

FOREWORD BY WILLIAM C. TAYLOR
Cofounder and founding editor of FAST COMPANY

RAY DAVIS With PETER ECONOMY

LEADING THROUGH Uncertainty

How Umpqua Bank Emerged from the Great Recession
Better and Stronger than Ever



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LEADING THROUGH Uncertainty

How UMPQUA BANK Emerged
from the Great Recession
BETTER AND STRONGER THAN EVER

Ray Davis With PETER ECONOMY

Foreword by William C. Taylor



JOSSEY-BASS™
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Design concept by Gearbox

Cover photograph by Vito Palmisano | Getty

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Published by Jossey-Bass

A Wiley Imprint

One Montgomery Street, Suite 1200, San Francisco, CA 94104-4594—www.josseybass.com

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Library of Congress Cataloging-in-Publication Data

Davis, Ray, date

Leading through uncertainty : how Umpqua Bank emerged from the Great Recession better and stronger than ever / Raymond P. Davis.—First edition.

pages cm

Includes index.

ISBN 978-1-118-73302-8 (hardback)—ISBN 978-1-118-78257-6 (pdf)—ISBN 978-1-118-78260-0 (epub)

1. Umpqua Bank. 2. Community banks—Oregon—Portland—Management. 3. Banks and banking—Oregon—Portland—Management. 4. Leadership. I. Title.

HG2613.P84U473 2014

332.1'609797—dc23

2013027869

*For the associates of Umpqua Bank.
You lead, you motivate, and you inspire.*

Foreword

More than a century ago, Theodore Roosevelt offered a definition of success that has stood the test of time. “Far and away the best prize that life offers,” he said, “is the chance to work hard at work worth doing.” By that definition, Ray Davis is one of the most successful business leaders I have ever met. He and his colleagues at Umpqua Bank have worked harder, smarter, and with more passion and authenticity than the leadership of any other bank I know—and, to be honest, just about any organization in any field that I know. And their work is certainly worth doing—building a company, a brand, a presence in the marketplace that stands out from the crowd and stands for something special.

Leading Through Uncertainty is Ray’s second effort to share with the world (with all his trademarked modesty) what he and his colleagues have learned during their incredible twenty-year journey of innovation, service, and exceptional financial performance. His first book, *Leading for Growth*, was published in March 2007, when the banking business, and the world economy as a whole, were riding high and enjoying the tailwinds of housing booms and fast-paced growth. His new book appears at a very different moment in the economy and in the psychology that animates leaders and shapes the outlook. Most companies in most industries, and certainly in the banking industry, are operating in the face of fierce headwinds—the hangover from the worst financial collapse since the Great Depression: frustratingly slow growth in the real economy, a hard-to-shake sense of distrust between customers and the companies with which they do business.

And yet the Ray Davis you will encounter in these pages, the Umpqua Bank that he and his writing colleague, Peter Economy, bring to life, is every bit as confident, every bit as passionate, every bit as daring as was the case during the height of the boom. That’s because even as the world changes—the Internet and social media reinvent the technologies of banking, as financial trends and government policies reshape the environment of banking—Ray and his colleagues have remained true to their values, their belief system, their distinctive point of view about what their company could be and the role it could play in their customers’ lives.

In a book filled with powerful insights, pragmatic takeaways, and colorful stories, this to me is Ray’s ultimate lesson, and one that applies in good times and tough times. He understands, as few other CEOs do, that we are living today through the Age of Disruption. You can’t do big things anymore, as a company or a leader, if you are content with doing things a little better than everybody else, or a little differently from how you did them in the past. In an era of hypercompetition and nonstop dislocation, the only way to stand out from the crowd is to stand for something special. Originality has become the acid test of every company’s strategy.

The term I like to use is *strategy as advocacy*—and Ray and his colleagues are persuasive advocates for their approach to strategy. They understand that the most successful companies don’t just offer competitive products and services. They champion compelling ideas—ideas that shape the competitive landscape of their field, ideas that reshape the sense of what’s possible for customers, for colleagues, for investors. As I look at companies that are winning big in difficult circumstances, I see that a richly defined values proposition beats a dollars-and-cents value proposition every time.

To be sure, no one will mistake Umpqua Bank for one of the financial services juggernauts headquartered in New York or Hong Kong, and no one will mistake Ray himself for a Master of the Universe or a Titan of Finance. And that’s the beauty of this book. Ray’s insights and messages are worth reckoning with not because of the size of his bank’s balance sheet (although all those billions of dollars of assets are beginning to add up), but because of the power of his ideas and their relevance

many leaders running companies in many different industries.

For a long time, we lived in a world where the strong took from the weak. If you had the most established brand, the widest global reach, the deepest pockets, you won almost automatically. The world is over. The new logic of success is that the smart take from the strong. The most successful companies I have gotten to know don't just try to outcompete their rivals. They aspire to redefine the terms of competition in their field by embracing one-of-a-kind ideas in a world filled with me-too copycat thinking. In Ray's memorable words, these companies "find the revolution before the revolution finds them."

Ideas truly matter. But there's a second core message to Ray's book, a second defining principle of his approach to leadership, that it's important to underscore. It's a lesson I've learned and relearned during this long economic crisis—and even though it's a simple lesson, it's one that's all too easy to overlook. Yes, the most successful leaders and companies think differently from everyone else. But they also care more than everybody else—about customers, about colleagues, about how the organization conducts itself in a world with endless opportunities to cut corners and compromise core values. You can't be special, distinctive, compelling in the marketplace unless you create something special, distinctive, compelling in the workplace. Your strategy *is* your culture; your culture *is* your strategy. That's why the most effective leaders serve an agenda larger than themselves and create organizations where everyone shares a common cause.

This, to me, is what ultimately makes Ray Davis and Umpqua Bank so special. Ray is a CEO, and Umpqua is a company of more than twenty-five hundred people who care deeply about the impact they're having, the legacy they're leaving, the difference they're making in the lives of their customers and communities. It is also, by the way, what makes this book so special. Ray obviously cares enough about what he and his colleagues have built to share the lessons they've learned, the successes they've enjoyed, and the mistakes they've made with an audience of leaders who are working hard inside their own companies on work worth doing.

Thanks to Ray for sharing his insights, and good luck to all of you benefiting from it as you pursue yours in the words of Theodore Roosevelt, "the best prize that life offers."

William C. Taylor

cofounder and founding editor of *Fast Company* and author of *Practically Radical*

Introduction: The Great Uncertainty

Much of the world is stuck in the economic doldrums, a place where there is precious little breeze to push the weathervane in any particular direction. Is the economy headed toward growth and prosperity, or is an even bigger recession just around the corner? Will this be the year that the unemployment rates finally return to manageable levels, or are the increasing ranks of people who have dropped out of the job market entirely going to be a heavy anchor that keeps our economy from moving forward? Is there an inflationary (or deflationary) spiral in our not-too-distant future?

When will things get back to normal? Will they *ever* get back to normal?

I call this time in history the Great Uncertainty, and it's the place where we find ourselves today. No one really knows with any degree of confidence where our economy is headed and whether the general business environment will be better or worse in the coming months or years. I personally believe that the uncomfortable new normal of uncertainty we find ourselves in today is a long-term reality that business leaders will be forced to deal with for at least the next five years. To succeed, we as leaders cannot afford to complain about the uncertainty out there—in our economy, our markets, our government representatives and regulators, our customers, our people. We must instead find ways to deal with this new normal, and to profit, even during the Great Uncertainty.

We must be leaders. We must *lead*.

My first book, *Leading for Growth*, was published in late 2007, before the 2007 financial crisis had taken hold of the economy. While I was writing that book, the U.S. economy was strong and growing, the housing market was seen by many as indestructible (or at least indefatigable), and consumer confidence was as high as it had ever been. *Leading for Growth* was written to offer a fresh look at how leaders could steer their companies to long-term success. That book offered tools and techniques that could be embraced by all people who found themselves in a leadership role. *Leading for Growth* didn't take an MBA to understand or put into practice. It was a down-to-earth reminder of the basic leadership tenets that have proven year after year to be effective in leading a company for growth.

Throughout the book, I provided examples of how leaders have put these skills to work within their companies. As the CEO of Umpqua Holdings Corporation, the holding company for Umpqua Bank, a regional community bank headquartered in Portland, Oregon, I was also able to relate specific stories of how Umpqua benefited from many of these leadership principles. Although I often used Umpqua Bank to demonstrate how we applied these practices, *Leading for Growth* was written for all leaders in all industries, and I heard from many executives both inside and outside the banking industry who put them to work.

As we look back to the period leading up to the onset of the Great Recession, the effects of which still negatively affect the world today, who would have thought that our economy would fall as far as it did? Who would have thought that the housing market would drop as fast as it did and affect so many Americans so dramatically? Who would have thought that our problems would become contagious and affect the economy throughout the rest of the world?

Few people imagined just how bad things would get or how long it would take to recover. However, one thing was certain throughout: effective leadership during difficult times is not only needed; it is *required*.

Leading Through Uncertainty addresses just that: the importance of leadership within organizations competing during challenging and uncertain times—and also through times of growth. Let's face it

effective leadership is motivating, and it can and should be the energy that propels a company through inevitable waves of change. Poor leadership can lead to disaster and has sunk more than a few companies and governments alike.

In *Leading for Growth* I wrote, “There is no Door Number 3.” I meant that leaders have to be willing to address, accept, and welcome change instead of fighting it, ignoring it, or simply hoping it will go away. Change happens, and trying to stay the same isn’t practical: it’s too costly and is an impossible proposition. I believe that this still applies for leaders. You have to be ready and able to adapt to rapid changes during times of great difficulty and uncertainty—and also during times of great innovation and growth. It also means that when things get tough, a leader can either choose Door Number One (meaning, suck it up and do what you know you need to do—*lead*), or choose Door Number Two (meaning, get the hell out of the way!). There is no Door Number Three.

Although Umpqua wasn’t immune to economic turmoil, we were disciplined and proactive, and that approach served us well. We identified potential challenges early and took action immediately—before most other companies had even acknowledged that the economy was in trouble. Although our bold response wasn’t popular on Wall Street at the time, it positioned the bank as one of the most stable in the industry.

Throughout, we remained focused on both navigating the recession and our long-term growth strategy. Despite the challenging economic environment, that strategy never wavered. We remained focused on building a different kind of bank—one that combines the sophisticated products and expertise of a big bank with the service and local engagement of a community bank. This allowed us to remain opportunistic in ways that advanced our growth. During this time, we completed four transactions assisted by the Federal Deposit Insurance Corporation (FDIC), adding significantly to our geographic reach while protecting the financial health of communities in Nevada and Washington State.

And we were able to act quickly when we saw the economic storm beginning to calm, expanding our company in ways that would build for the future. We added wealth management, international banking, and capital markets divisions; expanded our commercial teams in key markets; and built new stores to complement those acquired through the FDIC deals.

As a result, Umpqua’s balance sheet today is even stronger than it was when the financial crisis began. And we’ve continued to grow, nearly doubling in size since 2007, from 120 to more than 200 stores and from \$7 billion to \$12 billion in assets.

* * *

Over the past several years, I’ve learned firsthand the power of strong leadership. In this book, I outline qualities that leaders need to motivate and inspire their people in times of change, both to protect their businesses when market conditions are difficult and to build confidence and momentum in times of positive change.

Leading Through Uncertainty reminds leaders to:

- Remember that the truth will set them free.
- Remain agile in the face of uncertainty and change.
- Keep their heads out of the sand when problems arise.
- Understand the value of intuition and why it’s important for their people to exercise theirs.
- Motivate and inspire their people in order to build successful companies.
- Recognize the need for momentum and the value of leverage.

- Build a company culture that reinforces a meaningful value proposition.

Problems don't normally evaporate without leadership, and by understanding and practicing basic leadership principles, leaders can successfully navigate their companies through even the roughest water. Like *Leading for Growth*, this book is a conversation on leadership rather than a how-to manual. In my first book, I wrote about the nature of change and how it encourages us to think about leadership in a new way. As we slowly leave the Great Recession further behind and work our way through the Great Uncertainty, this book takes those who understand the challenges of leadership during difficult times and urges them to practice their skills and apply them for the benefit of the people, their customers, their organizations, and their communities.

Leading Through Uncertainty is divided into three parts: Leading Yourself, Leading Your Organization, and Leading Your Industry. Each part explores an essential aspect of leadership practice. You can't be a truly effective leader without becoming proficient in each of these areas of leadership practice.

Part 1, "Leading Yourself," is about how a leader has to get comfortable within his or her own skin in order to lead others effectively. In other words, how confident are you, the leader, in yourself? It shouldn't be difficult, but unfortunately all too often it's painful for leaders to be truthful with both themselves and with fellow workers. We frequently read stories in the news about leaders who are obviously avoiding the truth, timing an announcement, or trying to soften the blow to others when full disclosure is the best course of action for their people and organizations. Believe me: being truthful will absolutely set you free. By being forthright and transparent, you will gain respect and credibility from others, while reinforcing your own leadership ability. In addition to exploring the value of being truthful and the energizing impact it can have on organizations, the chapters in Part 1 consider:

- How accepting the fact that the new normal isn't normal at all can help get leaders past the "hesitation machine" and propel them to seek out changes that are fast approaching
- Why leaders should worry only about the issues that they and their people can control, yet be ready to deal with the uncertainty that's all around us
- The negative impact that discounting the impact of intangibles like intuition can have on an organization

Part 2, "Leading Your Organization," takes the personal leadership skills of the leader outward, to the company and the organization. The chapters in this part explore how important the perception of the leader and the company within the organization may be, while recognizing how that perception of others have can become truth. The strong leader will never discount this fact. This part explores a number of topics:

- The value of being really good at executing the basic underlying fundamentals of a business.
- The creation of a meaningful value proposition, which can set you apart from your competition and propel your company forward.
- What being available to all of your many different stakeholders can mean to the organization and the influence this has on sustaining a company in times of great turbulence and uncertainty.
- The simple fact that leaders can't lead if they can't motivate and inspire their people. There are many ways to accomplish this, and it is a leader's job to figure out what approaches are most effective.
- How, even in difficult times, a leader must have the vision to know when to leverage up a company's assets.

The first two parts of this book aim to prepare leaders to accomplish great things for themselves and

for their people. The chapters in Part 3, “Leading the Way,” offer strong fundamental strategies that can lead to progressive advances within your company, propelling it to the top of its industry.

As I wrote in *Leading for Growth*, all businesspeople have a common mission: to get clients and customers to shop with them. All business leaders are hard at work trying to discover the recipe for the secret sauce that will differentiate their company or business from their competition. It’s a simple fact that we’re all trying to accomplish this and that it’s an all-consuming job. The four chapters in this part address:

- How a company’s reputation is one of its greatest—and most vulnerable—assets. If it’s not tended to properly, even the best reputation can erode and cause serious issues for the organization.
- How to take a company’s value proposition and inspire others to turbocharge it, while constantly evolving to keep your company fresh and its competitive gap alive.
- Knowing when to pull back and when to start building momentum for the future.
- How to differentiate your business from others that are selling the same products or services.

Leading Through Uncertainty is a practical book of commonsense advice that will help leaders in any business and any industry sustain their company through uncertain economic times. This isn’t a book of science or formulas, and it’s not a book about obscure management practices. This is a book about leadership, pure and simple, from the perspective of someone who has successfully guided a company through great challenges. Above all, this is a book of common sense that I hope will resonate with readers and bring to life those essential leadership skills that we all need to be reminded of from time to time.

I have no doubt that there will be many booms and busts in the decades to come; it’s a natural part of the global economy, and history is full of both. However, regardless of which direction the winds of economic change eventually blow, the truth is that there is no certainty in either calm or tumultuous waters. If you are a leader, you must be prepared to lead through uncertainty. If you can’t or won’t lead, then step aside and make room for someone who will, because there is still no Door Number Three.

Part 1

Leading Yourself

Control is not leadership; management is not leadership; leadership is leadership. If you seek to lead, invest at least 50 percent of your time in leading yourself—your own purpose, ethics, principles, motivation, conduct. Invest at least 20 percent leading those with authority over you and 15 percent leading your peers.

—Dee Hock, founder and CEO emeritus, Vi

Before you can lead others, you first need to learn how to lead yourself. Leading yourself will help you hone the skills you'll need to lead others, while building the confidence that infuses good leadership and builds the confidence of those they lead. Part 1 considers a number of topics related to self-leadership, including getting your arms around today's headlines, the importance of telling the truth, dealing with problems, understanding what you can and cannot control, and exercising your intuition.



Chapter 1

The New Normal

Destiny is not a matter of chance; it is a matter of choice. It is not a thing to be waited for, it is a thing to be achieved.

—William Jennings Bryan

The effects of the global financial crisis continue to affect our economy: growth and unemployment rates haven't yet stabilized, and change is constant and faster than ever before. We're in the new normal—a time when there *is* no normal. Now more than ever before, leaders must be looking over the horizon to the next revolution—before it overtakes their businesses and their customers along with it.

Since my book *Leading for Growth* was published in 2007, the world has been through an economic tsunami that has wrought incredible damage. Although Umpqua Bank, a regional community bank headquartered in Portland, Oregon, has done well in these uncertain times, other companies—and the citizens of many countries—haven't been so lucky. The economic recovery that followed the 2007–2009 recession has been particularly weak due to many factors, including a stubbornly high unemployment rate, the impact of European fiscal disasters, and the ineffectiveness of Congress to address the major issues facing the United States, to name just a few. The impact of the recession coupled with a slow and uncertain recovery, has left many families and businesses bruised and battered, resulting in an American public that for good reason is worried about the future.

We're stuck in a kind of economic no-man's-land where anything can and just might happen. Is a double-dip recession waiting for us a few months down the road? Maybe. It's not out of the question. A boom driven by a sudden surge in consumer demand? Sure. It's a possibility if consumer confidence begins to rise. Even the things that we have long taken for granted—fully stocked grocery stores, lights that work when you flip the switch, and water that flows from the tap when you turn it on—may soon be at risk according to experts who point out that the infrastructure of post-World War II America is wearing out.¹

Of course, this new normal isn't all negative. Out of this economic trial by fire, we're seeing great creativity and innovation in technology and business, which is resulting in remarkable new products and services that are produced more efficiently than ever before. Entrepreneurs are starting up new businesses at a high rate. According to the Kauffman Foundation in Kansas City, Missouri, more than 500,000 new business owners were minted in the United States each month in 2013.²

Nevertheless, the uncertainty of the times we're in—and can expect to be in for many years into the future—creates anxiety and fear, and this anxiety and fear drive the decisions that we make. Let's face it: When we are scared, confused, and worried about our prospects, we all have a tendency to do nothing and hope the storm passes over us without too much damage, or we overreact impulsively—sometimes exacerbating the bad situation we are already experiencing.

We business leaders are no different from the people we lead. We often feel compelled to take action in difficult or uncertain times. Sometimes we do this to make a difference when we see a clear path to our goals, and sometimes we do this just to let people know that we're awake at the wheel.

Business leaders are human, and we often find ourselves in situations where our fellow associates are looking for and expecting us to remain calm and deliberate—and we overreact. In the heat of the battle, it's natural for leaders to overreact to the conditions in which they find themselves instead of staying calm and acting only when necessary. The old saying "It's better to do something than to do nothing" isn't always the best advice to follow. In fact, in many cases, doing something for the sake of appearing busy—or what has been described as "firing for effect"—can get you and your company into even deeper trouble than if you had instead done nothing.

I have to wonder whether Netflix's decision in 2011 to split its business into two—creating one company, Qwikster, that would handle its legacy DVD rental business and another company, retaining the original Netflix name, that would be responsible for the online video streaming business—was an overreaction to fast-changing and uncertain market conditions. The net result for Netflix's loyal customers was twofold. First, the price they would pay for their Netflix subscriptions would double overnight, from a minimum of \$7.99 a month to \$15.98 a month. In addition, those same customers would also have to deal with two companies to get the same services they were getting from the original Netflix. This led to a virtual riot among Netflix customers that aggressively built momentum through newly popular social media channels, with 16 percent reporting soon after the decision went public that they would cancel their subscriptions.

The result? The price of shares of Netflix stock sunk 57 percent in just two months, and the plan was scuttled by company founder Reed Hastings before it went into effect. Said Hastings at the time, "There is a difference between moving quickly—which Netflix has done very well for years—and moving too fast, which is what we did in this case."³

The dilemma we often find ourselves in during uncertain times is made more complicated by the simple fact that it's almost impossible to remain the same. It has long been said that there are only two things we can count on in life: taxes and death. We need to add one more certainty to that short list: change. But unlike the other two, change can be exciting, positive, and rewarding.

It's interesting to watch how people react to the simple expression "We are going to make changes" or "If we are going to improve, we need to change," or any of the many other ways of saying the same thing. I'm sure there are many psychologists and physiologists who would point out that we are genetically programmed at an early age to fear and worry about change. Indeed, according to experience in organization change, more than 70 percent of all organization change efforts fail, and failed change is the number 1 reason that business leaders get fired.⁴ Much of the blame for these failures can be traced to the resistance to change that seems to be genetically wired into many of us. I often wonder why this is so when change can be so inspiring. If you don't believe change can be beautiful, just watch your children grow.

In business, change is a constant, and its velocity is getting faster and faster. According to Harvard Business School professor John Kotter, "Rate of change in the world today is going up. It's going up fast, and it's affecting organizations in a huge way. And what's particularly important is that it's not just going up. It's increasingly going up not just in a linear slant, but almost exponentially."⁵

Just when you think you have something figured out, new technologies or systems are created that change things. Again. The simple fact is you can't stay the same. Although it's challenging for organizations to embrace change, staying the same is even costlier and more difficult. Even better, of course, is to get out in front of coming changes in your business environment and to anticipate and respond to them before they arrive.

Suppose you're driving on the freeway at fifty-five miles per hour. How difficult is it to keep the

speed constant versus slowing down or speeding up? (For the troublemakers reading this, yes, the ~~assumes you can't use cruise control.~~) The point here is simple: you *will* change, and it's up to you how you are going to make the transition. You can adapt to change because you "have to" or because you "want to." The choice is up to you. Pick one.

Change comes in all sizes and levels of importance, can affect budgets, and usually shows up, or at least so it seems, at the most inopportune times. This we can count on. What's important is how we respond and react to change.

We can embrace change knowing we have no other choice, or we can overreact or panic, causing havoc within our companies. If we choose to be proactive about change, we must actively "hunt" for it and try to prevent it from making surprise visits. This is productive, positive, and powerful. The decision to freeze up or overreact to difficult situations or changes that are forced on us is counterproductive, morale killing, and the start of death spirals in many companies. These two polar opposite reactions to challenges and crises in the business environment are counterdirectional, and different leaders often act in sometimes completely different ways in response to the same event. While some are ready to anticipate change and "lead the revolution" when it arrives, others see change coming, panic, and stick their heads in the sand.

Which kind of leader are you? Which kind of leader do you want to be? If you're not the kind of leader you want to be, how will you change to meet this challenge, and when will you do it?

A WORLD IN FLUX

By definition, a *revolution* is a complete and radical change in something, and a *panic* is a sudden, overwhelming fear that produces hysterical behavior. A revolution is change put into practice, while a panic is an irrational and emotional reaction to that change. Panic can quickly spread throughout an organization, causing widespread fear and concerns if it isn't quickly addressed and defeated. As you can well imagine, panic is rarely (if ever) a good thing for any company. In virtually every case I've seen over the years, panic creates hysterical, unproductive behavior among a company's people that leads to bad decisions and lousy results. And we are not in business to provide lousy results—to our customers, our associates, or our shareholders.

Revolutions occur all the time in the world around us. While the word *revolution* most often makes us think of countries engaged in political upheavals, revolutions also impact the world of business and the consumers of their products and services. I think it's reasonable to believe that the radical changes we experience in all types of industries can rise to meet the definition of a revolution. Consider the introduction of the first cell phone, the first personal computer, the first heart transplant, the first satellite placed in orbit around the earth, and any number of other product advances that have radically changed our lives for the better. These events were profound when they occurred, but it's what they created that is so critical.

Business revolutions of this magnitude are still happening today with no slowdown in sight. Reading glasses of various strengths are produced in China at a cost of less than fifty cents a pair. This advance has the potential to affect the lives of more than 100 million people around the globe who have trouble reading close up. European utility companies are exploring the replacement of coal with briquettes made from sustainable timber by-products, including sawdust and tree bark. Considering that 6 billion tons of coal are burned worldwide each year, rapidly depleting the world's supplies of this key fossil fuel resource, a revolutionary advance of this magnitude could have a huge and lasting impact on our

ability to power the future.⁶

Revolutions, however, do not have to be big to be important; they don't require a radical transformation of the world as we know it to have a big impact. Sometimes it's the small revolution that can make big differences in how we live and conduct business.

The introduction of FedEx is a great example. This small start-up company founded by Frederick W. Smith in 1971 created a revolution in package delivery. Before FedEx took off, getting documents to a distant destination overnight was a difficult and cost-prohibitive proposition. FedEx (which once marketed itself as "a freight service company with 550-mile-per-hour delivery trucks") completely changed the paradigm, making overnight delivery of envelopes and packages a routine, reliable, and relatively inexpensive event.⁷ While the company today is one of the world's largest and most successful businesses (ranked number seventy in the Fortune 500, the company has annual revenues of more than \$42 billion and operates a fleet of almost seven hundred aircraft and more than fifty thousand delivery vehicles and trailers), it started out with just a handful of airplanes Smith acquired when he purchased a used aircraft company in Little Rock, Arkansas, in 1971.⁸ A small revolution in the transportation industry gave birth to something much bigger.

Revolutions can be opportunities to be taken advantage of, or they can be disruptions that cripple our ability to carry on with our existing business paradigm. They can be positive and inspiring if we find them before they find us, or they can be devastating and destructive if they find us first.

I see revolutions and opportunities as synonymous. A revolution or opportunity discovered early can be awe inspiring, while a revolution or opportunity that passes you by—only to return and snap you hard on the side of the head—can be troubling, to say the least. You should always be looking for revolutions, but it's important to remember that sometimes they're not as obvious as you expect them to be, and they don't usually announce their arrival. Revolutions may remain under the radar and take time to gather momentum before they take hold. But whether you notice them or not, they're there.

When I talk about revolutions with executives from other banks, I tell them that they should be very worried that the revolution doesn't find them first. The history of business is paved with the wreckage of companies that were run over by revolutions they didn't see coming: Eastman Kodak (photography film and film cameras, overtaken by digital photography), Bethlehem Steel (steel, pushed aside by less-expensive and better-quality foreign steel imports), and Blockbuster (video rental, made obsolete by Netflix and other online DVD rental and then video-streaming companies).

We've similarly experienced a revolution in banking over the past decade or so. A lot of people in the United States don't physically go to their bank branches anymore. Instead, they do the vast majority of their banking—from paying bills, to checking balances and transferring funds, and even depositing checks using the camera in a smart phone—at home. And those few things they can't do at home, like making cash deposits and withdrawals, they can now accomplish at an ATM at their bank or in a mall or grocery store or gas station. (There's even an ATM in Las Vegas's Golden Nugget Hotel & Casino that dispenses .9999 pure gold instead of cash.⁹) Today there's very little reason for you to actually go to a bank for anything.

That's a revolution, and for those of us in the banking industry, it's a complete and total game changer. But it's also been a long time coming.

With this revolution came huge challenges for our industry. I can tell you that the best opportunity for bankers to create and build relationships with prospective and existing customers is not through a web page where people can quickly shop for the best rates and then sign off.

Banking is a relationship business, meaning we're only as good as our people are. Therefore, the

answer to where we're best able to build relationships with prospective and existing customers is in a bank, when they're face-to-face with a real person. That's where personal relationships are built, not through a computer and an online banking website.

But wait a minute—we have a dilemma here. Bank customers are by choice using bank branches less often, yet that's where most of our new accounts are opened and relationships built. Our industry is currently confronted with a difficult problem—one resulting from a revolution. The revolution we're facing is the result of advancing technology and evolving customer preferences, changes that have been in the works for decades. If we aren't able to adapt, we will suffer the consequences. The challenge is this: How do we evolve the function of bank branches in ways that make them relevant and enable us to continue to expand our businesses?

At Umpqua, we recognized years ago as consumer technology was just beginning to evolve that differentiating ourselves from the competition would be one of the biggest challenges we would face as a company. This challenge is the same one that every business today confronts. Every company in the world is trying to figure this out by asking, "Why should you shop with me?" In our case, banks offer pretty much the same interest rates for deposits and loans, and we all provide checking and savings accounts. In order to show that we offer better value than our competitors, we need to create opportunities for our associates to engage with our customers. The relationships developed through personal interaction are powerful, and they have tremendous value to our customers—so much so that they may be willing to ignore the fact that another bank down the street is paying a little more interest on its deposits this week or has a nicer lobby or parking lot.

Often the customers who shop for electronics on the Internet first go to their local mom-and-pop shop or even one of the larger big-box chains such as Best Buy, Costco, or Walmart to do research about their purchase. They'll talk the ears off a sales associate to get detailed information about the item they want to buy and narrow down their choices to the best one or two products. And then they hurry home, jump on their computer, and buy the item from [Amazon.com](https://www.amazon.com). The customer has taken advantage of all the overhead their local stores are paying for and then made their final decision based on price—bypassing the very stores that are employing their family, friends, and neighbors and instead sending their money to some far-away destination. To add insult to injury, they may not be paying sales tax on the transaction either, shorting their state and local governments at the same time.

Unfortunately this could be the way of the world from now on. It is up to leaders to recognize the reality and respond accordingly. And the time to act is now. Any business that fails to create a value proposition that's specifically designed to capture the interest of potential customers and give them a compelling reason to consider something besides just price in the buying equation could be writing its own obituary.

That's the revolution occurring in business now, and we either respond to it or the revolution runs us over. At Umpqua we responded to this revolution as an opportunity, and in a way you might not expect.

CHANGE THE GAME

Instead of shutting down our existing locations and putting plans for new ones on ice, we decided years ago that bank branches would still be important; however, they're going to have to evolve—because we were going to have to make them important—and do it quickly and totally. That's where we started back in the late 1990s when we designed and built our very first bank store. We don't have bank

branches at Umpqua; all of our branches have been redesigned as bank stores. They're inviting places where you can stop in for a while, browse the Internet on one of our public computers, have a cup of our special Umpqua coffee, or grab a cookie. And while you're there, if you happen to want to do your banking, you can do that too.

We try to give people a reason to come into our stores for something other than a traditional banking transaction. On any given afternoon there might be a yoga class going on, or a bowling league playing on a Nintendo Wii console, or a book club, or an art show. Our stores have become community centers, play and social spaces, places where people want to go. This strategy and response to the revolution in banking has allowed us to continue to increase our business even during uncertain times. It's the revolution we've led in the banking industry and one in which we continue to do everything we can to stay out ahead of—to stay a step in front of our competitors, many of whom have tried to copy our innovations with limited degrees of success.

The old-style bank branch where you've got tellers on one side and desks with loan officers at the other—and a velvet rope telling people where they're supposed to stand—is over. It's a formula that's seriously outdated and an example of how other banks are letting the current revolution in the banking industry run over them.

Another revolution gaining a lot of momentum lately is in the health care industry. Eric Topol, a cardiologist at Scripps Health in San Diego, is leading a revolution in the emerging practice of wireless medicine. Using a \$199 AliveCor heart monitoring iPhone app, Dr. Topol can obtain the same diagnostic information about his patients—heart rhythm, blood pressure, body temperature, real-time heartbeat, and more—as he can using a far more expensive standard twelve-lead electrocardiogram machine. And using a small handheld ultrasound device, the GE Vscan, which has a retail price of just \$7,900, Dr. Topol can easily and inexpensively image the inside of patients' hearts. This is less than one-fifth the price of a typical medical office ultrasound unit, which can cost \$45,000 or more. According to Dr. Topol, he's actually prescribing more cell phone apps to his patients than he is medicine. Talk about a revolution!

While Dr. Topol is considered a bit of a maverick in the medical community, he's on to something. There's a revolution going on in health care that's long overdue. This revolution is being led by advances in technology like those cited above and by risk takers like Dr. Topol—men and women who are leading this revolution and are changing business models and people's lives in the process.

The next revolution is coming. You can't change its course, and you can't stop it. So what's your decision? Are you going to lead it, or are you going to hide from it?

If you're nervous about an emerging revolution in your industry, try to remember that revolutions can provide a remarkable opportunity to advance your company and get well ahead of your competition. Instead of freezing up or overreacting, embrace the revolution and change your business to put you in a position to lead it. Consider what Starbucks has done for the coffee industry. Starbucks guarantees that you can make good coffee at home; you don't *need* to go to Starbucks. So why then do people flock to Starbucks? People love Starbucks because it's a good place to go. The coffee is good, perhaps even excellent. The employees make a point of trying to get to know regular customers—anticipating their orders the moment they walk through the door. There are comfortable chairs and a lounge in and tables to do some work if you like, plus free Wi-Fi to connect to the Internet. You might see a neighbor or friend, or you might meet someone new. And together these elements have transformed an industry.

When it comes to revolutions and panics, understand that you as a leader must respond proactively.

or at least constructively to the potential of a revolution. If you wait, your response could be too late. And if you do nothing, you risk the kind of disruptive panic that can have a negative impact on your people, customers, and other stakeholders for years to come.

BE AGILE—YOU CAN'T STAND STILL

In business, being *agile* can refer to a variety of things. One is the ability to avoid problems while you're in the middle of engaging in some major activity or initiative. Another is to engage fully in necessary preparations before a major disaster hits your organization. Or it could mean being quick to take advantage of opportunities as they arise.

There's a word I really despise, because it slows speed and prevents progress. That word is *bureaucracy*. Bureaucracy limits your agility, and any organization big or small can fall victim to it. In his groundbreaking book on social theory, *Capitalism, Socialism, and Democracy*, economist Joseph Schumpeter pointed out the danger of bureaucratic thinking to organizations:

The bureaucratic method of transacting business and the moral atmosphere it spreads doubtless often exert a depressing influence on the most active minds. Mainly, this is due to the difficulty, inherent in the bureaucratic machine, of reconciling individual initiative with the mechanics of its working. Often, the machine gives little scope for initiative and much scope for vicious attempts at smothering it. From this a sense of frustration and of futility may result which in turn induces a habit of mind that revels in blighting criticism of the efforts of others.¹⁰

Bureaucracy is the enemy of change, and it is guaranteed to limit your organization's ability to adapt quickly to fast-changing conditions in your markets. Bureaucracy isn't the result of having thousands of people working for you. Your organization can be bureaucratic with only ten employees, or even fewer. If your organization isn't agile, you could lose a tremendous opportunity to take advantage of something that would have been in your favor, but because you weren't quick enough or agile enough, you missed it. Situations like this are particularly sad because it's not that you didn't think about taking proactive action; your company was just unable to act because it couldn't move quickly enough.

You can't afford to stand still. Changes and revolutions are coming at you every day. Some people are smart enough to see them and others aren't, but they *will* arrive. And when they do, they will affect your organization whether or not you see them coming. Your business is changing all the time. If it's not technology, it's customer preferences. You have to be constantly on your toes, actively trying to take advantage of what's going on around you or at least being aware of it. As I've said before, staying the same actually costs an organization more to try to stay the same than it does to get better or get worse.

You can walk into a strong headwind as long as you want, but if it's blowing hard enough, you won't be able to make progress. It's going to hold you in place or push you backward. The effort required of you to continue to walk in a wind of that strength costs more money, effort, and time than it does if you were to step to the side and let the wind pass by you. The amount of money, human resources, and productivity that is spent trying to stay the same is much greater than trying to get better or worse. On top of that, it's just plain harder to stay the same.

In *Leading for Growth*, I gave the example of treading water in the deep end of a swimming pool. The long and short of the story was that you can't tread water (which represents staying the same) forever. You can, however, immediately change your situation for the better by simply swimming.

over to the edge of the pool and getting out. Problem solved!

You've got to be agile. Agility can mean taking advantage of opportunities, but it can also mean deciding *not* to take advantage of something. The point is to be agile enough to have options and sufficient time to act, come up with the answer that best fits your company, and then act on it quickly and effectively.

RELENTLESS PROGRESS IS THE KEY

The old saying "That's the way we've always done it" has gone out the window. There is no conventional wisdom in the new normal; it just does not exist, especially with the speed of change and technology.

At Umpqua Bank, we're constantly trying to evolve our culture and our delivery system. Customer preferences change all the time, which I believe makes conventional wisdom the kiss of death. My own preference is for *unconventional* wisdom, which is why I seldom talk to bank consultants. I prefer to engage with people outside my industry. The unconventional ideas they bring me can give me a competitive advantage over my competition because for the most part, bankers limit themselves to what I call "bank think." They're thinking about what banks do. If you own a tire company, why are you interviewing with a tire consultant when they're going to tell you the same thing they told your competitor down the street?

I ask all my people to make progress every day. That's important both to their personal development and to the organization. And progress can come in many shapes and sizes and forms. It can be, "You know, Ray, I've thought about this big project we were going to start and I've delayed it for two weeks because of X, Y, and Z. It's been well thought out, and I think this is the way we should go." To me, that's not a problem; that's progress. By thinking an issue through and weighing the risks associated with it, you've perhaps prevented a problem. I compliment people for that. But make no mistake—it's always important that you know what kind of progress you're making every day.

Once a year we conduct a strategic retreat with our board of directors to confirm the overall direction of the company for the next five years. I also meet with my management team to build consensus on our goals for the upcoming year, which must complement our five-year strategic plan. I believe one great way to measure what you have achieved or what you are going to achieve is to turn your time frame upside down. For example, after you've established your goals, play it back to your group as if the year was just completed. Assume it is December 31 (or whatever your year-end date is), and read back to your team all the goals you set during your discussions as if they were all completed within budget and on time during the year. How does that feel? Was it enough? Were we too aggressive? The answers will become very clear.

I also practice this with my board of directors. I play back the goals and give them an idea of where we will be by the end of the year. I draw a mental picture that if the economy and the world behave as we stay in control of our destiny, then this is what we could look like a year from now. Usually we all feel pretty good about our aspirations for the upcoming year and are confident we will make relentless progress toward achieving them. That's another way to measure progress.

DEAL WITH IT

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