much of Umpqua’s growth is attributable to mergers and acquisitions. See supra notes 112-14 and accompanying text.
  \item \textsuperscript{128} See supra Part I (discussing the causal link Davis implies in \textit{Leading for Growth}).
  \item \textsuperscript{129} See supra notes 82-84 and accompanying text. Although Davis’ talent for growing a company organically might be overstated in \textit{Leading for Growth}, his talent finding attractive acquisition targets and successfully integrating the targets employees and culture cannot be questioned. See id.
  \item \textsuperscript{130} See id. It is essential in this analysis to distinguish Raymond Davis leadership in general from Raymond Davis leadership strategies he emphasizes in \textit{Leading for Growth}. See id. All of Umpqua’s growth since 1994, both organic and inorganic, is attributable to Davis, as he is in charge of the bank’s acquisition policy. See id. The issue is to what extent the talents and innovations exalted in \textit{Leading for Growth} have accounted for Umpqua’s growth. See id.
  \item \textsuperscript{131} See DAVIS supra note 1, at 35 (providing an example of how Davis’ quirky strategies would facilitate inorganic Growth by first realizing organic growth). Davis says his competitors scoffed at Umpqua’s “corny” tactic, but after growth, presumably attributable to such tactics, Umpqua was in a position to and did in fact acquire some of those competitors. Id.
  \item \textsuperscript{132} See id.
  \item \textsuperscript{133} See id.
  \item \textsuperscript{134} See id.
\end{itemize}
Umpqua's inorganic growth is wholly unrelated to such strategies.\textsuperscript{135} By the same token, it is unfair to attribute all of the bank's growth since 1994 to Davis' strategies.\textsuperscript{136}

It is also important to note that, by understating the significance of Umpqua's inorganic growth, Davis sells short something that is equally if not more impressive than the marketing and quirky culture - selecting attractive acquisition targets.\textsuperscript{137} Davis integrates his acquisitions in such a way that perpetuates the bank's valuable image and avoids employee dysfunction.\textsuperscript{138} Davis provides a glimpse of such targeting and integration in chapter twenty-two.\textsuperscript{139} Nevertheless, Davis should have more clearly discussed in \textit{Leading for Growth} the respective causes of Umpqua's organic and inorganic growth spurts.\textsuperscript{140}

\section*{B. Interstate Banking and Branching Restrictions Eased}

On September 29, 1994, President Clinton signed into law the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal).\textsuperscript{141} Riegle-Neal was a landmark piece of legislation marking "the beginning of a modern banking system for America."\textsuperscript{142} A significant change imposed by Riegle-Neal was the repeal of the Douglas Amendment.\textsuperscript{143} Part of the Bank Holding Company Act of 1956,\textsuperscript{144} the Douglas Amendment was aimed at limiting geographic expansion and effectively precluded bank

\begin{flushright}
\textsuperscript{135} See \textit{id.}.
\textsuperscript{136} See \textit{supra} notes 112-14 and accompanying text (providing clear examples of Umpqua achieving inorganic growth, or growth through acquisition).
\textsuperscript{137} See \textit{supra} notes 82-84 and accompanying text (providing an example of how Davis skillfully identified a compatible acquisition target and successfully integrated the target into Umpqua's unique culture).
\textsuperscript{138} See \textit{supra} Part II.C (discussing Umpqua's mergers and integration tactics).
\textsuperscript{139} See \textit{supra} notes 82-84 and accompanying text.
\textsuperscript{140} See \textit{supra} note 130 and accompanying text.
\textsuperscript{143} See \textit{Broome & Markham, supra} note 66, at 703.
\textsuperscript{144} See 12 U.S.C.A. § 1841(a)(1) (West 2000 & Supp. 2007) (providing that "'bank holding company' means any company which has control over any bank or over any company that is or becomes a bank holding company by virtue of this Act").
holding companies from owning banks in more than one state.\textsuperscript{145} As a result of the 1994 repeal, a bank holding company could acquire and hold in its structure banks located out of its home state.\textsuperscript{146} Such a transaction is related to interstate banking.\textsuperscript{147} Furthermore, effective in 1997, Riegle-Neal permitted interstate branching in 1997.\textsuperscript{148} It accomplished this in two ways.\textsuperscript{149} First, it permitted the merger of banks with a common parent, or a common bank holding company.\textsuperscript{150} Second, it permitted the acquisition of existing out-of-state bank branches and the application for a de novo branch in an out-of-state location.\textsuperscript{151} The post-1997 liberalization of interstate banking laws\textsuperscript{152} made it possible for banks not only to establish de novo branches outside their home states,\textsuperscript{153} but also to merge with out-of-state banks while retaining the out-of-state bank locations and interstate branches.\textsuperscript{154} Fortuitous timing, therefore, might also help to explain Umpqua's growth since 1994.\textsuperscript{155} Davis became CEO in 1994,\textsuperscript{156} the same year that Riegle-Neal was signed into law.\textsuperscript{157} This suggests Davis' innovative marketing strategies may not have led to such "relentless growth" had his reign as CEO begun in an earlier era.\textsuperscript{158} For example, Humboldt Bank, located in Eureka, California,\textsuperscript{159} could only have been acquired by Umpqua if

\textsuperscript{145} See BROOME & MARKHAM, supra note 66, at 254.
\textsuperscript{146} See id. at 704.
\textsuperscript{147} See 12 U.S.C.A. § 1842(d).
\textsuperscript{148} See BROOME & MARKHAM, supra note 66, at 704.
\textsuperscript{149} See id.
\textsuperscript{150} See id.
\textsuperscript{151} See id.
\textsuperscript{152} See id.
\textsuperscript{153} See id.
\textsuperscript{154} See BROOME & MARKHAM, supra note 66, at 703 (stating that the Riegle-Neal Act repealed the Douglas Amendment to the Bank Holding Company Act and replaced it with a provision that permitted a bank holding company to acquire a bank located in a state other than the holding company's home state "without regard to whether such transaction is prohibited under the law of any state").
\textsuperscript{155} See id. (inferring that a bank would have more acquisition targets at its disposal after the passage of Riegle-Neal).
\textsuperscript{156} See DAVIS, supra note 1, at 2.
\textsuperscript{157} See supra notes 141-43 and accompanying text.
\textsuperscript{158} See id. (inferring that Davis would have had fewer acquisition targets available before the liberalization of interstate branching and interstate banking under Riegle-Neal).
\textsuperscript{159} See DAVIS, supra note 1, at 204.
California law specifically permitted an Oregon bank holding company to buy a bank located in California. Even then, Humboldt could not have been merged into Umpqua because of interstate branching restrictions and would have been operated as a separate bank subsidiary.

The regulatory liberalization variable and its significance to Umpqua’s growth, however, may be discounted by two additional considerations. First, interstate branching had occurred under special circumstances prior to Riegle-Neal through interstate compacts. Prior to Riegle-Neal, a handful of states had enacted legislation that permitted an out-of-state bank to establish an in-state branch. If an interstate compact existed between Oregon and other states such as California prior to 1994, the above Riegle-Neal analysis loses much of its suggestive power. Such a compact would show that parity existed between Davis and his predecessors with respect to out-of-state acquisition opportunities.

Second, most of Umpqua’s acquisition targets have resided in Oregon. Davis’ predecessors would have had the same access to such targets. Only its two most recent acquisition targets have resided out-of-state. Nonetheless, Umpqua’s two out-of-state


161. See supra note 154 and accompanying text (noting the distinction between interstate banking and branching, the hypothetical acquisition of Humboldt before 1997 would have been structured in the following way: Umpqua Holding Company would have acquired Humboldt and operated it as a separate bank. It would not become an Umpqua bank store).

162. See supra note 154 and accompanying text.

163. See BROOME & MARKHAM, supra note 66, at 682.

164. See id. (explaining further that such statutes had little practical effect because so few states had them, they required reciprocity, and national banks were limited by the McFadden Act from sharing in the benefit of such interstate compacts).

165. See id.

166. In an extensive search of prior California law, this author found no evidence of the existence of an interstate banking compact between California and Oregon.

167. See supra note 158 and accompanying text.

168. See Thomson Financial, SDC Platinum Mergers & Acquisitions Database (last accessed Nov. 1, 2007). Umpqua’s merger history since Davis’ tenure as CEO reveals only two out-of-state acquisitions. Id.

169. See id.

170. See id.
acquisitions were its largest ever and would not have been available prior to 1997.

C. Growth in the Banking Industry

*Leading for Growth* fails to discuss the success of Umpqua’s competitors. Specifically, it fails to make comparisons to comparable financial institutions who have achieved similar growth over the past ten to fifteen years. Again, this suggests that Davis overstates the causal link between his marketing strategies and Umpqua’s growth.

Consider Doral Financial Group. In 2004, Doral boasted a figure for consolidated bank assets of $11.1 billion and consolidated deposits of $3.3 billion at year end, up 66% and 23% respectively from the previous year. Doral’s thirty-two year history has been characterized by such growth. In 1994, it only had $86 million in assets.

Another institution worthy of comparison is Sterling Financial Corporation, the holding company for Sterling Savings Bank. Sterling is based in Spokane, Washington, so like Umpqua, it serves the Pacific Northwest. This controls for the

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171. See id. (illustrating that the two California acquisitions combined for nearly $3 billion of growth).
172. See supra text accompanying note 158.
173. See generally DAVIS, supra note 1 (failing to discuss the growth and success of comparable financial institutions).
174. Id.
175. See supra Part I (discussing the causal link Davis implies between his leadership and marketing strategies and Umpqua’s growth).
177. See FDIC, supra note 110 (upon entering the URL, enter “Doral” into the box titled “Institution Name” and click “Find”; then click “32102” beneath the “Cert” box; then select “Dec. 31, 2004” in the “Report Date” menu and generate a report; this process can be repeated and customized to obtain similar data for different dates and for different institutions).
178. See generally id. (showing consistent growth of Doral’s total assets over its history).
181. Id.
geography variable when comparing Sterling to Umpqua Bank.\textsuperscript{182} Sterling, which opened for business in April 1983, is a Washington state-chartered commercial bank.\textsuperscript{183} Sterling conducts its business from 170 full-service offices located throughout Washington, Idaho, Oregon, Montana, and California.\textsuperscript{184} In 1994, Sterling Savings Bank had approximately $1.6 billion in assets.\textsuperscript{185} In 2006, its assets exceeded $9.5 billion.\textsuperscript{186}

The growth of Doral and Sterling serves to demonstrate that Umpqua was not the only financial institution of similar size to experience dramatic growth during the past fifteen years.\textsuperscript{187} While both Doral and Sterling surely have their own innovative competitive advantages, neither employed the unique marketing strategies utilized by Umpqua.\textsuperscript{188} Doral and Sterling’s demonstrated success suggests that Umpqua’s growth occurred during a time period with a favorable financial climate for small banks with a desire for growth.\textsuperscript{189}

Leading for Growth not only fails to compare Umpqua to successful institutions like Doral and Sterling, it also fails to describe the growth in the banking industry more generally.\textsuperscript{190} On December 31, 1995, the total assets for all banking institutions in the Pacific Northwest equaled $586 billion.\textsuperscript{191} As of June 30, 2007, the total assets for all banking institutions exceeded $1.93 trillion.

\begin{footnotes}
\item[182.] See supra note 155 and accompanying text.
\item[183.] See Sterling Savings Bank, Corporate Profile, supra note 180.
\item[184.] Id.
\item[185.] See FDIC, supra note 110 (upon entering the URL, enter “Sterling” into the box titled “Institution Name” and click “Find”; then click “32158” beneath the “Cert” box; then select “Dec. 31, 2004” in the “Report Date” menu and generate a report; this process can be repeated and customized to obtain similar data for different dates and for different institutions).
\item[187.] See supra notes 176-86 and accompanying text.
\item[188.] See infra Part III.D (discussing improving economic conditions for banking institutions).
\item[189.] Id.
\item[190.] See generally Davis, supra note 1 (failing to discuss growth and trends in the banking industry generally).
\end{footnotes}
with Umpqua accounting for only 0.35% of this growth, most of which was not organic.

D. Growth in the Regional Economy

Davis paints the picture of an Umpqua struggling to stay afloat in a stagnant, rural economy void of growth. The implication is that his innovative leadership singularly captured market share slices out of a static pie. Admittedly, there is little doubt Davis successfully increased Umpqua’s relative market share. It cannot be overlooked, however, that the bleak economic picture Davis painted most likely improved, thereby making continued and sustained growth more attainable. The Pacific Northwest has enjoyed growth in both new and existing industries as well as substantial increases in human and investment capital.

The rugged beauty of the Northwest attracted entrepreneurs and investment capital. This region has experienced a regular influx of college graduates. Additionally, “retirement and investment income are the largest sources of new income in the Pacific Northwest,” indicating that “people with the means to ‘vote with their feet’ are announcing their preference for a proximity to a wilderness.” In fact, “the rural zones that have grown the most have been counties containing protected wild lands like national parks.” The behavior of these new ruralites reflects the promise of the new economy.

Related to the region’s increase in human and investment capital...

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193. See supra notes 110-14 and accompanying text.
194. See supra note 1 and accompanying text.
195. See supra note 120 and accompanying text.
196. See supra note 131 and accompanying text.
197. See infra notes 199-218 and accompanying text.
198. See id.
200. Id.
201. Id.
202. Id.
203. Id.
capital is growth in Oregon’s high tech industry.\textsuperscript{204} Its high tech products industry grew by 1,019\% between 1988 and 1998,\textsuperscript{205} and Oregon’s labor force has steadily increased over the last ten years.\textsuperscript{206} The Pacific Northwest led the nation in job growth rates for the third consecutive year in 1997, adding 815,000 jobs (seasonally adjusted) between December 1996 and December 1997.\textsuperscript{207} Arizona, Nevada, Utah, California, Oregon, and Washington were among the nation’s thirteen fastest growing states with each exceeding the nation’s 2.7\% job growth rate.\textsuperscript{208} This region’s economic expansion was generally reflected in strong banking industry performance as well.\textsuperscript{209} It posted a return on assets (ROA) of 1.19\% in 1997, the highest in at least a decade, and matched the performance for the nation.\textsuperscript{210}

Beyond an influx of entrepreneurs and capital, the Pacific Northwest also experienced growth in existing industries.\textsuperscript{211} The tourism industry continued to be a source of job creation, with towns like Leavenworth, WA, positioning themselves as travel destinations.\textsuperscript{212} Additionally, the logging industry bounced back with new growth sectors, such as “the value-added wood products industry,” which now “employs 54,000 furniture makers and other Northwest workers.”\textsuperscript{213} Bend, Oregon, which has been the “fastest-growing city in the Northwest,” is now “a recreation and retirement mecca with an emerging high-tech sector.”\textsuperscript{214}

\begin{itemize}
\item \textsuperscript{205} See id.
\item \textsuperscript{208} See Bureau of Labor Statistics Data, supra note 206.
\item \textsuperscript{209} See id.
\item \textsuperscript{210} See id.
\item \textsuperscript{211} Pacific Northwest Economy, supra note 199.
\item \textsuperscript{212} Id.
\item \textsuperscript{213} Id.
\item \textsuperscript{214} Id.
\end{itemize}
Furthermore, while some feared tightening environmental standards would hinder the economy, in actuality, it improved the region's appeal to the increasingly environmentally-conscious public.  

Thus, the bleak economic picture Davis painted has enjoyed improving conditions. The total assets of all banks in Oregon have been increasing steadily since 1997. While Oregon might not have been a continual economic hotbed over the last several decades, it has not been as lifeless as Davis describes.  

IV. CONCLUSION

While Leading for Growth might offer banking executives a few gems, it overstates the role of Davis' leadership, cultural formula, and marketing strategies in Umpqua's exponential growth. As this Note points out, other factors likely underpin the 500% growth the bank has enjoyed since Davis' reign. A combination of inorganic growth by way of strategic acquisitions, regulatory ease on interstate banking and branching restrictions, general growth in the banking industry, and improving economic conditions in Oregon and the Pacific Northwest made the exceptional growth that Davis boasts attainable. Umpqua's quirky culture and marketing strategies are not insignificant, but they are best seen as a just one piece of a larger puzzle and not exclusively responsible for Umpqua's success. Simply put, the bank's quirky culture and intangibles are not sufficient conditions

215. But see id. (stating that rising environmental standards, such as the federal listing of local salmon as a threatened species, have played their part in the waning of the timber, mining, fishing and agriculture sectors).

216. See supra notes 199-215 and accompanying text.

217. See FDIC, http://www2.fdic.gov/hsob/hsobRpt.asp (highlighting that the total assets for all FDIC insured banks in Oregon increased from $5,778,250,000 in 1997 to $25,342,440,000 in 2005).

218. See id.

219. See supra Part III.A-D.

220. See id.

221. See id.

222. See generally DAVIS, supra note 1 (describing the many ways Umpqua's quirky culture has contributed to the bank's growth but failing to address the other obvious factors described in this paper).
for "relentless growth" as Leading for Growth implies. Therefore, it is not likely that the CEO of your local bank will achieve 500% growth simply by incorporating the formulas Ray Davis describes in Leading for Growth.

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223. Id.
224. Id.