

University of San Diego

Digital USD

Dissertations

Theses and Dissertations

1989

The Transformation of a Corporate Culture in a Mature Organization

James F. Kelly EdD
University of San Diego

Follow this and additional works at: <https://digital.sandiego.edu/dissertations>



Part of the [Leadership Studies Commons](#)

Digital USD Citation

Kelly, James F. EdD, "The Transformation of a Corporate Culture in a Mature Organization" (1989). *Dissertations*. 526.

<https://digital.sandiego.edu/dissertations/526>

This Dissertation: Open Access is brought to you for free and open access by the Theses and Dissertations at Digital USD. It has been accepted for inclusion in Dissertations by an authorized administrator of Digital USD. For more information, please contact digital@sandiego.edu.

**THE TRANSFORMATION OF A CORPORATE CULTURE
IN A MATURE ORGANIZATION**

by

James F. Kelly, Jr.

A dissertation submitted in partial fulfillment
of the requirements for the degree of

Doctor of Education

University of San Diego

1989

Dissertation Committee

Johanna Hunsaker, Ph.D., Director

William Foster, Ed.D.

Joseph Rost, Ph.D.

Copyright © 1989

by

James F. Kelly, Jr.

All rights reserved

ABSTRACT

THE TRANSFORMATION OF A CORPORATE CULTURE IN A MATURE ORGANIZATION

KELLY, JAMES F., JR., Ed.D., University of San Diego, 1989, 297 pp.

Director: Johanna Hunsaker, Ph.D.

Much recent attention has been focussed on organizational culture as a useful vehicle for understanding organizations. There have been many studies of the cultures of organizations and some on efforts by leaders to change them or implant new ones. Most of these have dealt with founders, their successors or other early generations of leadership or management. Many of them are anecdotal and most, if not all, have been conducted by researchers external to the organization. The limited time and access typically available to the researchers have generally impeded efforts to penetrate to the core culture or to identify significant subcultures. Moreover, there is a paucity of research efforts which examine the transformation of an existing culture in an already-mature business enterprise.

This descriptive research employs the historical case study, ethnographic and phenomenological methodologies to determine how a culture evolved at Great American First Savings Bank and how it was transformed by leaders to facilitate attainment of a shared vision and goals for the organization. A history of the 104-year-old financial

institution has been developed to serve as necessary background for understanding the culture which evolved. The study describes the current corporate culture as well as the several subcultures which have developed and the persons, events and circumstances which influenced them. The interaction of the main culture and subcultures was also analyzed.

Examined also was the effect of mergers and acquisitions upon the parent culture and the culture of the acquired companies. Attempts to preserve the main culture during periods of dramatic change, dynamic growth, deregulation and transformation to a sales and service culture were analyzed. Data were gathered from records, minutes, artifacts, newspaper accounts, periodicals, meetings, conversations and direct observations extending over a period of five years. Additionally, 23 interviews were conducted with current and former members of the organization at various levels and in various locations throughout the company.

Results indicate that the culture evolved into a strong, coherent culture over a period of 85 years and that two leaders effected a major transformation of it in order to better position the company and its stakeholders for the growth and competitive environment they knew lay ahead. The findings further suggest that the concept of culture modification is a powerful tool for effecting transformational change or for leading organizations through

periods of turbulent change while preserving the basic values and spirit of the organization.

To Charlane

for her patience and encouragement

PREFACE AND ACKNOWLEDGMENT

I have felt for some time that ethnographic studies of the cultures of competitive business enterprises were frequently superficial or myopic because of the access and time limitations which typically confront the researcher. In the time normally available, it is extremely difficult to penetrate through to the core of the culture and even more difficult to gain an understanding of the subcultures and their degree of interaction.

My position and length of time at Great American First Savings Bank permitted me a rare opportunity to identify and to actually participate in the culture of this mature company and to study its transformation. There is a dearth of research on the transformation of a strong, well-established culture in a mature business organization, and I felt it important to take advantage of this opportunity to add some thick description to the sparse literature on this subject.

I am sincerely grateful for the support and encouragement to pursue this project that I received from my employers and associates at Great American. I am grateful as well for the support, encouragement and direction I received from my dissertation director, Johanna Hunsaker and from the other members of my committee, William Foster and Joseph Rost. I also wish to thank Dean Edward De Roche for his encouragement, time and friendship. Finally, I owe much to all my professors and classmates at the University of San Diego for all that they have taught me.

TABLE OF CONTENTS

	Page
List of Tables.....	vii
List of Figures.....	viii
List of Appendices.....	ix
CHAPTER ONE: INTRODUCTION.....	1
Statement of the Problem.....	1
Purpose of the Study.....	3
Need for Research in this Area.....	4
Significance of this Study.....	6
Definitions and Key Terms.....	8
Organization.....	11
CHAPTER TWO: REVIEW OF THE LITERATURE.....	12
Overview.....	12
General Observations from the Literature.....	14
Principal Themes of the Literature.....	19
Organizational Culture and Leadership.....	22
Organizational Culture and Ethics.....	27
Organizational Culture and Decision Making...	32
Culture and Organizational Change.....	35
Summary Remarks on the Literature.....	48
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY.....	51
Design of the Study.....	51
Possible Methodological Approaches.....	53
Rationale for Methodology Employed.....	58
Overview of the Research Procedures.....	60
Sites for Data Collection.....	61

Sources of Data.....	62
Participants in the Research.....	62
Data Gathering Methods.....	62
Data Analysis.....	63
Assumptions and Limitations.....	64
Role of the Researcher.....	65
Ethical Considerations.....	65
 CHAPTER FOUR: HISTORY OF GREAT AMERICAN FIRST	
SAVINGS BANK.....	66
Origins of the Organization.....	67
The Second Decade.....	78
The Third Decade.....	82
The Fourth Decade.....	88
the Fifth Decade.....	93
The Sixth Decade.....	104
The Post World War II Period.....	118
The Beginning of the Retail Branch System.....	129
The Luce-Schmidt Era: A New Image.....	131
Deregulation and Transition to a Sales Culture...	137
 CHAPTER FIVE: TRANSFORMATION OF THE CULTURE.....	150
Overview.....	150
The Dominant or Mainstream Culture.....	154
Subcultures.....	186
Loan Group.....	186
Regional Cultures.....	191
Summary.....	199
 CHAPTER SIX: DISCUSSION, CONCLUSIONS AND IMPLICATIONS.	201
Evolution of the Culture.....	201

The Current Culture.....	203
Perceptions of the Culture.....	211
How Luce and Schmidt Transformed the Culture.....	228
How Mergers and Acquisitions Impacted the Culture	235
The Development of Subcultures.....	240
Preserving the Corporate Culture.....	244
Conclusions and Implications.....	251
Recommendations for Further Research.....	254
Concluding Remarks.....	259
REFERENCES.....	264
APPENDICES.....	276

List of Tables

Table	Title	Page
1	Key elements of the Great American corporate culture.....	158
2	Comparison of the main culture and subcultures.....	187

List of Figures

Figure	Title	Page
1	Stakeholders represented in the statement of corporate values at Great American.....	205
2	Customer service pledge	210

List of Appendices

Letter	Contents	Page
A	Evolution of a corporate logo at San Diego Federal Savings and Loan.....	276
B	Current Great American corporate logo.....	277
C	Original statement of corporate purpose, San Diego Building and Loan.....	278
D	Statement of values and beliefs, Great American First Savings Bank.....	281
E	List of persons interviewed.....	296

CHAPTER ONE

INTRODUCTION

Statement of the Problem

In the literature on organization theory and change, much recent attention has been devoted to organizational culture as a useful focus for understanding organizations (Bolman & Deal, 1985; Deal & Kennedy, 1982; Meyer, 1984; Schein, 1985a; Smircich, 1985; Weick, 1985). Among the current, best-selling authors dealing with excellence in business organizations, Peters and Waterman (1984) expressed the view that a strong and coherent culture is an essential quality of what they refer to as excellent companies.

Although definitions of culture as applied to organizations often seem somewhat vague and indistinct, most authors who write about specific organizations appear convinced that the organizations they are studying do, indeed, have distinct and unique cultures that somehow breed or encourage leadership or at least contribute to success in terms of the organization's goals. A number of studies have attempted to slice into the organization in an attempt to describe the fabric or texture of a particular culture (Deal & Kennedy, 1982; Gordon, 1985). Many scholars have linked a distinctive culture with leadership and certain leadership styles (Schein, 1985a; Sergiovanni, 1984; Vaill, 1984).

Some have studied the interaction of different external subcultures upon an organization's own culture (Davies & Weiner, 1985).

The recent proliferation of mergers in corporate America has provided a rich and fascinating test bed for examining the impact of these mergers upon existing corporate cultures and for studying the durability of the parent organization's culture as new leaders and managers join the company, sometimes bringing with them elements of the cultures of the acquired organizations. Whether these cultures clash or are compatible would seem an important predictor of success in a merger operation. By the same token, the suppression of a culture in an acquired organization, because it does not appear compatible with the culture of the acquiring organization, may create morale problems.

Many studies of the cultures of business organizations have focused upon the contributions of founders, their successors or other early generations of leadership in molding a durable corporate culture (Martin, Sitkin & Boehm, 1985; Peters & Waterman, 1982; Siehl, 1985). The great majority of these have dealt either with large, nationally-prominent organizations or with those at the other end of the spectrum, that is, small, privately-held companies. I have encountered an absence of serious research efforts which examined the creation of a distinctly new culture or the transformation of an existing one in an already-mature company.

Some studies have dealt with cultural change (Allen, 1985; Quinn & McGrath, 1985; Trice & Beyer, 1985), but I believe there is a need for information on the factors involved and the phenomena associated with the creation and development of a distinctly new and different culture in a mature, robust and competitive commercial enterprise. There is, moreover, a prominent need to add to the body of knowledge, some description and analysis on how a culture thus created and developed survives a vigorous period of planned growth and expansion by means of the merger and acquisition process and by entry into different lines of business, products and services. Information is also needed regarding the impact of the merger and acquisition processes upon the existing cultures of companies merging their operations or being acquired.

Purpose of the Study

My purpose in this research is to conduct an historical case study of the transformation of the corporate culture of Great American First Savings Bank, the nation's eighth largest publicly-owned savings bank, founded in 1885. I will provide a concise history of the company but will deal primarily with the evolution of the current culture and the impact of leaders, events and environmental circumstances in forming, influencing and shaping that culture. Particular attention will be paid to the influences of growth strategies, mergers and acquisitions upon the culture and to

the relationship between the individual cultures of acquired and merged companies and that of the parent organization.

I have set six objectives for this research, to wit:

1. To trace the evolution of an organizational culture at Great American First Savings Bank, identifying persons, events, actions, strategies and environmental circumstances which influenced it.

2. To describe, in depth, the current corporate culture of Great American First Savings Bank.

3. To describe how certain leaders at Great American accomplished shared organizational goals by transforming the culture of the organization.

4. To describe how mergers and acquisitions impacted both the parent culture and the individual cultures of acquired and merged organizations.

5. To examine the development of several subcultures within the Great American organization and determine their interaction upon the corporate or main culture.

6. To analyze attempts to preserve the corporate culture of Great American during periods of change, growth and diversification.

Need for Research in this Area

Understanding the culture of an organization and how it evolved is useful if we would fully understand how and why organizations function. Culture seems to provide an essential communication function within an organization. It

helps its members know how to behave and how to make decisions in the absence of explicit guidance. It teaches them to recognize the right thing to do under the circumstances, not just in an ethical sense, but in a practical sense as well, since as Rachels (1986) has noted, the ethical choice generally is the cost effective choice in the long run.

Leadership researchers have not totally ignored the role of culture in the study of leadership but that which has been done by no means exhausts the subject. Culture and the study of leadership and organizations interact in a very dynamic process which has not been well described, let alone understood. They influence each other profoundly and yet, as Chemers (1984) observed, there are few theories which make any predictions about the role of culture in shaping the leadership process. Lundberg (1985) also notes that the academic literature has mostly ignored or only tangentially dealt with the changing of organizational cultures.

Researchers seem divided over the issue of whether or not every organization has an identifiable culture or whether it is something they must, consciously or unconsciously, develop. Some believe that organizations are, in fact, cultures (Geertz, 1973; Goodenough, 1971; Smircich, 1983). Siehl (1985), however, feels that organizations must work at producing cultures. At any rate, most authors appear to accept the view that the creation and/or manipulation of an organization's culture is a powerful means by which leaders

can effect change, attract followers or maintain direction.

Culture assumes great importance in times of organizational crises or transitions. They may provide unique opportunities to assume leadership or to change the culture. Examples are mergers, deregulation of an industry, increased competition, diversification of product lines, financial crises, unplanned departure of one or more leaders or managers and reorganizations. Sometimes, organizations willingly embrace change or modification of the culture; sometimes they dig in and resist. In any event, these internal and external environmental circumstances provide prime opportunities for leaders. It is critical, therefore, that leaders thoroughly understand the value of the concept of organizational culture as a framework for viewing and effecting change within organizations.

Significance of this Study

I believe that the study and understanding of a given organizational culture are best achieved through the intimate, up-close study of that organization. Often, this can best be achieved by a member of the organization itself, provided the member has sufficient research skills and can bracket his or her own biases with respect to the organization. While some phenomena are best studied by a completely neutral observer, it is, as a practical matter, doubtful that an outside observer can gain sufficient access and acceptance to really permeate the organization and learn

the culture of a very competitive business enterprise in a deregulated, sales-oriented environment.

Although, to be sure, many ethnographers and anthropologists have been eminently successful in gaining sufficient acceptance and access to a society to learn and report on its culture, such success is always problematic in the case of a competitive business entity where proprietary information is involved and the consequence of unauthorized disclosure can present significant economic risk. And since it is probably uncommon that a member of such a business organization is properly positioned and genuinely motivated to undertake such a study, I am persuaded to take advantage of the opportunity.

The results of this study may have limited generalizability. The conclusions, however, should produce useful insight for leaders and managers involved in the merger and acquisition processes and additional knowledge for students of leadership, organization theory and organizational change regarding the transformation, shaping, development and subsequent preservation of a culture as an integral part of a corporate strategy. Moreover, this historical case study should suggest other topics for study in a seldom-studied environment--that of a growth-oriented, competitive, regional financial organization. Even if the findings should prove to be of limited generalizability, I believe that we must first add to our sparse store of real life experiences in this thinly-explored area before we can successfully generalize

about the transformation of corporate cultures within mature business organizations.

Definitions and Key Terms

The application of the term culture to organizations, particularly business organizations, is a fairly recent practice. The study of culture has, in the past, normally implied the study of a society, people, community, tribe or civilization. In fact, dictionary definitions as recent as twenty years ago failed to include any mention or examples of organizations in defining culture.

Although not routinely applied to organizations until recently, Kennedy (1986) traced definitions of the term back to 1871. Culture, taken in its ethnographic sense, is that complex whole which includes knowledge, beliefs, art, morals, law, custom and other traits, capabilities and habits acquired by individuals as members of society. In the years since, said Kennedy (p. 1), over 150 definitions have emerged.

Given the tremendous growth of and interest in American business institutions in the post World War II period, it is not surprising that students and researchers studying organizations would borrow that anthropological term and apply it to organizations (Sales & Mirvis, 1984). Indeed, many modern business organizations approach or exceed in size such demographic entities as tribes or even nations.

There are many definitions from which to choose ranging from the concise to the detailed. An example of the former

would be a commonly-heard street definition of culture as simply the way things are done around here. It may be useful, though, to review some more rigorous definitions before stating the one I will use in this study. Maanen and Barley (1985) saw culture as a set of solutions devised by a group to deal with specific problems posed by situations they faced in common (p. 33). Also reflecting the group approach is the view that culture consists of the conclusions a group of people draws from its experience (p. 267).

Most of the definitions emphasize shared beliefs. There is, for instance, Sapienza's definition of culture as "a system of shared beliefs that predisposes people to see the world in a certain way" (1985, pp. 66-67). Davis (1985, p. 139) described it as "a pattern of shared beliefs and values that shapes the meaning of an institution for its members and provides them with the rules for behavior."

Lorsch (1985, p. 84) presents a rather restrictive concept of culture as "those beliefs top management share about how they should manage themselves and the other employees and conduct their business." A more expansive view of culture as a coping mechanism is offered by Harris (1985, p. 30) in defining culture as "a dynamic mechanism for human coping and achievements [which] influences all facets of human life." It is, said Harris, a learned adaptation. Schein (1985a), on the other hand, believed that culture is a large set of taken-for-granted, implicit assumptions on how members view both external relationships with various

environments and their internal relationships with each other (p. 244). And Ouichi (1981) stated that tradition and culture make up a company's culture and that culture implies a company's values. It is instilled by example and passed to successive generations.

I am, of course, concerned with the culture of business organizations. I am, therefore, attracted to Deal's (1985) definition which describes culture as the human invention that creates solidarity and meaning and inspires commitment and productivity. But in attempting to actually describe the culture of a business enterprise, one must be specific regarding what constitutes the elements worthy of description. These I define, therefore, as that set of values, habits, characteristics, rules, traditions, stories, legends and metaphors shared by a significant number of the employees and certain other stakeholders, that shape their organizational, and sometimes their private, behavior.

Attention is invited to the differences between leaders and managers and leadership and management, terms which are used in proximity to each other throughout this study. Those differences have been discussed at length elsewhere and will not be belabored here. I employ that concept of leadership developed by Burns (1978) and expanded upon by Rost (1985) who further distinguished leadership from management by the presence of shared vision, transformational purpose and planned, beneficial change.

I refer in this study to the merger and acquisition

processes. By merger, I mean a union between two separate companies. The term merger partner in this study denotes a company which has merged with Great American. Acquisition refers to the purchase of one or more branches from another bank. The acquisition process, thus, is different from the merger process.

Organization

Chapter Two presents a review of the recent literature relevant to organizational culture. Available methodological approaches are discussed and evaluated in Chapter Three and a rationale for the methods selected is presented. Chapter Four is a concise history of the organization which provides the essential background for the evaluation of the corporate culture at Great American. Chapter Five provides thick description of that culture and how it evolved. Conclusions and implications are set forth in Chapter Six, along with suggestions for further research.

CHAPTER TWO

REVIEW OF THE LITERATURE

Overview

Books, articles and papers on organizational culture have proliferated in the past decade. In fact, nearly every recent book on leadership and excellence in organizations and most recent works on organization theory and change devote at least some discussion to the culture of organizations. As previously noted, the scope and range of meanings attached to the term vary widely as does the degree of importance that writers attach to the culture of an organization.

If an organization or a group has a shared history of any length, certain assumptions about the nature of reality, the environment, people and relationships will become aligned in patterns of higher order assumptions which Schein (1985a, p. 244) calls the cultural paradigm. A culture which develops in this manner will permeate most aspects of an organization including strategy, planning, structure, control systems, rewards, punishments and even daily routines.

Although little understood, the importance of culture seems to be widely accepted now by researchers in this field who sometimes seem rather a little in awe of it. Throughout the literature, there is recognition of the

role which culture plays in providing consistency, order and understanding in the life of an organization, all of which are deeply-felt, universal human needs.

Deal and Kennedy (1982) believed that every business--and in fact, every organization--has a culture. This view, which is not universally held among researchers (cf. Schein, 1985a), suggests to me that organizations have a certain life of their own. I lean toward the view that it is leaders who give life to organizations, and, in the process, play a fundamental role in creating a culture for the organization where none may have existed previously. Some elements of a culture may, perhaps, have evolved, but leaders can transform it into something which bears little resemblance to what formerly existed. I believe, moreover, that this culture they help create can facilitate their goals for or on behalf of the organization.

With the foregoing as a conceptual framework, I have reviewed the recent literature, primarily that written subsequent to 1978, with the purpose of identifying the principal themes and arguments relative to the nature, function and significance of culture in organizations, primarily, though not exclusively, in businesses, which is to say, profit-oriented organizations. My sources for this review were books, articles in professional journals and other periodicals, speeches and papers.

After some general comments on the significance of

organizational culture which seemed prominent in my readings, I deal with four principal themes of the literature that are relevant to the study. These themes relate organizational culture to (a) leadership, (b) ethics, (c) decision making and (d) organizational change.

General Observations from the Literature

It is fashionable today for successful business organizations to publicize their cultures in advertising, annual reports, employee handbooks and sometimes in booklets or pamphlets devoted entirely to the subject. Most managers, however, have only a remote concept of what is meant by the term. They know that it somehow has to do with the way their people are supposed to feel and act, but they seem rather at a loss when asked to define it with any degree of precision (Kilmann, Saxton, & Serpa, 1985). They may refer to things like ceremonies, rallies, parties and teamwork, but their knowledge of what it all means often is confused and superficial. This is in sharp contrast to their customarily detailed and even intricate knowledge of organizational goals, strategy, policy and budgets which they view as more tangible aspects of management and organizational activity.

So vague are our concepts regarding corporate culture that its study can be elusive. Indeed, said Mitroff (1983), there may be no stickier concept in the entire field of organizational theory than the culture of an

organization. It is compounded of many things including written and unwritten rules, values, history, legends, myths, rituals, ceremonies, symbols, trademarks, slogans, jokes, stories, superstitions, awards, traditions, language, metaphor, dress, architecture and politics.

Mitroff referred to many of these components as archetypes which are, he said, the most basic, universal symbols by means of which humans experience the world. People may disagree on many aspects of organizational life, but they still can share common dreams, aspirations, visions and symbols. Such beliefs, held in common, can link disparate members of an organization and provide them with an emotionally satisfying picture of it. Without such common ground, the stress of organizational life, for many, could be intolerable.

Organizations are, in a sense, what their members believe they are. "After all", as Deetz (1985, p. 253) asked, "what more is an organization than a construction that members uphold and maintain in some way?" Cultural inputs alter our perceptions and the way we read meaning into our life and daily experience. Culture develops slowly, affecting our identity, behavior and performance in a profound and lasting way.

Harris (1985, p. 35) provided 12 compelling reasons why today's managers should increase their cultural awareness:

1. To provide a sense of identity to individuals and

to the organization.

2. To provide insight into people and their behavior.

3. One must understand the culture before attempting to influence or change it.

4. Understanding the organizational culture is vital to analyzing various work cultures present in the organization.

5. Cultural insights are vital in the study of comparative management.

6. An understanding of those cultures involved is vital in international trade and business operations.

7. Cultural awareness is important in all relocation activities including transfers of personnel.

8. Cultural components should be built into all management training programs.

9. Cultural understandings are indispensable in dealing with minority and ethnic issues.

10. Cultural awareness enhances participation in international organizations.

11. Cultural competencies are valuable in working with regional economic associations.

12. Understanding how cultures develop may have important implications in future space industrialization.

Harris dealt extensively with work cultures in organizations. He felt that our work cultures in the United States are changing markedly toward greater

autonomy, flexibility in terms of working hours, more informal and synergistic work relationships, greater reliance on communications technology and more participative management. Americans are placing greater value on the quality of the working environment and on their leisure time. There is also a growing spirit of entrepreneurialism pervading our work cultures. People want more control over their working lives.

The cultural view of organizations has the advantage of permitting an examination of an organization as a unique entity with unique characteristics separate and apart from those of the individuals it comprises, according to Mitchell, Rediker and Beach (1986). A strong culture is present in an organization, according to these authors, when the following characteristics are well established:

1. An articulated network of beliefs and values.
2. Shared knowledge of particular symbolic exemplars, such as success and failure stories, organizational heroes and founder stories, that communicate core beliefs and values as well as their behavioral implications.
3. Social processes such as acts of leadership, employee selection and promotion standards that serve to add quality to the organization's culture.

In a strong culture, these characteristics are very pervasive. Members readily accept their validity and act

accordingly.

Schein (1985a) wrote that the strength, clarity and degree of integration of a corporate culture or subculture is directly proportional to the stability of the membership of the group, the length of time the group has been together and the intensity of the collective learning that has taken place. A strong culture, therefore, cannot simply be created by management action. It must evolve through shared history, not executive decision.

Schein also felt that any group within an organization has the potential to develop its own culture if it has a stable membership and a history of joint problem solving. We can expect to find within a given organization, a variety of cultures based on such things as function, geography, rank or projects. These are referred to as subcultures. In a sense, the main corporate culture itself may be thought of as a subculture of the industry or community in which it operates. An individual savings institution, for example, may represent a subculture of the savings and loan industry.

Cultures, said Lundberg (1984), are of two types: homogenetic and heterogenetic. Homogenetic cultures are fairly monolithic whereas heterogenetic cultures have a multiplicity of components which may be diffused throughout the organization. Organizations also are of two types, he said: homeostatic or morphogenetic. Homeostatic organizations are stability-oriented while

morphogenetic organizations are change-oriented. A 2 x 2 matrix can thus be constructed as an aid in predicting organizational resistance to change. Organizations which are both homogenetic and homeostatic have very high resistance to change while those which are both heterogenetic and morphogenetic have very low resistance to change. Organizations which can be described by the other two possible combinations would be expected to display moderate resistance to change.

Principal Themes of the Literature

A surge of recent books on the topic makes it clear that organizational culture is one of the hottest topics around, particularly in business libraries. Managers and consultants are intrigued with the notion that organizations can be made more effective if the right kind of culture can be instilled.

But cultures take time to evolve and they cannot necessarily be implanted or changed at will. Schein (1985b) was not at all certain that by merely knowing the culture we can change it. Sometimes, he said (p. 18), knowing destroys the mystique. Its very power derives from the fact that it operates as a set of assumptions that are unconscious and taken for granted. Frequently, the unspoken is more powerful than what can be conveyed through speaking, wrote Louis (1985) who said that one must gain a sense of the feel, smell and personality of a

workplace to know its culture.

Most researchers, however, felt that culture can be changed or managed (Kilmann, 1982; Tichy, 1982). Lundberg (1985) observed that the academic literature mostly has ignored the subject of how culture is changed or managed. There must be, Lundberg felt, certain favorable external and internal conditions present in order for change to be facilitated. The two external enabling conditions are: (a) domain forgiveness and (b) domain congruence or degree of organization.

There are, in addition, four internal permitting conditions: (a) a surplus of change resources; (b) system readiness; (c) informational linkages or intraorganizational dependency and (d) leadership and power.

Certain precipitating pressures also must be present: (a) atypical performance demands on the organization; (b) stakeholder pressure; (c) organizational growth or decrement and (d) resource deprivation.

Finally, one or more triggering events must occur for change to be successful. It is, noted Lundberg, a very difficult process.

Certain aspects of a culture such as logo, colors and slogans, for example, can be changed without fundamentally changing the culture. Lundberg (1985) described four levels of culture, to wit:

1. Artifacts or tangible aspects of culture.
2. Perspectives or rules and norms.

3. Values or standards for judging, grading and evaluating.

4. Assumptions or tacit beliefs.

It is clearly possible to make changes within levels without substantially changing the identity of the culture.

An abundance of the literature deals with the role of founders in creating new organizations with distinctive cultures. Since I am interested in how a culture is implanted in a mature organization or how its existing culture, if it has one, is transformed, my focus in the literature search has been more on organization and behavioral change than on entrepreneurial leadership, although transformational leadership is of direct interest and bearing on the subject.

Pettigrew (1979) identified three strains in the literature on organizational culture:

1. Dimensions of bureaucracy and how they change with size.
2. Interaction between organizational structuring and functioning involving crises of development.
3. Organizational birth and evolution as a process of character formation (p. 573).

Culture, he felt, must be studied not as a unitary concept, but as a family of concepts involving language, beliefs and the other archetypes of culture referred to previously in this study. Pettigrew preferred to study

organizational cultures from a longitudinal perspective which recognizes organizations as continuous systems with a past, present and future. He was, in his words, "more interested in the language of becoming than of being" (p. 572).

In her study on leader communications and organizational culture, Sayre (1986) organized her literature review around four questions, to wit:

1. How is corporate culture defined?
2. What contribution does communications make to the study of culture?
3. What rule does leadership play in determining culture?
4. How does performance relate to culture, communication and leadership?

She found, however, three main streams of emphasis in her readings: information flow, message content and climate studies. She decided to ignore the latter, believing it incorrectly related to culture.

My own experience in reviewing the literature allowed me to divide it into the four dominant themes of my leadership studies: leadership, ethics, decision making and organizational change. The remainder of this chapter segregates the comments on the literature into these categories.

Organizational Culture and Leadership

Organizational culture has become a best-selling theme

in books, seminars and articles. A large segment of the literature links leadership and organizational culture. Two monumental works in this area contain both terms in their titles. They are Organizational Culture and Leadership (Schein, 1985a) and Leadership and Organizational Culture (Sergiovanni & Corbally, 1984). The reversal in order represented by these two titles, while perhaps not significant of any particular intent, nevertheless symbolizes an interesting question. Which comes first? Do leaders create organizational culture or must the culture exist first in order to breed and nourish leaders?

Deal and Kennedy (1982) believed that cultures create heroes and that heroism is a leadership component largely ignored by modern management (p. 37). Successful institutions, wrote Nadler (1988), are characterized by an individual leader who serves as a focal point for change and whose presence, activity and touch have a magic or special feel. They display distinctive behaviors that are envisioning, energizing and enabling. They create a sense of urgency, display a mix of styles and provide a sort of guardianship of the cultural themes. It is the leader, in every case, who must articulate and communicate the vision for the organization (Nilson, 1987).

Dyer (1985) discussed strategies for changing organizational cultures by changing leaders and symbols and by reorganizing in the belief that a certain culture

will make them more profitable. It is evidence of the widespread belief that leaders create the culture.

Sergiovanni (1984) saw leadership itself as cultural expression. What leaders stand for, he felt, is more important than what they do or say. Their acts themselves are expressions of culture. He faulted leadership scholars for giving too much attention to the behavioral and instrumental aspects of leadership and not enough to the symbolic and cultural. Schein (1985a) also focused on the role of the top executive in shaping and reinforcing culture. He explored ways in which an organization's leaders can create, manage and modify that culture.

Pfeffer (1981), however, believed that successful managers must manage on a symbolic level, using political language appropriate to the organization. Managers may, in fact, run institutions but it takes heroes or leaders to create the culture that stands for those institutions. The notion that leaders create or help create organizational culture was also put forth by Pettigrew (1979) who warned against the study of entrepreneurial leadership outside the context of that culture.

Krefting and Frost (1985) also advised that leaders should use symbols and imagery to release and develop the potential of organizations. They should, moreover, be prepared to accept the risks in doing so. In dealing with organizational culture, they felt, managers must be close enough to understand the culture and yet detached enough

to see beyond the cultural blinders. In other words, they must be able to see existing culture as a social construct that can change and be changed.

Sayre (1986) also pursued the linkage between culture and leadership which she described as a marriage. The leader, she wrote, has both symbolic and executive roles. She focused particularly on the leader's use of language in transmitting the values of the culture to organization members, an area she noted as lacking sufficient attention in the literature.

How organization members learn to be leaders or develop as leaders can be greatly influenced by the culture of an organization. Levinson (1981) felt that people develop their expectations of how people should act in authority based upon their own individual experiences with it in the culture of their organization. The culture, in fact, sets the standards and ideals for appropriate leader behavior. A superior who fails to conform with these standards and expectations will be seen as unjust.

Nationalism and nationalistic cultural norms may, moreover, be reflected in an organizational culture. The way business is transacted in foreign countries or by foreign companies is often reflective of the national culture. Emphasis on consensus and on ritual is particularly important in dealing with Japanese entities, for example (Ouchi, 1981). In the United States,

however, leadership derives legitimacy and support from consent of the governed. Independence and individual rights are powerful values that are reflective in organizational values as well as national and political values. The strong egalitarian tradition is particularly deeply entrenched in American organizations. Just as citizens can withdraw their support from political leaders, so can workers, stockholders, directors and other stakeholders and followers withdraw their support from organizational leaders.

Financial institutions are essentially white collar organizations. White collar people are of middle class orientation with high expectations regarding security, choices, authority and income. They tend to be quite conservative and are intensely concerned about relationships with top managers (Levinson, 1981). They have intense expectations regarding their leaders. The tremendous preoccupation with management and authority is somewhat reflected in the large numbers of officers and officer ranks and the proliferation of titles in many banks.

Unfortunately, said Levinson, the American economy today cannot fulfill these ambitious middle class expectations. The pyramidal shape of American business organizations results in a few meteoric career paths and many, many more disappointments and career plateaus (Kelly, 1985). There is a diminishing need for middle

managers in American industry. "This reality of the American economy and the disappointment that it engenders," wrote Levinson "is one of the most significant cultural factors affecting work today" (p. 64).

Organizational Culture and Ethics

Organizational cultures deal with values, and values and ethics are intertwined. An understanding of the significance of corporate cultures necessitates an appreciation of the ethical considerations in their creation and modification. Deetz (1985) dealt with the importance of ethical considerations in cultural research. Jones (1985) examined the ethical considerations involved in manipulating beliefs, behaviors, legends and symbols. Butcher (1985) wrote that studies of organizational culture indicate that ethical considerations provide the underpinning and driving force of successful companies and that their strength lies in the ethical component of their cultures. Similarly, Pastin (1986) felt that ethics is at the very heart of an organizational culture.

Most earlier cultural studies looked only at surface power features. The new emphasis in the literature now is on the interests of all the stakeholders (Deetz, 1985; Mitroff, 1987). The challenge of cultural research today, according to Deetz (p. 266), is to look at how all interests can be represented. Academic researchers, he

felt, have largely accepted a managerial perspective. The challenge is to preserve a human voice. He felt that the guiding principle is not a political one but a participatory one and that a culture is good because of whom it serves. Ideologically-based development rests on sectional interests being universalized as the way things are. "One of the most difficult distinctions in modern social philosophy is the difference between ideologically and nonideologically-based cultural development" (Deetz, 1985, pp. 259-260).

Jones (1985) pursued the important and troublesome issue of whether or not the manipulation of organizational culture for purposes of effecting change is ethical. Many assume that any attempt to change a culture is merely an attempt to increase productivity and exploit the members of the organization as well as its clients.

Even increasing managerial effectiveness may be viewed in this light. Many feel that this is simply built in to the normative culture of management.

To admit that one's organization lacks a distinct culture is, today, rather tantamount to acknowledging that it has no class. This is leading to a trend toward relying on consultants, marketing agencies and new managers to create a culture. Both Jones and Pastin (1986) cautioned against the manipulation of attitudes and values in an organization. Jones wrote:

The creation and dissemination of a heroic narrative,

or the staging of a banquet honoring achievement, is not going to convince organization participants (although a visitor might be impressed) that a company has their best interests in mind if other events and activities in the organization contradict this message. (1985, p. 24)

In the manipulation of attitudes and values in an organization, there is never an isolated story, metaphor or ritual. All must be part of a pattern, Jones felt. The bulk of our behavior is expressive and symbolic.

"Organizations," said Pastin (1986, p. 127), "should have weak cultures and strong ethics." Managers today are constantly in search of fads and culture is sometimes perceived as a new management fad. They sense that there is something powerful about symbols and myths. But although ethics and culture are closely related, the current infatuation with culture does not extend to ethics.

The role of a corporation's culture in influencing behavior in ethical dilemmas was dealt with extensively by Toffler (1986) who added her voice to the chorus which warned against strong cultures becoming mechanisms for stifling creativity. Strong cultures, she asserted, can become so ingrained that people forget the noble purposes for which they were created. To create an environment for the ethical conduct of business, organizations must not substitute cultures for clear guidelines on what is right

or wrong.

Conditions rarely remain stable in an environment in which mergers and acquisitions occur. Mergers and acquisitions affect corporate cultures. Even a manager or leader with a comfortable fit in the organization may find suddenly that the company values have changed. Such circumstances are faced, not only by top executives, but often by other members of the organization. They provide the material for many business case studies.

Organizational culture may be expressed by informal understandings which may not get implemented as originally intended. Even formal policies which have a legal blessing can conflict with cultural norms held by some of the organization's members.

A strong culture puts basic beliefs, attitudes and ways of doing things beyond question. But they must be questioned, asserted Pastin (1986, p. 129). Strong cultures contribute to corporate tragedies, he felt, because the cultures prohibited thinking about the unthinkable. Hence, the tragedies were unforeseen. Cultures did not help AT&T adjust to breaking up or McNeil Laboratories to foresee the Tylenol tampering tragedy. A remarkably strong industrial culture probably prevented the railroads from successfully coping with changing transportation preferences in the United States after World War II or steel companies from recognizing the threat of foreign competition.

For a culture to persist and to serve those in the organization, it must be able to learn and tolerate changes and challenges to its basic principles without becoming undone. Culture must incorporate ethics. But ethics and culture seem mutually exclusive in Pastin's definition. His work seems to suggest that ethics cannot be incorporated into a strong culture.

The moral, patriotic and religious roots of company cultures were explored in great depth by Mitroff (1983) who noted that organizational purpose can become identified with a higher, almost religious or patriotic cause. The organization frequently may be likened to one's family, mother or country. Attempts to relate a business or a product to the national interest have become commonplace, particularly in the automotive industry. Chevrolet, Chrysler and Ford are thus often portrayed in their advertising as representing the spirit of America. Levinson (1981), as previously noted, also dealt at length with the nationalistic and patriotic origins of organizational cultures.

Critical to an understanding of the impact of ethical considerations upon culture is an appreciation for the changing social agenda in the United States. Old, profit-oriented values no longer suffice in driving a corporate culture. American culture, said Levinson (1981), is at an ethical crossroad (p. 65). Corporations can no longer be concerned only with production but must

take into consideration the physical health and emotional wellbeing of their members as well. This has been one of the most subtle, yet compelling, changes in organizational life during the past decade.

Still, said Deal and Kennedy (1982), the competitive business environment remains the single greatest influence in shaping a corporate culture. The competitive nature and profit orientation of business organizations make economic survival and return on investment dollars entrusted to the managers of the business one the most compelling considerations of all.

Organizational Culture and Decision Making

Perhaps nowhere is the influence of a corporate culture more usefully observed than in the organization's decision making processes. Just as culture affects the way things are done in an organization, it affects the way issues are surfaced, meetings are structured and decisions made. Mohr (1982) explored this theme and found that rational decision making is often assumed but that it frequently is not rational at all because members lack the necessary information to make rational decisions. They decide, instead, often on the basis of bounded rationality, influenced by cultural constraints which prescribe the behavior and values of the decision makers (p. 155).

Decisions in organizations are also based upon feelings as well as facts. Feelings are important

indicators of implicit culture, according to Kennedy (1986) who believed that this component receives insufficient emphasis in the study of organizational culture which tends to focus on ideas. Kennedy observed that when organization members experience surprise associated with unexpected reactions or changing conditions, strong feelings become energized and the key features of the cultural system become activated. This frequently happens during mergers, acquisitions, major reorganizations, the introduction of new products or technology or some other organizational crisis or key event.

Kennedy felt that it is important to study feelings and how they are expressed in conversations among organization members. Most members try to describe their own ideas accurately but seldom apply the same level of effort and care to the recognition, identification and acknowledgement of feelings. But feelings are an important component of the way we experience organizations and react to change. They constitute a major vehicle for transmitting and transforming culture and yet we are socialized to keep them to ourselves.

A strong culture may facilitate, or at least simplify, the decision making processes. The stronger the culture, for instance, the less need is there for policy manuals, formal procedures, rules and rigid chains of authority. Peters and Waterman (1982) found a strong culture to be a

characteristic of excellent companies. People at all levels in such organizations know what they are supposed to do because the cultural values are very clear. In contrast, they found that in some companies recently formed through mergers, every decision was difficult and unique because of the absence of shared cultural norms (p. 76). The shared values in the excellent companies they studied are clear in large measure, they felt, because the mythology is rich. This view is somewhat in conflict with Toffler's warning against substituting cultures for clear guidelines as to what is right and wrong.

Just as Kennedy dealt with the importance of feelings in organizational decision processes, Weick and Bougon (1986) dealt with thoughts. They saw organizations as cognitive maps. Organizations, they pointed out, exist largely in the people's minds. Thus, what ties an organization together is what ties thoughts together (p. 102). It is clear that organizational cultures consist largely of unwritten, unrecorded thoughts, ideas and feelings that are somehow communicated among the members. Organization members build meanings and cultures when they impose a structure on these thoughts, ideas and feelings and assimilate them. Weick and Bougon found that crisis-produced stress in organizations leads to low-quality information processing (p. 120). Decision makers in crises actually consider less information. Under such circumstances a well understood culture assumes

greater importance.

A prime example of stress-inducing circumstances is a corporate merger. Walter (1985) examined conflicting cultures in mergers and acquisitions and found that mergers generally involve power struggles resulting in a disturbance of the cultural status quo. He saw the basic conflict as one between human rights and property rights. Mergers and acquisitions are important and powerful means by which corporate leaders create and implement strategy (p. 301) However, few of the cultural and organizational issues related to mergers have received scholarly scrutiny.

Culture and Organizational Change

Many writers have dealt with the role of culture in organizational change. In particular, the process of gaining control of a corporate culture has been a popular theme (Byrne, 1987; Campbell, 1985; Kilman et al., 1985; Main, 1984; Martin, Sitkin & Boehm, 1985; Siehl, 1985; Whiteside, 1986).

Change is often traumatic to organization members. Unexpected change, especially, can energize intense feelings. Kennedy (1986) described how key features of a cultural system can become activated when unexpected events or surprise occur in an organization. In an environment where mergers and acquisitions are frequent occurrences or are anticipated, a strong culture can play

a stabilizing role.

Competition in the banking industry, for example, required bankers to learn and demonstrate sales skills in order to survive. The relationship of such significant changes in organizational behavior to the organizational culture is a focus of much of the literature.

Kilman et al. (1985) raised the issue of whether or not an organizational culture can be changed. They concluded that it depended upon how deeply seated the culture was. Participative changes, though time consuming and difficult, are most likely to become deep-seated and lasting. They cited two opposing views in the literature regarding whether or not culture can be changed without changing the organization itself. One view holds that it can, just as a defective part can be replaced. The other view, toward which they appear to lean, teaches that culture cannot be changed without affecting other parts of the organization. It is the glue that not only holds organizations together, but our theories about them as well (pp. 14-15).

Organizational change is not always the result of organizational strategy but it probably should be. Lorsch (1985) defined strategy as a stream of decisions taken over time which when understood as a whole reveal the goals being sought and the measures employed to reach them (pp. 84-85). Strategy and strategic positioning have traditionally been influenced by a company's culture.

This is unfortunate, according to Lorsch, because it normally takes many years to change the culture. Strategic execution can therefore be a time consuming process.

At the core of each system of beliefs or culture is the organizational leaders' particular vision of the organization's distinctive competence. It represents managers' beliefs regarding just what the company can actually accomplish. These beliefs must be visible to the members and they really should be put in writing. Lorsch called for a cultural audit which must be done by the major decision makers themselves and cannot be delegated. A commitment to flexibility is important. Top leaders without portfolio should raise questions and challenge beliefs constantly. Lorsch did not, however, reveal any secrets regarding how competitive business organizations can manage to keep top leaders without portfolio on the payroll.

Albert (1984) stated that all efforts to produce organizational change can be classified into one of three possible design models:

1. An add design in which change is introduced by the addition of new elements.
2. A delete design in which change is produced by the elimination of old elements.
3. A replacement design which combines both. The replacement design, he said, has been the most commonly

used model. Eliminating old elements, as in the delete and replacement designs, is not without difficulties, however, since "the past is not easily shed" (p. 171).

Lundberg (1984) presented strategies for organizational transitioning. He noted a sizable literature on organizational change, a body of knowledge which he feels has focused on actual observations of attempts at change, both failures and successes. The emphasis is on the fine tuning done by organizations in attempting to adjust to changes and challenges in their external environments. Lundberg studied the interface area at the intersection of change strategy and organizational transition. What is needed is any kind of theory that can be tested. Some executive theory will do for starters so that some kind of conceptual framework can be built. At present, the literature contains an abundance of anecdotal material but very little real theory. We need to examine the anomalies that lead to scholarly inquiry.

Changing an organizational culture involves much more than simply making sure that a company is instilled with some magic attributes of excellence, wrote Wilkins and Patterson (1985). It just isn't that easy. Eager attempts to turn companies around by implanting new culture are destined for failure, warned these authors. The concept of culture helps organizations to resist every change or new business plan that comes along. Cultures

are human creations, not mechanical systems that can be implanted at will. They take time to develop. They take patience and teamwork and evolutionary growth.

Yet change without evolution is often attempted in the search for the excellent culture. Most efforts stress openness and candor and extol the virtues of the hands-on, value-driven approach. But these values can't be ordered. They must evolve. If an attempt is made to impose a culture, it simply will not permeate the layers of the organization and only if the culture permeates will it stay viable. Every culture has a way of viewing change. It can be highly valued or resisted. If leaders wish to change the culture in order to change the organization, they had better have a lot of time (Wilkins & Pattersen, 1985).

When addressing either cultural development or change, wrote Martin (1985), leaders should consider two things:

1. The impact of recruitment and selection systems on culture, and
2. The degree of compatibility between the organization's culture and existing environmental conditions.

This is particularly important for organizations that have or seek specialized cultures, that is, organizations that promote a single dominant culture to which all members are expected to subscribe.

The greater the number of administrative levels that

adhere to the culture, the greater the number of horizontal units affected by it. And the longer the culture has been in existence, the more pervasive will be the culture. Organizations in which a limited number of deeply-held values dominate can be viewed as having thick cultures (p. 149). Thin or unspecialized cultures accommodate multiple value systems where there are relatively few shared assumptions.

Specialized or thick cultures, sometimes called strong cultures, have many advantages including strong member commitment to their values. They are, however, less tolerant of divergent values which often create problems in employee turnover and in a merger environment. Martin advised careful attention to the recruitment and selection of members who adapt readily to change and adjust to new environments (p. 160).

Major changes in organizational behavior, such as those brought about by deregulation of an industry, may be best dealt with in organizations where a strong culture exists (Kennedy, 1986). For example, deregulation, and the competition that develops as a consequence of deregulation, requires that bankers learn and demonstrate sales and customer relations skills in order to survive. Kennedy's view would lead to the conclusion that banks with strong cultures would have greater success in dealing with such change. This view, however, runs counter to that of Martin and others who argued that organizations

with strong cultures tend to resist changes.

Change can be extremely traumatic. The transition of the banking profession from a traditional order-taking, parent-child relationship which existed between banker and client into a competitive sales culture was very traumatic for traditional bankers who felt that active selling was beneath their dignity. They often spoke of the good, old days when banking was a profession and not a sales specialty. The organization and cultural change involved was abrupt and, for many, unwelcomed.

Cultural change typically creates significant indirect and collective loss (Deal, 1985; Deal & Kennedy, 1982). There may be a need for symbolic recognition of the passing of an era. Denial of cultural change, like denial of death, is all too common. In fact, a cultural transition may precipitate the same sequence of systems as death of a loved one, namely:

1. Denial of death
2. Anger
3. Depression
4. Bargaining
5. Acceptance

There may be a need, therefore, for symbolic funeral, burial and mourning processes (Deal, 1985; Warren, 1984). This may, in fact, be the forgotten step in the merger process. The culture of an organization is generally put on display during ceremonies. There probably ought to be

a funeral ceremony to mourn the passing of an old culture because cultures and their symbols, logos and heroes generate emotions that die hard. Thousands of AT&T employees continued to ask, long after the breakup of AT&T, "Whatever happened to the bell?" Employees were fond of saying, "Ma Bell doesn't live here anymore. She died." Similarly, Ralston-Purina spent millions on a proper funeral for the clown that for many years served as the symbol for the Jack-in-the Box restaurants of its Foodmaker Division. Likewise, Bob's Big Boy restaurant chain is now seeking to dispose of its chubby trademark by a proper burial ritual. In this same regard, Exxon was unsuccessful in trying to scrap Tony the Tiger, star of its tiger in the tank commercials. Lacking a proper funeral ritual, customer demand soon brought Tony the Tiger back like Classic Coke.

Dandridge (1985) depicted four sequential stages of a symbol or ways in which a symbol can be believed. They are:

Stage 1: Blind belief in the founding hero.

Stage 2: Transition from belief in the stage 1 hero to another.

Stage 3: Rejection of all heroes.

Stage 4: Transition from rejection and disbelief to choosing to believe because doing so conforms to the desired culture and its values.

Each of these transitions, said Dandridge (p. 52), can

be managed. It is primarily a matter of making certain that appropriate and consistent data or symbols, such as stories or ceremonies, are available during the transition. Active and effective transition management creates transitions by challenging or undermining existing symbols. The challenge of leadership is to recognize the stages in an organization if we wish to change the organization.

The influence of archetypes on corporate affairs was examined by Mitroff (1983) who believed that archetypes can be bigger than life in the roles they play. Among the archetypes are the organizational heroes who can change the direction and perhaps the fortunes of a company. Popular best-selling books and magazines abound with accounts of how individuals have turned organizations around (Peters & Waterman, 1982). Sometimes, the heroes themselves tell the story (Iacocca, 1984). While these accounts typically deal with managerial actions and leadership behavior, they do not deal specifically with existing culture.

Can organizational culture be changed at all? Kilman et al. (1985) examined this question and concluded that the answer depends upon how deeply set the culture is. Deeply set cultures are, not surprisingly, the most difficult to change. The authors also explored whether or not a culture can be changed without changing other aspects of the organization.

Warren (1984) dealt with transitions during crises and the opportunities which crises present to the transformational leader. Lundberg (1984) included among his enabling conditions for change the presence of leadership and power as the agents of change (p. 68). But Blake and Mouton (1988) stated that the two major barriers to organizational transformation are (1) the misuse of power and authority that causes conflict to break out or go underground and (2) the coercive effect of conformity that encourages silence or the superficial saluting of traditional norms that stand in the way of needed change.

They saw the major approaches to cultural and organizational change in the literature as:

1. The theory-based process skills approach of McGregor, Argyris, Likert and their own writings.
2. The structure without hierarchy approach of changing power and authority and related norms.
3. The sociological approach of Bennis and Miles which adds structures such as research divisions or so-called skunk works to facilitate change.
4. The motivational approach of Peters and Waterman.
5. The top-initiated approach typified by Iacocca and the so-called zero defeat programs (p. 252).

People like change, wrote Lippitt, Langseth and Mossop (1985). What they resist are the methods managers use to cope with unexpected events or to put new ideas into effect. The kind of change possible, said Schein (1985a)

depends both upon the developmental stage of an organization and upon the degree to which the organization is unfrozen and ready to change either because of external crisis or internal forces. The internal forces are likely to be different at different stages. Change comes easy during the birth and early growth stage. In the succession phase, change may be a result of natural evolution, self-guided evolution through organizational therapy, managed evolution and managed revolution through outsiders.

The function of culture in the life of the organization changes as the organization matures (Schein, 1985a). In the early stages of organizational life, the working culture creates a stable, predictable environment that provides meaning, identity and communications. Generations later, one may find the culture so imbedded that it serves only to reinforce the assumptions and values of the older, more conservative members. It may still provide a certain stability, but it may not provide meaning and identity to younger members, to those members more responsive to external change or to new stakeholders such as stockholders and customers. Under such conditions, a counterculture may be formed, at a price of some erosion of cultural integrity or even a revolt of some of the members.

Schein also linked the evolution of an organizational culture with four stages of organizational growth:

1. Birth and early growth
2. Succession phase
3. Organizational midlife
4. Organizational maturity

Organizational midlife, he said, is characterized by such events as expansion of product lines and services, vertical integration, geographic expansion and acquisitions and mergers. Typical issues at this stage of an organization's life, Schein found, are the decline of cultural integration, the development of subcultures, a crisis of identity, loss of key goals and values and a golden opportunity to manage cultural change.

The organizational maturity stage is typically marked by maturing or declining markets, increasing internal stability and possibly stagnation and lack of motivation toward change. Values increasingly become a source of self-esteem and the culture attempts to preserve the glories of the past. In this sometimes terminal stage, there are two possible change mechanisms: a transformation option and a destruction option. In the former, a cultural change is necessary but it cannot involve all components of the organization at once. Moreover, essential elements of the culture must be fenced and preserved. The change must be managed. The destruction option, as the name suggests, entails bankruptcy and possible reorganization. This inevitably involves massive replacement of key members.

Lippitt, Langseth and Mossop (1985) itemized the signs of a culture in trouble as follows:

1. No value concepts about how to succeed.
2. Different parts of the organization have fundamentally different beliefs.
3. Heroes are considered disruptive or destructive.
4. Rituals are disorganized or contradictory.
5. Organization has an inward and short term focus and gives little emphasis to outputs.
6. Clashes occur that disrupt the organization (p. 9).

Culture involves assumptions and people are less aware of assumptions in an organization than they are of common, everyday practices and routines. Yet, observed Wilkins and Patterson (1985), when we try to change organizations, we focus on practices and routines. We need to get at assumptions, they wrote. Change must be enacted through reframing or changing patterns of meanings (Finney, Bowen, Pearson & Siehl, 1988). Once members have created a culture which works, they will be reluctant to see it changed.

Communications style is an important aspect of organizational culture and plays a key role in change. This aspect was treated by Hage, Aiken and Marrett (1971) and by Sayre (1986). The former found that as organizations become more diverse and as personal specialization increases, organizational members rely less

on formal communications and more on reciprocal information flow to achieve coordination. Change and conformance, they found, are accomplished more by socialization than by sanction in some complex organizations. Such organizations tend to value feedback and mutual adjustment to achieve change. Unanswered is the question of whether or not the same is true for organizations with strong, mature cultures, regardless of complexity.

Cultures tend to be traditional, according to Pastin (1986). They judge the future by the past and tend to be somewhat irrational. They may, in fact, serve to prohibit change. Members may not even think about change because the culture discourages it. Pastin said that a strong culture puts basic beliefs, attitudes and ways of doing things beyond question and this inhibits organizational change (p. 129). This, then, poses a formidable challenge to leaders who would seek to transform a strong established culture.

Summary Remarks on the Literature

This review fairly skims the literature on organizational culture but samples it evenly, I believe. Most of the literature is recent and the topic seems to be growing in popularity. As noted before, there is no paucity of material on what organizational culture is, on how it got started in various organizations and on the

role of a founder or early generation senior executives in establishing a culture.

While a number of books, chapters in edited books and articles contain accounts of how some individual changed the course of a prominent organization or institution, they lack, for the most part, any real degree of investigative rigor or research scholarship. Rather, they deal primarily with style, power struggles and managerial techniques. They read rather like adventure stories. Further, they tend to be based on relatively brief observations and interviews and not on any intimate examination of the entire organization.

If they deal with the culture at all, it is not from the perspective of having been a part of it. Even if the authors succeed, somehow, in capturing the essence of the main culture, they may have entirely missed the subcultures which complex organizations may have (Davis, 1985; Louis, 1985). While many of them make fascinating and even instructive reading, their characteristic lack of documentation and a general absence of validation limits their usefulness and probably their reliability as a basis for generalization and theory.

My review persuades me that the scholarly literature on organizational culture is conspicuously silent on the subject of implanting or transforming a culture in a mature, complex business organization. Scholars have repeatedly commented on the absence of such research in

the literature (Sayre, 1986; Walter, 1985). The literature on leadership, organizational culture and organizational change can benefit, I believe, from thick, descriptive research on complex, competitive business organizations from the vantage point of a researcher who has actually experienced the culture of the entire organization as a participant over an extended period of time and throughout the various components of the organization.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

My purpose in this study is to understand how and by what means a culture in a stable, mature and successful corporation can be modified and transformed into a substantially different one. I am particularly interested in examining the roles of leaders in this process, the effect of changing cultures upon individuals and groups within the organization, especially as a result of mergers and acquisitions, and the preservation of a culture during conditions of change.

To study these issues, I have traced the evolving culture of Great American First Savings Bank from the inception of this organization in 1885 to the present in order to identify persons, events, actions, trends and both internal and external environmental factors that have influenced it.

Design of the Study

Inasmuch as I am focusing on a single corporation and the various companies which have been merged into it, my research purpose is best achieved by conducting a descriptive study. To understand a culture, one must first identify and understand its elements: the symbols, metaphors, stories, myths and legends which comprise it. As

a functioning member of the organization I am studying, my description and discussion of these elements are based upon my own direct observation.

For an understanding of the values which helped form the organizational culture, I relied primarily upon the interview method. I used interviews also in an attempt to learn, in a phenomenological sense, about the impact of mergers upon the cultures of both the acquired and the parent organizations.

In order to better understand and convey the evolution of the culture, I did an historical study of the organization starting with its founding in 1885. The primary objective of this reserach, however, deals with the transformation of a culture rather than the recitation of a history. I have, therefore, confined the scope and depth of the history portion to that degree necessary to understand the evolution and transformation of the culture. I developed this component of the research through a study of records, documents, historical tracts and other artifacts and from information gained through interviews.

My intent is to describe these processes, events and phenomena in the belief that such an examination would provide leaders, managers and students of leadership, management, organizational theory and organizational change with a better appreciation for how these things transpire in actual organizations. I employ descriptive methods exclusively, therefore, in order to provide rich and

detailed description of these sparsely-examined areas. I have no hypotheses to prove or disprove, nor do I attempt to demonstrate any relationships between variables in this study.

Possible Methodological Approaches

There is a wide variety of quantitative and qualitative approaches to studying organizational cultures. Quantitative approaches are useful in studies involving cause and effect and in correlational studies. Studies and comparisons of several organizational cultures would no doubt provide a pool of data which could be statistically manipulated to provide generalizable conclusions. The simultaneous, intensive study of multiple organizational cultures by a single researcher working alone is virtually impossible, and the use of research teams or multiple researchers introduces formidable problems in integrating and comparing subjective observations. Sequential studies of multiple organizations by a single researcher invites superficial study of each organization in order to accommodate to reasonable timelines for the research. Moreover, if the research is intensive enough to result in thick description of the cultures, there are obviously problems involved as earlier data grow stale during the serveral years normally required for intensive ethnographic studies of multiple organizations.

The intensive study of a single culture is best

accomplished through thick, intensive description. Rogers (1986) has summarized, incisively, the arguments on behalf of qualitative research in the social sciences. What people do, he said, is often different from what they say they do (p. 86). I might add that it is often quite different, as well, from what interviewees say about what they or others do. Thus, relying exclusively on tests, questionnaires, interviews and narratives can be misleading. People and organizations (which consist of people) are best studied face to face through direct observation (Mintzberg, 1976). Only thick description based upon direct observation enables us to perceive with accuracy the subtleties in organizational mood and organizational members.

In embarking upon studies of organizations, it is difficult to avoid forming preconceived notions about the organization and then setting about the task of proving or disproving them. It is tempting, in such circumstances, to formulate propositions and hypotheses and to search for data which support them. This approach results in deductive research which frequently is rigid, formal and, frankly, uninteresting. Its very rigidity, moreover, prohibits the researcher from pursuing leads suggested by the research itself and from following the investigation to where it might naturally lead.

Theoretical elegance and empirical rigor have ruled attempts to study organizations for far too long (Lundberg, 1984) resulting in an historical focus on statistics over

dynamics and abstraction over reality. Change and action have been relegated to related fields of management and organization development which, in turn, have engendered a somewhat narrowly-constrained view of change phenomena, change processes and their models. Increased attention to the actual strategy of organizational transitioning may, Lundberg felt (p. 62), encourage the study of organizations and their developmental systems.

In expressing his preference for direct research based upon description and induction rather than prescription and deduction, Mintzberg (1976, 1979) argued also for simple and inelegant research based upon observation of what actually happens as opposed to what might be termed rigorous methods of data collection. He criticized research findings that are significant only in a statistical sense, and he saw absolutely nothing wrong with samples of one. Mintzberg commended the liberal use of anecdotal data for richness and the use of analysis which synthesizes and integrates (1979, pp. 583-587).

In describing a research method called action science, Argyris, Putnam and Smith (1985) proposed a set of concepts, methods and research skills for describing the world as it actually is while, at the same time, suggesting how we might change it, presumably for the better. They wished to avoid separating method from theory-building and testing, hence the term action science rather than action research. They were interested not only in capturing the status quo but

also in identifying alternatives and a research methodology that permit change to be considered while contributing to the theory-building. These methods are appealing to me, but I have not concerned myself in this study with testing the effectiveness of various ways of changing the organization.

Smith (1983) and Hatch (1985) argued the superior merits of qualitative research in the social sciences. They cited the different relationship that exists between researcher and subject matter in the social sciences as compared to the physical sciences. McClintock, Brannon and Maynard-Moody (1979) described a method of combining qualitative and quantitative methods called the case cluster method whereby quantitative data sets consisting of units of analysis are assigned to subjects and informants and then examined for variables pertaining to each unit of analysis. Their method involves three features, to wit:

1. The definition and sampling of units of analysis that are theoretically meaningful and which represent the phenomenology of informants.

2. Stratified sampling of data sources based on theoretical grounds, crossed with stratified sampling of units of analysis.

3. The optional creation of a quantified data set using variables pertaining to each unit of analysis.

These researchers felt that their method did not restrict the natural data collection techniques common in the case studies such as observation, interview and archival

analysis and that results can be rendered more generalizable. Moreover, this approach permits the researcher to move at will between qualitative and quantitative methods.

Sayre (1986), in studying leader communication in organizational cultures, used a combination of quantitative and qualitative methods also. She felt that because research on culture is still in its infancy, quantitative methods might be unsuitable for getting at the nuances of socially-constructed meanings (p. 48). However, she employed some quantitative techniques because of her concerns regarding the generalizability of her data.

Howe (1985) and Donmeyer (1985) believed that the two approaches are separate but equal and that the challenge was to use the correct approach for the situation being studied. Both Smith and Hatch, however, felt that the two approaches were incompatible and that their basic assumptions simply were opposed to one another.

While qualitative approaches are, perhaps, well suited to the study of individual organizational phenomena they are replete with pitfalls. Miles (1979) noted that collecting and processing qualitative data are highly labor intensive operations because of the sheer range and volume of the data. The most serious shortcoming of the method, Miles believed, is the absence of well-formulated methods of analyzing qualitative data (p. 50). He, therefore, felt that much of the data becomes lost, forgotten or distorted.

He suggested several relatively simple methods of data reduction and codification involving the organization of data collegially or hierarchically and the simple use of data cards.

Rationale for Methodology Employed

In order to really learn about cultures in organizations, one must actually get into the culture and experience it as a part of it. A researcher cannot, in a series of interviews and visits to an organization, expect to come away with much more than a sense of the flavor of the organization's culture. Even an extended visit such as an internship may not be enough to penetrate the outer layers and delve into the inner core of the culture. One must, I believe, live the culture as a participant to really know it.

Moreover, in the case of a large, geographically and functionally diverse corporation, one must have sufficient mobility and range within the company, both vertically and horizontally, to gain a holistic view of the culture. In short, the researcher must be in a position to look across departmental and divisional lines, lest the focus be confined to a subculture of the organization.

My vantage point as a member of the organization studied, while admittedly posing some risk to objectivity, provided an uncommon opportunity to study, as a participant trained in research, aspects of organizational theory,

change and leadership which require far more insightful examination than is normally possibly for a researcher from outside the organization. As Nord (1985, pp. 191-192) observed, a researcher must be close to the organization and still recognize the dangers of reification. The time required for most inexperienced ethnographers to gain access and acceptance and to achieve enculturation generally leaves insufficient time to adequately study and report the existing culture, much less trace its evolution, because of the time and resource constraints typical of such study efforts. I have drawn, therefore, upon my experiences, as a Senior Vice President and Director of Training and Development at Great American First Savings Bank to provide a descriptive study of the evolution and transformation of its culture.

I am persuaded by the arguments of Smith and Hatch that qualitative and quantitative approaches are really not compatible. Nor am I enthused over the case cluster method which has the effect of reducing unique, real people to systems or clusters of traits. I am aware of the pitfalls involved in the use of qualitative approaches, but I believe that validity and reliability can be achieved through the use of thick description, triangulation and grounded theory. I have used, therefore, qualitative techniques exclusively in this study.

Overview of the Research Procedures

I have, however, employed a variety of qualitative techniques including the case history, the ethnographic methodology and the phenomenological study. The case history approach has been used to describe the evolution of the corporate culture throughout the history of the organization. Case studies provide, as Levinson (1981) said, a useful and practical method for examining how things work in their actual context. They permit the application of principles and theory to situations encountered in the course of day-to-day work. They enable researchers to discover the actual shape of a problem as opposed to its apparent or reported shape.

In addition to reconstructing a history of the organization, I studied its major rules and understandings. Internal and external events which affected the culture have also been examined. I want to show how the organization is embedded or anchored in the daily lives of its members. This determination was facilitated through interviews at all levels and in various geographic regions of the organization.

The ethnographic approach was used in describing and analyzing the existing, matured culture and in determining what its impact has been upon the organization, its leaders and their followers. Sanday (1979) has described the two branches of the ethnographic paradigm, to wit: a focus on the holistic approach and the more precisely-ordered problem

solving or explanatory approach. Both Sanday and Agar (1980) came down in favor of the holistic approach which avoids excessive preoccupation with the process itself and avoids lifting things out of context.

Both authors caution against the use of intrusive and contrived methods or questionnaires containing the same precisely-worded questions for each interviewee in an attempt to introduce unnecessary rigor into what should be a natural process. I am captured by this argument and also share Sanday's view that the conventional demand for nonfamiliarity of the ethnographer with the culture is entirely too narrow and restrictive a view. The researcher must keep in mind the goal of the research and choose those approaches which lead him closest to that goal. He must not be obsessed with the mechanics of the method itself.

Finally, I employed phenomenological techniques in studying the meaning of the culture and the impact of the merger and acquisition process on the culture of the acquired organizations and on the parent culture. I have been guided by the techniques, procedures and guidelines of Hycner (1982) and Tesch (1984) in conducting this portion of the study which was based upon interview data.

Sites for Data Collection

The offices and facilities of the subject organization were the principal sites for data collection and observation. Information was also obtained from community

and public sources including libraries.

Sources of Data

Data were collected from personal observation, interviews, conversations, newspaper accounts, examination of historical documents and artifacts and attendance at meetings.

Participants in the Research

Various employees of Great American First Savings Bank participated in this study. I gained permission to interview present and past employees of the company. Employees were selected for interview from various levels and geographic regions of the company and from companies which have merged with Great American.

Data Gathering Methods

I gathered the data from key informant interviews and recorded the data by traditional methods using field notes. Interviews were mostly open-ended and nonstructured. I did not employ electronic recording devices because of the intrusiveness of such techniques and my desire to use a natural work setting for the interviews. Interviewees were, in all cases, made aware of the fact that they were being interviewed and that I would be taking notes. And although the interviews were mostly open-ended, six standard questions were asked each interviewee, to wit:

1. What does organizational culture mean to you?
2. Can we trace our culture back to our company origins or does it have more recent origins?
3. What events, circumstances or persons had a formative effect upon our culture?
4. If organizational culture involves values, myths, symbols, stories, heroes and other similar things, which do you feel are our most important ones?
5. How do we preserve our culture through changes and mergers and what happens to the cultures of other companies which merge with us?
6. Does culture involve manipulating people?

These and other questions asked in the course of each interview were intended to elicit information useful in achieving the research objectives stated in Chapter 1. Personal observations, conversations and pertinent extracts from meetings and reports were recorded in note form for reconstruction in the final text. Artifacts, including documents, newspaper and magazine accounts, advertisements and records were collected and included as exhibits to the extent that they contributed meaning to the study.

Data Analysis

A large volume of data in the form of historical documents, records, personal observations and notes were collected, sorted and segregated into categories suggested by my research. Not all of it found expression in the text

but most contributed in some manner to my observations.

I recognize, and did at the outset of this study, the difficulty in ensuring the validity of qualitative studies, particularly since I have not combined quantitative means with qualitative methods in a contrived effort to prove something. However, I endeavored not to take things at face value and to bracket my own biases to the extent that I am capable of doing so. I am relying on thick description, grounded theory and triangulation to provide validity. I sought to avoid reliance on hearsay, however attractive, and have minimized the use of intrusive data collection methods. I employed multiple data sources and attempted to establish chains of evidence whenever possible.

Assumptions and Limitations

The results of this study are somewhat limited with respect to their generalizability. The intent is to provide a study that is thick and not superficial in its attempt to portray the transformation of a culture. I purposely deal with many slices of the organization in an attempt to describe the various social constructs that are a part of its culture. My assumptions are that this kind of intimate study is useful to leaders, managers, other organization members and to students of leadership and organizational theory and change in helping to recognize the importance of organizational culture in comprehending organizational behavior.

Role of the Researcher

My role is a dual role. I am both a loyal and responsible member of the organization and a researcher. I believe that the roles are compatible and I have not tried to separate them except, to some degree, during the interviews when the purpose of the study and the interview were being made clear.

Ethical Considerations

I obtained permission from senior managers of Great American First Savings Bank to conduct this study. I interviewed the president and chief managing officer and two of the senior executive vice presidents at the outset of the study to explain the purpose of the research. I received permission to interview past as well as present employees.

My position as an employee and senior officer of the bank as well as researcher did not result in any ethical compromise, problem or dilemma. The objective has been to study the transformation of the culture of the organization, rather than to deal with sensitive or proprietary issues. I respected all requests to treat specific comments or statements with discretion and encountered no conflict of interest in doing so. The research did not interfere with my duties in the organization. Interviews were conducted, for the most part, during business hours and I obtained permission to do so. With the minor exception of conversations and notes incident to meetings, all other aspects of the study have been accomplished on my own time.

CHAPTER FOUR

HISTORY OF GREAT AMERICAN FIRST SAVINGS BANK

One of the best contributions the study of culture can make is that it induces an historical perspective. Organizational behaviorists tend to be ahistorical, said Nord (1985, p. 191), but the study of culture drives the researcher to map the growth of the organization and its culture. Indeed, it seems impossible to trace the development of a culture without tracing the history of the organization.

Albert (1984) also stressed the importance of summarizing the past in dealing with the transition of cultures. The history must include the meaning of events as well as the facts and it should include all that was significant, even though intangible. It should be treated as foreground.

With this as guidance, herewith follows a brief history of the organization now known as Great American First Savings Bank. Interspersed throughout this history are notable local, state, national and world events which may serve as useful reference points in time. Except where otherwise indicated, this history is derived from the minutes of meetings of the Board of Directors, interviews and an unpublished partial history of the company written for Great American by Kathleen Crawford, formerly of the San

Diego Historical Society (Crawford, 1986).

Origins of the Organization

In the June 23, 1885 edition of the San Diego Union, the following notice appeared, announcing a proposed meeting of persons interested in organizing a cooperative building and loan association in San Diego.

Steps will be taken today towards calling a meeting of those interested to organize a cooperative building and loan association in San Diego. Mr. [Abraham] Blockman made some effort to organize an institution of this kind three or more years ago and has since kept the project in mind as a "favorite scheme" ever since (sic). These associations, when well managed are of great benefit to a town, as they greatly encourage building by enabling industrious and frugal persons to obtain homes by monthly payments, but little if any in excess of the amounts usually paid for rents. A building and loan association would be a great benefit to San Diego.

(p. 1)

That meeting was held on Saturday, July 11, 1885 in the real estate office of Morse, Noell and Whaley at 809 Fifth Avenue in San Diego's business district. Present at the meeting were Captain Matthew Sherman, Simon Levi, Bryant Howard, George Hensley, George Marston, Allan Overbaugh, John H. Snyder, Abraham Blockman and Ephraim Morse. With a goal of encouraging thrift and home ownership, they founded, on

that date, the San Diego Building and Loan Association, the first such institution in southern California. The small, storefront real estate office served as a meeting site for the organizational meetings and became the first permanent headquarters of the association in August of 1887.

The fledgling company hired a single paid employee, George Hensley, one of its founders and secretary of the association. He was paid \$20 per month. At the second meeting of the association on July 13, the ten founders became the board of directors. Articles of Incorporation were filed in the San Diego County Clerk's office on July 15. At the third meeting on July 25, Captain Sherman, one of San Diego's original residents, was elected president. Simon Levi, a local storekeeper and executive of San Diego Gas and Electric Light and the San Diego Telephone Company, was elected vice president.

Among the founders, although not a director of the association, was Moses Augustine Luce, vice president and counsel of the California Southern Railroad. His grandson, Gordon C. Luce, would one day become Chairman of the Board and Chief Executive Officer to guide the company through a remarkable period of growth and expansion.

The founders constituted a veritable who's who of early San Diego. Sherman had a distinguished military and naval background. Howard was City Treasurer and President of Consolidated National Bank. Hamilton was the City Assessor. Hensley, a prominent rancher, had served as Deputy County

Clerk. Marston owned the famous department store which bore his name and became a landmark in San Diego. Overbaugh was a real estate investor. Blockman, a businessman and rancher, would later found the Blockman Banking Company and Morse, a lawyer, was principal organizer of the Bank of San Diego.

San Diego was a young city in 1885. It was the year in which Oceanside was founded and Fresno first incorporated as a California city. Borax was first being mined commercially, putting Death Valley on the map. Grover Cleveland was inaugurated as the 22nd president of the United States and General Ulysses S. Grant, its 18th, died.

Capital stock in the amount of 2,500 shares was issued at \$200 each. The first 206 shares sold at that price and an individual could own no more than fifty shares. Congregation Beth Israel was the firm's first institutional shareholder. A notice in the July 14, 1885 edition of the San Diego Union reported that shares were subscribed to as follows: H. Malbury, 50; Bryant Howard 50; M. Blockman, 50; M. Sherman, 10; George W. Marston, 10; G. B. Hensley, 5; J. H. Snyder, 10; J. T. Atherton, 5; G. W. Jenkins, 5 and O. W. Paine, 5. The Union account continued:

No worthier organization of a business kind was ever effected in San Diego. Properly managed, and the names of its directors is a sufficient guarantee that it will be, it will be of wide and lasting benefit to San Diego. It is one of the strongest encouragements to

thrift and economy ever devised. It enables men to acquire homes who would otherwise live and die homeless. It tends to harmonize and cement variant interests and promote that cooperation that is essential to the highest well-being of a community. It deserves every encouragement and should elicit the attention especially of those who wish to take that first sure step toward a competency which consists in acquiring a purpose to which to apply earned savings.

(p. 1)

A meeting of directors was held on August 29 in the office of E. H. Morse to elect an attorney for the firm. Nominated for this position were J. D. Works, J. O. W. Paine and Moses Luce. Luce was elected by a vote of 5 to 2 with Paine receiving two votes. Luce served in this post until his retirement in 1923.

On August 31, the association's first meeting of stockholders was called to order by President Sherman at Horton Hall which Luce rented for \$2. It established an early tradition of monthly stockholder meetings held on the last Monday of each month at 8:00 p.m. Ladies were especially invited to attend these meetings.

After the first stockholders' meeting, it was announced that \$600, raised from the sale of capital stock, was available in the association treasury for loan to customers. The first borrower was Edwin N. Sullivan, of 2243 "B" Street, a reporter for the San Diego Sun. His \$200

loan, at 10% per annum interest, bore a 21% premium. The San Diego Union reported this in its September 2, 1885 issue and commented that it "was not a bad business start for the association" and that "doubtless all monies on hand will be loaned without difficulty at no less premium than that realized." The Union account observed that "The principles of this association are of excellent character and we hope the mutual aid association will meet with the public favor its character deserves" (p. 1).

During the first two years of operations, meetings were held at various locations in San Diego including the Consolidated National Bank where Bryant Howard served as an officer, Morse's real estate office, Horton Hall, and at the office of the association secretary, George Hensley which was located at 809 Fifth Street, across from Morse's office. Hensley, as the only paid employee, kept minutes of the meetings, accepted loan applications, received loan payments, conducted all correspondence and paid the bills of the association.

Typical expenses included \$300 for purchase of a safe, \$25 for monthly rent, \$1 for gas, \$3 to move the safe, \$3 for a sign, \$1 for monthly advertising in three newspapers, \$2.50 for attorney Moses Luce's services incident to the issuance of stock and \$10 dues for membership in the California League of Mutual Building and Loan Associations.

In 1886, San Diego adopted a new city charter and installed its first electric street lights. The Canadian

Pacific Railway was completed and construction began on the Hotel Del Coronado. The Statue of Liberty was dedicated in New York. Composer Franz Liszt died and baseball's famous Ty Cobb was born.

Business proceeded smoothly for the association. Two or three loan applications were considered at each meeting. Most were approved, but occasionally one was rejected upon the advice of the counsel, Moses Luce, and the Security Committee. Loan foreclosures occurred very infrequently.

At the end of one full year of operations, assets stood at \$18,111.65 and a second series of stock was issued. On July 26, 1886, Matthew Sherman resigned after a year as director and president. Simon Levi was elected president; John Snyder, vice-president; George Hensley, secretary; Bryant Howard, treasurer and Moses Luce, attorney. In recognition of Hensley's growing responsibilities, he received 50% raise in monthly salary to \$30.

Queen Victoria was celebrating her golden jubilee in 1887, and the world discovered Sherlock Holmes through the writings of Sir Arthur Conan Doyle. In California, Occidental and Pomona Colleges were founded, and the Atchison, Topeka and Santa Fe Railroad reached Los Angeles. National City incorporated and an engineering plan for Balboa Park was proposed. Interest in land in Southern California heightened, bringing additional demand for loans. At San Diego Building and Loan Association, the size of loans rose from a range of \$200 to \$400 in its first year

to \$1,200 to \$2,000 per loan.

On August 2, 1887, Simon Levi was reelected president of the association. George Hensley was elected vice president. Bryant Howard continued on as treasurer and Theodore Fintzelberg, partner in a real estate firm, became the second secretary of the association at a salary of \$50.00 per month. Fintzelberg's son would later become a director of the company. Later that month, the firm moved to its first permanent location at 809 Fifth Avenue. A safe was procured for \$300, paid in five monthly installments. Lettering on the safe cost \$3. Rent for the new office was \$25 per month.

Minutes of the monthly meetings reveal the disposition of the loan applications, payments of city and county taxes, dues to the California League of Building and Loan Associations, insurance policy payments, subscriptions to Home Builders Magazine, the printing of savings account passbooks, and bills for utilities and supplies. Minutes were kept by Fintzelberg in neat, precise handwriting.

Another move occurred on March 26, 1888 when the office of the association was relocated to Horton House Plaza at 961 Tenth Street. This was the location of Fintzelberg's real estate firm, Fintzelberg and Steinmetz. It was convenient for the association to be headquartered at the business office of its secretary since he was the only paid employee and conducted most of the business of the firm.

The year 1888 saw the grand opening of the Hotel Del

Coronado and the completion of the Sweetwater Dam. George Eastman was perfecting the Kodak box camera, and J.B. Dunlop invented the pneumatic tire. The City of Escondido, California incorporated. In San Diego, however, the land boom appeared to collapse and the population actually declined for awhile.

On August 6, annual elections of officers were held at San Diego Building and Loan, and George Hensley was selected to succeed Simon Levi. Abraham Blockman was elected vice president. Fintzelberg, Howard and Luce were reelected as secretary, treasurer and attorney, respectively.

The year 1889 was the year of the Paris World Exhibition, featuring the newly designed Eiffel Tower. In San Francisco, the cable car began operating, and the San Diego Building and Loan Association moved its office again. The firm of Fintzelberg and Steinmetz moved to 759 Sixth Street, and the association moved with the firm for convenience.

A total of 86 loans had been disbursed in the fiscal year ending July, 1889, according to the annual report. There were 208 stockholders and assets stood at \$58,153.81. At the annual meeting, all officers of the association were reelected.

In 1890, Stanford University was founded, the Barnum and Bailey Circus began operations, and the Union Oil Company was formed. Vincent Van Gogh died and the population of Los Angeles reached 50,000. At the

association's annual meeting on July 28, a new president and vice president were elected. Abraham Blockman was elected president and J. A. E. Thoustrup became vice president. Howard, Fintzelberg and Luce continued on in office. Loans made during the past fiscal year totalled 35 and assets rose to \$180,880.

A special meeting of the directors of the association was held on May 19, 1891 for purposes of communicating a resolution of respect to Blockman upon the death of his daughter, Laura. The minutes of the association meetings show frequent resolutions of this sort. It was apparent that the directors and officers felt a great deal of concern and respect for each other and for their families.

W. L. Johnson invented the zipper in 1891, in California. Coronado seceded from the City of San Diego and the California National Bank failed. At the association's annual meeting on July 27, each incumbent was reelected to office for another year. A fifth series of stock was issued and assets stood at \$219,620. A measure of the growing interest in the company was the fact that 1,000 copies of the annual report were printed this year. Hard-working, meticulous Theodore Fintzelberg, still the only salaried employee, had his monthly stipend raised to \$100.

The early years of the last decade of the century were smooth ones for the association and for San Diego, which was now growing rapidly. With many new people arriving, the association screened loan applicants very carefully. If a

loan became delinquent, the Security Committee would call upon the borrower and try to work out a reasonable solution. Foreclosure was nearly always a last resort, it appears. When foreclosure did occur, the association attempted to rent out the properties to produce income rather than dispose of them.

Another measure of the growth of the firm was evidenced by the purchase on May 2, 1892 of a second storage safe for \$225. By the end of the fiscal year, there were 298 stockholders and assets had risen to \$226,641. Incumbent officers were again reelected and a sixth series of capitol stock was issued. Elsewhere, the Klondike gold rush began and the Diesel engine was patented.

A nationwide depression struck in 1893 and the resultant panic caused many bank failures. San Diego was not immune, but San Diego Building and Loan, in its 8th year, remained fairly robust throughout this depressed period in the history of San Diego. At the annual meeting that year, the directors decided to pay a \$1 per share dividend and to create a tax reserve fund of \$1,000. A resolution was passed to charge no fines for the month of June because of the recent panic and the stringency of the money supply. All officers of the association were reelected.

Also in 1893, the Santa Fe Railroad passed into receivership and Henry Ford built his first automobile.

The downturn in the national economy stretched into

1894, but the association continued to grow. The year began with a new treasurer, D. R. M. Powers, replacing Bryant Howard who resigned. On June 22, the directors authorized the president and secretary to borrow \$10,000 in order to have money available to loan and to repurchase shares of its own stock. At the annual meeting, Abraham Blockman was reelected president, a post he would retain for 18 more years. W. R. Rogers, president of Diamond Hack and Livery Company, assumed the office of treasurer and all other officers were reelected. It was a lackluster year for the economy and for the company. Stockholders and the number of outstanding shares both declined, and assets fell slightly to \$215,389. This was the year when Rudyard Kipling wrote his Jungle Book.

Abraham Blockman, in 1895, was exhorting San Diegans to invest in local building and home associations in order to keep investment funds at home. The motto of San Diego Building and Loan Association was, "The American home, the safeguard of American liberties," reflecting the patriotic tone that would be associated with the company repeatedly through the years.

Gillette invented the safety razor, Wilhelm Roentgen discovered x-rays and Swan Lake was first performed as a complete ballet in 1895. In San Diego, the San Diego Tribune was first printed. At the annual meeting of San Diego Building and Loan, Joseph Flint, a former secretary of the San Diego Water Company, became vice president of the

association. All other incumbents were reelected. Assets dropped to \$188,399. The directors authorized the borrowing of an additional sum of \$20,000 to make loans and to repurchase stock.

The firm, in its first decade of operations, had weathered a serious recession that shook the financial industry. It emerged a solid, established and growing business entity. During the worst year of panic, 1893, only 11 notices of withdrawal were presented by depositors. The association enjoyed a very favorable press and good community relations and entered its second decade on a solid, conservative basis.

The Second Decade

As the association began its second decade of operation, Utah achieved statehood, William McKinley was inaugurated as the nation's 25th president and the Nobel Peace Prize was established. Incidental notes from the minutes of the association meetings revealed that \$3.75 was paid for building repairs and \$20 paid to pave the sidewalk in front of a house on "F" Street owned by the association. Homes that were foreclosed by the association often were retained, repaired and maintained as rental properties. The records show that such a property was rented to a Mrs. Evert for \$1 per month and half the rents she earned by subletting rooms for as long as she occupied the house.

At the 11th annual meeting of the association, all

incumbent officers were again reelected. This was not a period of change for the association. During the preceding fiscal year, 3,096 shares of stock had been sold. The number of stockholders had grown to 350 but assets dropped to \$165,950, reflecting the still somewhat depressed state of the economy.

By mid 1897, the organization had made a total of \$387,645 in loans since founding. The note of interest on loans was a fixed 10% and carried a 10% premium. The association had financed about 164 new homes and was solidly established as a San Diego real estate lender. Assets crept back to \$178,603 and all officers were retained with a charge to keep the association on a steady course for another year. The annual report expressed a commitment to keep expenses down, to secure good loans and to promptly remit on all withdrawals. Conservative business practices characterized all operations of the company.

The year 1898 brought the Spanish-American War and the discovery of radium by Pierre and Marie Curie. Count Ferdinand Von Zeppelin built the airship that carried his name. The conservative management style of the young company was reflected in the rejection of a growing number of loan applications because of insufficient collateral. There were also fewer loan originations. A committee of disinterested stockholders, which seems like a contradiction in terms, reappraised all real estate owned by the association and reduced its valuation. At the annual

meeting, President Abraham Blockman warned prospective borrowers regarding outside associations who pay "big commissions to eloquent agents, who solicit and promise great inducements, even granting loans that were denied by this organization." Meanwhile, the San Diego Building and Loan Association issued its 12th series of stock and closed the year with assets of \$176,931.

The century, drawing to a close, found the association continuing at a stable rate of growth. The first magnetic recording of sound occurred in 1899, and the minutes of the association reveal that the noted horticulturist, Kate Sessions, sold five shares of her stock. All officers were reelected at an uneventful annual meeting, and the association prepared for the 20th century with assets of \$163,293.

Gross premiums on loans were abolished in 1900, and the amount loaned tripled over the preceding year, reaching \$58,055. Demand for the company's stock grew, nearly exhausting the authorized number of shares. Applicants were limited to five shares each and many applications were denied. The population of San Diego increased to 17,700, and the assets of San Diego Building and Loan increased by 17% to \$191,679. In the spirit of all these increases, Fintzelberg had his own salary increased to \$125 per month which included a \$10 allowance for rent.

The nation was saddened by the assassination of President William McKinley in 1901. The tent city of Coronado was in

its second year, and at San Diego Building and Loan, 1901 was a virtual repeat of 1900. In 1902, Congress enacted the Spooner Act, authorizing construction of the Panama Canal. Enrico Caruso made his first recording and John Steinbeck was born. In San Diego, work on Balboa Park began and San Diego Building and Loan had record profits of \$82,250. Assets jumped to \$231,330 a 15.5% increase. The same experienced officers, Blockman, Flint, Rogers and Fintzelberg, were again reelected and the stability of the company was evident to all.

Transportation took a giant step in 1903. Henry Ford organized the Ford Motor Company, and the Wright Brothers successfully flew the first powered airplane. San Diego continued to grow and so did the San Diego Building and Loan Association. Its records show that in April of that year, a gentleman named John Waller was paid the sum of \$8.00 to dig two vaults for the association. At the annual meeting in July, all officers were again reelected and a resolution was passed commending them for their unselfish devotion, loyalty and dedication. Time demands upon these officers had become considerable and none, except the secretary, received any salary.

Assets stood at \$237,977. On August 26, the association borrowed \$15,000 to disburse additional loans, beginning a practice of borrowing, when necessary and advisable, in order to provide additional funds for lending. Records indicate that Kate Sessions applied for a loan of \$500,

possibly to help relocate her famous nursery.

At the annual meeting in July of 1904, the directors declared a dividend of 8%. Assets climbed to \$28,643 and a record number of loans were originated. Unlike many other financial institutions, the association permitted borrowers to pay off their loans without penalty, a very popular feature with customers. There were 618 stockholders and 4,784 shares of stock outstanding. Again, all incumbent officers were reelected.

In Washington, Theodore Roosevelt was elected president and in New York, the long awaited subway opened for business. In California, the Imperial Valley began receiving water from the Colorado River, and impending plans to expand railroad service into San Diego encouraged new feelings of prosperity. Subsequent flooding caused heavy losses, however, to Imperial Valley farmers and in the process created the Salton Sea.

In 1905, Japan was at war with Russia and Albert Einstein announced his theory of relativity. California began registering automobiles and San Diego Building and Loan Association had to borrow another \$10,000 to keep up with increasing loan demand. At the annual meeting, all officers were again returned to office, reflecting a general approval of their stewardship of the growing company.

The Third Decade

As the association began its third decade, a disastrous earthquake destroyed much of San Francisco. That earthquake

was to have a restraining influence on the height of buildings in the rest of California for many decades to come. In San Diego, John D. Spreckels formed a corporation to build the San Diego Arizona Railroad. The Southern Pacific Railway expended \$2 million in an attempt to control flooding on the Colorado River. Both of these events increased interest in the Imperial Valley area as a potentially rich farming region.

As the fiscal year closed in July of 1906, the association owned no real estate, all of it having been sold. A profit of \$18,443 was recorded for the year and assets stood at \$317,594. J. R. Beardsley was elected vice president to replace Joseph A. Flint who died in March. All other directors and officers were reelected. For reasons undisclosed in the records, a \$2,500 loan application by the prominent Kate Sessions was declined although several loans were made to her brother.

Another financial panic gripped the nation in 1907, causing a run on many banks. The Boy Scouts were founded and the nation celebrated its first Mother's Day. The flooding in the Imperial Valley was finally brought under control and Imperial County was formed from 4,089 square miles of what had been eastern San Diego county.

Despite the financial panic, San Diego Building and Loan continued to prosper. Its records show a payment in January of \$1.50 for one month's rental of a horse and buggy from Diamond Hack and Transfer. Director Eugene Shaffer, City

Auditor and owner of La Punta Salt Works, died in July. His vacancy on the board of directors was filled by Charles R. Hammond.

At the annual meeting, changes to the bylaws were approved limiting the terms for directors to one year and permitting stockholders to vote for nine each year. The penalty on late loan payments was reduced from 10% to 5%. The Board of Directors was authorized to grant loans to any regular stockholder without waiting for the monthly meeting for approval. The fiscal year closed with assets of \$327,075. Profits in this year of financial panic reached a healthy \$17,420. A dividend of 6.4% was paid on stock. All officers were reelected. Toward the end of 1907, business began to increase. Many customers were repeat borrowers and considered good credit risks. Many borrowers were women.

Nationally, many banks were forced to close during the financial crisis of 1907. President Blockman noted in the annual report issued in 1908 that while many lenders were withholding funds, San Diego Building and Loan was lending money continuously and was little affected by the financial panic. While the nation suffered through these difficult financial times, the General Motors Corporation was founded. As the year ended, the Great White Fleet visited San Diego Bay and at the association, business continued briskly. Company records disclose that one Rodney Stokes was paid \$12 for an up-to-date map of the city.

The national economic climate brightened substantially

after 1908. A plan for the further development of the city of San Diego gathered momentum, and the association's reputation as a viable San Diego institution was strengthened. At the annual meeting on August 4, all officers were again reelected. Assets had climbed to \$365,344, and despite a difficult year for the financial industry in general, the association realized a profit of \$19,276 for the year.

The year 1909 saw the American naval explorer Robert E. Peary reach the North Pole. The California legislature approved a 3,000 mile highway system at a cost of \$18 million, and the San Diego County Road Commission was formed to accommodate the increasing presence of the automobile. At the annual meeting, association president Abraham Blockman spoke of the stability of the company and the conservative nature of its loans. Shares in the company continued to be sold to borrowers and nonborrowers as well.

In 1910, the year of Halley's Comet, the gasoline age came to San Diego Building and Loan. The directors approved an expenditure of \$4.50 to hire an auto for the use of the Security Committee. Profits remained fairly level and assets rose to \$388,170. The annual meeting continued to be unremarkable with all officers continued on again. San Diego's population reached 40,000 and the U.S. Grant Hotel was dedicated while in New York, the Manhattan Bridge was completed.

The City of Chula Vista, California, was incorporated in

1911 as the greater San Diego area continued to attract residents. Glenn Curtis, the noted aviator, established a flying school at North Island. The San Francisco Symphony Orchestra was founded and a revolution was underway in Baja California. San Diego voters approved bonds for harbor development and at San Diego Building and Loan, President Blockman was promoting the virtues of thrift, pointing out, in the annual statement, that \$275 invested in five shares just 11 years ago, would today be worth \$1,000. It was, he suggested, the best way for everyone to save. Probably because of the large payment to members for maturing shares, fewer loans were made in 1911 than in the previous year.

The year 1912 was marked by the resignation, for reasons of ill health, of President Abraham Blockman, who had served the associations so well for 22 of its 27 years. At the annual meeting on August 2, W. R. Rogers was elected president. Theodore Fintzelberg became vice president, J. R. Beardsley was made secretary and H. E. Anthony became the new treasurer. Moses Luce continued on as counsel. The minutes show that the association secretary had been dispatched earlier in the year to San Jose to attend the annual meeting of the California Building and Loan League, evidence of the growing maturity of the young association and of its status as a responsible member of the financial industry.

Greater San Diego was maturing also. La Mesa and El Cajon were incorporated. Elsewhere, the H. W. Woolworth

Company was founded. Woodrow Wilson was elected President of the United States, and in the Atlantic Ocean, the S.S. Titanic struck an iceberg on her maiden voyage and sank.

More and more organizations and business enterprises began to apply for loans, and the average loan size began to rise as companies sought to expand. Ed Streicher, of Streicher Shoes borrowed the sum of \$5,000 in 1912. Expenses at San Diego Building and Loan continued to be maintained at a low level, and the secretary remained the only salaried officer of the company. His salary had now risen to \$150 per month, and he was allocated \$20 for monthly office rent.

The years 1913 and 1914 were marked by growing concern over political events in Europe on the eve of World War I. In 1913, the federal income tax became law through the 16th Amendment and Americans were dancing the foxtrot.

California created the State Water Commission and in San Diego, city leaders were preparing for the Panama-California International Exposition. Profits of the association in 1914 were down to a modest \$12,132.

The 1915 Panama-California Exposition drew thousands of visitors to San Diego, hitherto a relatively little-known border town south of Los Angeles. Balboa Park, with its new and ornate concrete veneer buildings, built especially for the event and not expected to last much longer, attracted great attention from tourists who marvelled at the beauty of the park, the city and the climate. The event literally

helped put San Diego on the map.

The exposition was of major importance to the association because many of the visitors chose to become residents, generating heavy demand for homes and mortgage loans. It gave the city and the company a tremendous boost and World War I seemed rather far away from prosperous southern California. Alexander Graham Bell forged an historical linkage by completing the first transcontinental telephone call between San Francisco and New York.

The Fourth Decade

The fourth decade of business for the association began on a somber note with the death in March, 1916 of its vice president, Theodore Fintzelberg. Fintzelberg had served 25 years. His impact upon the company in its fledgling years had been immense. Samuel I. Fox, president of Lion Clothing Company, was nominated to succeed him as vice president and E. E. Anthony replaced him on the Board of Directors. The board, at this point, consisted of W. R. Rogers, president; Samuel I. Fox, vice president; J. R. Beardsley, secretary; and E. E. Anthony, treasurer. E. E. White, Nathan Watts, Amasa Johnson, Marcus Schiller and Nicholas Steinmetz served as members.

At the September 13 meeting, Rogers, Steinmetz and Beardsley were appointed to study and report on new office location possibilities. As a consequence, ground floor space in the offices of Southern Title Guaranty Company at

940 Third Street was leased for two years at \$25 per month. The association formally moved into the new offices on December 10, 1916 and six days later, had its first telephone installed. Telephone service cost \$1.25 per month.

The year 1917 was the year of the Russian Revolution and, in the summer of 1917, the association made one of its largest loans to date. The Fraternal Order of Eagles borrowed what was, in those days, the substantial sum of \$10,000 to erect a building on Eighth Avenue. Liberty Bonds were sold by the association, and J. R. Beardsley was placed in charge of San Diego's United Way Fund, collecting a total of \$130,520.94 to aid in the war effort. In spite of problems and preoccupations with the war in Europe, 1917 was another in a steady progression of profitable years. At the annual meeting, a profit of \$11,270 was announced for the fiscal year just completed.

In 1918, the war ended but a flu epidemic ravaged much of the world, killing thousands. Daylight savings time and air mail were introduced in the United States and in San Diego, funds were raised by the Chamber of Commerce to buy land for the first major naval base in San Diego. Profits were stable and optimism reigned in anticipation of the completion of the San Diego and Arizona Railroad.

The railroad was finally completed in 1919. Prohibition was ratified by the California legislature and the California State Normal School at Los Angeles became the

University of California at Los Angeles. As the association continued to grow, advertisements were placed in a variety of newspapers in and around San Diego in order to attract additional business.

By 1920, the population of San Diego approached 75,000 and prohibition became the law of the land. Women received the right to vote and at San Diego Building and Loan, Beardsley had his monthly salary as secretary raised from \$150 to \$185. He also received a \$146 commission on the sale of shares. The records of the company show that Moses Luce was paid \$120 in attorney fees for his services in foreclosing on a property, an uncommon occurrence in the association up to that date. The records also revealed that Luce applied for a loan of \$3,000 but only half that amount was approved. Luce was so convinced of the growth potential of San Diego that, at one point, he sold his law library to purchase properties, one of which was later foreclosed by the association. During one of the several difficult financial periods in the city's early economic history, he bought back his books and resumed his law practice.

In October, 1920, W. R. Rogers died and Amasa C. Johnson replaced him as president of the association. On November 30, the bylaws were amended to provide that the directors be paid compensation of \$2.50 for each regular meeting they attended starting the following year.

At the annual meeting on July 21, 1921, a dividend of 7% was declared. All officers were reelected. Business

activity increased somewhat by the end of the year. On February 24, 1922 the secretary was directed to set a fee on all future real estate loan applications. The fee was \$3 for each application for loans of \$1,000 or less and \$5 for each loan over \$1,000. At the annual meeting, the salary for directors was raised to \$5. Assets of the company reached \$374,333. By late 1922, an outside firm, Vreeland, Evarts and Company, was hired to audit company records and the company engaged another paid employee, its first stenographer, Lillian A. Mach. San Diego County population surpassed 100,000, and the Navy dedicated Balboa Naval Hospital.

The association's devoted and hardworking secretary, J. R. Beardsley died in March of 1923 and was replaced by R. E. Hegg, president of the Southern Title and Trust Company and past president of the Better Business Bureau. At the annual meeting on July 30, Moses Luce retired, having served as counsel for 38 years. His legal advice over this period had helped to steer the firm through many difficult times. Other banks in San Diego were not as fortunate and, lacking sound legal advice, did not survive some of the business downturns that punctuated this period. He was replaced as company counsel by E. E. Hubbell.

In September of 1923, three of the directors were asked to call upon some of the local banks with a view to establishing a new depository. The Bank of Italy, later to become the Bank of America, was chosen. Assets had reached

\$459,595. The first transcontinental flight was made from New York to San Diego, drawing additional attention to this growing California city.

The first woman to join the firm, Catherine Reikowsky, was hired on February 1, 1924 as assistant secretary. She was paid \$100 per month and remained with the association for over 42 years, rising eventually to the office of treasurer.

Business was excellent in 1924, the year Lenin died. Assets reached and then surpassed the half million mark. The secretary's salary was increased to \$250 and he was instructed to accept membership in the Lions Club with the company paying initiation and club dues. By the end of the year, assets stood at \$582,773 having risen \$60,000 in the first six months.

The first regular air passenger service was established in 1925 between Los Angeles and San Francisco. The Scopes trial on evolution was taking place and the Charleston was the new dance sensation. Time magazine was in its second year of publication. A record 8,350 shares in the company were owned by 1,011 members and investors. Assets surged to \$664,361. A dividend of 7% was declared on outstanding shares at the annual meeting in July and all officers were continued in office. The secretary's salary was increased to \$300 per year and the directors were authorized a modest retainer fee of \$100 per annum. Business was good, the organization was growing and the fourth decade of operations

ended on a prosperous note.

The Fifth Decade

The nation too, was enjoying unparalleled prosperity in the mid-1920s. Land sales in California were soaring and San Diego Building and Loan benefitted by a rapid growth in population and home buyers. By mid-1926, assets had risen to \$919,832, an increase of 24% since the start of the year. The number of investors and members increased correspondingly to 1,183. Another dividend of 7% was declared on outstanding shares. All officers were again reelected at the annual meeting of 1926 and the outlook for future growth seemed bright, indeed. Elsewhere in the world, Hirohito became Emperor of Japan and a boxer named Gene Tunney gained the heavyweight championship of the world by defeating Jack Dempsey.

The first hint of impending disaster in the world economic structure occurred in 1927. The banking system in Germany collapsed, signalling a depression in that country which would have an immediate effect on the entire European economy and eventually the world. Business was still booming in San Diego, however. Ryan Aircraft built "The Spirit of St. Louis" for Charles Lindbergh who, later that year, flew it across the Atlantic Ocean to Paris capturing the attention of the world and popularizing flight. The first talking movie was produced in 1927 and starred Al Jolson.

At San Diego Building and Loan Association, a number of changes took place also. On May 31, 1927 the bylaws were amended to authorize the issuance of guaranty stock as fixed and permanent capital which could not be sold or redeemed for cash by stockholders. Shareholders were authorized to buy this stock in proportion to the number of regular shares they held. This class of stock was designed to protect shareholders against price fluctuation while providing the opportunity to earn dividends. The company, of course, benefitted by an infusion of permanent capital. At midyear, the association announced that all loan contracts would bear an 8.4% interest rate and carry a loan fee of 2%. Borrowers, henceforth, did not have to become members of the association.

At the annual meeting in August, E. E. Hubbell, the firm's attorney, was made a vice president while retaining the function of general counsel. Salaries for officers were set as follows: president, \$50 per month; vice president and general counsel, \$25 per month; and secretary, \$600 per year. Directors were paid \$10 for each board meeting attended.

Assets for the firm passed the one million mark in 1927 and by year's end had reached \$1,290,277. A healthy dividend of \$10 per share was paid to all holders of guaranty stock in the very first year of its issue. A director was moved to declare that a vote of thanks be awarded the president and secretary for the splendid growth

and prosperity of the company during the final six months of 1927.

The euphoria was short lived. The year 1928 opened on a sound enough footing, but some hints of growing nervousness in the financial community began to appear. Although business was still brisk, the conservative philosophy of the company was evidenced by a decision in May to require that new construction loans in excess of \$5,000 be covered by a completion bond and that no changes be made in plans or specifications unless approved by the association or its bonding company. California law required that building and loan associations retain from earnings, together with capital paid in from sales of guaranty stock, enough to cover 10% of regular stock.

The annual statement at midyear showed assets of \$1,614,768, an all time high and a dividend of 7% was paid on outstanding shares. At year end, the assets had passed the two million mark and stood at \$2,069,955, a remarkable gain of \$778,778 in just one year. The first Christmas bonuses were paid, and it was a good year for the firm. It was to be the last good year for a long time, however.

The dismal year, 1929, started well enough. It was, for example, a peak year for California oil production. California's wine industry was also growing with about 250,000 acres of vineyards in production. The Museum of Modern Art opened in New York, and Presidio Park and the Serra Museum were dedicated in San Diego, marking the 167th

anniversary of the arrival of Father Junipero Serra.

By midyear, assets had reached \$2,393,250, and net income for the year to date was a record \$62,210. All holders of guaranty stock received a record \$14 dividend and to investors throughout the United States, it seemed as if prosperity would never end.

It did, abruptly on October 28. Prices collapsed on the New York Stock Exchange as a result of a panic among investors which wiped out fortunes in a few hours and plunged the entire industrialized world into a depression that would last for a decade and eliminate millions of jobs.

Although San Diego was not immune to the effects of the chaos in the financial markets, it was not affected to the degree that some communities were. California was still seen as a land of prosperity and new residents, in search of fresh beginnings, continued to be attracted by the climate, growth and frontier environment of rural California. Many California banks, however, experienced panic among their depositors. Many shut their doors and some, in fact, never reopened, but San Diego Building and Loan Association never missed a single day of business.

In November of that bleak year, shortly after the crash, the association purchased \$100,000 in United States Treasury Certificates, one of the few sound investments still available. It borrowed \$75,000 from the Bank of Italy, soon to become the Bank of America, to finance these certificates. Also during that month, a safe deposit box in

the vault of San Diego Trust and Savings Bank was obtained for \$1,425 to keep the association's securities safe.

Assets dropped to \$2,103,421 by the end of the year, but a \$12 dividend on shares was, nevertheless, declared, reflecting a continuing philosophy of returning profits to its investors. The Bank of Italy leased a large portion of its former quarters in the U.S. Grant Hotel Building on Broadway to the association. Equipped with a vault and standard bank fixtures, it was rented to the association for \$700 per month.

In the prestigious new quarters, the 45-year company began the difficult decade of the 1930s with optimism and a characteristic upbeat view of San Diego's future and the future of the building and loan industry in general. The city's population stood at 147,995.

As the Great Depression began to grip the nation's economy, the association purchased \$20,000 in certificates of deposit at 4% from the United States National Bank and deposited \$50,000 in a monthly balance account at First National Trust and Savings Bank, paying 2%. President Amasa P. Johnson died in 1930. His position was left unfilled until the annual meeting later that year. The association continued to invest its funds prudently by placing \$5,060 in the Building and Loan Federation and by maintaining a 1% reserve in the federation to cover investment certificates.

At the annual meeting, E. E. Hubbell was elected president, and R. E. Hegg was made an executive vice

president while retaining his duties as treasurer. In creating this office, a decision was thereby made by the board of directors to shift the day-to-day management of the firm to an executive vice president. Hegg's compensation was set at \$9,000 per year, plus 10% of net earnings. G. E. Whiteman became secretary with an annual salary of \$3,000 and Catherine Reikowsky, the association's first women officer, was paid \$2,400 per year as assistant secretary.

Foreclosures on properties had been a rare occurrence throughout the first 45 of the company's years in business. It was customary for the association to seek a variety of ways to keep a loan in service before resorting to foreclosure. The directors were generally willing to reduce payments and grant longer grace periods if necessary. As the nation sank deeper into the depression, however, foreclosures became an economic necessity in order for banks to survive as viable businesses.

The early 1930s were particularly difficult for the financial services industry. It was heartbreaking to see families losing their homes, but there was an overriding need to assure customers and investors that their institution was and would continue to be sound and that their accounts were safe. Most San Diego Building and Loan customers apparently decided against withdrawing their funds. Throughout these critical years, the association never failed to honor a legitimate request for withdrawal of funds or failed to make a scheduled interest payment, an

accomplishment that not every San Diego financial institution could boast of.

The depression and related business problems dominated discussion at the monthly meetings. The minutes reveal concern expressed by the directors over the plight of customers on the one hand and their struggle to keep the firm financially stable on the other. It is relevant, in this regard, to note that in 1930, the association's annual contribution to the Community Chest doubled from the previous year's. Christmas bonuses were given to employees who had been with the company one year as compared with a two year eligibility period the previously year. And, in December, a \$12 dividend was paid to holders of guaranty stock. At year end, assets settled at \$2,977,411 having briefly passed the \$3 million mark earlier in the year.

Judge Hubbell, president of the association, died in January of 1931 and was replaced by Samuel Fox who was unanimously elected. F. A. Salmons was elected vice president and John T. Hon, vice president and counsel for Southern Title and Trust Company, was elected as director and appointed legal counsel at a salary of \$25 per month.

In May, the directors voted to pay 5% interest on its Thrift Savings Passbook accounts for new deposits. They also required that refinancing of loans on properties would require that the properties be inspected for termites, fungi and dead rot. The borrower was to assume the fee of \$3.00.

The overall economic scene for Southern California was

not encouraging. The thrift industry was severely impacted by the results of unemployment, to wit: shrinkage of deposits, increasing foreclosures and a rise in the number of loan delinquencies. However, Ray Hegg pointed out at the annual meeting that the firm had come through a difficult year and emerged in good condition. Accounts payable had been reduced substantially and the sale of United States Liberty Bonds had resulted in a strong cash position. The number of mortgage loans had decreased while loans on shares of stock had increased. All real estate owned by the association was in good condition and 28 of the 34 properties owned were rented.

By midyear, the firm was offering four types of investment certificate accounts including one paying 6%, which was at the time, the highest in the nation. The rate, however, could not be prudently sustained and soon afterward was lowered, not to return to this level again until 1969. Reflective of the prevailing hard times was the fact that a reduction in the monthly office rent being paid to Bank of America was sought by the association in an effort to cut expenses.

The firm changed its fiscal year in 1931 to conform with the calendar year. At the end of 1931, an 8% dividend was paid on guaranty stock and 7% on regular stock. Assets had dropped moderately to \$2,686,208. Elsewhere in the city, the San Diego State College campus was dedicated and San Diego adopted a city manager form of government.

The depression dragged on and in February, 1932, after a heated discussion over the level of salaries, all employees agreed to monthly pay reductions ranging from \$550 for Hegg to \$70 for the stenographer. President Samuel Fox took a \$200 monthly pay cut himself. Finally, on May 27, a measure to curb withdrawals of funds was implemented. Time of notice required for withdrawal of funds from 5% accumulative passbook accounts and 5-1/2% certificates was increased from 60 days to 6 months.

The company records show that in May, Western Auto Supply Company received a reduction in rent of \$50 per month on property it was leasing from the association in order to help it meet its other business expenses. This action was quite typical of the times. On August 26, salaries at the association were again drastically reduced. Monthly reductions ranged from 10% for lower salaried employees to 25% for higher paid officers. Bonuses were cancelled. The June dividend on guaranty stock was also omitted, a rather severe measure.

The year was not profitable for the firm and extraordinary measures were needed to remain solvent. A salesman was, therefore, employed to sell off houses owned by the association to generate cash. Despite a generous salary of \$1,600 per year plus commission, he was largely unsuccessful.

In October, the firm purchased two municipal and four State of California bonds. By year end, assets had dipped

to a little over two and one-half million. Confidence in the financial future of San Diego, however, was given a lift by the arrival of Consolidated Aircraft, heralding the start of the city's aerospace industry.

Franklin D. Roosevelt became the nation's 33rd president in January of 1933, inheriting an economy in shambles. He began his first term as president by declaring a ten day bank holiday to give banks an opportunity to reorganize their assets and try to remain solvent. The governor of California, in addition, ordered a six day bank holiday to give the state legislature time to enact protective legislation designed to help preclude bank failures. The United States Congress passed several new banking laws including one that created the Federal Deposit Insurance Corporation (FDIC) for commercial banks.

The association, meanwhile, continued to pursue every avenue for cost cutting. Fox asked Southern Title and Trust Company to reduce its charges for its services in foreclosing on trust deeds held by the association. A 25% reduction was finally agreed upon. Director fees were reduced to \$5.00 per meeting. Assets continued to shrink, however, and closed the year at \$2,464,931.

At the annual meeting in January, 1934, the directors decided not to elect a vice president to replace Frank Salmons who had passed away. Interest on all deposit accounts was reduced to a maximum of 4% but only after interviewing certificate and passbook account holders to

discuss this move. Assets slid to \$2,298,123 but shareholders, remarkably, were still paid a dividend of 4%.

Salary continued to be an issue at the 1935 annual meeting in January. The secretary was instructed to write to the Building and Loan Commissioner to determine what salaries similar organizations in the state were paying. A new policy was initiated; all five members of the executive committee must henceforth sign and approve applications for loans in excess of \$2,000.

Pan American Airways established the first air service between the United States and China, known as the China Clipper, in 1935. The California-Pacific International Exposition opened in Balboa Park that year and the Old Globe Theatre offered its first presentation there. The year 1935 also marked the golden anniversary of San Diego Building and Loan Association. It had been an eventful fifty years for the firm and for the community.

In November, the association applied for a federal charter to operate as a federal savings and loan association. The nation was still deeply mired in a recession that was now entering its sixth year. Assets were still dropping, but the association had survived the worst of the depression and had earned the confidence of its customers and investors. In spite of the hard financial times and the reductions in dividends and salaries, the board of directors voted to donate \$1,000 to the California-Pacific International Exposition, having already

made a loan of \$1,500 to its organizers.

As the association completed its first half century of operations, the board of directors consisted of Fox, Hegg, Whiteman, Reikowsky and Han. Its growth, like that of San Diego, had been steady and measured through good times and bad. There were very strong feelings of community membership and responsibility within the company. There was also a deeply rooted faith in the value of home ownership as an American ideal for all families.

The Sixth Decade

A major event occurred in 1936. The application for a federal charter was approved. At a special meeting of stockholders on December 16, 1936, the association made known its intent to convert to a federal association in accordance with the provisions of the Home Owner's Loan Act of 1933 and the rules and regulations of the Federal Home Loan Bank Board. The actual conversion took place on Christmas Eve and the firm was henceforth known as San Diego Federal Savings and Loan Association, a name that was to last for nearly a half century. The association, which also was known simply as San Diego Federal, immediately applied for insurance of accounts from the Federal Savings and Loan Insurance Corporation (FSLIC).

Also in 1937, the county fairgrounds were built in Del Mar. Hoover Dam was completed and Life magazine began publication. In spite of high unemployment and a sick and

stagnant economy, Americans had time to cheer a Black American athlete named Jesse Owens who won four Olympic gold medals in Berlin to the chagrin of a racist dictator who was even then preparing for an invasion of his neighboring countries.

In San Diego, the new federal association had to sell off bonds in order to raise cash to establish a \$53,000 required contingency reserve. The board of directors authorized the making of loans in excess of 75% of the property of the borrower and in excess of 50% of the value of the improved real estate which secured the loan.

A mild building boom had begun and real estate sales were brisk once again. By June, 1937, assets had climbed to nearly \$3 million. Rising material and labor costs, however, made it difficult to sustain the building boom through the last half of the year.

An appraisal committee consisting of the president, executive vice president and vice president was created to appraise properties offered as security for loans. No loan was to be approved unless two of the three submitted a signed, written appraisal. A reserve account for federal insurance premiums was established to contain 5% of net profits before dividends or one-half of three-tenths of 1% of the value of total shares outstanding, whichever was greater. A dividend of 4% on common stock was declared.

Aviation continued to make the news, both good and bad, in 1937. Several squadrons of naval seaplanes making a

record flight from San Diego Bay to Panama and on to Pearl Harbor accounted for the good news. But in New Jersey, the German dirigible Hindenburg exploded with great loss of life and on the other side of the world, the reknowned woman aviator, Amelia Earhart took off to an uncertain fate somewhere in the Pacific Ocean. The year's end brought another new address for the association. The firm moved to modern new offices at 1027 6th Avenue. Featuring the latest in banking equipment, the building was designed by noted architect, Frank Hope, Jr. The minutes reveal that an expression of sympathy was sent to the widow of a worker killed during construction of the building. A motion also carried to express appreciation to each contractor and subcontractor for their fine work and cooperation.

In 1938, the year the 40 hour week was mandated by law, the association decided to make Federal Housing Authority (FHA) loans and to sell them to the Federal National Mortgage Association (Fannie Mae). San Diego Federal, which made widespread use of newspaper and magazine advertising, was urged by the Federal Home Loan Bank to cut back its advertising and to cease quoting interest rates or dividends. The view was that the public, whose faith in banks had been severely tested, was wary of any aggressive selling tactics. Because of this prevailing sentiment rooted in the depression years, banks and bankers became extremely conservative and advertising became very low key and traditional in tone. Aggressive marketing tactics were

considered inappropriate for banks.

In a letter to the association in June, 1938, M. M. Harford, president of the Federal Home Loan Bank, stated that it was better to stress the impact of security and availability rather than return. He felt that an interest rate of not more than 3% "would maintain a strong and enviable position and provide an ample margin of reserves for development of additional reserves, staff and becoming competitive in meeting the interest rates on prime mortgage loans."

Also in June, the directors authorized the association to sell FHA loans from its loan portfolio to the Pacific Mutual Life Insurance Company, marking the association's entry into the profitable mortgage loan secondary market. The resale of mortgage loans to other investors through secondary market operations provided additional funds for lending and investment purposes and have provided a source of substantial income in the years since.

The semiannual report submitted that month showed that the firm was profitable again and a 4% dividend was paid on stock. But the surest sign of a return to prosperity was the pay raises granted in October. In December, a Christmas bonus of one-quarter of a month's wages was declared. Christmas Club accounts were offered for the first time, and the year closed out with assets in excess of \$4 million, an all-time high. For San Diego Federal, the depression seemed to be over. It had been a good year. Over \$800 million had

been lent to prospective homeowners nationwide.

The minutes, advertisements and public statements of the association reveal that the officers and directors felt that the creation of home ownership was a highly patriotic activity. "Democracy," read one quotation, "draws its greatest strength from citizens who have a stake in the soil of the country, who are proprietors and aware of the blessing of liberty to those who have as well as those who have not." This sentiment was also expressed in the minutes. The more help in achieving home ownership the association provided, the more it did to prevent citizens from becoming a burden to their government.

During the year, 648 new investors were welcomed, attracted by the reliable dividend policy, the reputation for high quality and conservative home loans and the ability to meet withdrawals promptly. To ensure that this compatability continued, a line of credit was obtained at the District Federal Home Loan Bank for use in an emergency. Approximately 31 properties were sold for \$137,287.50, and the remaining properties held by the firm appeared to be paying their way.

A low loan delinquency rate and a very conservative loan loss reserve policy contributed to the stability and reputation of the firm. Only 40 loans were delinquent in 1938, and loss reserves constituted over 26% of liabilities.

The association was an active member of the United States Building and Loan League, the American Savings and

Loan League and the California Building and Loan League in order to stay current on issues affecting the industry including state and federal legislation. The firm gained an early reputation as an active and concerned member of the financial industry, promoting the advantages of home ownership.

At the start of 1939, the association had seven employees plus the salaried directors and officers. Salaries ranged from \$80 per month to executive vice president Roy Hegg's \$750 monthly salary, plus a \$50 car allowance. A real estate appraiser received \$150 plus a \$25 car allowance per month and a 1% commission on sales price. In February, an auditor was hired to assume full charge of the bookkeeping and accounting department. A. B. Jackson was engaged in this capacity and paid \$2,400 per year.

Samuel Fox died of a heart attack in April, and Roy Hegg was elected president in June. Jackson became treasurer and Chester D. Whalen, vice president of a real estate firm, took Fox's place on the board of directors. The nation was beginning to rise again from the lethargic years of the depression. Employment rates were increasing as new industries were being established. San Francisco's Golden Gate Bridge opened and the new nylon manufacturing industry produced the world's first nylon stockings for women. Homeowners still constituted a tiny minority of the population, but interest in home ownership was growing rapidly. The annual report in December showed assets

exceeding \$5 million dollars. It was a very successful year, in spite of increasing preoccupation with the growing threat of war in Europe.

Association President Roy Hegg announced that, effective January 1, 1940, all association employees would be covered by the social security system which, he stated, would provide them with an "adequate means of retirement." The association encouraged attendance by its employees at external training classes to keep abreast of changing procedures in the savings and loan industry. Also in 1939, the United States Housing Authority opened the first of its rental housing units. The directors expressed concern, however, that tax-paying homeowners would bear the financial burden for this government-subsidized housing claiming that it would diminish the market for home ownership.

Hegg's salary was raised to \$1,000 monthly at the annual meeting in 1940. Plans were made to continue home construction projects in spite of a growing labor shortage brought on by mobilization. San Diego was growing 45% faster than the average American city, and California's population had reached 6,907,387. About a third of that number lived in Los Angeles and San Francisco.

As World War II began in Europe, the significance of San Diego as a major naval base became an increasingly important consideration in city and business planning. The board of directors recognized the opportunities for growth that this would bring and resolved to continue the responsible lending

and growth policies which had served it well for over half a century. Anticipating the likely entry of the United States into the war and the jobs and population increases that this would bring to San Diego as the defense related industries and military activities expanded, the directors planned for an increased demand on available mortgage funds in the years ahead.

In 1940, the association paid out its 110th and 111th consecutive dividends on common stock. A continuing commitment by management to training its employees was evidenced by employee attendance at training classes offered by the American Savings and Loan Institute and the Society of Residential Appraisers. As the year closed, the board of directors anticipated a \$2 million loan volume in 1941.

The year 1941 started quite routinely. At the annual meeting in January, all officers were retained in office. The entire nation was preoccupied with the growing prospect of entry into the war. There was a dramatic rise in the nation's industrial capacity and manufacturing production. Competition was growing in the savings and loan industry as evidenced by a decision to charge customers no interest for the first 60 days on FHA loans.

A record loan volume of \$2,211,606 was recorded in 1941, exceeding the directors' most optimistic expectations. The company continued to concentrate on loans for single family residences, amortized over a 15 year period. Starting in 1941, impound accounts were established to enable borrowers

to pay a single monthly sum to be applied toward mortgage payments, taxes and fire insurance premiums.

A survey in 1941 showed that nearly 7 million people had savings in federal savings and loan associations and that the combined assets of the savings and loan system in the United States was just under \$6 million. All federally chartered savings and loan associations were required to be members of the Federal Home Loan Bank System and carry Federal Savings and Loan Insurance Corporation coverage. Investor confidence in these institutions had grown steadily since the passage of the National Housing Act in 1934. Savings accounts were insured for up to \$5,000 each. Unlike depositors in commercial banks, savers at savings and loan associations were called members, and their funds were invested in shares. Notice of redemption was technically required but, in fact, seldom enforced. San Diego Federal's membership had grown to 6,915 members by the end of the year.

The Japanese attack on Pearl Harbor on December 7 precipitated the entry of the United States into World War II. The discovery, in that same fateful year, of plutonium, made possible the weapon that would finally end it, while threatening the world with a new kind of war.

At the annual meeting in 1942, no salary raises were enacted because of the war. On May 29, A. B. Jackson tendered his resignation to accept a commission as a lieutenant in the Naval Reserve. The directors declined his

resignation. They voted, instead, to pay him one quarter of his monthly salary while in service and to allow him to retain his title. Also that month, the Secretary of the Treasury designated the company as a fiscal agent for the sale of Defense Savings Bonds, Series C. In September, the association purchased \$70,000 in Series G War Savings Bonds.

In spite of the growth of the company, virtually all decisions, large and small, continued to be made by the board of directors. The board hired all employees including even janitors. Minutes indicated that as late as December, 1941, board approval was required for such trivial transactions as the purchase of a used radio, an electric range and a refrigerator. At the same meeting, a purchase of \$380,000 in government bonds, no small investment in 1941, was approved. While some might feel that this was an example of micro-management, it was, nevertheless, characteristic of the company's careful attention to cost control which many felt was a key to its continued success. It remained to be seen, however, how long these procedures could be efficiently continued.

War efforts dominated every aspect of business in the early years of this decade, including building construction. Home building virtually ceased except for government-financed housing projects like San Diego's Linda Vista project, dedicated in 1942 by Eleanor Roosevelt. Japanese Americans were being relocated away from California and their lands seized by the government.

At the annual meeting in January 1942, president Roy Hegg stated that "It is our duty, we believe, to continue our policy of encouraging the sale of War Bonds and also to urge that our citizens should save for the era of peace at home. Buy bonds to win the war -- add to your savings fund whenever possible to prepare for peace. San Diego Federal helps you to do both and in so doing, accomplishes its purposes and object[ives] to the community and the nation by instilling the morals of thrift and financial preparedness. In fighting for the profound rights guaranteed under the Constitution it is our firm belief that Security is the foundation of Liberty. To help make America and its people more secure is our aim" (Crawford, 1986, p. 15).

Meat, butter, sugar, canned goods, shoes, tires, gas and other scarce items were rationed in 1943. An epidemic of infantile paralysis hit the United States. The Convair Corporation, owned by Howard Hughes, was established in San Diego. At the annual meeting at San Diego Federal, employees, other than officers and directors, were voted monthly salary increases ranging from \$12.50 to \$25, but even these modest increases were subject to the approval of the War Labor Board at the time.

At its June meeting, a dividend of 3% was declared but considerable discussion revolved around the future size of dividends owing to a potential surplus of funds. Home construction had been severely curtailed as a result of defense construction priorities. Meanwhile, investment

funds continued to flow into the association, necessitating increased purchases of government bonds in order to earn some return on these funds and to aid in the financing of the war effort. Consequently, the directors voted unanimously to limit the dividend payable at year end to 2-1/2%.

A rare sign of dissention was visible at the August, 1943 meeting when director Glen Miner resigned because of his displeasure with the management of the firm. He was replaced by Fred V. Brown.

Records show that in August a new Plymouth automobile was purchased for the sum of \$1,404. The vehicle was to be used to expedite property appraisals in the sprawling city. To meet the ever-growing competition, a resolution was passed in December to allow 90 days of free interest on loans.

The annual report for 1943 focused on the war effort behind the front lines. War Bond sales were a dominant theme and two employees devoted a part of their time to the sale of these bonds. The association sold \$561,053.60 in War Bonds in 1943, raising its total bond sales to over \$1 million. Savings and loan associations throughout the United States were responsible for bond sales of \$775,000,000, almost all of it in 1943.

At year end, the firm's assets stood at \$8,423,015. Total mortgage loans outstanding were valued at \$6,301,370. The company continued to develop its profitable real estate

tract development operations. Projects included 41 houses in the West Hollywood tract which sold for \$4,500 each and the Laurel Heights tract with homes selling for \$6,000 each.

Advertising continued to stress the value of home ownership as an American dream which, the minutes of the association stated, "helped to perpetuate the kind of world for which millions of American young men are now fighting on farflung battle fronts." Purchase of War Bonds was advocated as a means to end the conflict and bring the dream to reality.

Notices of annual meetings were now published in a local newspaper once a week for two successive weeks prior to each meeting. Notices for each meeting were also required to be posted in a conspicuous place in the office of the association for 14 days immediately preceding the meeting.

At the annual meeting in January, 1944, Fred Brown and John Han were elected directors for a term of three years, breaking with the custom of one year terms. During the following month, the board determined that war damage insurance on loans should be required for another year. Also, a group life insurance policy was purchased as a benefit for all employees.

The fortunes of war were shifting in Europe. The Allied landing in Normandy on June 6 inalterably changed the course of the conflict. Victory seemed in sight and at the final meeting of the year, Christmas bonuses of as much as

half of one month's pay were approved. During the year, the association had purchased \$1,350,000 in government bonds and sold \$368,058 worth of Series E bonds. Thanks to the influx of defense workers to San Diego, the firm lent \$1,713,300 for the building of 232 new homes.

Congress passed the Serviceman's Readjustment Act of 1944 which provided loans to returning veterans which were guaranteed by the Veteran's Administration (VA) against losses of up to \$2,000 or 50% of the loan, whichever was less. Because lending institutions were thus afforded significant protection against loss, no down payment was required on VA loans and a 4% limit was placed upon the interest rate which could be charged. The VA, moreover, paid the first year's interest. The intent of this legislation was to facilitate the purchase of homes by returning service members in recognition of their contributions. As a matter of policy, San Diego Federal indicated its intent to apply the same vigorous underwriting standards that it applied to conventional loans. The VA guaranteed loans became known as G.I. loans and constituted an important element of the association's postwar business.

Assets in 1944 soared beyond \$10 million, equivalent to an annual growth rate of 25%. Consumer goods, especially durable goods and autos, were in very short supply. People had an abundance of cash and little beside real estate to spend it on. It was not uncommon for homes, which sold in the \$4,000 to \$7,000 range, to be purchased for cash. Down

payments of 50% or more were frequently made. Cash reserves at the association approached \$1 million, or 3.69% of total assets.

In his annual report for 1944, President Hegg outlined postwar plans calling for continued steady, but not expansive, growth. The firm's dual purpose would be to continue to attract large and small sums of money from savers and investors and to render the best possible financing services to those who wanted to own their own homes.

The Post World War II Period

The end of the war in 1945 brought joy to the land and an influx of veterans to San Diego. Many had decided earlier, while passing through or stationed at San Diego, that this city was where they wanted to live and build their homes.

President Hegg, in the annual statement, warned against the dangers of inflation which had devastated the post World War I economy. He referred to it as the "battle still to win on the home front." He encouraged the purchase of Victory Bonds and the practice of thrift.

His advice was apparently heeded by customers who continued to bring in deposits which continued to create surplus funds for the firm. Deposits or shares in a financial institution create liabilities on the balance sheet, since they represent claims against the assets of the

company and generate interest expense. These funds are, in essence, loans from savers to the firm, and they must be invested promptly in income producing assets such as mortgages and other loans or securities. The interest paid on shares or deposits represents the cost of funds, and the difference between this interest expense and the interest income from loans and securities is called the spread or gross profit. An abundance of funds lowers the cost of funds and tends to lower the interest paid out on savings accounts. The association was faced with this pleasant situation in 1945. It had \$5,600,000 invested in Victory Bonds and other U. S. Government securities, a sum approaching the \$6,950,010 it had loaned out in first mortgages, its primary business.

San Diego Federal was the first institution of its kind to make a G.I. loan and soon became a leader in this type of loan. Assets rose another 15.7% in 1945 to \$15,883,084. Average gain for the industry was 14%. New construction loans accounted for over 71% of total lending. The huge demand for housing was limited only by shortages of labor and materials. The postwar housing boom clearly had catapulted San Diego into the major city stage of its growth. It also pushed San Diego Federal into a major growth mode. San Diego voters approved a \$2 million bond issue to build Mission Bay and in San Francisco, still the banking and cultural center of the west, the United Nations Charter was approved.

The year 1947 saw a continuation of the unparalleled growth of the company. The demand for loans continued and additional funds from savings and investments were sought. The savings and loan industry nationwide had assets of \$10 billion. Veterans constituted nearly half of the association's 859 new mortgage loan customers in 1947. The mean loan amount was \$6,791.34.

Assets climbed to over \$17 million and total reserves amounted to 4.85% of assets. The firm's growing prominence was now evidenced by the election of its president, Roy Hegg as president of the California League of Savings and Loan Associations. New homes were being built in San Diego at a remarkable rate, and San Diego Federal built 4,233 in 1947 alone. The firm now employed 20 people. Completion of the San Diego aquaduct seemed to assure a steady supply of water, people and business to the growing metropolis.

Business continued strong in 1948 as the postwar building and buying boom continued. Automobiles, household appliances and other durable goods were finally available to consumers who had savings to spend, and the association's loan portfolio grew to \$13,620,394. The firm ceased making VA guaranteed loans because of the small return on this type of loan. The average return on its loan portfolio in 1948 was 4.6% and interest paid on savings accounts was pushing 3%. With many new arrivals in the area seeking loans, the association scrutinized prospective borrowers carefully, establishing a reputation for careful underwriting

procedures and a high quality loan portfolio, which enhanced its value on the secondary market.

Nationally, the Marshall Plan was spurring the economy as was the strong surge of sales in postwar America. Savings declined and the cost of living rose, making the threat of inflation very real. California's population passed the 10 million mark and work on the 200 inch telescope atop Palomar Mountain was completed. The Jewish state of Israel was born, and in India, a great leader, Mahatma Gandhi, was slain.

At the annual meeting in January, 1949, a new management position was created at San Diego Federal. J. H. Remmers became vice president in charge of construction. The firm's expanding volume of business also made the need for a separate branch office apparent. The possibility of a branch in the North Park area was discussed at length but not acted upon immediately.

Savings and investment accounts grew to \$14,557,713 in 1949, in spite of the fact that the conservative firm was paying only 2-1/2% on savings accounts while most other financial institutions were offering 3%. Because of the large influx of funds into the stable and secure 64-year-old savings and loan association, the firm reduced by half its advances from the Federal Home Loan Bank. The board decided to resume the financing of VA guaranteed loans because the higher interest rates on conventional loans were tending to discourage veterans from home ownership.

The association continued to establish a reputation for conservative lending and dividend policies, paying competitive rates on savings and charging competitive interest rates on loans in order to maintain what it considered a reasonable spread between the cost of funds and return on loans. Rarely did it attempt to lead all competitors in either rate or to engage in rate wars. When other lending institutions did so, it was often a sign that they were starved for funds or else hard pressed to convert them quickly enough to earning assets such as loans.

These conservative operating policies appeared to be working. Earnings in 1949 were the highest in the company's long history, and its strong reserves were attracting yet additional investors. This robust growth occurred despite the fact that 5 out of 8 of the nation's savings and loan institutions were paying 3% interest on deposits. Advertising stressed the firm's healthy reserves, liquidity and astute management.

Most of the lending activity for the year consisted of G.I. loans. Many were later resold on the secondary market, providing additional income and freeing up funds for additional loans. As the year ended, the postwar economy seemed to be settling down from the frenzied buying patterns of the 1946-8 period. Elsewhere in the city, Mission Bay Park was dedicated. San Diegans enjoyed their first television program and Carma Luce founded the San Diego Opera Guild. The population of San Diego had grown to

334,387, helping to make California the second most populous state in the nation, and in 1949 The University of San Diego was founded.

In June of 1950, President Hegg reported the purchase of the building lot on the southeast corner of Sixth and A Streets. A new building was planned and Louis Bodmer was commissioned as its architect. Planning for this new headquarters building occupied a substantial portion of the directors' attention in 1950. The Morley H. Golden Construction Company was contracted to build the new facility, the cost of which was not to exceed \$400,000. As the century reached the halfway mark, assets stood at \$26,101,687, a remarkable one-third increase over 1949. Reserves constituted a very healthy 6.64% of total assets.

The rapid growth in California midway through this century created a tremendous demand for construction, building up the cost of funds over previous levels. San Diego Federal, like other lenders, found itself in need of additional deposits to meet loan demand opportunities and began to look beyond California's borders for funds. Small advertisements were subsequently placed in the Wall Street Journal, New York Times, Philadelphia Inquirer and other prominent eastern newspapers stating simply: "We pay 3-1/2% per annum - safe since 1885." A coupon with space for name, address and amount enclosed completed the short advertisement. Results exceeded all expectations. Funds poured in daily. Most checks were modest in sum, but many

were for upward to \$20,000. These ads helped establish the association's reputation as a safe haven for savings and the flow of eastern money gave the firm a decided local advantage, ensuring its continued position as the largest savings and loan association in San Diego County.

Entry into the Korean conflict in 1951 exacerbated what was already a severe housing shortage. Commercial construction was suspended for 30 days, and this suspension was followed by the requirement that any construction be essential to the war effort. Critical shortages of materials again developed as San Diego's importance as a naval base was reestablished.

Nevertheless, it was a very good year.. In the first six months of 1951, the association rose from 76th to 54th in size among savings and loan associations in the United States and was the fastest growing among the largest 100 institutions. This growth encouraged the board of directors to finally undertake preliminary efforts to establish a branch office, a major step toward expansion.

In August, Jackson resigned as treasurer and arrangements were made with an independent auditing firm to conduct an audit. The audit revealed some disturbing practices. It found that some checks from contractors could not be traced and that V.A. loans were not being processed rapidly enough. The firm was subsequently suspended from offering V.A. loans from October 11, 1951 until February 25 of the following year. Of further interest was the purchase

of a \$3,000 silver plated saddle used by President Hegg in parades and other promotions. A new system of internal checks and controls was established, including a separation of the lending and bookkeeping departments.

In spite of these difficulties, 1951 was profitable. In November, the company moved into its new headquarters at Sixth and A Streets, a building that today is still in use by the firm. The old building was leased to Dr. J. C. Campbell. While profitable, the year 1951 nevertheless brought a measure of public embarrassment to a firm which had jealously guarded its reputation for sound and disciplined management. Its troubles, moreover, were not over. The Federal Home Loan Bank subsequently recommended that legal action be brought against Jackson and Wretton L. Clarke, former vice president, to recover monies received by them in connection with the loans made by the association on properties in which they held an interest.

At the annual meeting in January, 1952, the office of controller was established and Stanley Branner was appointed to the post. In April, the resale of mortgage loans to the Federal National Mortgage Authority (Fannie Mae) was suspended, precluding the resale of \$4,000,000 in V.A. guaranteed loans. Because of previous loan commitments, the firm found itself overcommitted. The directors voted to curtail loan volume to \$100,000 per month and a reserve for bad debts was established.

To help put its finances in better order, \$5.5 million

in G.I. loans were sold on the secondary market. Because of the several financial and legal problems now facing the firm, an agreement indemnifying directors against lawsuit was passed. In July, the association seized a savings account owned by Jackson and Clarke as an alternative to legal action. At year end, President Hegg became chairman and George Leonard was elected to the position of executive vice president and managing officer at a salary of \$17,500.

Despite a plethora of problems, the year 1952 still was profitable, although net earnings declined, due largely to the sale of \$5.5 million in loans at a discount and heavy Federal Home Loan Bank borrowing. Bright notes, however, included the successful development of the Lake Murray Manor subdivision consisting of 691 moderately priced homes and the popularity of the new headquarters building with its drive-up windows and garage services. The difficult year finally ended, but the problems were by no means yet over for the company.

The year 1953 started with Hegg as chairman and CEO and Leonard as president and chief managing officer. In a tense special meeting convened on March 3 with all directors present, Roy Hegg resigned as chairman. His resignation was unanimously accepted. Shortly thereafter, three new directors were appointed to fill the vacancies on the board. They were Robert J. Sullivan of the Sullivan Hardware and Lumber Company, Edward C. Hall of the M. Hall Company and John D. Thompson, vice president and trust

officer of the Pension Title Insurance and Trust Company.

A decision was made to remain closed on Saturdays. So grateful were the employees that they wrote a special letter of thanks to the directors. In July, raises were given to several employees who had taken American Savings and Loan Institute courses in order to improve their banking knowledge, again demonstrating a commitment to training on the part of management. The association hired a physician in September to make calls on sick employees at home and administer to them. The doctor was directed to give all employees treatment for colds and administer hormone shots to female employees.

The year was one of tremendous growth for the nation's savings and loan associations and for San Diego Federal as well. At year end, assets stood at \$38,336,978. A liquidity ratio to total savings of 15-1/2% was maintained, over twice the 6% ratio required by law.

The year 1954 started on an optimistic note. The creation of a new public relations position had helped restore the firm's slightly tarnished image and some customers who had withdrawn funds were back again as depositors. Business was looking up once more and the firm even donated \$11,000 to a funding drive for California Western University.

But in February, the association was shocked to learn that an indictment had been returned against George Leonard by the Federal Court in Phoenix, resulting from loans made

by the First Federal Savings and Loan Association while he was an employee. Another special directors meeting was called and on March 4, Leonard was asked to resign. He refused and the directors, therefore, resigned in protest. They were, however, reelected two days later.

In another tension filled meeting held on March 18, the directors again asked Leonard to resign. He again refused, stating that to do so would be an acknowledgment of guilt. Directors Baker, Fintzelberg, Hall, Sullivan and Thompson voted to remove him. Directors Han, Price and Brown voted against removal. Brown subsequently resigned as director, and John Thompson assumed control of the executive committee. Leonard's name was removed as a signatory on company accounts, effectively rendering him powerless.

On April 21, 1954, John Thompson was appointed president and general manager at a salary of \$15,000. Some objected to his lack of previous savings and loan experience, but all felt he had done an admirable job during a very difficult period for the firm. Leonard remained on the board of directors still under pressure to resign but refusing to do so. Finally, the other directors decided to redeem his shares in the association, thus causing him to be ineligible to be a director. Robert M. Golden, vice president and general manager of M. H. Golden Construction Company, was elected to fill Leonard's vacancy on the board.

At year end, assets had surpassed the \$40 million level, a 5% increase. Reserves equalled 6.2% of assets and the

firm enjoyed a very high liquidity ratio of 9.7%. The number of housing starts nationwide reached 1.5 million units. The firm, despite another year of serious internal problems and adverse publicity, remained financially sound. The new management had been able to overcome an operating deficit early in the year by liquidating \$1.5 million worth of U.S. Treasury bonds. These funds were used to provide interim loans to subdividers, and the interest from these loans became the main source of recovery from this deficit.

Under the new president, John Thompson, the company created two new departments: the Home Improvement Loan Department and the Escrow Department. It also established a new position of Assistant to the President and hired Dale Dresser, a vice president at Security Title and Trust Company, to fill the new position. With Thompson firmly in control, the organization seemed embarked on a new period of recovery and growth.

The Beginning of the Retail Branch System

As the association entered 1955, its 70th year of operation, it had 57 employees on the payroll and nine directors. The company continued to grow along with San Diego, whose citizens voted a bond issue that year to finance construction of the Tenth Avenue Marine Terminal. The company began to demonstrate an inclination to expand beyond the city of San Diego by applying to the Federal Home Loan Bank for permission to establish a branch lending

office in El Centro, California.

The association enjoyed another good year in 1955 as did most of the rest of the economy. Personal incomes were markedly up and increased spending and borrowing reflected the optimism of the mid-1950s. An estimated 1.3 million housing units were built nationwide, and San Diego Federal made over \$18 million in home loans, a substantial increase over the previous year.

Changes in the regulations governing savings and loan associations were now making it possible for them to make applications to open branch offices. San Diego Federal was one of the first to apply and began preparations to open its first branch office in Clairemont. Meanwhile, General Dynamics came to San Diego in 1956, occupying the old Convair plant. Repeal of the city's 140-foot height limit on buildings in 1956 was followed promptly by construction of the first of many skyscrapers to be built in downtown San Diego.

The Clairemont branch was opened in 1957 and plans were promptly made to apply for more branches. San Diego was expanding and so was San Diego Federal. The ensuing years were marked by steady growth for both. The University of California at San Diego was opened in 1958. In 1959, the City of Del Mar was incorporated and by 1960, the county population had exceeded 1 million. San Diego's \$280 million military payroll established the city as home to the second largest military complex in the United States.

In 1960, the association opened its second branch in National City. A third followed in 1962 in Grossmont Center. All three branches were located in new shopping centers which were beginning to attract shoppers from the downtown area.

The first eight years of the 1960s were characterized by steady, controlled growth. The branches were successful and branch acquisition became an important part of the company's strategic planning. By 1965, two years after the assassination of John F. Kennedy, San Diego had become the 16th largest city in the United States and opened its new Civic Theater. Plans were made for construction of the San Diego Jack Murphy Sports Stadium in Mission Valley. Old Town became a State Historic park in 1966 and the San Diego Zoo attracted 2.6 million visitors.

The Luce-Schmidt Era: A New Image

By 1969, assets of San Diego Federal had reached \$312 million, and San Diego was celebrating its Bicentennial with the opening of the San Diego Bay Bridge connecting San Diego and Coronado, bringing to a close the era of the Coronado Ferry. Inflation was becoming a worldwide problem. The turbulent 1960s were drawing to a close amidst recurring racial strife in the cities. Then, suddenly, in the summer of 1969, San Diego Federal's president, Jack D. Thompson died and the board was again faced with the urgent task of selecting a new chief executive.

As a first step, James C. Schmidt, formerly with the rival Home Federal Savings and Loan Association, was brought in as executive vice president to serve as interim managing officer until a new president could be selected. The latter task was completed in the fall with the selection of Gordon C. Luce as president. Also formerly with Home Federal, Luce had been serving since 1966 as California's Secretary of Business and Transportation in Governor Reagan's cabinet. Although not suggested by the title, this department was responsible for the regulation of the banking industry in the State of California, a fact not overlooked by the board.

Applications to open branches required state approval. Politically astute leadership was essential if a financial institution was to be successful in obtaining these eagerly sought approvals. His commitment to Governor Reagan completed, Luce became president of San Diego Federal prior to the end of 1969. The association would never be quite the same again. The management team of Luce and Schmidt was to completely remake the association's image and rapidly accelerate its growth and territorial expansion.

One of the initial steps in this direction was the creation of a totally new look for the organization. The company adopted a new logo, color scheme and a distinctive branch architectural style, featuring blue tile roofs. A color combination of red, white and blue was chosen for the logo and the branch office interior decor.

Selection of the logo began with a meeting of executives

consisting of Luce, Phil Franklin of Franklin and Associates Advertising Agency, Lloyd Plummer, who was an officer of the association and artist Joe McChesney.

The artist's task was to create a symbol which would convey the image of a caring organization and to reflect "subjects other than money, like the environment, patriotism, the quality of life, (and) pride in being an American" ("Great American logo," 1988, p. 2). Several sketches were presented. Most resembled the French flag, a sailboat or ocean waves. Finally, a design featuring the three soaring forms was selected. The soaring shapes, generally described as seagulls, were meant to signify freedom and environment (see Appendixes A and B).

Upon selection of the bold, new logo, the association ran an eight page advertising supplement in the San Diego Union ("Our 85th Anniversary," 1970) announcing its 85th anniversary and proclaiming:

The basic business philosophy of San Diego Federal, as developed over our 85 year history, and the role we intend to play in the San Diego community of the future are both reflected in our new symbol. The colors we have chosen speak for themselves. To Americans of all persuasions, red, white and blue still evoke a surge of pride. The never-changing ideals symbolized by these colors are foundations San Diego Federal is proud to incorporate in its business activities. Beyond this, these colors are emblazoned richly before us each day in

our community - the white of cloud, seabird, and surfline against the blue of sky and sea, punctuated by the fiery red of native flowers and the setting sun - representing our interest in the preservation of the environment and the conservation of our resources, both personal and public. (p.1)

San Diego Federal began in 1970 an aggressive program of expansion, supported by an intensive marketing effort. The company advertised regularly now, on the back cover of San Diego Magazine, usually featuring a photograph of a painting of a California landscape or seascape. The emphasis was on high quality, upscale advertising messages that were intended to reflect good taste, integrity, strength, history and pride in the community as well as support for the arts.

A free-standing building in the Grossmont shopping center replaced the storefront office, foretelling a preference for detached buildings for all of its branches. The Grossmont building was done in the distinctive new architectural style featuring the blue tile roof. A "teller-on-the-mall" service was initiated which became the forerunner of the automated teller machine (ATM). A branch was opened in Southeast San Diego, becoming the very first savings institution in that area.

In 1971, as assets reached \$505 million, the first regional office was opened. It was located in Palm Springs. The company was poised now to expand to other areas in the state and in 1973, full service branches were

opened in Beverly Hills, Monterey and Sacramento. The historic Heilborn House, a Victorian mansion located near the state capitol, was restored in 1973 to serve as the San Diego Federal branch in Sacramento. The branch building was later cited by the California Historical Society as an outstanding example of effective and aesthetic use of buildings to serve contemporary community needs ("A New Era," 1985).

Twin crises faced the nation in 1973. The Watergate scandal shook the federal government and an oil shortage caused fears about the very future of our energy supply. Assets at San Diego Federal soared to \$800 million. In the previous five years, the number of new savings accounts had nearly tripled. Consumer loans had also tripled, and \$850 million in real estate loans had been made in that period. The company was now heavily involved in tract lending, including housing developments in Rancho Bernardo. It was also involved in inner city development and won the first annual award from the National Association for the Advancement of Colored People (NAACP) for outstanding contributions to the San Diego community as a result of its work in Southeast San Diego. Programs were developed to assist low and moderate income families, minorities and the disadvantaged. Intern programs were started for minority youth and assistance was provided to minority financial institutions attempting to get started.

A 24 story building was constructed in 1974 at 600 B

Street to serve as the new headquarters for the association. It was designed with yellow brick plazas and a garden area for its customers and employees. The liberal use of sculpture, paintings, and sand castings continued an ongoing attempt to reflect some of the unique characteristics of the community or neighborhood served by a particular branch or office. The new branch in Oceanside, for example, had aquariums built into the lobby walls. The Point Loma branch was decorated with marine antiques. The San Ysidro branch contained Mexican artifacts. Some of the branches were multistoried and others were single storied. Nearly all had the now-familiar blue tile roofs and ample use of dark brown stained wood facing and timbers. By the end of 1974, the rapidly-expanding company had 30 branches scattered across the state.

San Diego Federal was among the first savings institutions to utilize automatic teller machines, installing its first at Lindberg Field in 1975. San Diego Federal's Solar Energy Loan Program was described by the United States Department of Energy as the best and most viable in the nation ("A New Era," 1985). The Centre City Development Corporation was founded in San Diego as the city prepared to participate in the long-awaited United States Bicentennial.

The association passed the billion dollar asset milestone in 1975. Assets would double in just three more years, a rate of growth more than twice that of the average

California savings and loan institution. In the remaining years of the decade, loan volume surpassed all previous company records. The association began to expand its customer services to include mortgage-backed bonds, notary public services, money orders, document copying, financial guides, ticket information and letters of introduction.

In 1977, the first of a series of mergers took place as San Diego Federal acquired the assets of Pacifica Federal Savings. The company thus embarked on a deliberate program of growth by merger that became a very important component of its strategic planning. In 1979, the year after Balboa Park's Old Globe Theater and Aerospace Museum were destroyed by fire, construction began on the company's new operation center in National City.

Deregulation and Transition to a Sales Culture

Checking accounts were offered for the first time in 1981. The association began to compete head-on with commercial banks in offering its customers a nearly full range of retail banking services. In May of that year, San Diego Federal introduced the nation's first adjustable rate mortgages. Double digit inflation and interest rates gripped the nation as President Reagan took office and the economy was experiencing a recession. This recession hit financial institutions particularly hard. High interest rates on deposits bid the cost of money up much higher than the income from fixed interest loans. Much of the loan

portfolio consisted of older, low interest fixed rate loans.

The Garn-St. Germaine Bank Deregulation Act of 1982 removed many of the government controls on banking, including the modest advantage that savings and loans associations, or thrifts as they were called, had over commercial banks in that they were permitted to pay a slightly higher return on savings. The ensuing competition for funds to lend drove interest rates even higher, reducing the spread between interest income and interest expense. Some institutions, predictably, experienced great losses in net worth and many became insolvent.

San Diego Federal used this difficult period to expand its branch system into Orange County, Riverside, Los Angeles and the upper San Joaquin Valley, acquiring eight savings and loan associations. They were:

Laguna Federal Savings and Loan Association

San Joaquin First Federal Savings and Loan Association

Peoples Federal Savings and Loan Association

Kaweah Savings and Loan Association

First Federal Savings and Loan Association of South
Pasadena

Riverside Savings and Loan Association

Sonoma County Savings and Loan Association

Inglewood Federal Savings and Loan Association

These respected and well-located organizations had experienced some financial difficulty. They needed the financial strength, resources and management of a stronger

institution. The benefits to San Diego Federal were an immediate increase in branch locations in some rapidly growing market areas in southern and central California. In keeping with its expanding geographic presence and in recognition of the local community identities of its merger partners, the firm changed its name to Great American Savings and Loan Association, retiring a name that had long reflected its intimate association with its corporate city. The name change was debated at great length within the organization but eventually accepted. It was not without trauma for there was much attachment to the old name.

Signs were slow to change, however. The San Diego Federal signs remained in place at many locations while the new name was gradually phased in, appearing first in letters on the door or perhaps on a small wooden sign planted in the landscaping. At the newly acquired branches, the changing of the signs was often an emotional event. In deference to local sensitivities, the acquired firms were designated divisions and retained their original names. Laguna Federal, for instance, became Laguna Federal Savings Division of Great American Federal.

Bank deregulation permitted many firms from other industries to enter the banking business. Insurance companies, brokerage houses, real estate companies and even department stores sought and won entry. Deregulation had the effect of eliminating most of the differences between commercial banks, savings and loans, savings banks and

credit unions. Most began to offer checking accounts to compete with the commercial banks who, by the same legislation, were permitted to pay the same rates on deposits as thrifts were.

The competition for deposits again bid up the interest rates paid on savings accounts to rarely seen levels with the relatively weaker institutions generally leading the way. A result was a number of bank failures. Great American survived this difficult period by maintaining prudent lending policies and by paying competitive interest rates but by no means attempting to lead the industry with the highest rates on deposits and the lowest on loans. The association emerged from these transitional years stronger than ever with assets just over \$4 billion and \$200 million in reserves.

Competition in the financial services industry, as it was now called, became heated with a huge number of entries competing for the same customer dollars. A decision was made to go public in 1983, that is, to offer shares of stock first to customers and employees and then to the public. The stock offering was well publicized. Teams of employees were stationed at telephones at a command post in its new National City Operation Center to answer questions from potential investors about the company and its stock offer. The company thus became, in 1983, a capital stock association and had a new set of stakeholders to answer to, to wit, the stockholders.

The year was also notable in that Great American, along with a few other trend setters in the industry, entered the sales culture. The entrance was eventful and in some cases traumatic. The company, up to two years previously, had little need for sales techniques. There were few products to offer to the public beyond passbook savings accounts and real estate loans. However, competition had driven forward looking institutions to offer many new financial products, for which fees were now charged. The more fee income that could be generated, the less risk to the company because of the vagaries of interest rate fluctuations.

Many employees, particularly those who had worked in the savings and loan industry for several years or more prior to deregulation, were not prepared for this rather abrupt transition into a sales culture. The company hired a training consultant to work in conjunction with its Training and Development Department to design basic sales training for its retail branch personnel. Since many veteran employees felt that bankers, as semiprofessionals, should not resort to sales techniques, they had to be conditioned to accept selling as respectable behavior for bankers.

At a meeting of branch managers in November, 1983, executive vice president Marc Sandstrom stated that "We're all salesman now." All levels of management stressed repeatedly that sales skills and particularly cross-selling to increase fee income and retain customers were essential for survival in a deregulated era. Some employees found the

new emphasis on sales stressful, but as incentive fees were paid to employees for multiple product sales, the great majority found the new sales environment challenging and financially rewarding. Sales leaders in each region were publicized and many employees welcomed the new opportunity for recognition throughout the company.

To the extent that financial institutions adapted successfully to the new sales culture, their profits increased. Others, slow to the transition, did not pull out of the business downturn that began in 1980. For Great American, 1983 was a very good year which ended with assets approaching \$5 billion.

The year 1984 saw increased competition, particularly from overseas, as Japanese investors sought to acquire American financial institutions. Deregulation dramatically increased competition and financial institutions sought new ways to increase earnings. Additional products and services such as insurance, securities and marketing were considered. Progressive and farsighted institutions such as Great American perceived that deregulation offered new opportunities for diversification. While less farsighted institutions insisted that they were in the banking business exclusively, others understood that to survive, they had to be in the financial services business, recalling the lessons of how the American railroad companies, after World War II, had failed to recognize that they should have been in the transportation business rather than the railroad business.

To facilitate diversification, Great American, a federally-chartered institution, sought and obtained in 1984 a California state charter. The California charter was eagerly-sought by financial institutions because it permitted greater flexibility with regard to diversification than did the federal charter. Thus, another name change became necessary as Great American relinquished its federal charter and became Great American First Savings Bank. As before, the name change was approached with concern and inevitably caused some confusion among the public. To minimize the extent of the change, the same initials were retained, that is, "first" was substituted for federal. "Great American Bank" or "Great American Savings Bank" were not available alternatives because these names were in use by other institutions. The company's employee credit union retained the name "San Diego Federal Credit Union" in order to prevent its use by another financial institution.

The year 1984 continued the excellent business recovery. The bank continued to expand, acquiring additional branches in the process. Assets grew to \$6.7 billion, an increase of over one-third from the previous year (GAFSB Annual Report, 1984).

Great American was actively seeking new markets both within California and the other population growth areas of the western United States. Of particular interest were Los Angeles county and adjacent areas to the north and east, the metropolitan Phoenix and Tucson areas and greater Seattle.

These were areas characterized by population growth and strong real estate markets.

However, the Garn-St. Germaine Act had placed restrictions on interstate banking operations except under special circumstances. Those special circumstances acted to Great American's advantage in 1985. In order to prevent a failing financial institution from become a drain on the deposit insurance resources of the FDIC or FSLIC, and, eventually, a drain on the taxpayers, the regulatory agencies followed a policy of actively seeking a healthy financial institution to merge with a financially troubled one. They would first seek an instate institution but, if unsuccessful in the quest, an out of state institution might be granted permission to cross state lines and engage in a merger.

Great American, by merging with or acquiring several financially troubled institutions, had on several occasions demonstrated that it was a responsible member of the savings and loan industry and had, so to speak, done its share to maintain the financial integrity of the FSLIC. It did so by not only acquiring some unprofitable branches, but also by loaning management teams to help smaller, struggling associations get back on their feet again.

Thus when Home Federal Savings and Loan Association of Arizona expressed some interest in merging with a larger Southern California savings and loan institution and Great American reciprocated that interest, the proposal received

the sympathetic consideration of state and federal regulators.

On March 21, the \$2.4 billion Arizona financial institution based in Tucson became a wholly-owned subsidiary of Great American. The merger added 24 branches in Phoenix and 17 in Tucson. It enabled the company to expand its retail banking operations across state lines in furtherance of its strategic plan to become a major regional financial institution in the major population growth areas of the western United States.

This major expansion was followed in May by a conversion merger with the Los Angeles Federal Savings Bank with \$659 million in assets and 16 well-located branch offices in affluent Los Angeles and Orange counties. These mergers, the 13th and 14th successful mergers in 16 years, were carefully orchestrated to position the company firmly in half of the ten markets projected to experience the greatest population growth in the United States prior to the turn of the century, namely Los Angeles (1st), San Diego (3rd), Riverside/San Bernardino (4th), Phoenix (8th), and Sacramento (10th).

Arizona's population had grown by 13.8% in the past five years and was projected to grow another 17.8% by 1990. During the same period, personal income was expected to exceed the national average by 1990 and the number of jobs by 36%. Retail sales were projected to increase by a remarkable 58% over the national rate (GAFSB Annual Report,

1986). By strengthening its presence in greater Los Angeles, Great American took advantage of the fact that Los Angeles was the fastest growing major city in the United States and boasted the largest dollar amount of FSLIC insured savings of any United States city, 89% greater, in fact, than that of New York, the second highest. Meanwhile, the bank network in San Diego, Orange and Riverside counties became the region's largest.

One in every eight home sales in the United States in 1985 occurred in California. San Diego County became the state's second most populous and the city ranked seventh in the nation. Its gross regional product ranked in the top 40 of the world's leading economies.

As 1986 ended, the company's earnings, net worth and assets reached record levels and, in terms of regulatory capital base, it became the seventh largest savings institution in the United States. The firm experienced the highest growth rate among the nation's ten largest publicly held savings institutions.

Two additional mergers in 1987 expanded the bank's operations into three additional states. Through a conversion/merger with Capital Savings Bank of Olympia, Washington, 32 branches in Washington and five in Montana were added to Great American. Many of these were in the growing and prosperous Seattle region, another of the targeted primary growth areas of the west. Finally, by acquiring First Security Federal Savings and Loan

Association of Grand Junction, Colorado, the bank gained a foothold in western Colorado that could be expanded later when the Denver economy improved.

Meanwhile, the branch network in Arizona was expanded by 18 branches: 13 in Phoenix and 5 in Tucson. These were located in Fry's Food Stores, a chain of upscale supermarkets with a 25% market share in Phoenix and Tucson. This innovative marketing plan permitted lowcost expansion of the branch network at about one-eighth the cost of constructing free-standing buildings and permitted customers to bank on weekends and evenings in conjunction with grocery shopping. In contrast to the experience of other financial institutions which opened branches in department stores, these supermarket branches proved far more convenient to customers and generated a hugh increase in volume.

A leader in electronic banking since pioneering automated teller machines, Great American had 200 ATMs in place at the close of 1987. Of the nearly 20 million branch transactions made in 1987, 48% were made through these machines. In additon to its own machines, approximately 30,000 electronic banking outlets were available through the STAR and CIRRUS shared electronic networks, and there were over 3,000 point of sale terminals at grocery stores and gasoline stations.

Management changes resulted in the elevation of President James C. Schmidt to the position of vice-chairman and managing officer and Roger K. Lindland to the position

of president and chief operating officer. Lindland was formerly chief financial officer. Lorna Mills vacated the title of vice chairman of the board. In addition to Luce, Schmidt, Mills and Lindland, the board of trustees consisted of William S. Chapman, a senior executive vice president of the bank; Jack Fisher, president of Tracey Auto Parts; Ambassador John Gavin, president of Unisis Satellite Communications; Emil C. Ghio, president of Golden West Packing Company; Bruce Hazard, president of Hazard Construction Company; Evan V. Jones, chairman and chief executive officer of Ace Parking; Keith G. Leachman, former president of Peoples Federal Savings; Clarence M. Pendleton, Jr., president of Pendleton & Associates; Edward W. Wedbush, president and chief executive officer of Wedbush Corporation; Hal T. Wolfe, Sr., chairman and chief executive officer of Capital Savings Division; and William A. Yale, a legal consultant.

Wedbush, whose company provided brokerage services for the bank and its customers, became a principal stockholder of the bank, acquiring about 15% of its common stock.

The company had nine subsidiaries: Great American First Savings Bank, FSB of Arizona; Great American Asset Management; Great American Development Company; GAF Financial and Insurance Services; GAF Insurance Services; Great American Mortgage Corporation; Great American Appraisal Services; Great American Credit Services and Franklin & Associates Advertising. The latter had become

San Diego's largest locally based advertising agency with the acquisition of the San Diego McDonalds, San Diego Padres Baseball Club, San Diego Union-Tribune and San Diego Gas and Electric advertising accounts.

The training and development department operated seven training centers and provided over 16,000 days of training to its employees during the year plus special merger training.

As the year ended, the five state branch network had grown to 228 branches. Its asset base of \$15.2 billion placed it seventh among the nation's publicly held savings institutions. A poll by Fortune Magazine cited Great American as one of the nation's five most admired savings institutions (GAFSB, 1987).

After five years of remarkable growth, expansion and diversification, facilitated by the deregulation of the industry, the 102 year old financial institution had made substantial progress toward a key goal in its strategic plan: that of becoming a leading regional financial institution in the fastest growing population centers of the western United States.

In a year marked by the failure of many banks and savings and loan associations, most notably in Texas and other depressed oil-producing states, Great American achieved its second highest earnings level. The future seemed very bright indeed.

CHAPTER FIVE
TRANSFORMATION OF THE CULTURE
Overview

The organizational, operational and technological complexities involved in the transformation of any social architecture are enormous, particularly when that structure has been evolving for many decades. But, mature organizations, however successful in the past, must inevitably revitalize in order to compete in increasingly difficult environments. This normally involves changing or transforming the organizational culture. Such transformations require a very special brand of leadership.

For a successful transformation to occur, wrote Bennis and Nanus (1985), three things must happen:

1. A new and compelling vision capable of moving the organization's members to a new level of aspiration must be enunciated.

2. A commitment to the new vision must be developed among the members or followers.

3. The new vision must be institutionalized (p. 140).

The leader who undertakes such a transformation must, moreover, be a social architect who understands the organization and who can shape the way it works. And while this leader (or leaders) may articulate the vision, the

image itself must grow out of the needs of the entire organization and must be claimed, as it were, by its members (Bennis & Nanus, 1985; Burns, 1978).

A transformational leader must have hindsight as well. Those who would transform a mature organizational culture and those who would understand that transformation must be knowledgeable of the organization's history in order that its traditions are not mindlessly violated. An understanding of the mature organization's history is especially crucial, Bennis and Nanus felt (p. 97), if for no other reason than to understand how the organization got to where it currently is and to where it will project if it were to continue on that original track. For this reason, I have researched and reported the history of Great American First Savings Bank in the previous chapter.

Since culture is so deeply ingrained in organizational members, can it be changed at all? Schein (1985b) felt that only a relatively few scholars such as Ouchi (1981) understood the difficulty in changing a culture. He felt that some cultural assumptions are almost impossible to change but that leaders sometimes manipulate cultural forces intuitively and without awareness in various subtle ways.

The creation, management and transformation of a culture are uniquely functions of leadership as contrasted with management or administration. The transformation of a culture in a mature organization requires more than just embedding a new culture. It involves a shifting of

commitment, requiring that the leader exercise deliberate role modeling, teaching and coaching and that he or she communicate effectively the new vision and the new criteria for allocating rewards and status and for recruiting, selection, and promotions.

Tichy and Ulrich (1984) agreed that transforming and revitalizing large institutions requires a special brand of leadership of the sort depicted in the transformational model of Burns (1978). Kanter (1984) noted that many American corporations today are particularly concerned about changing their cultures in the belief that creating a new, more participative, employee-centered culture will somehow benefit both short-term productivity and perhaps even improve innovation and adaptability in the long term as well. Often such events as mergers, reorganizations, new plant openings or changes in management occasion such efforts.

But new policies, campaigns, programs, strategies or other even more tangible changes are not to be confused with organizational culture transitions. The latter are far more complex because a particular culture is difficult enough to describe, let alone change. Cultural transformation requires dynamic and visionary leadership. It calls for a leader who can convert followers into leaders and leaders into moral agents. It demands leaders who can elucidate the new vision and then mobilize the organization and its members toward that vision. It requires winning the support

and following of all stakeholders of the organization (Mitroff, 1983). In short, it demands transformational leaders.

It is not always possible, Tichy and Ulrich (1984) felt, for current members of the organization to rise to such a level of leadership. Too often they are threatened by the implicit indictment of their own past policies and decisions that accompanies change. Cultural transformation, therefore, is often best accomplished by outsiders, especially if the company is in economic difficulty due to perceived internal inefficiencies (Schein, 1985b).

Members are often resistant to any efforts at change by transforming leaders. It is often difficult for these members to conceive of other ways of doing or valuing things. Such resistance is attributable, perhaps, to selective perception and what Tichy and Ulrich described as cultural filters (p. 244). The need for security drives them to cling to past successful ways that are familiar to them and which brought them rewards in the past.

But such factors as competition, deregulation and merger make change inevitable, and leaders in affected organizations must always be prepared to ask, "What business should we really be in?" What should the new values and norms of our organization be? Transformational leaders, especially in competitive business organizations, must also have the answers ready in order to avoid the mistakes made by the United States railroad and steel industries who did

not have a clear perception of what business they should have been in (Levitt, 1964). Transformational leaders must be prepared to lead the dialogue on these issues.

The culture of a complex, mature organization is itself complex. Great American First Savings Bank is such a complex and mature organization whose culture evolved over many decades of history into something that is quite unique. The remainder of this chapter is devoted to describing its evolution and transformation.

The Dominant or Mainstream Culture

Great American First Savings Bank is a functionally and geographically diverse business organization. As a result of deregulation, it is now engaged in many businesses and functions including residential, commercial and consumer lending; financial planning; retail banking services; investment services; real estate development; asset management and property appraisal. In addition, it operates insurance and advertising subsidiary companies managed by presidents who, in some cases, are also officers of Great American.

The corporation is also geographically diverse with retail branches located throughout California and in Arizona, Washington, Montana and Colorado. It also has loan offices in California, Arizona, Washington, Oregon, Texas, Georgia and Virginia. Moreover, the Arizona and Colorado operations are organized as a separate division, The Great

American Bank of Arizona, and the Washington and Montana operations are also constituted as separate entities because of different charters and state laws regarding banking. Even within California, procedures and policies differ somewhat by geographic region, with the state divided into northern, central and southern regions operating under different regional savings managers and regional loan managers.

There are pronounced differences, too, between the nature of lending operations on the one hand and retail branch operations on the other, and differences as well in the respective outlooks, management styles, and priorities of the employees who constitute each of these major components of the corporation. The principal function of the retail branch organization is to bring in deposits and fee income, the latter through the sale of over 100 different financial products and services such as checking accounts, safe deposit boxes, travellers checks, etc. The primary function of the lending organization is to earn income on these funds through lending operations and the resale of mortgages which constitutes a major portion of the assets of the corporation. In the normal competition for internal resources, which exists in any profit-seeking organization, rivalries and differences develop and priorities sometimes compete.

A third major component of the bank is the Finance and Diversified Business Group. The Finance and Diversified

Business Group seeks to attract funds from investors and to invest those funds in securities, additional merger opportunities or other business enterprises in order to optimize income consistent with safety. This type of activity supplements the traditional banking practices of gathering deposits from savers through a retail branch network and lending these funds out as real estate or consumer loans. It generates still different operating priorities and methods which sometimes do not coincide with those of the components involved in the more traditional savings and lending operations. Indeed, managers in this group may view the maintenance of a large network of expensive retail branch facilities as too costly a method of attracting funds for lending and investments. There is potential for conflict, therefore, regarding the very nature of how the business should be conducted, how resources should be allocated and what the strategic plan should include.

Finally, the company today is composed essentially of many smaller companies which have merged with the parent company to create a business and social entity which is quite different from what it was prior to each of these mergers. Each of these companies had a distinctive character of its own which didn't necessarily disappear after the merger.

All of these factors have resulted in the evolution of multiple cultures at Great American. Before the mergers

began in the 1980s, there were distinct differences in the manner of doing things between the savings and lending groups. There were, and are still, frequent references to the lending and savings sides of the business and in some important respects, they often behave as two distinctly different organizations. However, the rapid expansion of the company via the merger and branch acquisitions route caused the retail branch group to grow much faster in size and influence than did the loan group. Moreover, the branch group manager, Marc Sandstrom, is also responsible for the legal affairs of the corporation, adding additional functions and influence to this group. Further, it was the branch and legal group that introduced in 1983 a new emphasis upon sales and customer service that amounted to a major cultural transition in itself.

For the foregoing reasons, the branch and legal group, representing about 60% of the total workforce, tends to personify, at least to most observers, the dominant culture of Great American today. The principal elements of this culture are shown in Table 1. There are important subcultures in the organization which are distinguishable from one another, but they are clearly subordinated to the dominant one.

That culture can trace its roots to the founding of the company in 1885. The most persistent thread in the fabric of this culture has been an abiding belief in the value of home ownership as an American institution and an American

Table 1

Key Elements of the Great American Corporate Culture

ELEMENT	EXAMPLES
VALUES	Respect, profit, service, professionalism, innovation, growth, integrity, work, pride, loyalty, teamwork, skill
SYMBOLS	Logo (soaring shapes), colors (red, white and blue), blue tile roofs, hot air balloons, red carpets, sand castings, career apparel.
HEROES	Gordon Luce, Jim Schmidt
SLOGANS	"The Advantage Bank," "Catch the Spirit," "Safe since 1885," "Great American Advantage," "We CARE"
LEGENDS	A century of service, original storefront office, open every day since 1885
RITUALS	Rallies, recognition ceremonies, award ceremonies, CARE awards, officer promotions

dream. The virtues of home ownership and thrift have been repeatedly stressed in public statements, annual reports and advertisements throughout the company's many years of operations.

Coupled with this theme has been a commitment to community. The early history of the company was closely identified with the early history of San Diego and their respective fortunes remained consistently aligned in many important respects. Prosperity for the city and county generally meant prosperity for the firm. Their growth and development seemed remarkably paralleled as well.

The city was in its infancy when the company was founded. Its population stood at less than 17,000, coincidentally, the approximate dollar value of the new company's assets. Chula Vista, National City, El Cajon and Oceanside did not even exist in those days. The firm helped finance the growth of San Diego's businesses and even helped attract people to the city through its support of the 1915 Panama-California Exposition and other municipal events.

Another dominant theme of the culture from the very outset was a mixture of patriotism and nationalism, possibly because of this close identification with San Diego which owed much of its early growth to its own intimate association with the United States Navy and its importance as a major naval complex. Levinson (1981) and Mitroff (1983) have cited other examples of the patriotic and nationalistic origins of some organizational cultures and

the strength of their appeal. Evidence of these ties are further seen in the company's campaign to raise funds for the war effort during both world wars and its own heavy investment in United States war and victory bonds. Additionally, it urged the public to purchase war and victory bonds even though these investments competed with its own need for deposits from savers.

Both its advertising and the minutes of its board meetings in 1943, for instance, stressed the virtues of home ownership as an American dream for which millions of American men were fighting on farflung battle fronts. The directors urged the purchase of war bonds as a means to end the conflict and bring the dream to reality.

In 1944 alone, the company purchased \$1,350,000 in war bonds and sold another \$368,058 worth. Even after the war had ended, President Hegg encouraged the purchase of victory bonds and the practice of thrift as a means to avoid inflation, which he referred to as the battle still to be won on the home front.

The company founders were without exception influential San Diegans. They included, in addition to prominent business executives and a senior naval officer, the city treasurer, city assessor and a former deputy county clerk. Moses Luce, grandfather of the current CEO and Chairman, was the firm's first counsel and remained in that position for 38 years. The company benefitted from the continuity and stability of its management which, in turn, promoted

leadership that was conducive to a strong culture as defined by Peters and Waterman (1982), who noted that the stronger the culture, the less need there is for formal written procedures, rules and rigid chains of authority. The company operated for the first 35 years of its existence with only a single paid employee and very few written directives. Yet, the directors and the secretary knew what they were supposed to do because the cultural values were quite clear to them. They knew what their organization was about and what it was about was repeatedly reflected in the minutes and annual statements of the company. Its purpose was to provide a secure place for savings and a source of loans to enable San Diegans to purchase or build their own homes.

The strength of the culture was evident in many other ways. Dissention was extremely rare and arguments at board meetings, almost unheard of, were considered in very poor form. This taboo against public dissention persisted through the years of its history. In 1943, when director Glen Miner became displeased with the management of the firm, he resigned quietly and was replaced immediately and without fanfare by Fred Brown.

The company had been in existence 65 years before serious dissention actually surfaced in the company. It followed Jackson's resignation as treasurer and the subsequent legal action brought against him by the Federal Home Loan Bank. Hegg's resignation as chairman in 1953 was

followed the next year by charges brought against executive vice-president George Leonard as a result of loan irregularities dating back to his earlier employment with the First Federal Savings and Loan Association in Phoenix. His refusal to resign sparked protest resignations by other directors and produced considerable tension and contentious behavior that was decidedly foreign to the established norms in the organization.

The adverse publicity regarding these alleged ethical improprieties was a particularly bitter pill to swallow for a company which had jealously sought to preserve a reputation for integrity established over a period of nearly 70 years. It was actually well along toward reestablishing that excellent reputation when, in 1969, its president, Jack Thompson died suddenly, setting the stage for the arrival of two transformational leaders who totally rebuilt the image of this already mature company and who were destined to become its most revered heroes.

The arrival in 1969 of James Schmidt and Gordon Luce, formerly with rival Home Federal Savings and Loan Association, marked a dramatic turning point in the fortunes of the company. Their arrival almost totally transformed the organizational culture of the 85 year-old company. As president and executive vice-president, respectively, Luce and Schmidt remade the company's image, reformed its values and established a new vision of excellence for its members. They embarked upon a strategy of growth and territorial

expansion that was to catapult the company into the Fortune 500 list.

The new red, white and blue colors and logo, with the now-familiar soaring shapes, were adopted by Luce and Schmidt and become immediate favorites with customers and employees. The distinctive branch architecture, featuring the prominent blue tile roofs, provided instant recognition for the branches, even without signs. The branches were readily recognizable from a substantial distance on the ground or even from the air.

The red, white and blue color scheme was reflected everywhere--in the plush red carpets and red, white and blue drapes which characterized the branch interiors and in the career apparel which became required dress for the branch employees. The colors were meant to invoke feelings of patriotism and pride in being American. The soaring shapes in the logo were chosen to represent subjects other than money: the environment, quality of life, an upbeat optimistic attitude and a soaring spirit.

It was a stroke of marketing genius, and the colors, logo and career dress caught on immediately with the employees as well as the customers, providing an unusually high degree of branch recognition and member identification. Although other financial institutions expressed skepticism over the idea of dressing employees in uniforms like airline attendants and were downright derisive over the choice of red, white and blue color schemes, the

excellent quality, style and wide variety of garments and accessories made them a popular hit with branch employees. Most customers were not even aware that the branch employees were actually wearing career apparel. So popular was the clothing that other employees, including managers, not required to wear career apparel, purchased it as well. The effect was one of quality and consistent good taste. The career apparel actually was a factor in attracting new branch employees.

The overall effect on the company was positively electric. Morale and pride in the organization soared along with the symbology in the logo. The company was emotionally poised for the rapid expansion and aggressive growth that followed.

The branch in Southeast San Diego was opened, followed by the first regional office in Palm Springs in 1971. Then came in rapid succession full-service branches in Beverly Hills, Monterey, Sacramento, Oceanside, Point Loma and San Ysidro. The 24-story downtown headquarters building incorporated the tasteful sand castings of seagulls and other marine scenes done by local artists which were also becoming recurring themes in the branch interiors.

Cultures are transmitted and shaped by communicating values through the use of myths, stories, metaphors, symbols and legends. These began to proliferate in the newly-transformed company. Luce and Schmidt themselves are regarded as legends by most of the employees and, in most

interviews and conversations incident to this study, they were acknowledged as having thoroughly changed the company. Their early impact on the company has been heavily stressed in the required new employee orientation class which includes a segment on the history of the organization. This history is divided into two portions: before Luce and Schmidt and after Luce and Schmidt. Some new or postmerger employees may be somewhat vague on just what their specific accomplishments were, but there is universal awareness throughout the company that their accomplishments have been legendary. They clearly have the status of heroes, at least throughout the California-based organization.

The legends abound. Jim Schmidt, now the vice-chairman, still comes to work at the same unlikely hour that he has always arrived--5:00 a.m. He still tells Ma and Pa Kettle jokes to any employee or management assembly to whom he speaks. He still displays, as one of the highest paid executives in San Diego, the same informal, folsy behavior that has always characterized him. He and Gordon Luce prefer to be called simply Jim and Gordon by employees.

Luce, still very much in charge of the company as chairman and CEO, provides dignity, example, moral and ethical guidance, leadership and an impecable, national reputation for integrity and ability. He is consistently listed as one of the most influential leaders in San Diego and was a member of Governor Reagan's California cabinet from 1966 through 1968. Schmidt provides an informal and

human element along with a sense of humor and an impressive understanding of the savings and loan industry. They share the reigns of power now with Roger Lindland, the bank's new president and chief operating officer since early 1988, who is responsible for the day-to-day management of the business.

Most of the interviewees felt that values were the most important component of any culture. Without exception the respondents felt that values were the strongest component of the Great American culture. Until very recently, the operative values were passed along by word of mouth and by example. There are, to be sure, volumes of regulations and manuals at Great American on the operating procedures of the bank's businesses, but only two manuals which deal with the internal personnel and administrative policies of the organization. They are titled, quite simply, the Great American Personnel Policy Manual and the Great American Administrative Manual. There is no employee handbook, per se, and only since 1988 has there been an employee's code of conduct in written form.

Yet, the values seem to be universally understood within the organization, another characteristic of a strong culture.

There are relatively few iron-clad commandments, but one was revealed in an interview with Jim Schmidt. It dealt with his aversion to displays of territorial behavior or turf battles among Great American managers. Says Schmidt,

"When I attend a meeting where two or more managers are arguing over turf or responsibilities, I tell them, 'Folks, let me know when you're ready to meet with me' and then I leave. I can't stand territorial squabbles!"

Such squabbles are, therefore, rarely heard in the organization. Consequently, responsibilities for product lines and entire departments frequently shift without the turf wars that so often accompany such changes in other companies. The valued behavior in such circumstances is being a team player. There is a very high premium placed on company loyalty as opposed to just departmental loyalty. Parochial behavior is simply not rewarded. Teamwork on behalf of companywide goals is. The standard letter which Luce and Schmidt send to newly-promoted officers comments on the selectees' loyalty to the company with the words: "We have been impressed by your loyalty to Great American."

An interview with senior executive vice president and chief retail banking officer Marc Sandstrom revealed another rule, to wit: "Always attempt to hire someone better than yourself. Don't regard that person as a threat to your own status. That person, properly managed and developed, can help the company and enhance your own status as well. If you always hire people who think as you do or who are followers only and not leaders, the company will not improve itself or grow stronger."

A transformational leader also, Sandstrom practices what he preaches and encourages his managers to recognize

their subordinates. It is not uncommon at Great American for one-time subordinates to rise above their supervisors in the company. Managers who develop other managers are recognized for their contributions to the future of the company. Thus, a branch manager, whose performance and attitude were showing serious decline, was retained in her position far longer than may otherwise have been the case because it was widely acknowledged that she had developed several exceptional young managers at her branch.

Sandstrom expressed another unwritten rule: "Do the right thing by people--employees, customers or colleagues. It isn't always enough to do just what's legally required. Always try to do the right thing by them." As the senior attorney for the firm, his words carry added credibility. This value is clearly reflected throughout the retail branch system as supervisors and managers are authorized to waive fees in some circumstances--to do right, as it were, by customers and to treat them fairly.

Rod Tompkins, senior executive vice president and chief administrative officer provided another standard: "Always be upbeat with people--employees as well as customers. No grouches are allowed in this company. In good times or bad, we want Great American to be a great place to work." Tompkins also believes in the virtues of lean, streamlined staffing and hard work which he feels provides employees with more opportunities and helps develop better leaders. "Our business has its ups and downs. We want to be staffed

for the valleys, not the peaks," he says. "I want us to be able to say even during business downturns that everyone here is needed."

Those values are thoroughly ingrained throughout the company. Additions to staff are carefully controlled and must be approved by other group managers as well as the one gaining the proposed position. All new or vacant positions are posted internally first before outside applicants are sought and managers must first certify why a position cannot be filled from within before they can hire from outside the firm except under very unusual circumstances.

All employees are treated as customers. In fact, every employee is considered to have customers, even if their "customers" consist entirely of other employees. The same standards of service and cheerfulness, therefore, are expected when providing services to employees. The concern is that double standards of service may otherwise cause one to be reduced to the level of the other. There is a powerful emphasis placed upon cheerfulness and harmony in the workplace. Whatever personal stress or unhappiness an employee may be experiencing, it is simply taboo to inflict it on either customers or fellow employees. New hires are specifically screened for cheerful attitude and a service orientation. They are told, essentially, "if you don't like to smile and to wait on customers in the old-fashioned style, then you won't be happy working here. If you feel deep down inside, that you really don't like people, then

don't work in this or any other service industry because you won't be happy or successful."

In 1986, the company initiated a program called CARE, the acronym standing for "Customers are our reason for existence." It was launched with great fanfare featuring a series of rallies in principal locations throughout the company. An old-fashioned, all-American football rally and tailgate party theme was utilized. In Los Angeles, for instance, the Colosseum was rented and the UCLA marching band and cheerleaders were hired. Leading the band into the Colosseum, resplendent in drum major attire, was none other than the then president and chief managing officer, Jim Schmidt. Senior management, dressed in sweatshirts and shorts bearing company logo and in company colors, acted as cheerleaders.

This scene was repeated in varying versions in San Diego, Fresno, Sacramento, Phoenix, Tucson and Seattle. All employees were bused in or flown to a rally at substantial expense to the company. It is, perhaps, impossible to overstate the enthusiasm displayed and the work and preparation that volunteer employees put into these gala events. Japanese workers chanting company slogans and songs had nothing on these participants. The entire purpose was to introduce a new emphasis on excellent customer service, but a bonus was another tremendous infusion of teamwork and organizational pride and spirit. Rallies have been an important ritual in the organizational culture at Great

American and the CARE rallies carried on an important tradition.

In response to repeated requests by employees, another series of CARE rallies was held early in 1988. The San Diego rallies were held in Symphony Hall and the same enthusiasm was generated. Other similar rituals have involved Great American sponsorship of jazz festivals. Examples are annual Great American Dixieland Festivals in Sacramento and San Diego with an old-fashioned, all-American theme. For such events, there are waiting lists of volunteers, eager to help host these events on their own time and without pay.

Employees who perform noteworthy instances of service for customers, including other employees, are frequently cited in special handwritten CARE memoranda. All employees have pads of blank CARE memoranda sheets for use in commending a fellow employee. Recipients can be nominated for quarterly CARE awards which are symbolized by the presentation of a CARE pin. The awards are coveted by senior managers and entry level employees alike. Senior executive vice president Marc Sandstrom, for example, was presented a pin by the chairman Jim Schmidt at the Lyceum theatre in San Diego at a meeting of all branch managers.

Presentation of the pin is usually the occasion for a party or celebration with flowers, refreshments and recognition before assembled department employees. The criteria for the award are by no means trivial and

qualifications must be thoroughly documented.

So strongly ingrained is the service ethic that employees will go to great personal effort to win a customer back. The following anecdote illustrates this extra degree of effort by the employees.

An elderly customer remarked to a service representative that he thought the tellers at the branch he patronized were poorly-trained. The service representative referred the remark to me as Director of Training and Development. I tracked down the teller cited who happened to be a university student working part time at the branch. It turned out that the teller was asked to perform a service that should have been referred to a more senior sales representative. I also tracked down the customer who was a retired university president and who held three doctorates. He was, needless to say, an influential and important customer, though not a major depositor.

I called him and introduced myself. I invited him to a working lunch at the company cafeteria to be followed by a tour of one of our training facilities including a chance to monitor a live class for sales representatives. He expressed some interest but said he was reluctant to drive that far. I offered to pick him up at his residence and he agreed.

After reviewing the training syllabus which includes three weeks of training for tellers, we had lunch and then monitored a class. He expressed astonishment at the

complexity of the training and the emphasis on service and accuracy. He concluded that the tellers were indeed very well trained. The bank not only retained a valuable and influential customer, but gained a consultant who called regularly thereafter to provide me with valuable free advice.

I won a CARE pin. During my military service I was awarded two Legion of Merit medals, a Bronze Star, a Navy Commendation Medal and a Navy Unit Citation. I rank that CARE pin right among those coveted symbols of organizational recognition. It was presented in front of my assembled department by a senior executive vice president and two first vice presidents with more fanfare than some military award ceremonies I have participated in.

The dual leadership of Luce and Schmidt was responsible for the transformation of the corporate culture at Great American. Throughout the 1970s they worked to solidify and strengthen this culture in preparation for the remarkable expansion that would follow. It was important to create a strong and dominant culture to survive the challenges of growth. Both saw as a consequence of becoming big, a risk of also becoming big and mediocre like so many other giant financial institutions. Both men wanted to continue a level of customer service characteristic of small, storefront, hometown businesses such as Great American once was. They felt that size did not have to result in impersonal service. Their intent, then, was to create a warm and

caring attitude and environment that would permeate the entire culture.

Warm, inviting branch interiors were one way of doing this. There was a conscious effort made to really pamper customers. Lounge areas with newspapers and fresh brewed coffee became standard in the branches. The warm, inviting colors, rich appointments and plush red carpets became characteristics also. So, too, did the name tags worn by the branch employees and the emphasis on learning and using customers' names. The bank developed a reputation for cheerful, courteous service. The reputation spread beyond its customers to employees of other banks as well. It became an important part of the culture which Luce and Schmidt intended would survive, intact, through all the mergers, expansion and deregulation that lay ahead.

The first of the mergers took place in 1977 when San Diego Federal acquired the assets of Pacifica Savings. But the mergers began in earnest in 1982 with the acquisition of eight savings and loan associations in south and central California. These institutions--Laguna Federal Savings and Loan, Kaweah Savings and Loan, First Federal Savings and Loan of South Pasadena, Riverside Savings and Loan, Sonoma County Savings and Loan, Peoples Federal Savings and Loan, San Joaquin Savings and Loan, and Inglewood Federal Savings and Loan--were respected institutions with loyal customers. They had well-established cultures of their own, particularly Laguna, Peoples and San Joaquin.

Extraordinary efforts were made to complete the merger process in a friendly and understanding way. The companies were referred to as merger partners. Great pains were taken to see that no one lost a job in the process. In most cases, the senior managers of the merger partners became officers at San Diego Federal. The merged institutions even retained their own names as divisions of San Diego Federal.

Premerger orientations were held in an upbeat, rally type of atmosphere. The benefits of being a part of San Diego Federal were stressed. In short, it was an enculturation process.

Passage of the Garn-St. Germain Act in 1982, which removed many of the regulatory controls on banking and, in essence, deregulated the industry, had a profound effect upon the culture of Great American. The new bank deregulation act eliminated most of the distinctions between the various types of financial institutions including the advantage of higher interest rates which savings and loan associations could pay on deposits over what commercial banks could pay. The result was unbridled competition for funds and for loan customers. The competition drove interest rates on savings accounts sharply upward. Many institutions were, at the same time, locked into a large portfolio of fixed, low interest rate loans. The spread between interest income and interest expense shrank to the point that many financial institutions were simply driven out of business or threatened with insolvency.

The vigorous competition in the industry put tremendous pressures on smaller and financially weaker institutions. Many sought mergers with stronger institutions with greater net asset values such as Great American. To survive in such a competitive environment, Great American executives recognized that additional fee income needed to be generated through the sale of multiple products and services. They knew that fee income was not subject to the vagaries of interest rate fluctuations and that customers with multiple banking relationships and accounts were less likely to change banks. Hence, in 1983, Great American embarked upon an ambitious program of sales training for its retail branch employees.

The emphasis on sales had a profound impact upon the organizational culture. Only a relatively short time ago, aggressive advertising was frowned upon in the industry and banks were discouraged from quoting rates in advertisements. Savings and loan institutions prior to 1980 could not offer checking accounts and had relatively few products and services to offer beyond real estate loans and savings accounts. It was considered very close to unprofessional conduct for financial institutions to compete too actively for customers. Banks were supposed to be above such tactics, and sales was a concept totally foreign to banking which was viewed almost as a profession, at least within the industry.

However, faced with the need to generate a large volume

of fee income to survive, retail branch employees had to make the transformation from ordertakers to salespersons. Marc Sandstrom, addressing a meeting of branch managers in 1983 said, "We're all sales people now." But to many old hands in the organization, salesmanship and banking simply were not compatible. Many employees felt that it was unprofessional to apply sales tactics. They resented the new sales culture and longed for the good old days when bankers waited in quiet dignity for the business to come to them. It was not uncommon to hear employees complain that they did not enter the banking profession just to become salespeople.

The bank executives, however, were highly effective in convincing the workforce that the old days of banking were gone, forever, and that deregulation had resulted in a battle for survival with an excessive number of financial institutions all competing for the same customer dollars. A remarkable campaign was put together to make selling a respectable part of banking. Prizes were offered for the most productive salespeople and winners were publicized in the company newspaper. The prizes were conferred with considerable fanfare and publicity.

A very important factor in this transformation was the establishment of a sales incentive compensation program. Fees were paid to retail branch staff members for selling certain products. Only multiple product sales could qualify and the emphasis was on cross-selling. The sales incentive

program made major contributions to facilitating the transition of the bank into the new sales culture.

The importance of this transition cannot be overstated. Many banks did not make the transition gracefully or, indeed, at all, and these banks did not survive the intensely competitive years after deregulation or were forced to merge with stronger institutions.

Sales incentive income became an important component of the salaries of branch employees. In recognition of the importance of sales, retail branches were renamed retail sales branches. Their managers were called retail sales managers, and the new accounts staff renamed sales representatives. Tellers became customer service representatives, eliminating what was probably the most traditional position title in the industry.

The company sent groups of managers to monitor training at two organizations known for excellent customer service as cited by Peters and Waterman (1984). The two organizations were: Disneyland Enterprises and Nordstrom, a department store chain. A group of managers, including myself, spent a day at Disneyland University as their guests, discussing, among other things, how to keep people happy while they are standing in line. Meanwhile, company managers proclaimed to employees that they wanted the company to become the Nordstrom of the banking industry.

The decision to offer shares of stock for sale to the public in 1983 also had a substantial impact on the culture

of the organization. With a new group of stakeholders to be concerned about, the emphasis on sales and competition became even more pronounced.

The sale of stock generated tremendous public interest in the company. Calls from potential investors flooded its telephone switchboards. The company reacted in a manner that had become characteristic of it; the company enlisted volunteer teams of employees to staff telephone command centers to handle the volume of calls. Enthusiastic employees, proud of their company, told the Great American story better than hired public relations consultants could possibly have. Volunteer employees, helping out their company by staffing information booths and telephones or by dressing up and acting in host and hostess roles in fund-raising events or community celebrations, had become an entrenched part of the culture at Great American. Such volunteerism, teamwork and loyalty to the company continued to be greatly admired and highly acceptable behavior and was usually commented on in individual performance appraisals, cited in recognition parties, and publicized in the house organ.

Some employees, however, continued to be uncomfortable with the major emphasis on sales, and there were those who persisted in the view that they did not enter the banking profession to become salespeople. A major effort to make sales thoroughly respectable was undertaken. The Training and Development Department was expanded and consolidated,

and a major emphasis on sales training got underway. As new employees were hired, they were immediately oriented into the new sales culture. Older and more traditional employees who felt intimidated by the sales emphasis became a more or less silent minority. It became very fashionable to be enthusiastically sales oriented, and sales finally become respectable.

Competition intensified in 1984 and many savings and loan associations were feeling the pressure. In order to preclude failures and a subsequent drain on the resources of the FSLIC, healthy institutions like Great American were encouraged to merge with or acquire some troubled ones. Many smaller but healthy institutions also wanted to merge with larger companies because they had the advantage of size and stability in this highly competitive environment.

Growth had become a part of the culture at Great American under Luce and Schmidt because with growth came greater opportunity for its members. Growth permitted certain policies and operating styles that simply were not possible in static companies, and so Great American sought additional merger partners whose cultures and objectives were compatible with its own. Opportunities followed swiftly.

The \$42.4 billion Home Federal Savings and Loan Association of Tucson, Arizona, with excellent retail branch locations in greater Phoenix and greater Tucson, expressed an interest in merging with Great American and the interest

was reciprocated. The cultures of the two companies seemed, at the time, remarkably similar. The Phoenix market was in several respects closer to the San Diego market than San Francisco was, and like San Diego, Phoenix was one of the fastest growing metropolitan areas in the nation. An agreement to merge ensued, and the Arizona financial institution thus became a wholly-owned subsidiary of Great American.

This merger was followed quickly by a conversion merger with Los Angeles Federal Savings Bank. These two major mergers greatly increased the size of Great American and presented a monumental challenge with respect to incorporating these organizations and their members into the mainstream of the now well-established main culture at Great American.

Orientation teams were again assembled and evening orientation sessions for all members of the soon-to-be merged institutions were scheduled at key locations in their areas. Some of these orientation sessions were held in their larger branches. For others, hotel facilities were rented. The orientation sessions were typically Great American in their upbeat, optimistic and friendly style. They were festive occasions; generously catered and featuring a film about the company called "Catch the Spirit." A master of ceremonies with a sense of humor introduced various knowledgeable officers who described such areas as employee benefits, training programs and, most

importantly, the culture of Great American. The new group was literally welcomed into the mainstream culture and told at the same time that their own traditions would be respected.

For the most part, however, the new members of the organization wanted to become fully integrated into the new parent culture, to wear the logo pin, career apparel and all the rest. For the most part, those employees who seemed uncomfortable with the change moved on to other jobs voluntarily but they were few.

Very few jobs actually were lost in the mergers and acquisitions. The people just came with the rest of the merger package and stayed on. Those who were officers in the old organization generally were given comparable titles. Top managers in the merged companies generally became regional managers. The mergers were, without exception, amicable and friendly.

Training incident to the merger process was very thorough and was conducted in four phases:

1. Orientation
2. Technical training for tellers and financial representatives.
3. Sales and customer service training.
4. Initial training for managers and supervisors called survival training.

The Los Angeles and Arizona mergers were followed in short order by the merger with Capital Savings of Olympia,

with branches in Washington and Montana. Because of much prior practice in the orientation and training aspects of the merger and acquisition process, the Capital merger went quite smoothly with essentially the same orientation teams and program format used. A sort of campaign spirit characterized the merger orientation teams. Members were proud of being selected to represent their company and told many "campaign stories" of past merger training trips. As usual, there were more volunteers than needed.

Again, there was good employee acceptance of the new organizational identity. And again, while there was a good deal of well-intentioned talk about a blending or marriage of cultures, the fact was that an overwhelming majority of the merged firm's employees wanted the new identity and the culture of the acquired firm was, therefore, clearly subordinated.

At the same time as the mergers were going on, Great American was busy buying and selling individual branches. These changes could be rather traumatic for the employees involved because they could, and normally did, occur with very little advance notice. Depositors tend to get nervous if rumors of an impending sale persist, and the conditions of the sale usually require confidentiality. It is imperative that the sold branch change from the previous entity overnight and open for business as usual the next morning.

The employees of the affected branch were generally encouraged to retain their positions under the new owner

since the sale of a branch is usually conducted as a turnkey operation. This can be devastating to loyal employees who suddenly find that their branch has been sold and that they were, by no means, among the first to know. For employees of branches acquired by Great American, the news has generally been happily received. Not so for some loyal and long-standing employees of Great American whose branches have been sold or closed. Infinitely more devastating to the employees concerned was the sale of only the deposits or accounts of a branch, which meant that the staff would not be offered positions with the acquiring company. Great American made every effort to place these displaced employees elsewhere in the bank, but for some that entailed a major geographic relocation which may not have been feasible or desired.

The buying and selling of branches in the banking industry are a fact of life in the competitive era of deregulated banking. Markets expand and contract and it may no longer be possible for one bank to operate profitably in a certain location. In 1988, for instance, Great American ceased operating branches altogether in Visalia and Lodi, California; branches it acquired with the San Joaquin merger. But sound business or not, the closings were hard on the affected employees and on the communities they served, although they continued on under a new firm.

The local image of the company really suffered in these instances, at least from the perspective of these affected

employees who often felt that they had been dumped without warning and without cause. It was, of course, a tribute to the attractiveness of the company and its culture that these employees wanted to remain Great American employees because job and salary usually stayed generally the same after the sale. The corporate practice of selling branches is sometimes viewed by Great American employees as somewhat of a contradiction of the company's cultural emphasis on the value of loyalty. These employees feel, in such cases, that loyalty must work both ways and that their loyalty was not reciprocated.

It is important, however, to appreciate the level of confidentiality that normally prevails regarding such matters within the financial industry. In the case of branch sales and acquisitions, a violation of confidentiality can be costly if it causes a sale to be cancelled. Access to information, therefore, is carefully regulated on a need-to-know basis. Seniority, per se, does not entitle one to information on impending sales, mergers or product campaigns. It seems a reversal of form, however, in a geographically diverse company that is trying very hard to improve internal communications. The surface culture at Great American clearly values sharing information about the company but the actual practice sometimes discourages such sharing and the protection of business information is a value that is deeply ingrained in the core culture as practiced by managers of the company.

Subcultures

My interviews throughout the regions and departments of the company have led me to recognize a number of distinct subcultures within Great American. For all the emphasis on merging and blending, the development of subcultures seems almost inevitable in a multi-regional, multi-function organization. Such is the case, for instance, in the Navy. Such is also the case at large universities. And such is certainly the case at Great American. I have not, however, identified any significant countercultures. The following sections describe the principal subcultures. They are both regional and functional in nature. They contain essentially similar components, but the strength of these components differs quite markedly (see Table 2).

Loan Group

Viewed by some employees as almost a company within a company, the loan group operates in its own unique environment. As noted previously, the nature of lending operations and the fragmenting of the loan group into a large number of specialities make it very different from the much larger and more homogeneous retail branch group. The loan group consists of commercial and residential real estate lending departments, corporate and consumer lending departments, the retail credit department, secondary marketing operations, real estate asset management, and the

Table 2

Comparison of Main Culture and Subcultures

COMPONENT	MAINSTREAM	LOAN GROUP	REGIONAL
HEROES			
LUCE/SCHMIDT	VS	VS	VS
OTHERS	MS	NS	NS
TRADITIONS			
RALLIES	VS	NS	NS
RECOGNITION	VS	NS	NS
PARTIES			
HISTORY	VS	MS	MS
STORIES/MYTHS	VS	VS	NS
SYMBOLS			
LOGO	VS	VS	MS
COLORS	VS	VS	MS
ARCHITECTURE	VS	MS	NS
CAREER APPAREL	VS	NS	VS
HOT AIR BALLOON	VS	MS	NS
VALUES			
INTEGRITY	VS	VS	VS
PROFIT	MS	VS	MS
SERVICE	VS	MS	MS
PROFESSIONALISM	VS	VS	MS
HARD WORK	VS	VS	MS
INNOVATION	VS	MS	MS

Note. VS=Very Strong MS=Moderately Strong NS=Not Strong

real estate appraisal and real estate development subsidiaries. Given the diversity and high degree of specialization of the group, it is not surprising that its members have developed a culture which falls somewhere outside the mainstream culture typified by the retail branch group.

Yet, the components which comprise the loan group are themselves so heterogeneous that the subculture which has evolved, while distinct, is precluded from seriously challenging the mainstream culture. The loan group employees generally experience a very different career track. Loan representatives are commissioned rather than salaried. Hence, time spent on company activities, in meetings and at rallies, all highly valued in the mainstream culture, is time away from loan production resulting in lost sales opportunities and commissions. This is a basic and serious issue with the lending professionals which surfaces often.

Loan group employees see themselves as representing the asset side of the business and the retail branch people conversely as representing the liability side, a comparison replete with much of the symbolism which those labels connote. They view the retail branch organization as being rather overstaffed, consciously retaining enough redundancy to be able to participate in rallies, meetings, training and what they often term as fun and games. In their view, lending is mostly what the business of Great American is all

about. A senior executive vice president who was a past loan group manager expressed a commonly felt sentiment when he told me that the loan group makes all the money to support all the meetings, parties, rallies and training that goes on elsewhere in the company.

The subculture of the loan group which has developed, therefore, is very independent. Austere staffing in the loan group has been used sometimes as a reason to not hold meetings and to not attend training classes. The classes themselves are often viewed as too branch oriented, arguably because branch employees, who constitute about 60% of the company workforce, predictably comprise the majority of the class rosters. There is clearly a degree of resentment and jealousy involved here. The situation, moreover, is self-perpetuating because of a reluctance to share commissions by increasing staff in order to provide staffing levels necessary to permit people to attend classes, meetings and company functions. On the other hand, there is a great deal of pride in the lending group and potential for far greater individual earnings than in the much more regimented retail branch system.

A recurring tendency to go it alone is evidenced in the fact that the loan group maintains an administrative staff, including personnel and training administrators, because they sense that the corporate human resources and training staffs, who are tasked to serve them as well as the rest of the company, are too oriented toward the retail branch

organization.

Territorial issues exist but territorial behavior and parochialism are clearly counter to the main culture and are kept subdued. They exist, nonetheless, and they influence behavior and decisions within the organization. One such issue concerns the role of the retail branch system in originating real estate loans. There is some apprehension on both sides regarding this issue. Loan representatives are skeptical of the ability of retail branch personnel to handle the legal and regulatory aspects of mortgage lending. They are also reluctant to share commissions. Retail branch people feel that this is yet another complex and demanding addition to their duties. To some extent, there is a conflict of interest involved in that the retail branch personnel are inherently service oriented while the lending departments are primarily underwriting oriented. The former are eagerly seeking depositors and they dislike having to say "no" to customers. The loan representatives, on the other hand, frequently must.

A similar territorial issue concerns responsibility for consumer loans and retail credit products such as personal loans, auto loans, credit cards, lines of credit and other forms of credit or loans not secured by real estate. These functions are traditionally managed by the loan group, but the products are increasingly offered through the branch system. The same stereotyped views and normative behavior sometimes prevails here. Lending personnel tend to view

retail branch personnel as too service oriented, hence too magnanimous with credit. Retail branch personnel tend to see lending personnel as overly cautious, reserved and distrustful of customers.

New terminal equipment will soon enable the branches to obtain credit information directly from credit bureaus and will facilitate the origination of many types of loans in the branches. The trend toward one-stop, convenient banking in the branches and Great American's extensive retail branch system will also exert pressure in this direction. There appears to be a growing recognition that more teamwork will be necessary and that old stereotypes and territory claims must be abandoned to survive the competition of the next decade. There is, therefore, a trend toward vastly increased interaction which the company executives are promoting and which has been greatly facilitated by the recent replacement of the loan group manager by a former San Diego Federal officer who was rehired as a senior executive vice president. The new group manager is a popular leader with managers and employees from both the branch and loan groups who remember him as a service oriented team player. He is expected to increase cooperation and teamwork.

Regional Cultures

As the mergers occurred, there were many efforts to emphasize similarities in the standards, philosophies and business practices of the merging institutions.

Particularly in the most recent mergers in Los Angeles, Arizona and Washington, a concerted effort was made to enculturate the employees of the joining organizations into the main culture of the bank. Results were somewhat mixed.

For the most part, there seemed a general receptivity on the part of the employees of the firm being acquired to becoming part of a larger, older and perhaps more stable institution. Orientation sessions were held with the purpose of making the new members of the corporate family aware of their new company's history, traditions, reputation, values, business philosophy and way of doing things.

Much respect, at least on the surface, was accorded the existing cultures in the institutions being acquired, and there were frequent references to a blending of compatible values. In actuality, there was no real blending of cultures or termination of old cultures. Consequently, residual regional cultures persisted. These were most pronounced in Arizona, Orange County and northern San Joaquin Valley. The other areas were more quickly assimilated, particularly, the metropolitan Los Angeles area where personnel turnover exceeded 40% per annum and there were relatively few people left over from Los Angeles Federal Savings to carry on the culture of the old institution. In Washington, an influx of corporate managers replaced some of the key managers who were acquired with Capital Savings, including the president. A San Diego-

based senior vice president was named president of the new Washington Division. The main corporate culture was, to a large degree, transported to Seattle.

Particularly strong residual cultures persisted, however, in the Sacramento-Stockton area, Orange County and Arizona following the San Joaquin Federal, Laguna Beach Federal and Home Federal of Arizona mergers, respectively. These organizations had relatively strong cultures and close community identities to begin with. There was considerable loyalty among the employees to their former company and genuine sadness over the loss of an old, established identity.

Moreover, banking relations and law differ among the states and sometimes even within regions of a state. Customer lifestyles, socio-economic status and product preferences differ in various geographic regions. So do the expectations regarding quality of service. For example, stability of staff is highly valued by customers in the smaller communities of northcentral California where most residents know one another. There is little personnel turnover in the branches which serve this region. Consequently, closer, friendlier and more relaxed relationships tend to develop among staff members and customers. Friendliness and informal conversations were traditions, and service was unhurried in contrast to the faster pace of Los Angeles, San Diego, Orange County and Phoenix.

In Arizona, customers were accustomed to faster credit approval than were customers in California. Problems developed when Arizona branches had to obtain credit approval on consumer loans from the San Diego headquarters. The situation was eventually rectified but not before the different methods of operating caused conflict. Customers in Arizona were used to check guarantee cards issued by branch managers. The corporate management in San Diego, however, wanted to retain approval authority for this product, resulting in significant delays which put Great American at a competitive disadvantage in the Arizona market until the situation was remedied.

Shortly after the Arizona merger, the Arizona economy turned soft and an overbuilt condition developed in the Phoenix and Tucson real estate markets. Additional loan loss reserves had to be set aside. Meanwhile, the Southern California economy continued to be robust.

Both the Washington and Arizona divisions, because of different state laws and the laws respecting interstate banking, were operated as independent subsidiaries. All of these environmental and operating differences contributed to the perpetuation of different subcultures as the earlier habits, values, myths, legends and ways of doing things tended to persist or resurface. Because its culture was not particularly well established, Capitol Savings Division of Washington seemed to adopt the Great American culture more easily. There was greater resistance in Arizona.

As is common in geographically diverse organizations, a certain amount of antiheadquarters sentiment was found in the regional organizations. That critical sentiment was exacerbated, to some degree, by branch closures following some of the mergers.

With every merger, there must come changes, despite any earlier assurances that there would be none or that they would be minimal. What is viewed as minimal by corporate managers, however, can be very major to those affected. Branch closures are a case in point.

Notwithstanding the mutual compliments about the quality of each other's management that preceded each merger, certain changes were desirable and in some cases even necessary to achieve profitability goals. Unprofitable branches, for example, eventually had to be sold or otherwise disposed of. When this happened shortly after a merger, as was often the case, regional employees sometimes perceived such closures as actions inconsistent with the caring, people-oriented image which Great American attempted to project. This tended to call into question the very validity of the Great American culture as presented to them during their premerger orientation.

Branch sales sometimes resulted in disillusionment and loss of trust. This situation, moreover, caused some regional people to distance themselves from the main corporate culture and, in some cases, to resurrect their own. They longed for the good, old days again although they

were occasionally reminded that those old days were often not good from a profitability standpoint.

It is clear that the further one travels from the corporate region, San Diego County, the less pervasive the mainline culture is and the fewer employees, customers and other stakeholders that are influenced by it. All interviews with regional employees reinforced this conclusion. The elements of culture--symbols, metaphors, myths, legends, stories and heroes--seemed to be strongest in San Diego. These things meant far less to employees who had never visited San Diego to see the headquarters building, meet some of the senior executives, or witness a company-sponsored event in San Diego.

Similarly, branch density and volume of advertising is heaviest by far in San Diego where Great American is the leading lender and has strong name and logo identification. These factors also diminish as one moves outward from San Diego. Name recognition is moderately strong in Orange County but less so in Los Angeles where the competition is intense. Northern California is a stronghold of Bay area banks such as Bank of American and Wells Fargo and Stockton-based American Savings Bank. These institutions command greater market share and name recognition in these areas. Similarly in Arizona and Washington, Great American has a far smaller market share than it enjoys in San Diego.

As a consequence, the influence of the main culture is lessened as the distance from San Diego increases, primarily

because the employees are less aware of it. Except for newly-constructed branches, the familiar branch architecture and blue tile roofs are not in great evidence. The logo, traditions and slogans have less meaning to these employees. The stories and myths regarding its heroes were less well known. They had heard about the impact of Gordon Luce and Jim Schmidt but were unclear as to what that impact was. They respected the reputation of Great American and its many years of existence but had little factual knowledge on which to base that respect. Overall, the regional personnel I interviewed placed less importance on these elements of the culture than did San Diego employees.

On the other hand, respondees felt that values constituted the most important component of the culture and that these had been transmitted rather effectively. There was also great admiration for the financial strength, stability, reputation, size and management of the San Diego organization.

A former CEO of an acquired association thought the company was more customer oriented before the merger than after. She felt that Luce and Schmidt were sincere in wanting to provide the same level of personal service that was provided when the company was smaller but that the communication of this intent did not reach down into all areas. She felt that it was difficult to pass the culture along intact because of the high turnover in her own area (Orange County). Therefore, she felt that the people in her

area had a different way of doing things and that it was best described as a customer-oriented approach.

Regional managers predictably felt that authority is too tightly maintained by the corporate headquarters and that it should be decentralized to provide more responsive, faster service. There is a widespread perception of San Diego as having somewhat of a small town, conservative attitude, notwithstanding its sizable population. This feeling is strong in Orange County and Los Angeles.

A former senior vice president of an Orange County savings and loan association which became part of Great American Bank indicated that his former institution had choices of who to merge with and preferred Great American because of similar values, especially integrity. He said he knew that Luce and Schmidt would keep their promises.

He and the former president of the division still occupy desks in the elaborate, ornate marble lobby of the regional headquarters bank in an affluent coastal resort town. They sit in full sight of customers. Both are in their seventies and they still believe that their time is best spent talking to the customers. They feel the CARE program tends to be somewhat superficial and that less time should be spent on meetings, more on customers. They lament the passing of an era. Prior to its merger into San Diego Federal, their association ranked 235th nationally in asset size but was losing about \$2-3 million per day.

Summary

The elements of the Great American corporate culture are very strong in San Diego county. The culture is characterized by a strong belief in the American ideal of home ownership, a strong sense of patriotism, a conservative political, social and economic philosophy, a sense of respect for the savings and loan industry and a strong historical tie to San Diego. As the bank expanded beyond its county boundaries and eventually beyond the state, an attempt was made to transport that identification first throughout Southern California, then through the entire state and finally to its principal out-of-state communities, Phoenix, Tucson and Seattle. However, the presence and identity of the corporate culture are much less pronounced in these areas and varies with its market share.

Within the company, a significant subculture exists in the loan group as a result of different business philosophies, ways of doing things and responsibilities. Many recent efforts have been made to minimize these basic differences and increase cooperation and to bring the loan group subculture back into the mainstream culture. This transformation has only been partially successful.

Finally, in the aftermath of the regional mergers, residual regional cultures have persisted, not so much in opposition to the San Diego-centered culture, but rather they have resurfaced to fill something of a void into which

the mainstream corporate culture has not yet permeated.

As one travels outward from San Diego, the symbols, myths, metaphor, stories, folklore and other components of the corporate culture take on less meaning. While the values, strength and reputation of the corporation have been effectively transmitted in the merger process, there has been, however, little real blending of cultures as these mergers have occurred.

CHAPTER SIX

DISCUSSION, CONCLUSIONS AND IMPLICATIONS

This research has six objectives which were stated in Chapter 1. The results of this study are summarized in the following sections which correspond to each of these objectives.

Evolution of the Culture

The first objective is to trace the evolution of an organization culture at Great American First Savings Bank, identifying persons, actions, strategies and environmental circumstances which influenced it. A chronological history of the organization is presented in Chapter 4. I describe the evolution of the company, founded over a century ago, through nearly a dozen generations of managers. Aside from its possible value as a historical account, the history provides a necessary perspective for an understanding of the current organizational culture and how it evolved.

There is much that is remarkable about the history. It reveals an organization whose growth coincided in many respects with the history of its corporate community, San Diego and with the growth of the housing and savings and loan industries in the United States. The company's own growth objectives were very compatible with the objectives

of the community and of the industry. The original reason for forming the company was not just to enhance the personal fortunes of its founders, which is itself by no means a trivial purpose, but rather to create a cooperative association to provide a means for home ownership to members of the community and a safe and reliable means for the accumulation of their savings. Appendix C contains a statement of the objectives of the organization, printed at the time of its founding. Although profit motives eventually emerged, the firm, throughout its history, expressed constant dedication to the principles of home ownership and thrift.

Remarkable, too, is the fact that most of the growth and expansion of the organization has taken place in the most recent 20% of its long history. Most of the change and growth, in fact, followed the arrival of Gordon Luce and Jim Schmidt in 1969 which, incidently, coincided with the bicentennial celebration of the city of San Diego. A complete transformation of the company's image thereafter was effected and plans put in place for unprecedented growth and expansion beyond the company's corporate city.

The expansion of the retail branch system beyond the county, the introduction of automated teller machines in 1975 and checking accounts in 1981 positioned the company to take advantage of the Bank Deregulation Act of 1982. The eight major mergers in 1982 set the stage for the bank's expansion beyond state borders into Arizona and Washington pursuant to a strategic objective to become a

major regional, full-service, retail financial institution serving the major population growth areas of the western United States. In terms of net assets, 84% of its growth took place in the last decade.

The history of the organization during its first 85 years, then, was markedly different in pace and in accomplishments than the Luce and Schmidt era. While retaining important ties to its origins and early history, the company was, for all practical purposes, transformed by them into a new organization, different in almost every respect from its pre-1969 identity.

The Current Culture

The second objective is to describe, in depth, the current corporate culture at Great American. Chapter 5 accomplishes this purpose. It describes the current mainstream culture of the organization and the subcultures which have emerged within its functional and regional components.

The culture which evolved is a strong culture as defined in the literature on organizational cultures (Schein, 1985a; Mitchell, Redicker & Beach, 1986). The elements of a strong culture are:

1. An articulated knowledge of beliefs and values.
2. Shared knowledge of symbolic exemplars such as success and failure stories.
3. Organizational heroes and founder stories that communicate core beliefs and values and which have behavior

implications.

4. Social processes such as acts of leadership, selection and promotion standards and other criteria which impart a sense of belonging and exclusiveness to the culture.

These elements are conspicuously present in the Great American culture. The beliefs and values are articulated carefully to all new employees at regional orientation classes. They are well summarized in a 13-page pamphlet that was developed in 1987 by senior managers. This pamphlet is reproduced in Appendix D.

The pamphlet, called Share the Spirit, is distributed to all new employees at new employee orientation classes. Current employees were briefed on its contents by a first vice president. The core values are stated as follows:

1. Respect for the industry, and its regulators, the stockholders, the customers, the public and the employees. These constitute the stakeholders of the company (see Figure 1).

2. Profit. The organization is very candid about the need for its activities to ultimately pass the test of profitability in order to continue in business and to provide value to stockholders.

3. Service to customers. This value reflects a company determination to compete in the highly competitive financial services market primarily on the basis of excellent service rather than primarily on price and product. Employees, importantly, are also defined as

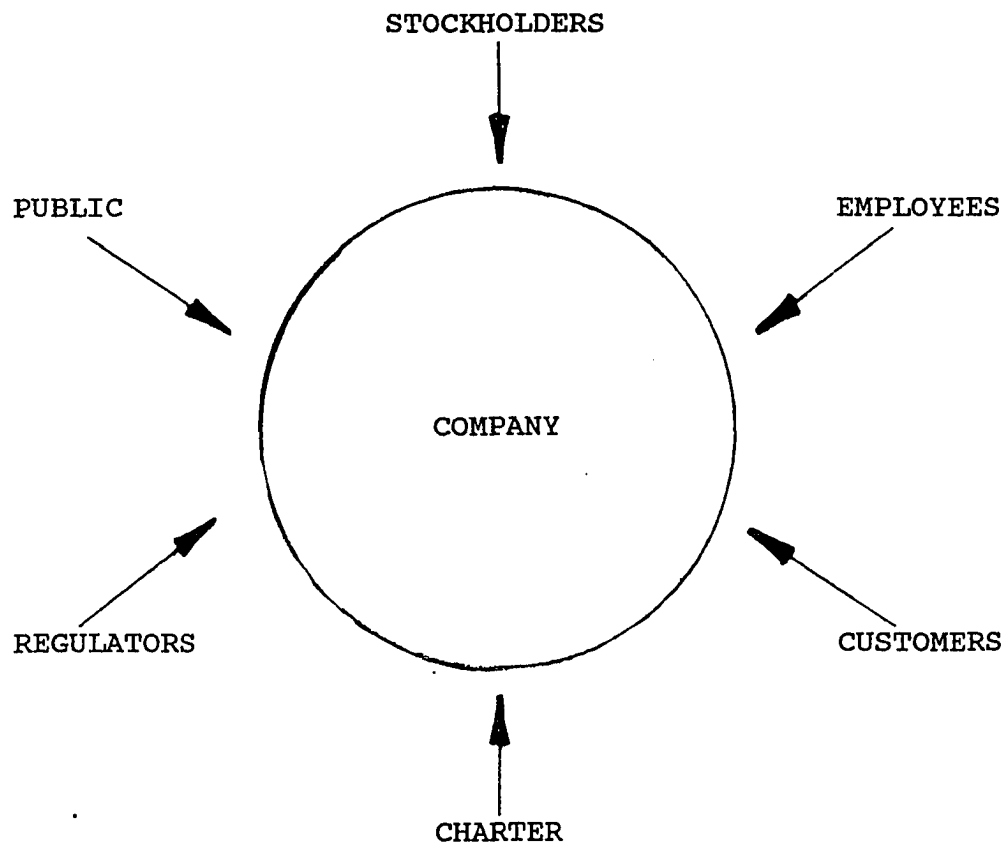


Figure 1. Stakeholders represented in the statement of corporate values at Great American.

customers, implying that both groups of stakeholders must be treated in the same way to avoid creating a double standard.

4. Professionalism. The statement of values emphasizes that professionalism requires a strong work ethic, personal integrity, teamwork, enthusiasm and loyalty to the company. Professionalism is at the heart of what the company defines as the Great American Spirit. Tellers, now called customer service representatives, are taught from the onset that they are not merely clerks but rather professionals in an entry level position in one of the oldest and most respected professions in the world: banking. All employees are reminded frequently that regardless of position they should regard themselves as bankers, subject to the same demanding standards of personal integrity, service and loyalty.

5. Innovation. This value is essential for the growth that is a part of the company's strategic plan. Innovation is rewarded by a relatively generous and popular employee suggestion program called E\$P.

6. Growth. The organization favors growth as a means to increase financial strength and to provide for career opportunities and challenge for its employees. A careful distinction is made between quality growth and growth as measured simply by assets, ratios and size alone. What is desired is quality growth that can be sustained and growth in core earnings. This philosophy explains why the growth will sometimes be uneven and why the company may even sell

off branches and parts of the business such as the credit card business when such actions result in a financially stronger company.

The second characteristic of a strong culture is shared symbolic exemplars. The Great American culture abounds in these. The soaring seagull logo, patriotic colors, career apparel and slogans are pervasive throughout the organization. So, too, are the famous blue tile roofs, distinctive branch architecture and building interiors although this standardization is still largely confined to California and not entirely uniform even within the state because of the frequent sale and acquisition of branches.

Facts about the history and heritage of the company are widely circulated throughout the communities in which the company operates. These facts are taught to all new employees and frequently recalled at rallies or meetings. Photographs, printed material, signs and other historical memorabilia are frequently reproduced and used in posters, training videos and promotional material.

Luce and Schmidt are portrayed as heroes of the organization and stories about their accomplishments, reputation and influence in industry and government are widely promulgated throughout the organization. Luce has a national reputation as a banker and community leader and his service in previous Reagan state administrations gives him substantial influence. He is clearly a legend, particularly in California and most especially in San Diego, where he is perennially listed as one of its most

influential citizens. His image as patriarch and spiritual leader of the company is particularly strong. In an industry that has been afflicted by recent, well-publicized examples of greed, reckless speculation and mismanagement, Luce's reputation for honesty, integrity, fiduciary responsibility and leadership are widely cherished throughout the organization. He is both symbol and role model to most of its members. After a period of company history characterized by transactional leadership, his vision for the future of the organization inspired its members and made them receptive to his transformational leadership.

Schmidt's enormous capacity for work, his knowledge of the industry and his service to it and to Great American are also legend within the company. His habit of starting work before dawn is an important part of the organizational folklore. So, too, are his informal manner, sense of humor and inexhaustible supply of Ma and Pa Kettle stories. By their behavior, both men communicate the core beliefs and the standards for behavior in a company which they totally transformed.

The third criterion of a strong culture is the social and organizational framework that gives its members a sense of belonging to an exclusive organization. At Great American, employees are screened for traits suggesting an aptitude for helping people. An optimistic, enthusiastic, upbeat and service oriented attitude is specifically sought. Extraverted personalities are favored over

introverted ones.

The orientation process for new employees is one of enculturation. They are asked to sign a customer service pledge (see Figure 2). They receive hours of instruction in the history and culture of the bank and they are presented with a logo pin which is instantly recognized by much of the public in the communities in which they work. There is a strong sense of initiation and enculturation throughout the orientation process. New employees are made to feel they have been admitted into an elite group.

Former employees I have interviewed told me that they missed that sense of belonging after they left Great American. Many rejoin the company at the first opportunity, some even at reduced grades. Two senior officers, one a senior executive vice-president, have recently rejoined the bank. They were welcomed back as members of the family.

Acts of leadership, particularly in the community and the industry, constitute highly-favored behavior. Members are encouraged to devote time to schools, charity and to community affairs, preferably in leadership roles. Being just active members of the community organizations may be acceptable, but the preferred objective is to seek a leadership position, whether the group is a service club, school partnership, community organization or professional group. Joining clubs for the sake of just belonging is not encouraged.

Promotion criteria within the company are well-defined

AT GREAT AMERICAN, CUSTOMERS MEAN BUSINESS

MISSION STATEMENT

Effectively meet the financial needs of our customers with quality products and excellent customer service.

CARE Pledge

Pledging ourselves as individuals and as a team to provide excellent customer service on a consistent basis, we will:

Courteously and promptly greet customers in a warm, friendly manner, referring to our customers by name.

Acknowledge customers' importance by giving them our undivided attention, listening attentively for their financial needs.

Respond to our customers' service needs in a prompt and accurate manner.

Express thanks for the business, offer future assistance, and follow through on all commitments.

Signature



Customers Are the Reason we Exist

Figure 2. Customer service pledge.

and selection of candidates for new or vacant positions focuses on current employees who are given preference, provided they are qualified or, in some cases, even just trainable.

The culture is characterized by a strong nationalistic and patriotic flavor which makes it particularly popular with the public, especially in the generally conservative areas of the western United States which the company serves.

Perceptions of the Culture

The strength of an organization's culture lies in the effect it has upon the its members and how it influences their attitudes and actions. I interviewed 23 organization members and past members at various levels and in various grades and functions (see Appendix E). Although the interviews were mostly open ended, I asked the following questions at some point during each:

1. You hear and read a great deal about organizational culture today and there are many definitions. What does the Great American culture mean to you?
2. Do we define what we want the culture to be and then try to make it happen or does it just happen?
3. Has Great American always had a corporate culture? Can we trace its development back to the company's origins or does it have more recent origins?
4. What events, circumstances or persons had the most

formative effect on the culture?

5. Organizational culture involves values, myths, symbols, stories, traditions, heroes and other similar things. Which are the most important ones at Great American?

6. How is the culture preserved through changes and mergers? What happens to the culture of other companies which merge with Great American?

7. Does culture involve manipulating others?

8. Will the culture change after Mr. Luce and Mr. Schmidt leave?

No attempt was made to perform a statistical analysis of responses since the purpose was to understand the culture as perceived by members of the organization in various levels and geographic regions of the company. A summary of responses follows.

Question 1. What Does the Great American Culture Mean to You?

The most commonly mentioned characteristic was care. The company was perceived as a caring company, although many felt that as the company has grown, the service orientation has been more difficult to maintain. A board member and division president mentioned that because of turnover and growth, the service ethic was increasingly difficult to transmit to new employees. Ethical behavior, integrity and honesty also were frequently mentioned.

A first vice president and regional manager described

the Great American culture as the sum of the members' behavior; how the company operates; a people-orientated environment, promoted by the leadership. A regional trainer saw the culture as "what we stand for." A regional human resources specialist, however, saw two distinct cultures at Great American: one for seniors and one for juniors. A junior employee in Seattle defined the culture as "what makes you want to work for this company."

A grade 7 secretary in Orange County characterized the culture as "upbeat and apple pie--we the people;" something that made her want not to leave. A 25-year senior vice president saw the culture as something that has been consistently communicated to the staff and to the community.

A senior executive vice president described it as always doing what's right as opposed to just what's legally required. Another senior executive vice president defined it as a set of collective values the members were willing to live by and which became part of their lives. "A culture can't be faked," he said. "Every company has one."

Senior officers, including the president and chief managing officer, were consistent in describing the Great American culture as a philosophy of operations and an image which the managers projected both inside and outside of the company.

A former vice president and former senior vice president both said that the Great American culture was a

way of life which they missed and that it made their former positions more than just a job. They both remarked about fairness of treatment. A regional trainer said that the culture to her meant a working environment where ideas were treated with respect. She described it as people-oriented and caring. To a regional loan representative, the culture was feeling of loyalty; the way people in the organization feel about each other. A new teller and recent college graduate also recognized the care component of the culture. He described the culture as a very complex one which took a lot of time to understand. A loan processor with eight years of experience also saw a dual culture: one which was caring but another which was more political. She recognized some regional differences, also.

The recurring image presented by the interviewees was one of a caring, people-oriented, up-beat organization that wanted to treat its customers, its employees and the public fairly and to do the right thing as opposed to only just what was required. Fairness was thoroughly engrained into the culture and was mentioned often throughout the interviews.

Question 2. Do We Define What We Want the Culture To Be and then Try To Make It Happen or Does It Just Happen?

Interviewee responses to this question were sketchy and vague. Senior respondents tended to feel that managers decide or at least influence the nature of the culture while more junior employees tended to feel that the culture

naturally evolves in spite of them. There was no clear consensus and many responses were better suited to question 3 which dealt with the origins of the culture.

A junior branch employee felt that the culture "just happens" without much help from managers. A regional trainer expressed similar sentiments. A former loan officer said that the culture was an inevitable result of people spending a third or more of their working days together and was affected by their interactions. A way of life was thus created and it became the culture. It even extended to the family, he felt.

But the president, Jim Schmidt, described the culture as something that he and Gordon Luce decided upon in 1969 and caused to happen. He described "a vision they shared--a sort of feeling--of what it should be." He described the process of developing values different from the "old Great American" and different from that of Home Federal Savings and Loan Association from whence he and Luce came. The values they sought to instill were a high sense of ethics and fairness and a giving back to the community. They also wanted to preserve a sense of smallness and informality as the company grew. Schmidt was very concerned with the dangers of bigness; impersonal service and mediocrity. He felt that these characteristics described many banks that grew very large.

As part of the process to combat this, he set a policy that supervisors, managers and executives would, whenever

possible, answer their own telephone. He also instituted a policy that no telephone call would be transferred more than once. The person to whom a call was mistakenly transferred was responsible for ensuring that the calling party was properly and promptly serviced, regardless of what department was technically cognizant. These somewhat unusual telephone policies are still in effect. Schmidt set up other programs as well, including a shopper program, to spot check on customer service standards. He and Luce brought in people from the industry whom they personally knew and trusted and they surrounded themselves with people they felt could implement these policies. They stressed service constantly in their remarks at company meetings.

Clearly, Luce and Schmidt introduced many of the elements of the current culture including many of its symbols and values. I believe that these were implanted in the existing culture. They did not constitute a new culture but rather helped to transform and enhance the existing one. My study and observation leads me to believe that every sizable organization has a culture which leaders and managers may impact and manipulate but which would exist in some form in spite of their efforts.

Question 3. Has Great American Always Had a Corporate Culture? Can We Trace Its Development Back to the Company's Origins or Does It have More Recent Origins?

Many respondents, particularly newer employees and those from financial institutions which had merged with

Great American, did not know whether the company had always had a culture or if the current culture could be traced back to the company's origins. Among those who ventured responses, less than half believed that the current culture was more recent in origin and several felt that it actually began with Luce and Schmidt.

A loan processor from Orange County felt that the culture went back to the early history of the company and that it was characterized by a personal touch which persisted over the years. A retired senior vice president felt that the entire history of the firm contributed in a meaningful way to the culture. He felt that all chief executive officers of the company except two had been "cut from the same mold" and that a common philosophy had been passed down through the various generations of executives. A senior executive vice president believed that every organization has a culture; indeed, it was impossible to avoid having one, he felt. A retired trustee stated that the company always had one but that it was dormant until Luce and Schmidt revived it.

Relatively new and junior employees tended to believe that the current culture evolved over the entire history of the firm. A Los Angeles employee who came to Great American during a merger in 1987 offered the view that people believe that the culture went back to the origins of the company and that was all that mattered.

Most of those who believed that the culture evolved

over the lengthy history of the company acknowledged that it had undergone change in recent years. Most of these respondents believed that Luce and Schmidt were responsible for at least much of the change. A little more than 40% of those who responded to this question were of the opinion that Luce and Schmidt implanted the culture and that the current organizational culture really began with them.

A management trainee stated that Great American felt like a new organization; a 30-year-old company. The history of the company was treated with respect, he felt, but it wasn't terribly significant. It all really began with Luce and Schmidt." A regional manager also felt the culture was implanted by Luce and Schmidt. So did a former vice president. A first vice president felt that the company never really had a distinct culture before Luce and Schmidt; that it blossomed after they arrived to give the company "a transfusion."

Marc Sandstrom, a senior executive vice president, stated that the culture really began with Luce and Schmidt. "They brought the values, goals and style that formed the culture. They didn't borrow from the past. They knew that the people had to change, but they made the changes all positive."

Schmidt himself felt that the culture started with Luce and himself. They introduced the idea of giving back to the community, he felt.

The question of whether Luce and Schmidt implanted a

new culture or transformed an old one is, perhaps, academic since the current culture is very different from the one that preceded them. My own observation and study inclines me toward the view that they transformed an existing culture which had evolved over the rich and lengthy history of the firm. There were very distinctive elements of the earlier culture, such as patriotism, nationalism, a respect for history and tradition, civic involvement, concern for people, respect for the industry and belief in the virtues of home ownership, that Luce and Schmidt drew upon skillfully in transforming it.

There was no discrediting of the old culture. There was no symbolic burial and funeral service to mark the passing of a culture. In fact, the changes, which were many, were built upon the old traditions. "Out of an old tradition, a new symbol arose," proclaimed the advertisement displaying the new seagull logo in 1970. The company, at that time, was 85 years old and its members were intensely proud of its history and traditions. It made eminently good sense to build upon those traditions which Luce and Schmidt did in transforming a mature culture and, in the process, rejuvenating a company.

Question 4. What Events, Circumstances or Persons Had the Most Formative Effect on the Culture?

Over 60% of the employees interviewed stated that Luce and Schmidt had by far the greatest formative effect on the culture as it exists today. Only a few of those

interviewed, all relatively new employees outside of San Diego County, did not mention them by name. Two of the latter cited deregulation and the transition to a sales environment as factors having the greatest impact on the culture. Another cited the company's long and eventful history and four mentioned the CARE program.

A real estate loan processor in Orange County with eight years of experience felt that the mergers had a huge impact that was both favorable and unfavorable. She felt that they added to the growth and profitability of the company which affected the culture but also that they created a class of people viewed by some as outsiders.

A regional training coordinator felt that certain rituals such as rallies and statewide meetings had a very important effect because they helped set expectations. A young branch employee in Los Angeles mentioned, in addition to Luce and Schmidt, symbols such as the colors and career apparel. He also mentioned values such as patriotism and the stability and consistency of the company.

But a northcentral California manager felt that sales and deregulation had the greatest impact. So did an employee who joined the company incident to the Arizona merger. A senior vice president identified change in the 1970s and 1980s as having the greatest influence on the culture.

But clearly, Luce and Schmidt were perceived by most members as having either changed the culture or else

created it entirely in the absence of any significant culture. Several interviewees remarked about how well the two men complemented each other. A first vice president said that their two names are spoken almost as one word.

A senior vice president in the corporate headquarters said that Luce and Schmidt made the culture family oriented and wholesome. An Orange County secretary observed that the whole culture was composed of their ideals and images. "Their impact was immediate," said a first vice president. "The culture changed almost overnight." Many others noted that most of the other people who impacted the culture were people that Luce and Schmidt recruited.

Question 5. Organizational Culture Involves Values, Myths, Symbols, Stories, Traditions, Heroes and Other Similar Things. Which Are the Most Important Ones at Great American?

Values were mentioned most often as constituting the most important component of the culture. Values that were mentioned most included honesty, respect for people, fairness, patriotism, professionalism, family, tradition, care and service. Symbols such as the logo, hot air balloons and branch architecture, including the blue tile roof and red carpets, were seen as important components but were less meaningful outside Southern California. The symbols had the strongest meaning where they were most visible: to wit, in the corporate region of San Diego.

History and tradition were perceived as important

elements of the culture throughout the company, but corporate heroes such as Gordon Luce and Jim Schmidt seemed less personally identified as part of the culture the further one travelled from San Diego. Colors, career apparel and patriotism were seen as important elements of the culture, however, throughout the company.

Customer orientation was also widely noted by the respondents. Community involvement seemed a more important aspect in Southern California than in other regions, probably because of a greater degree of presence and recognition in the community. Style was cited by several senior executives including the president. Said a senior executive vice president, "Style is important when you and the competition are selling similar products. Gordon is a practitioner of good style; it's evident in the way he handles people. In fact, the way he handles things is what the company is all about."

Fairness was the most frequently cited value. Said another senior executive vice president, "Be fair and fair comes back to you." "We treat people the way we want to be treated," commented the president.

A former vice president felt that stability and the practice of promoting from within were very important aspects of the culture. People see what behaviors are rewarded. "People who don't fit our mold just weed themselves out," he commented.

Question 6. How Is Culture Preserved Through Changes and Mergers? What Happens to the Cultures of Other Companies Which Merge With Great American?

All respondents felt that it was important to preserve the identity of the parent culture during and after mergers, and no one felt that there was any significant blending of corporate cultures after the mergers.

"Culture," said one Washington branch employee, "is transmitted through good employees. Just implant good people who are well liked and you don't even have to talk about it much." It was relatively easy, she felt, for Great American because growth was already part of the culture and that meant greater opportunities for the regional employees. Growth was less familiar to employees of the acquired companies, however, and many did not know what to expect, she said.

A regional trainer also said that the corporate culture must be implanted in the acquired companies by transferring the right corporate people to the acquired organization. Another regional employee suggested that more visibility and visits by the top executives including Luce and Schmidt during the early stages of the mergers would have helped.

"We help implant our culture by keeping our commitments," said a senior executive vice president. "Identify the things you cherish the most, then hire and train the right people and make them perform," said

another.

The culture must be driven by leadership, not by public relations, a senior vice president felt. "You preserve your culture by focusing on those things that are important and stress them" said the president. "To preserve a culture you must be open and honest and share information," said a branch employee from Northern California.

Most respondents felt that although Great American respected the cultures of the newly-acquired companies, these cultures tended to fade away. "Don't tamper with them," advised a senior executive vice president. "Within 6 months to 2 years, they're integrated." The president observed that the company tries to "bring the culture of the acquired company along." But a group manager added: "we expect them to adapt to the basics of our culture." "We must change their philosophy if it interferes with ours," was another sentiment.

The junior employees of acquired firms felt that most of their fellow employees actually wanted to embrace the change wholeheartedly and get on with becoming a part of the parent company. The emphasis on teamwork, friendliness and a family type of relationship was very appealing to them. "I can't imagine not being a part of Great American now," said a young branch employee of an acquired company. "Any company that makes you feel that after so short a time has got to be something special."

The careful efforts to preserve the local flavor were noted by several interviewees. Acquired companies were permitted to maintain their premerger identity in their division titles, e.g., Laguna Beach and Capital Savings Division. Some aspects of their original cultures still persist, moreover. The central regional manager's office is still in the original main office building of the former Laguna Beach Savings and Loan Association. The building is a veritable museum, filled with memorabilia of the association's own 47-year history. The historic Heilborn House in Sacramento, a national historic place, serves as another regional headquarters. Both are remnants of premerger cultures. Neither of these buildings reflect the characteristic Great American branch architecture. Many of the former chief executive officers of acquired firms still are officers of Great American with some serving as district or regional managers as well.

"Some of the culture of the merged companies remains," acknowledged a veteran of over 25 years with the company. "Lorna (Mills, former vice chair and CEO of Laguna Beach Federal Savings and Loan Association) wouldn't have permitted us to wreck the Laguna Beach Federal culture completely," he added. A visit to the picturesque branch in Laguna Beach with its extensive art collection on display and its boardroom full of mementoes of the company dating back to its founding in 1935 confirms that its culture is still very much alive, at least in Laguna

Beach. Mills still sits at her desk, prominently located in the ornate rotunda lobby of the landmark branch, the flagship of her own company prior to the merger. It now accommodates the office of Tom Detrick, a Great American first vice president and regional retail branch sales manager, responsible for the Los Angeles-Orange County-Riverside-San Bernardino region. The circular marble staircase, balconies, wrought iron trim and white brick facade are in sharp contrast to the blue tile roofs and dark brown timbers that characterize the new Great American branch architecture.

These regional cultures persist, but they are really not pervasive. They add flavor and variety to the organization but their influence is largely limited to their immediate geographic proximity.

Question 7. Does the Culture Involve Manipulating Others?

Most interviewees backed away from the term manipulate, but many felt, nonetheless, that it was necessary to change people in order to implant or transform a culture. A branch employee in Washington felt that brainwashing wouldn't work. Rather, it was necessary to motivate people toward the change that was desired. This was done, she felt, during the transition to the sales culture. People who were uneasy about selling were told that they didn't have to sell. Still, they could see that it was the sellers who were getting the promotions. Employees were, in fact, manipulated during the mergers,

she felt, but in a good and positive way.

"You must change attitudes and philosophies, not manipulate," was the view of a regional trainer from Arizona. "You first promulgate the values, then instill pride in them," said a management trainee. But a district manager maintained that it was "all right to manipulate. People need a sense of direction; to know where we want to go," she said. "Culture makes people feel secure," said an Orange County secretary.

The consensus was that to change a culture, you must change people, not in a divisive way but in some conscious fashion. "You manipulate them much in the same way as you do when you train them," said a group manager. Another group manager was more direct: "There's a message to people who don't get promoted. You violate the culture and you're gone."

Question 8. Will the Culture Change After Luce and Schmidt Leave?

More than half of the respondents did not know or would not venture an opinion on this question. One senior vice president thought it might. Most senior executives thought the culture would remain in place, however, because it was so strong and well ingrained. A former member of the board of trustees felt that Luce and Schmidt truly inspired their successors and that the successors would carry on the culture. A senior executive vice president felt that "the culture has a life of its own and that it is

very well defined and durable."

Schmidt himself, who stepped down as president in 1988 but remained as vice chairman, felt that the culture would endure changes in leadership since leaders were picked who would preserve the culture. They were grounded in the ideal of "growing big but acting small" in terms of providing personal service to people, he said. But a first vice president and veteran of 30 years of service with the company cautioned that you must work to keep it. You can never assume you still have it," she said. "You must live it and make it grow. You must never take it for granted or you'll lose it."

But some executives expressed fear that it might change after Luce and Schmidt depart. A former senior vice president felt that already "some of the fun is gone. Competition has created too much pressure to perform and to sell. Responsibilities to stockholders may put pressure on some aspects of the culture."

A young branch employee expressed a poignant thought. "I hope it doesn't change. Why change a good thing? We must train the next generation to carry it on." Said a loan processor philosophically: "Nobody changes a culture without first changing how people feel. No matter how high up they are, they must use people to affect any change."

How Luce and Schmidt Transformed The Culture

The third objective of this study is to describe how

certain leaders at Great American accomplished shared organization goals by transforming the culture of the organization.

Gordon Luce and Jim Schmidt were asked to join the then San Diego Federal Savings and Loan Association as president and executive vice president, respectively, in 1969, by directors of the company who felt that a change of executives was necessary to repair an image which had grown somewhat tarnished as a result of legal actions against several of its senior executives. The two men agreed and set out to remake that image into one that was fresh, wholesome and optimistic about the future of the company, the industry and the community. In doing so, they drew heavily on the age, history, stability, community identity and patriotic flavor of the already-mature and stable company.

Luce and Schmidt were able to foresee many of the changes that lay ahead for the industry: rapid growth, increased competition, eventual deregulation, diversification into expanded lines of business and an increased emphasis on marketing and sales. They also recognized the emerging economic importance of the new population magnet areas of the western United States, particularly in Southern California. They saw clearly the opportunities that lay ahead for well-positioned and well-led companies.

Luce and Schmidt had a vision of where they wanted to

project the organization and its members. For the organization to prosper in the environment they foresaw, they felt that growth was important and that excellent service was essential. They both recognized the difficulty in maintaining a personalized quality of service as the company grew larger, more diversified and more decentralized. They recognized the tendency of companies to expand at the expense of service and consistency; to become, as Schmidt put it, big and mediocre.

Their vision, accordingly, involved three elements:

1. To grow in order to provide opportunities for its members and other stakeholders.
2. To continue to provide a small business, hometown type of customer service, regardless of size.
3. To enhance the company's reputation for integrity and fairness.

Schein (1985a) wrote that the key to unfreezing change is to create enough psychological safety to permit group members to bear the anxiety which comes with examining and changing parts of a culture (p. 295). Certain cultural assumptions must be preserved to get others changed. There should, for instance, be no firings or personal condemnations of others. Turnarounds require involvement of all organization members so that the dysfunctional elements of the old culture become obvious to all. New assumptions, slogans, stories, myths and rituals can then be created as ways to coax people into new behavior.

According to Schein, the primary mechanisms for embedding a new culture involve:

1. What leaders pay attention to.
2. How they react to critical incidents.
3. Their deliberate role modeling and coaching.
4. Their criteria for allocating rewards and status.
5. Their criteria for recruitment, accelerated promotion, retirement and excommunication, (p. 225).

There are, he said, secondary mechanisms such as organizational design, structure, procedures, building design, charts and statements of philosophy but they work only if they are consistent with the primary mechanisms (p. 237).

Although Schein's words were published in 1985, Luce and Schmidt applied these lessons well in the 15 years before they were written. They focussed on the immediate need to revitalize the image of the company and to emphasize integrity, fairness and honesty. Both men were strong role models. And because each reinforced and complemented the other, the two men, perhaps more than any single leader could, were able to model more of the desired behaviors. Rewards and feedback were allocated to those whose performance and behavior measured up to the standards they modeled. Loyalty and contribution to the industry and to the company were very important elements of the desired performance and were generally rewarded often by promotion and status.

The general climate and mood of the company during the period of the transition was one of expectation rather than stress and tension. There was no condemnation of past managers; no disassociation with the old culture. They recognized that a radical change in cultural content is difficult to accomplish. Sathe (1985) observed that the beliefs and values that were once a part of an organization's culture but which have since atrophied are still more intrinsically appealing to the members than are the beliefs and values that were never a part of the original culture. Luce and Schmidt ensured that many familiar elements of the past culture were preserved and respected. Most importantly, all the organization's members were involved in the changes and were given ownership of them. They recruited executives of known ability and integrity whom they trusted, such as Marc Sandstrom and James McGuinness, to run the branch system and to help them transform the culture.

They then went to work, with considerable involvement of the staff, to create the symbols, slogans, logo and rituals needed to help communicate the culture throughout the company and the communities it served. In the process, they imparted their vision, goals and ideals to their followers and their vision became a shared vision for the organization's members. In short, they accomplished their goals by transforming the culture of the organization. A key to their success was the use of powerful and inspiring

symbology to communicate their vision for the organization. Another key was their ability to encourage willing followership through exceptionally strong role modeling techniques and effective rewarding of desired performance and behavior. Yet a third factor was their visibility and presence at every level of the organization. They were hands-on, involved leaders who were never disposed to ask of a follower any more than they would ask of themselves. "Heroic leadership," said Burns (1978, p. 244), "is not simply a quality possessed by someone; it is a relationship between the leader and the led."

Luce and Schmidt met the criteria for leadership as defined by Burns and others. They repeatedly demonstrated motives and purpose in their actions and decisions, always keeping sight of their vision and goals for the organization and its members. They permitted competition in evaluating ideas and strategies. They shared power with other members of the organization and permitted them to surface conflicting ideas during management committee meetings and in other meetings with managers and executives. They discouraged bureaucratic and territorial behavior by their own example and by encouraging a broadening of perspective beyond their respective departmental bounds.

Theirs was a political model of leadership. They understood how to influence behavior by mobilizing

resources and opinion. But it was a gentle and subtle kind of influence. They were not power wielders. Managers were usually given considerable latitude with respect to methods and alternatives.

Moreover, they used a cultural approach in their practice of leadership by enhancing existing values and traditions and creating powerful new symbols and rituals which had profound effects upon the organizational behavior of the members. But the culture which they transformed influenced the private behavior of the members as well. They used the culture as a powerful and effective communications system which precluded the need for rigid codes, regulations and stereotyped, normative behavior. Luce and Schmidt freely shared power because the culture which they transformed was strong and robust enough to make them confident that members would instinctively strive to do the right thing in situations involving ethical choices. And doing the right thing was consistent with their own philosophy of leadership. Ethical behavior and fairness of treatment became intuitive behavior for all employees.

Luce and Schmidt were change agents who encouraged and rewarded innovation. They sought to raise issues and to expand choices; to evoke images and expectations; to raise standards and promote excellence. While they created demands which often pushed followers to higher levels of performance, they both were highly sensitive to personal relationships and to the individual needs of the

organization's members. They insisted upon fair compensation, relatively generous benefits and perquisites and frequent public recognition in the form of rallies, promotions, rewards and recognition parties.

How Mergers and Acquisitions Impacted the Culture

An objective of the study was to describe how mergers and acquisitions impacted both the parent culture and the individual cultures of the acquired and merged organizations. I spoke with or interviewed dozens of members of the merged organizations in north and central California and in Arizona and Washington in assessing the effects of the mergers on the cultures of their former organizations. I based most of my findings regarding the effects of these mergers on the parent culture from my own direct observations.

Prior to the first significant group of mergers in 1982, Great American, then San Diego Federal Savings and Loan Association, was a relatively small and homogenous company serving primarily a single, uniform geographic region, to wit, San Diego County. There were a few branches located outside the county, but the culture reflected the company's close identification with the greater San Diego community.

The culture which Gordon Luce and Jim Schmidt had transformed was already well embedded in the dozen years which had elapsed since they arrived on the scene. The geographic expansion occasioned by the 1982 mergers

provided something of a shock to the organization that caused both excitement and mild apprehension. The sudden and rapid physical growth was not matched by much corresponding growth in management structure. Combined with deregulation and rapid transition into a sales environment, the growth put both external and internal pressures on what had become a very strong culture with a pronounced local flavor.

Rapid expansion of the employee base also presented a challenge in terms of transmitting the core values and truths of the parent organization. The strong community ties which existed in San Diego were not as prevalent in most of the new communities served by the company. The organizational culture which so favored community involvement had to learn to reach out now to the many new communities in which it operated, without the benefit of the strong corporate presence and reputation there that it enjoyed in San Diego. Moreover, the company was less visible in these places in terms of branch location and market share. The symbols, logo and other external components of the culture commanded somewhat limited recognition outside San Diego and Orange counties. In spite of effective orientation programs and training classes, the core culture was inevitably diluted by this rapid growth outside its former corporate area.

While there was clearly an effort made to find, as potential merger partners, organizations whose cultures and

values systems were compatible, the mergers were driven primarily by economic factors and market considerations. There was, at the time (and still is as of the time of this writing), substantial pressure on healthy financial institutions to acquire those institutions in financial difficulty. Consequently, there were differences in traditions, customs, rituals, reward systems, folklore, myths, stories and other elements of the culture which sometimes led to misunderstandings. And because organizational cultures provide valuable means of communication between members, particularly during periods of change and uncertainty, miscommunication sometimes occurred. Certain cultural meanings of the respective organizations, such as traditions and symbols, were not always fully appreciated or understood by all.

The dominant characteristics of the parent culture, the relative similarity of the geographic regions involved in the 1982 mergers and the generally high esteem in which the parent company was held tended to minimize the effect of these differences or at least to subordinate them to the greater common concern for the financial health of the new expanded organization. Moreover, the heavy emphasis placed upon the cultural value of teamwork spread very rapidly to the new merger partners and teamwork was quickly recognized as highly favored behavior.

The 1985 mergers, however, projected the company further into the highly competitive Los Angeles market and

into the less familiar markets outside of California. Expansion into Arizona and later that year into Washington were monumental steps which generated even greater excitement and apprehension throughout the company than did the earlier expansion within the state. Not only were new people and new organizational cultures involved but also substantially different markets, communities, banking laws and regional business practices.

The pressures on the parent culture became even greater and it became far more difficult to promote a uniform organizational culture throughout all the various divisions and geographic regions involved. While there are certain similarities in the lifestyles and customs of people in certain western markets like Phoenix, Tucson, Seattle and San Diego, there are pronounced differences as well, particularly in customer buying habits and service expectations.

While it might seem, to some, rather inconsequential, even such matters as support of community organizations, symphony orchestras, museums and athletic teams can present potential for conflicting priorities and preferences. So, too, can certain political causes which may be popular in some regions but decidedly unpopular in others. As a case in point, Luce's opposition to a proposed merger between San Diego Gas and Electric and Southern California Edison, a highly emotional issue in San Diego, was relative popular among San Diego employees but not particularly popular with

some Los Angeles employees who are located in areas served by Southern California Edison. Both communities, however, are important to Great American and the taking of sides on an issue which has geographic overtones can be perceived by some members of the organization as representative of a geographic bias and a myopic focus on San Diego. It is a condition which encourages the persistence of regional subcultures.

Although some dilution of the unusually strong and somewhat monolithic corporate culture was, perhaps, unavoidable as the rapid geographic expansion took place, it remained quite intact in the corporate region. As noted earlier, however, the external elements of the culture tend to dissipate somewhat as the distance from San Diego increases. As one moves outward, symbols, rituals, stories, traditions and metaphor no longer have the same meaning or the meanings become confused and ambiguous. Corporate managers, however, often assume that these components of the culture have the same degrees of meaning, significance, familiarity and effect throughout the company. To put it simply, what is good for San Diego is often assumed to be good for the company. This is a strong cultural bias which often emerges.

In actuality, I observed relatively little actual blending of cultures. The notion that two strong cultures will come together to enhance one another is a noble and comforting sentiment in times of uncertainty and

apprehension, conditions which typically accompany merger activity, but it rarely seems to happen in practice. As it happened, the parent culture was perceived as so strong and attractive by most of the employees of the acquired companies, that it was willingly--even eagerly--accepted.

For the most part, the cultures of the merged companies seems to just pass away without any apparent need for symbolic funeral, burial and mourning processes (Deal, 1985; Deal & Kennedy, 1982; Warren, 1984). As detailed in Chapter 5, however, some isolated traces of the cultures of the former companies still remain and new regional cultures have emerged or regenerated. They are not, however, a significant threat to the corporate culture. Whether they persist or diminish in time may depend largely upon the ability of Great American leaders to incorporate a more global, less local, perspective within the culture.

The Development of Subcultures

The fifth objective of this study is to examine the development of subcultures at Great American and to determine their interaction upon the corporate or main culture. I identified only one significant subculture and several regional subcultures. I described these subcultures and their interaction with the main culture in Chapter 5.

The main corporate culture is heavily influenced by the retail branch organization whose members comprise over half of the total number of employees at Great American. A

distinct subculture exists within the departments which form the loan group because of fundamental differences in products, specialities, orientation, compensation and work style. Loan group employees tend to be commissioned and have the potential for very high earnings. Branch group employees, on the other hand, receive the greater part of their compensation in salary although retail sales employees can enhance their income through sales incentive plans.

The primary differences in the cultures have to do with rituals such as rallies, recognition parties and meetings. The values are, for all practical purposes, identical as are the traditions, symbols and certain other components. The differences in rituals are mainly a result of different working styles, staffing structure and method of compensation. Loyalty and teamwork are common attributes and are valued behaviors in both these line components of the organization.

There have been strong feelings of separateness with respect to these very distinct functional entities within the organization and interaction between them has been somewhat constrained. Unlike the practice at commercial banks, loan originations in Great American take place primarily at loan offices, not in the retail branches. The involvement of retail branch sales personnel in the lending process has been limited essentially to referrals.

Competition in the financial services industry,

however, is slowly changing this. There is a growing recognition that the company must utilize its extensive, well-located and expensive retail branch system to market all its products including all types of loans. New branch terminal equipment now being installed will make it possible for branch personnel to access credit bureaus, providing some capability to perform loan underwriting at the branches. Existing technology soon will permit more of the lending functions to be conducted at the branch sites. Commercial banks have for some time conducted retail lending operations at their branches.

A growing customer preference for one-stop financial services shopping will accelerate this trend toward larger, multi-function financial centers. As a result, there will be a much greater need for interaction between departments and it is not unlikely that responsibility for product lines will shift, especially for service oriented products like consumer loans. Responsibility for retail credit products, such as check guarantee cards and overdraft protection, already has shifted to the retail branch organization.

Some loan managers view the increased involvement of retail branch sales personnel in loan origination with apprehension probably because they feel that it diminishes their role and earning potential. However, the heavy emphasis which both cultures place on teamwork and the avoidance of even the appearance of territorial behavior

will probably militate toward acceptance of this trend as a reality.

Moreover, retail branch sales personnel are themselves witnessing a shift in emphasis toward variable compensation based upon sales goals. In other words, the principal differences between these cultures are fast disappearing as savings and loan institutions become more and more like commercial banks. Bureaucratic organizational structures and behavior are giving way to matrix management models, shared responsibilities and multiple paths of authority. Here again, the strong mainline culture which values innovation, growth and teamwork, will help facilitate this transition. As responsibility for the marketing of product lines becomes increasingly shared, cultural differences will almost certainly diminish.

Regional subcultures, on the other hand, will probably persist, albeit without any significant detrimental effect upon the company or the corporate culture. Arizona and Washington banking divisions are being administered as separate businesses because of laws which still restrict interstate banking. These markets are also very different in ways, perhaps, not fully anticipated prior to the mergers. So, too, are the state banking regulations different.

While some examples exist of homogeneous cultures in companies with geographic dispersion such as IBM and McDonalds, it is doubtful that such a degree of

enculturation is achievable or even desirable in the financial services industry. The products are quite different and are much more influenced by state regulations. Even within California, the strength of various components of the culture varies significantly in different regions and appears to be influenced by such factors as market share and degree of interaction with corporate headquarters.

Preserving the Corporate Culture

The sixth objective of this study is to determine how leaders at Great American attempted to preserve the corporate culture during periods of change, growth and diversification. During Luce and Schmidt's 18 years of stewardship of the company, immense change has occurred. The company grew from a 3-branch savings and loan association with assets of \$312 million to a Fortune 500 company with assets of \$15.8 billion and over 240 branches in 5 states. The organization they sought to lead dealt primarily in real estate loans and savings accounts. It didn't even have checking accounts to offer. Today, it is a full-service retail bank with over 125 financial products and services. It is the eighth largest publicly-owned savings bank and operates retail savings branches in five states. It has real estate development, insurance and advertising subsidiaries.

The organization's growth occurred during a turbulent period which saw sweeping changes brought about by

deregulation and the failure of hundreds of financial institutions, mostly casualties of the intense competition which followed or the failure of regional economies. Some of them, to be sure, failed because of inept or greedy managers who saw an opportunity for quick profit by taking advantage of federally-insured deposits to engage in speculative activities. Their actions reflected adversely on the image of the thrift industry. In their sometimes desperate quest for funds, they forced some of the more responsible institutions to compete with them for customers attracted to the unrealistically higher rates which the newcomers offered. The more difficulty a firm found itself in, the more its executives were tempted to rely on higher rates and riskier loans to compete.

Gordon Luce, Jim Schmidt and the senior executives they attracted--Marc Sandstrom, Tom Carter, Rod Tompkins and Jim Krzeminski who are currently group managers, and Roger Lindland who is the current president--knew that to survive the challenges of deregulation and unbridled competition, it was necessary to stick to the organization's values and principles and to preserve the company's image of stability, strength, fairness, integrity and service. They decided that the company would take advantage of the attrition that competition and deregulation would inevitably bring by expanding via the branch acquisition and merger route. As is characteristic of effective leaders, they converted a difficult,

competitive situation into an opportunity. They also resolved that the company would compete primarily on the basis of excellent service rather than price or product, a policy that entails significantly less risk. It leads to rate wars which increase the cost of funds and reduce the spread. Competing primarily on price was the undoing of many marginal financial institutions who were desperate to attract business. Competing primarily on the basis of product lines, on the other hand, may encourage ventures into products and services with a high degree of risk. Charging competitive prices and rates, offering quality products for which there is a demand, and providing consistently excellent service was the strategy selected.

Growth and business diversification afforded these leaders an opportunity to further the aims of the organization in terms of opportunity and challenge for its members and greater profitability as a result of new and prosperous markets. Both geographic growth and diversification into new product lines also presented monumental challenges in terms of preserving the recently transformed culture.

After a decade of moderate growth, the company, with Luce and Schmidt firmly established in dominant positions, entered the decade of the 1980s with an exceptionally strong and monolithic culture. It was a close, friendly company, very much involved in the civic community whose name it bore.

Luce and Schmidt wanted to maintain the warm and friendly, hometown spirit of the company in spite of the rapid growth and expansion they knew lay ahead. They did not want service to suffer from the effects of size.

The first series of major mergers in 1982 put their objectives to the test. The eight thrifts which merged with San Diego Federal had their own local community ties. The San Diego Federal name which appeared suddenly in their communities was not always warmly received. The decision to become Great American Federal Savings and Loan Association and to delete San Diego from the company's name after nearly a century was a major step in making the culture more accepted. Great American in the title reflected the greater geographic reach and patriotic, upbeat spirit of the company with which all its communities could identify.

Still, it was not easy to implant the culture in the new communities, particularly throughout the ranks of junior employees. It is relatively easy to initiate San Diego employees into a culture which they saw reflected all around them in the major buildings and activities of the organization. It is quite another thing to enculturate an employee in, say, Stockton, California, who has never seen Luce or Schmidt, the headquarters building or the Great American hot air balloon.

Many lessons were learned from the 1982 mergers and in the subsequent mergers in 1985 involving Los Angeles,

Arizona and Washington, far more effort was made to facilitate acceptance of the culture. For one thing, employee involvement was greater. For another, Great American managers were more visible in the process (Kelly, in press).

The 1985 mergers, moreover, were voluntary mergers between healthy institutions. An effort was made to seek some degree of fit and compatibility between cultures. The merger teams described in Chapter 5 were formed early in the process with the usual abundance of volunteers and enthusiasm by then so characteristic of the culture. The enculturation process was largely successful because of the enthusiasm of the followers who so obviously reflected the corporate culture. They functioned essentially as missionaries.

The parent company's reputation for fairness and its image as a caring company which felt obligations to customers, employees, industry, regulators and communities as well as stockholders was an important element in implanting the culture in a fairly receptive workforce. So was the immense prestige and reputation of Gordon Luce.

The culture was put to another tremendous test with the transition to a sales culture starting in 1983. Here, a totally new system of behaviors was introduced to the entire membership of the organization in what amounted to another cultural revolution. Employees who had been trained and socialized over decades to believe that

aggressive selling was unseemly behavior for bankers needed to be quickly convinced that such behavior now was desired and in fact necessary and that the future of the firm was dependent upon it. I have already described the stress and trauma which accompanied the transition into the sales culture. Many of the oldest and most loyal employees felt that the company would never again be the same. For some of them, that was all too true as they struggled, in some cases unsuccessfully, with the sales role.

The challenge of leadership in 1983 and the years which followed was to guide the followers into the new sales culture while retaining the strong commitment to customer service. The leaders needed to make the employees comfortable with the idea of bankers selling, of professionals asking for business.

Once again, a major desired change in behavior and in values was facilitated by a cultural transformation. Sales skills became a part of the culture, something that would have been unthinkable a mere decade earlier. Moreover, it was done while preserving all other elements and values of the culture including the commitment to excellent service. When it was feared that selling might become too aggressive, the CARE program was introduced and given a prominent place in the culture.

Strong involvement by the organization's leaders, particularly Jim Schmidt and Marc Sandstrom, was key to winning employee support and confidence in the new role.

Their use of the expression, "We're all salespeople now," made it clear that they were involved and once again, followers were not being asked to do anything their leaders would not willingly do. Even those nonline personnel who did not deal directly with paying customers had customers under the CARE program concept, since the employees they served or supported were regarded as their customers, entitled to the same excellent level of services as paying customers. Hence, every member of the organization was involved and committed to providing excellent service.

In these as in most major adjustments to change, diversification and growth, Great American's leaders preserved the corporate culture by building on its most prominent components while absorbing the change, growth or diversification in moderate increments. They used their own willingness to become involved and to model change to encourage their followers to accept change. They communicated to them their feeling that the necessary changes were, in fact, compatible with the existing Great American culture. Finally, they drew on the characteristic teamwork, enthusiasm and loyalty that had become so ingrained in the seasoned employees and even in the newer employees as a result of a highly effective orientation program.

In the words of a former loan officer who left the company for another position, "Gordon and Jim always gave people hope. They never let them down. They provided

stability and growth that was solid but contained."

Conclusions and Implications

The organizational culture of Great American First Savings Bank evolved over a period of 85 years into a strong, coherent culture. It was built upon strong components of patriotism, integrity, loyalty, community identity, respect for the industry and commitment to the ideal of home ownership as an American dream.

The culture had evolved slowly until the arrival in 1969 of Gordon Luce and Jim Schmidt. Luce and Schmidt had a major transformational effect upon the culture, changing the image and purpose of the organization. They, in fact, utilized cultural transformation to accomplish their goals for the organization and its members. They used the transformed culture, moreover, as a vehicle for communicating their vision for the organization and its members. That vision, in essence, was a revitalized posture for the company which would be oriented toward growth, diversification and excellent customer service. This posture, they felt, would better position the organization and its members to function effectively in the changing regulatory environment they knew lay ahead and to survive the intense competition they also knew would follow.

The culture which they helped create drew on the history and traditions of the original 85-year-old company but added powerful new elements in the form of symbols,

images, heroes and metaphors which had a very pronounced effect on morale as well as the members' sense of purpose, identity, exclusiveness and membership. The strength of the culture which they forged provided a powerful glue for the organization's members which created a oneness of purpose during a turbulent period in the industry when many financial institutions failed. The strength of the culture enabled Great American to survive significant transitions including major mergers, deregulation of the industry, a capital stock conversion, and transition to a sales culture.

I stated at the outset that the results of this study might be of limited generalizability. However, the results serve at least to underscore the immensely important role that organizational culture can play as a vehicle for change or for stability during times of organizational crises or environmental transition. As leaders, Luce, Schmidt and the leaders and followers with whom they shared power, understood the value of the concept of organizational culture as a framework for viewing, communicating and effecting change within an organization. They transforming the system of shared beliefs in which the members willingly participated, and made it an integral part of corporate strategy. It is, in fact, doubtful that they could have achieved the successes they realized without having thus transformed the culture.

Of course, words, symbols and metaphors, while

immensely important components of organizational culture, are not enough to effect significant change. Leaders also must lead well and manage resources well. But it is often the political and cultural forces that drive the system. And, as Bennis and Nanus (1985) noted, "The leader is an effective social architect to the extent that he can manage meaning."

People tend to resist change and the changes introduced at Great American Bank in the past 20 years have been mind-boggling. When confronted by the new and unknown, people need signs, symbols and commonly-shared values that become familiar and which facilitate meaning in a changing and risky environment (Gioca, 1986). Effective communication in large organizations is always difficult but when the organization becomes diverse and dynamic, communication becomes even more difficult (Grant & King, 1982). A strong culture can be a vehicle for unspoken but powerful communication.

The major implication of this study, then, is that leaders who would practice transformational leadership in guiding organizations and followers through a period of environmental turbulence and change toward some better vision are well advised to first understand the culture in which they operate and to consider how it might or should be used or transformed to achieve that vision. That understanding must extend to the history of the organization, the old traditions as well as the new, and

the subcultures as well as the main culture.

Recommendations for Further Research

As noted in the review of the literature, there is a real paucity of research on the transformation of corporate cultures in mature business enterprises. Most of what does exist is largely anecdotal, again because the researcher typically cannot gain sufficient access to penetrate to the core of the culture and gain enough familiarity with the organization and its members to really understand it or to identify the subcultures that may exist.

My first recommendation, therefore, is for additional descriptive research in this area, specifically by members of such organizations who have the requisite research skills and access to complex, competitive business organizations. They must, moreover, have a vantage point within the organization that permits a cross-departmental, cross-functional and multi-regional perspective. Many ethnographers never get outside of a segment of the organization, believing it to be the whole.

This combination of research credentials and access is clearly not in generous supply. I recommend that members of such organizations who are so positioned be encouraged to pursue graduate studies or to otherwise acquire research skills and to study their own complex organizations.

Secondly, we need to develop greater skills in searching for and identifying components of organization culture. I believe that a model can be developed which

will facilitate identification of these elements as well as those of the subcultures or countercultures that may exist. There is still widespread confusion and ambiguity regarding just what culture is. There is an abundance of hyperbole on the very subject of culture. Marketing and public relations statements cannot be confused with descriptions of organizational cultures. Nor can the interview method be relied upon exclusively. The cultural components are not always what members say they are. We must develop better methods of identifying their actual presence and effect upon the behavior and decision processes of members both in and out of the organizational setting, since a strong culture impacts both environments. Additional research on the impact of organizational culture on the non-organizational behavior of members would be especially valuable.

A third recommendation is suggested by the changes continuing to unfold within the financial services industry. In this study, I asked whether or not the organizational culture which Gordon Luce and Jim Schmidt transformed at Great American will endure after they leave the company. I concluded that it was sufficiently robust and resilient to survive and that the leaders and followers, which they helped develop and with whom they shared power, will be successful in preserving the essential character and values of the culture.

Since I began this study, however, an immense amount

of additional change has occurred within the industry. After seven years of deregulation, there is now substantial pressure for some degree of reregulation and reform. Those institutions that survive will certainly experience a good deal of turbulent change. Follow-up research on whether or not the culture I have described is better equipped than others to survive this reregulation movement, particularly without leaders such as Luce and Schmidt, would be instructive.

My fourth recommendation is to study the effect of a changing workforce structure on strong organizational cultures in mature organizations. Put in the form of a question, can a culture such as I have described survive a major change in workforce composition?

The profile of the retail branch systems of financial institutions is changing to one which is heavily part-time oriented. This shift is particularly pronounced at Great American where over 70% of the retail branch employees are currently part-time workers to whom the culture may well seem rather remote. This trend toward part-time workers in order to reduce personnel costs is also evident in other service industries since personnel costs account for major percentages of their expenses. The exceptionally close-knit, service orientation of the Great American organizational culture, with its heavy emphasis on teamwork, involvement and personal commitment, has worked very well for Great American in the past. How to preserve

this culture in the face of such significant changes in the workforce profile would be an area, I feel, of fruitful research.

Fifth, I recommend additional research on predicting the compatibility of cultures. Are there any predictors which can be identified for use in judging any degree of fit that may exist between cultures? Are there any which might portend difficulty? There is much preliminary talk, typically, about compatibility of cultures prior to and after mergers but the governing issues are almost always economic and market-oriented. Yet, cultures which clash can create enormous problems. We need to better understand, then, how to forecast compatibility of cultures in order to predict how or if they will mesh, coexist, or clash. I have seen little evidence in this or other studies that they ever do, in fact, merge or blend.

Under a reregulation scenario or even as the final stages of deregulation permit true interstate banking, the possibility that Great American itself may become the takeover target of a large commercial bank, seeking access to the rich California market, looms. An interesting research question thus presented is whether or not an exceptionally strong culture like that of Great American renders a company less susceptible to takeover. And in the event of a takeover, would a strong and pervasive culture like the one I have described persist as a strong and resistant subculture or counterculture in a new company?

A sixth recommendation for further study concerns whether or not a culture can survive and prosper in an environment which effectively neutralizes one of its strongest values. Growth is an important value at Great American. It is as much part of the culture as, say, teamwork. But growth may be severely constrained in a reregulation scenario.

There is strong sentiment among the public and regulators alike that unrestrained growth caused much of the malaise in the thrift industry. Can a culture which places heavy emphasis on growth as a means of providing opportunity and challenge for its members remain a strong, robust culture in an external environment of no growth or limited growth? The broader research question here may concern the relative importance of each component of organizational culture and the susceptibility of these components to changes in the external environment.

Finally, my seventh recommendation for further study deals with the fundamental nature of subcultures. There is a widespread misconception, I believe, that there is something somehow clandestine about subcultures. It is as if they are regarded as being synonymous with countercultures. I could detect evidence of this bias during the interview process.

There is room, I believe, for diversity and variety within the complex cultures of complex organizations. Subcultures and variations on the main cultures exist,

after all, in many healthy organizations such as General Motors, the armed services and in great universities. They give character, flavor and variety to these organizations which set them apart from homogeneous corporations like IBM and McDonalds. I believe that we need to better understand how to legitimize subcultures within organizations rather than to just assume that they must be made to conform to the boundaries of a uniform, rigid and unyielding dominant culture.

Concluding Remarks

This study admittedly contains little that is generalizable or that can as yet form a basis for new theory. I did not set out to prove anything in this descriptive research about an unique organization. My intent was to add to the rather thin body of knowledge regarding the transformation of cultures in mature, competitive business organizations. Such organizations constitute environments that are not easily or effectively penetrated by scholars for the many reasons discussed earlier.

Yet these organizations, about which we know so relatively little beyond the public relations material and the annual reports they issue, are immensely important institutions in our communities. They touch our lives in many meaningful ways. The cultures which evolve within them greatly influence the behavior of their members, not just within the organizations, but outside them as well.

In mature organizations with very strong cultures, the impact of the culture on behavior and attitude can be exceptionally powerful and far reaching. The values of the culture can permeate other socioeconomic entities including the families of members. And they can become the values of entire communities as well. For example, the culture of Eastman Kodak is very much reflected in its corporate headquarters city of Rochester. The influence of an organization's culture can be quite far-reaching. For instance, Great American employees, who are active in volunteer, civic or business organizations, may consciously or unconsciously reflect the values of the Great American culture in those other organizations as well. The impact of organizational culture, then, may extend far beyond the organization that gave birth to the culture.

The urge to generalize or present models based on descriptive research such as this is strong but organizations, like the individuals who comprise them, are really quite unique. So, of course, are their cultures. We have seen this in the companies described herein which merged with Great American. Before we attempt to create models or theories in this relatively new area of study, we need to add much more descriptive study to a literature that is still sketchy and anecdotal.

The public remains fairly naive regarding financial institutions, the functions they perform and the cultures that mold their behavior. That lack of insight is very

evident in the current press coverage of the savings and loan industry's difficulties which tends to generalize the problems affecting a minority of the institutions to the entire industry.

I believe that a correlation may exist between the strength of an organization's culture and its ability to survive and prosper through a period of difficulty for the industry such as the current one. I believe, moreover, that those institutions which have repeatedly weathered difficult economic times have been characterized by strong, robust cultures which helped to guide them and their members through the tough decisions and challenges that such times inevitably bring. On that same vein, I would expect that most of those institutions which did not or will not survive the current crisis in the industry would tend to be characterized by weak cultures, transactional management practices and a notable absence of transformational leadership.

The public expects much of leaders today. But the popular notion of the role of leaders is, perhaps, very different from actual practice just as Mintzberg (1976) found the actual duties of managers to be much different from those duties commonly ascribed. Persons not familiar with the complex political workings of modern business organizations may believe that effective leaders are busily engaged in every aspect of running an organization. In fact, they are not, nor should they be. Truly effective

leaders build cultures. They set the tone and the moral values. They surround themselves with competent leaders, managers and followers. They share power. They maintain the vision. They leave details to others. They are far too busy for details.

Many past studies of corporate cultures have been entirely too hero-oriented and have focused too heavily on the traits and behaviors of individual leaders instead of studying, as Burns taught, the interaction of leaders and followers. I have tried to show how that interaction is present in the culture at Great American. It is an exceptionally strong culture with very powerful and distinctive components that help predict the behavior of both the organization and its members, collectively and individually. Similar studies would, I believe, help us to better predict and understand both internal and external behavior in other large and complex organizations as well.

This study demonstrates that the concept of organizational culture is an immensely powerful tool for transformational leaders to use as a vehicle for achieving shared goals, for facilitating desired change or for maintaining the core values and essential spirit of an organization during periods of stressful and turbulent change. Many other studies have demonstrated that a strong culture is very resistant to change. We see evidence in this study, however, that a strong culture can be transformed by introducing powerful new symbols, rituals

and metaphors to facilitate desired change while at the same time preserving core values and traditions. This study also replicates the views of Nord, Albert and others that a thorough understanding of the history and traditions of an organization is essential before a strong culture can be successfully transformed.

REFERENCES

- A new era: 1965-1975. (1985, July). Great American Today, p. 6.
- Agar, M. H. (1980). The professional stranger. New York: Academic Press.
- Albert, S. (1984). A delete design model for successful transactions. In J. R. Kimberly & R. E. Quinn (Eds.), Managing organizational transitions (pp. 169-191). Homewood, IL: Richard D. Irwin.
- Allen, R. F. (1985). Four phases for bringing about cultural change. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 332-350). San Francisco: Jossey-Bass.
- Argyris, C., Putnam R., & Smith, D. McL. (1985). Action science. San Francisco: Jossey-Bass.
- Barrett, A. L., Jr. & Cammann, C. (1984). Transitioning to change: Lessons from NSC. In J. R. Kimberly & R. E. Quinn (Eds.), Managing organizational transitions (pp. 218-239). Homewood, IL: Richard D. Irwin.
- Bateson, G. (1979). Mind and nature. New York: Bantam.
- Beckhard, R. (1988). The executive management of transformational change. In R. H. Kilmann & T. J. Covin (Eds.), Corporate transformation: Revitalizing organizations for a competitive world (pp. 89-101). San Francisco: Jossey-Bass.
- Beer, M. (1988). The critical path for change: Keys to success and failure in six companies. In R. H. Kilmann & T. J. Covin (Eds.), Corporate transformation: Revitalizing organizations for a competitive world, (pp. 17-45). San Francisco: Jossey-Bass.
- Belgard, W. P., Fisher, K. K. & Rayner, S. R. (1988). Vision, opportunity, and tenacity: Three informal processes that influence formal transformation. In R. H. Kilmann & T. J. Covin (Eds.), Corporate transformation: Revitalizing organizations for a competitive world (pp. 131-151). San Francisco: Jossey-Bass.
- Bennis, W. G. (1976). Post-bureaucratic leadership. In W. R. Lasseby & R. R. Fernandez (Eds.), Leadership and social change (pp. 180-196). San Diego: University Associates.

- Bennis, W. & Nanus, B. (1985). Leaders: The strategy for taking charge. New York: Harper and Row.
- Beres, M. E. & Musser, S. J. (1988). Avenues and impediments to transformation: Lessons from a case of bottom-up change. In R. H. Kilmann & T. J. Covin (Eds.), Corporate transformation: Revitalizing organizations for a competitive world (pp. 152-182). San Francisco: Jossey-Bass.
- Berg, Per-Olof (1985). Organization change as a symbolic transformation process. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 281-299). Beverly Hills, CA: Sage.
- Blake, R. R. & Mouton, J. S. (1975). An overview of the grid. In W. R. Lassey, & R. R. Fernandez (Eds.), Leadership and social change (pp. 197-212). San Diego: University Associates.
- Blake, R. R. & Mouton J. S. (1988). Comparing strategies for incremental and transformational change. In R. H. Kilmann & T. J. Covin (Eds.), Corporate transformation: Revitalizing organizations for a competitive world (pp. 251-281). San Francisco: Jossey-Bass.
- Bolman, L. G., & Deal, T. E. (1985). Modern approaches to understanding and managing organizations. San Francisco: Jossey-Bass.
- Borg, W. R., & Gall, M. D. (1983). Educational research: An introduction. New York: Longman.
- Buono, A. F., Bowditch, J. L., & Lewis, J. W. (1988). The cultural dynamics of transformation: The case of a bank merger. In R. H. Kilmann & T. J. Covin (Eds.), Corporate transformation: Revitalizing organizations for a competitive world (pp. 497-522). San Francisco: Jossey-Bass.
- Buono, A. F. & Bowditch, J. L. (1989). The human side of mergers and acquisitions. San Francisco: Jossey-Bass.
- Burns, J. M. (1978). Leadership. New York: Harper & Row.
- Butcher, C. (1985). Unethical business behavior must be understood. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.). Organizational culture, (pp. 271-276). Beverly Hills, CA: Sage.
- Byrne, J. A. (1987, September). How best got better. Business Week, pp. 84-85.

- Callahan, R. E., Fleenor, C. P., & Knudson, H. R. (1986). Understanding organizational behavior. Columbus, OH: Charles E. Merrill.
- Campbell, B. (1985, November). Chipping away at the rock. Working Woman, pp. 134-135.
- Chemers, M. M. (1984). The social, organizational and cultural context of effective leadership. In B. Kellerman (Ed.), Leadership: Multidisciplinary perspectives (pp. 91-112). Englewood Cliffs, N. J.: Prentice-Hall.
- Crawford, K. (1986). Great American First Savings Bank - The first 100 years. Unpublished manuscript.
- Dandridge, T. C. (1985). The life stages of a symbol: When symbols work and when they can't. In P. J. Frost, L. F. Moore, M. R. Louis, G. C. Lundberg, & J. Martin (Eds.), Organizational culture, (pp 141-153). Beverly Hills, CA: Sage Publications.
- Davies, R. J., & Weiner, N. (1985). A cultural perspective on the study of industrial relations. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 99-124). Beverly Hills, CA: Sage.
- Davis, T. R. V. (1985). Managing culture at the bottom. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 163-183). San Francisco: Jossey-Bass.
- Davis, S. M. (1985). Culture is not just an internal affair. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 137-147). San Francisco: Jossey-Bass.
- Deal, T. E., & Kennedy, A. A. (1982). Corporate cultures: The rites and rituals of corporate life. Reading, MA: Addison-Wesley.
- Deal, T. E. (1985). Cultural change: Opportunity, silent killer, or metamorphosis? In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 292-327). San Francisco: Jossey-Bass.
- Deetz, S. (1985). Ethical considerations in cultural research. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 253-270). Beverly Hills, CA: Sage.

- Donmeyer, R. (1985, December). The rescue from relativism: Two failed attempts and an alternative strategy. Educational Researcher, pp. 39-46.
- Dyer, W. G. (1985). The cycle of cultural evolution in organizations. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 200-229). San Francisco: Jossey-Bass.
- Finney, M., Bowen, D. E., Pearson, C. M., & Siehl, C. (1988). Designing blueprints for organizational transformation. In R. H. Kilmann & T. J. Covin (Eds.). Corporate transformation: Revitalizing organizations for a competitive world (pp. 282-301). San Francisco: Jossey-Bass.
- Gioia, D. A. (1986). Symbols, scripts and sense making: Creating meaning in the organizational experience. In H. P. Sims Jr. & D. A. Gioia (Eds.). The thinking organization, (pp. 49-74). San Francisco: Jossey-Bass.
- Grant, J. H. & King, W. R. (1982). The logic of strategic planning. Boston: Little, Brown.
- Griffin, R. W. (1987). Management. Boston: Houghton Mifflin.
- Gordon, G. G. (1985). The relationship of corporate culture to industry sector and corporate performance. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 103-125). San Francisco, CA: Jossey-Bass.
- Great American Federal Savings Bank. (1983). Annual Report. San Diego: Author.
- Great American First Savings Bank. (1984). Annual Report. San Diego: Author.
- Great American First Savings Bank. (1986). Annual Report. San Diego: Author.
- Great American First Savings Bank. (1987). Annual Report. San Diego: Author.
- Great American logo spans 19 years. (1988, February). Great American Today, p.7.
- Hage, J., Aiken, M., & Marrett, C. (1986) Organization structure and communications. In D. Katz, R. Kahn, & J. Adams (Eds.), The study of organizations (pp. 302-315). San Francisco: Jossey-Bass.
- Harris, P. R. (1985). Management in transition. San Francisco: Jossey-Bass.

- Hatch, J. A. (1985). The quantoids versus the shmooshes: Struggling with methodological rapprochement. Issues in Education, 2, 158-167.
- Howe, K. R. (1985, October). Two dogmas of educational research. Educational Researcher, pp. 47-55.
- Hycner, R. H. (1982). Some guidelines for the phenomenological analysis of interview data. Unpublished manuscript.
- Iacocca, L. (1984). Iacocca. Toronto: Bantam Books.
- Jones, M. O. (1985). Is ethics the issue? In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 235-252). Beverly Hills, CA: Sage.
- Kanter, R. M. (1984). Managing transitions in organizational culture: The case of participative management at Honeywell. In J. R. Kimberly & R. E. Quinn (Eds.), Managing organizational transitions (pp. 1985-217). Homewood, IL: Richard D. Irwin.
- Kelly, J. F. (1985). Coping with the career plateau. Personnel Administrator. 30(10), 65-76.
- Kelly, J. F. (in press). Making the merger a success. The Personnel Journal.
- Kennedy, D. A. (1986, May). Implicit culture in organizations. In Studying corporate culture. Symposium conducted at the annual meeting of the American Association for the Advancement of Science, Philadelphia.
- Kilmann, R. H. & Covin, T. J. (1988). Corporate transformation: Revitalizing organizations for a competitive world. San Francisco: Jossey-Bass.
- Kilmann, R. H., Saxton, M. J., Serpa, R. & Associates (Eds.). (1985). Gaining control of the corporate culture. San Francisco: Jossey-Bass.
- Kimberly, J. R. & Quinn, R. E. (Eds.). 1984 Managing organizational transitions. Homewood, IL: Richard D. Irwin.
- Krefting, L. A. & Frost, P. J. (1985). Untangling webs, surfing waves, and wildcatting: A multiple metaphor on managing organizational culture. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 155-168). Beverly Hills, CA: Sage.

- Levinson, H. (1981). Executive. Cambridge, MA: Harvard University.
- Levitt, T. (1964). Marketing myopia. In P. Kotler and K. K. Cox (Eds.). Marketing management and strategy: A reader (pp. 3-20). Englewood Cliffs, NJ: Prentice-Hall.
- Lewin, K. (1951). Field theory in social science. New York: Harper and Row.
- Lindblum, C. E. (1980). The policy-making process. Englewood Cliffs, NJ: Prentice-Hall.
- Lippitt, G. L., Langseth, P., & Mossop, J. (1985). Implementing organizational change. San Francisco: Jossey-Bass.
- Long, T., Convey, J., & Chwalek, A. (1986). Completing dissertations in the behavioral sciences and education. San Francisco: Jossey-Bass.
- Lorsch, J. W. (1985). Strategic myopia: Culture as an invisible banner to change. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 84-102). San Francisco: Jossey-Bass.
- Louis, M. R. (1985a). Perceptives on organizational culture. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 27-29). Beverly Hills, CA: Sage.
- Louis, M. R. (1985b). Sourcing workplace cultures: Why, when, and how. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 126-136). San Francisco: Jossey-Bass.
- Lundberg, C. C. (1984). Strategies for organizational transitioning. In W. R. Kimberly & R. E. Quinn (Eds.), Managing organizational transitions (pp. 61-82). Homewood, IL: Richard D. Irwin.
- Lundberg, C. C. (1985). On the feasibility of cultural intervention in organizations. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 169-185). Beverly Hills, CA: Sage.
- Main, J. (1984, December). Waking up AT&T: There's life after culture shock. Fortune, pp. 66-68.

- Martin, J., Sitkin, S. B., & Boehm, M. (1985). In P. J. Frost, L. F. Moore, M. R. Reis, C. C. Lundberg & J. Martin (Eds.), Organizational culture (pp. 99-124). Beverly Hills, CA: Sage.
- Martin, H. J. (1985). Managing specialized corporate cultures. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 148-162). San Francisco: Jossey-Bass.
- McClintock, C. C., Brannon, D., & Maynard-Moody, S. (1979). Applying the logic of sample surveys to qualitative case studies: The case cluster method. Administrative Science Quarterly, 24, 612-629.
- Meyer, J. W. (1984). Organizations as ideological systems. In T. J. Sergiovanni & J. E. Corbally (Eds.), Leadership and organizational culture: New perspectives on administrative theory and practice (pp. 186-206). Urbana: University of Illinois.
- Miles, M. B. (1979). Qualitative data as an attractive nuisance: The problem of analysis. Administrative Science Quarterly, 24, 590-601.
- Mintzberg, H. (1976). The manager's job: Folklore and fact. In W. R. Lassey, & R. R. Fernandez (Eds.), Leadership and social change (pp. 213-237). San Diego: University Associates.
- Mintzberg, H. (1979). An emerging strategy of direct research. Administrative Science Quarterly, 24, 582-589.
- Mitchell, T. R., Rediker, K. J., & Beach, L. R. (1986). Image theory and organizational decision making. In H. P. Sims & D. A. Gioia (Eds.), The thinking organization (pp. 293-316). San Francisco: Jossey-Bass.
- Mitroff, I. I. (1983). Stakeholders of the organization mind. San Francisco: Jossey-Bass.
- Mitroff, I. I. (1987). Business not as usual: Rethinking our individual, corporate and industrial strategies for global competition. San Francisco: Jossey-Bass.
- Mitroff, I. I., & Kilmann, R. H. (1985). Corporate taboos as the key to unlocking culture. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 184-199). San Francisco: Jossey-Bass.
- Mohr, L. B. (1982). Explaining organizational behavior. San Francisco: Jossey-Bass.

- Nadler, D. A. (1988). Organizational frame bending: Types of change in the complex organization. In R. H. Kilmann & T. J. Covin (Eds.), Corporate transformation: Revitalizing organizations for a competitive world (pp. 66-83). San Francisco: Jossey-Bass.
- Naisbitt, J. & Aburdence, P. (1985). Reinventing the corporation. New York: Warner Books.
- Nilsson, W. P. (1987). Achieving strategic goals through executive development. Reading, MA: Addison-Wesley.
- Nord, W. R. (1985). Can organizational culture be managed? A synthesis. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 187-200). Beverly Hills, CA: Sage.
- Ouchi, W. G. (1981). Theory Z. How American business can meet the Japanese challenge. Reading, MA: Addison-Wesley.
- Our 85th anniversary: Gallery of San Diego scenes. (1970, January 4). The San Diego Union [Advertising Supplement].
- Pastin, M. (1986). The hard problems of management. San Francisco: Jossey-Bass.
- Patten, T. H. (1981). Organizational development through team building. New York: Wiley & Sons.
- Peters, T. J., & Waterman, R. H. (1982). In search of excellence: Lessons from America's best-run companies. New York: Warner Books.
- Pettigrew, A. M. (1979). On studying organizational cultures. Administrative Science Quarterly, 24, 570-581.
- Pfeffer, J. (1981). Management as symbolic action: The creation and maintenance of organizational paradigms. In L. L. Cummings & B. M. Staw (Eds.), Research in organizational behavior (Vol. 3). Greenwich, CT: JAI Press.
- Quinn, R. E. & McGrath, M. R. (1985). The transformation of organizational cultures: A competing values perspective. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg & J. Martin (Eds.), Organizational culture (pp. 315-334). Beverly Hills, CA: Sage.
- Rachels, J. (1986). The elements of moral philosophy. New York: Random House.

- Roethlisberger, F. J. & Dickson, W. J. (1984). Human relations and the informal organization. In F. Fischer & C. Siriani (Eds.), Critical studies in organization and bureauracy (pp. 86-95). Philadelphia: Temple University.
- Rogers, V. R. (1986). Qualitative research--Another way of knowing. In P. L. Hosford (Ed.), Using what we know about teaching (pp. 85-111). Alexandria, VA: Association of Supervision and Curriculum Development.
- Rost, J. C. (1985, October). Distinguishing leadership and management: A new concensus. Paper presented at the National Conference of the OD Network, San Francisco.
- San Diego Building and Loan Association (1885, June 23). The San Diego Union.
- San Diego Building and Loan Association (1885, July 14). The San Diego Union.
- San Diego Building and Loan Association (1885, September 2). The San Diego Union.
- Sanday, P. R. (1979). The ethnographic paradigm. Administrative Science Quarterly, 24 (5), 527-538.
- Sanger, D. E. (1985, July 7). The changing image of IBM. New York Times Magazine, pp. 12-15.
- Sapienza, A. M. (1985). Believing is seeing: How culture influences the decisions top managers make. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 66-83). San Francisco: Jossey-Bass.
- Sathe, V. (1985). How to decipher and change corporate culture. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 230-261). San Francisco: Jossey-Bass.
- Sayre, S. (1986). Leader communication and organizational culture: A field study. (Doctoral dissertation. University of San Diego).
- Schermerhorn, J. R., Hunt, J. G., & Osborn, R. N. (1985). Managing organizational behavior. New York: John Wiley & Sons.
- Schein, E. H. (1985a). Organizational culture and leadership. San Francisco: Jossey-Bass.
- Schein, E. H. (1985b). How culture forms, develops and changes. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 17-43). San Francisco: Jossey-Bass.

- Segal, D. R. (1987, June). The 1987 Navy leadership conference: An overview. Paper presented at the 1987 Navy Leadership Conference, Annapolis, MD.
- Sergiovanni, T. J. (1984). Leadership as cultural expression. In T. J. Sergiovanni & J. E. Corbally (Eds.), Leadership and organizational culture: New perspectives on administrative theory and practice (pp. 105-114). Urbana, IL: University of Illinois.
- Sergiovanni, T. J., & Corbally, J. E. (Eds.). (1984). Leadership and organizational culture: New perspectives on administrative theory and practice. Urbana, IL: University of Illinois.
- Shortell, S.M. & Wickizer, T. M. (1984). New program development: Issues in managing vertical integration. In J. R. Kimberly & R. E. Quinn (Eds.), Managing organizational transitions (pp. 134-168). Homewood, IL: Richard D. Irwin.
- Siehl, C. (1985). After the founder: An opportunity to manage culture. In P. J. Frost, L. F. Moore, M. R. Reis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 125-140). Beverly Hills, CA: Sage.
- Smircich, L. (1985). Is the concept of culture a paradigm for understanding organizations and ourselves? In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 55-72). Beverly Hills, CA: Sage Publications.
- Smith, J. K. (1983, March). Quantitative versus qualitative research: An attempt to clarify the issue. Educational Researcher, pp. 6-13.
- Smith, K. K. (1984). Rabbits, lynxes, and organizational transitions. In J. R. Kimberly & R. E. Quinn (Eds.), Managing organizational transitions (pp. 267-294). Homewood, IL: Richard D. Irwin.
- Terpestra, V. & David K. (1985). The cultural environment of international business. Cincinnati: Smith-Weston.
- Tesch, R. (1984, April). Phenomenological studies: A critical analysis of their nature and procedures. Paper presented at the Annual Meeting of the American Educational Research Association, New Orleans.
- Tichy, N., & Ulrich, D. (1984). Revitalizing organizations: The leadership role. In J. R. Kimberly & R. E. Quinn (Eds.), Managing organizational transitions (pp. 240-264). Homewood, IL: Richard D. Irwin.

- Toffler, B. L. (1986). Tough choices. New York: John Wiley & Sons.
- Trice, H. M., & Beyer, J. M. (1985). Using six organizational rites to change culture. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 370-399). San Francisco: Jossey-Bass.
- Tushman, M. L., Newman, W. H., & Nadler, D. A. (1988). Executive leadership and organizational evolution: Managing incremental and discontinuous change. In R. H. Kilmann & T. J. Covin (Eds.), Corporate transformation: Revitalizing organizations for a competitive world (pp. 102-130). San Francisco: Jossey-Bass.
- Vaill, P. B. (1984). The purpose of high-performing systems. In T. J. Sergiovanni & J. E. Corbally (Eds.), Leadership and organizational culture: New perspectives on administrative theory and practice (pp. 85-104). Urbana, IL: University of Illinois.
- Van Maane, J. & Barley, S. R. (1985). In P. J. Frost, L. F. Moore, M. R. Reis, C. C. Lundberg & J. Martin (Eds.), Organizational culture (pp. 31-53). Beverly Hills, CA: Sage.
- Waldman, P. (1987, July 24). Motivate or alienate? Firms hire gurus to change their cultures. The Wall Street Journal, p. 1.
- Walter, G. A. (1985). Culture collisions in mergers and acquisitions. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 301-314). Beverly Hills, CA: Sage.
- Warren, D. L. (1984). Managing in crisis: Nine principles for successful transition. In J. R. Kimberly & R. E. Quinn (Eds.), Managing organizational transitions (pp. 85-106). Homewood, IL: Richard D. Irwin.
- Weick, K. E. (1984). Management of organizational change among loosely coupled elements. In P. S. Goodman (Ed.), Change in organizations: New perspectives in theory, research, and practice (pp. 375-408). San Francisco: Jossey-Bass.
- Weick, K. E. (1985). The significance of corporate culture. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), Organizational culture (pp. 381-390). Beverly Hills, CA: Sage.
- Weick, K. E., & Bougon, M. G. (1986). Organizations as cognitive maps: Charting ways to success and failure.

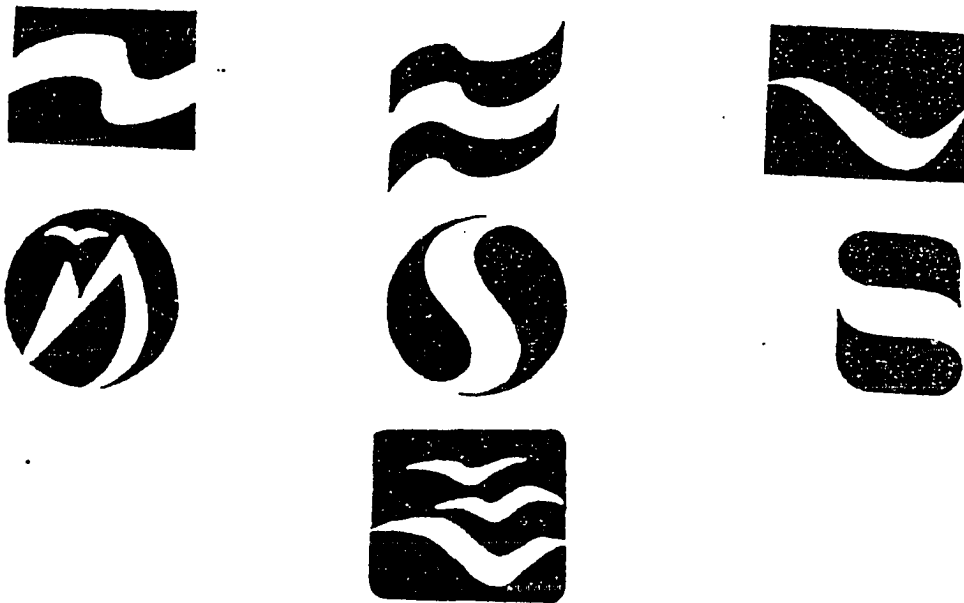
In H. P. Sims Jr. and D. A. Gioia (Eds), The thinking organization (pp. 102-135). San Francisco: Jossey-Bass.

Whiteside, D. (1986, April). Roger Smith's campaign to change the GM culture. Business Week, pp. 84-85.

Wilkins, A. L., & Patterson, K. J. (1985). You can't get there from here: What will make culture-change products fail. In R. H. Kilmann, M. J. Saxton, & R. Serpa (Eds.), Gaining control of the corporate culture (pp. 262-291). San Francisco: Jossey-Bass.

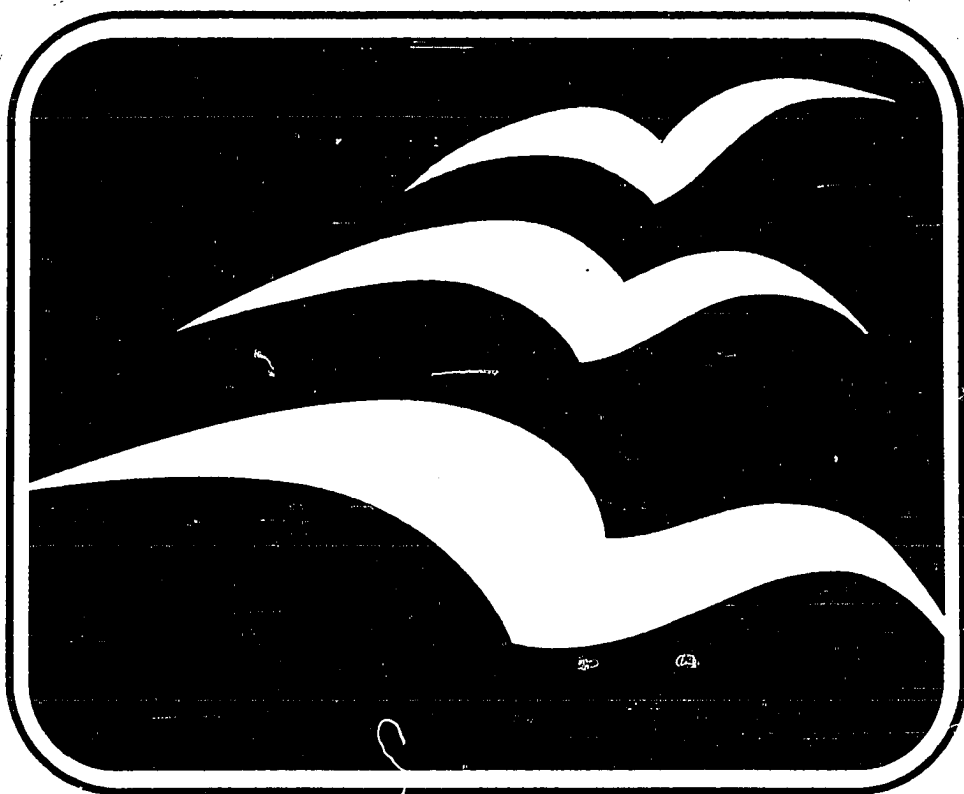
APPENDIX A

PRELIMINARY DESIGNS FOR A CORPORATE LOGO



APPENDIX B

CURRENT CORPORATE LOGO

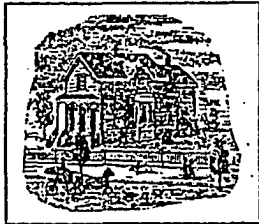


APPENDIX C

OBJECT AND CONDITIONS OF THE ASSOCIATION

San Diego
Building and Loan
Association

MONEY TO LOAN



ON EASY TERMS

Principally for Building Houses,
 also on Improved and Unimproved Real Estate.

Office, 759 Sixth Street (Express Block),
 SAN DIEGO, CAL.

HILDRETH, PRINTER, 616 SIXTH ST., DET. D & E.

San Diego Building & Loan Association

BOARD OF DIRECTORS.

A. BLOCHMAN,	W. R. ROGERS,
JOSEPH A. FLINT.	DR. J. A. YOUNG,
O. C. DRANGA.	R. V. DODGE,
WALTER CARNES,	E. E. SHAFFER.
THEO. FINTZELBERG.	

OFFICERS.

A. BLOCHMAN.	- - - - - President.
JOSEPH A. FLINT.	- - - - - Vice-President.
THEO. FINTZELBERG,	- - - - - Secretary.
W. R. ROGERS.	- - - - - Treasurer.
M. A. LUCE.	- - - - - Attorney.

COMMITTEE ON SECURITIES.

O. C. DRANGA.	- JOSEPH A. FLINT,
	E. E. SHAFFER.

FINANCE COMMITTEE.

DR. J. A. YOUNG.	WALTER CARNES,
	R. V. DODGE.

OBJECT AND CONDITIONS.

THE SAN DIEGO BUILDING & LOAN Association was incorporated July 21st, 1885, for the purpose of encouraging frugality, home building and the accumulation of savings, as provided in the by-laws. Its capital stock is limited to 5,000 shares, at \$200 each. For each share, \$1.00 per month is to be paid to the Association, until each share, with the profits added to it, aggregates \$200, this being the matured value.

The money paid into the Association is loaned on interest, and any stockholder has the privilege to borrow \$200 on every share he or she may have, by pledging such shares and giving adequate security. The expenses of the Association are confined within so small a limit (the ratio being less than 1 per cent. per annum on the assets) that almost all the profits go finally to the stockholders. The Secretary is the only officer who receives a salary.

A Committee of the Stockholders and also a Board of State Commissioners examine the books and securities of the Association at least once a year.

During fourteen years the Association has issued 12,315 shares (not counting stock issued by transfer); has loaned \$42,515 and has been instrumental in building 185 houses, besides making loans on houses already built, as also assisting members in acquiring real estate and lifting other mortgages.

SHARES.

Shares which are not pledged for a loan, are called free shares. Those who do not wish to borrow, will find it a good way of saving money by the regular monthly payments on as many shares as they can conveniently hold, not exceeding fifty. They can withdraw part or all the money on short notice, receiving the dues paid in with 5 per cent. per annum interest. After a series is five years old, the Association will pay the dues with the profits added to it, whenever there is a surplus of money on hand. The cancelled shares are re-issued in the new series, thus making the issuing of shares perpetual. The annual series commences August 1st of each year.

The entrance fee is 10 cents per share. The same charge is made for transferring stock. If the monthly installment is not paid on the last Monday of each month, a fine of 10 per cent. will be charged on the delinquent dues, interest and premium.

The Civil Code of this State provides, that the shares of stock held by any person, to the value of \$1,000, shall be exempt from execution.

As an example of the confidence placed in the Association, it may be mentioned, that during the financial crisis of 1893, when hundreds of banks failed, only eleven members gave notice to withdraw their stock, for which the money was promptly paid.

LOANS.

The money in the hands of the Treasurer is offered for loan at the monthly meeting of the stockholders, on the last Monday of each month. ~~The lowest premium is 10 per cent.~~ for the term of a series, estimated at ten years, and is payable monthly (a one hundred and twentieth part of the premium) together with the interest. In case there should be more demand for money than the amount on hand at such meeting, the applicant bidding a little higher than 10 per cent. premium will be given the preference, so that the regular premium would be 1 per cent. per annum or perhaps a trifle over. The interest is 9 per cent. per annum, and adding to this the 1 per cent. per annum premium, makes it together 10 per cent. per annum, while the Association pays the mortgage taxes, estimated at 3 per cent. per annum, so that the net interest (including premium) paid to the Association amounts to about 7 per cent. per annum. On each \$200 of a loan, or fraction thereof, the borrower has to pay \$1.00 per month dues, payable together with the interest and premium; for example, a party borrowing \$1,000 has to pay at the above rate, monthly, \$5.00 dues and \$8.35 for interest and premium, in all \$13.35. The dues, together with the profits earned by the shares, are credited on the principal, so that in course of about ten years he will have paid all his indebtedness by these small

monthly payments. The mortgage will be released, and he will own his home, unincumbered.—Many people have paid considerably more than that in rents, and what have they to show for it?

In case a member does not wish to give real estate security, he can borrow on his free shares in this Association, provided that the loan should not be larger than the withdrawal value of such stock less six months' interest thereon. The interest on such stock loans is 7 per cent. and 1 per cent. per annum minimum premium, together 8 per cent. per annum.

Loans may be repaid at any time: the value of the stock may be deducted from it and the loan member has to pay one months' interest in advance. Cash payments of \$100 and upwards on account of the loan will be received by the Association and endorsed on the note, thus reducing the amount of monthly interest.—Instead of pledging only one share for each \$200 of a loan, a member may pledge more shares and pay up his loan so much sooner.

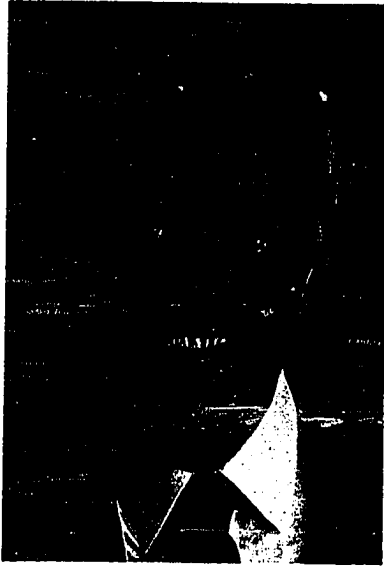
All loans, upon which the interest is suffered to remain unpaid for more than six months, are liable to legal proceedings to enforce the payment of principal, interest, fines and costs; but the Board of Directors have, as a rule, extended the time and have otherwise assisted the delinquent loan members in retaining their property, and only as the last resort had to take some property.

APPENDIX D

Share the Spirit



Great American



Gordon C. Luce
Chairman of the Board and
Chief Executive Officer

James C. Schmidt
President and
Managing Officer



Values

Through our more than 100 years of existence, Great American has developed a way of doing business that has become the foundation of our day-to-day activities. This foundation is made up of our corporate values. These values make us special and involve everyone in our company. They form the Great American Spirit.

We have excellent products and services. Our plans and strategies serve us very well. The staff of Great American includes some of the best in the business. However, as good and necessary as all these ingredients are, something else also determines our success. That something is our special set of values. What we hold up as important, what we use as a guide for our actions—values—in the end set us apart.

Understanding these values is essential to your success and to the success of our enterprise. We must clearly know as individuals and as a group how we should respond to an ever changing marketplace if we are to evolve as successfully over the next 100 years as we have the last. We will do that with the right common values.

While the following six key values may sound ordinary, they were selected from hundreds affecting our business. And they are the most important ones to you and to Great American.



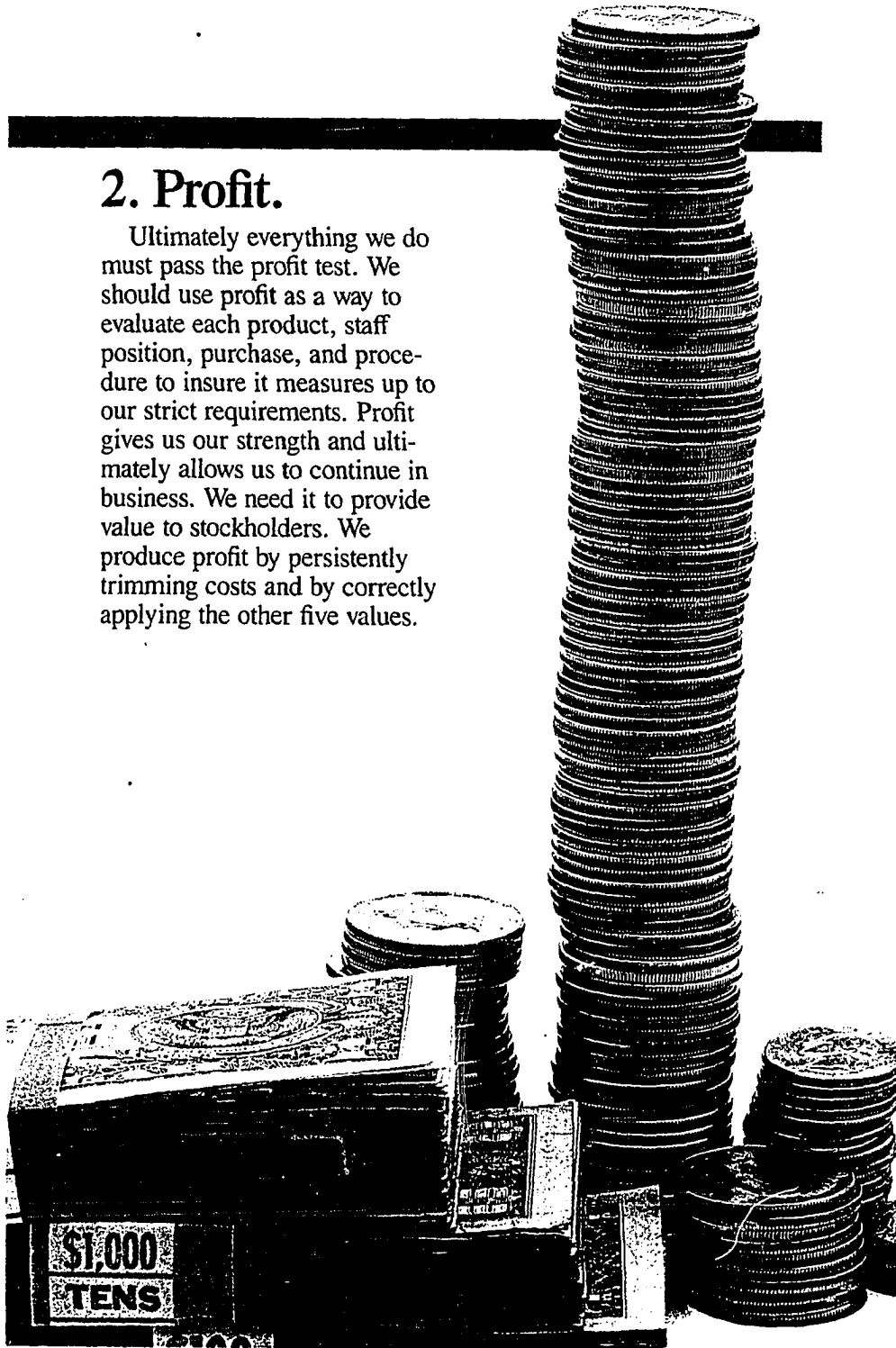
The interaction of these six—respect, profit, service, professionalism, innovation and growth—uniquely characterize us and determine our future.

1. Respect.

We are a financial services institution. We all have a fiduciary responsibility—positions of trust with regard to the assets of our customers. This alone requires that we respect a set of standards higher than most. Therefore, our values start with a foundation of respect—respect for our savings bank charter, our regulators, our stockholders, our customers, our fellow staff members, our public and ourselves.

2. Profit.

Ultimately everything we do must pass the profit test. We should use profit as a way to evaluate each product, staff position, purchase, and procedure to insure it measures up to our strict requirements. Profit gives us our strength and ultimately allows us to continue in business. We need it to provide value to stockholders. We produce profit by persistently trimming costs and by correctly applying the other five values.





3. Service.

There is no substitute for customer satisfaction. None. Superior customer service lies at the heart of our business. Customers want speed, accuracy and courtesy. We must

consistently excel at providing these essential ingredients as we offer over 100 products and services to our customers. You make the critical difference.



4. Professionalism.

Professionals have the utmost personal integrity. They work hard. They are enthusiastic and loyal, proud of their company and themselves and they are good team members with special skills. You can recall these qualities if you line them up: integrity, hard work, enthusiasm, loyalty, pride, team membership and skills. I-HELP-TEAM-S.

While the memory trick is simple, the concept has significant implications for each of us. It amounts to a personal and corporate commitment to excellence.

I-HELP-TEAM-S

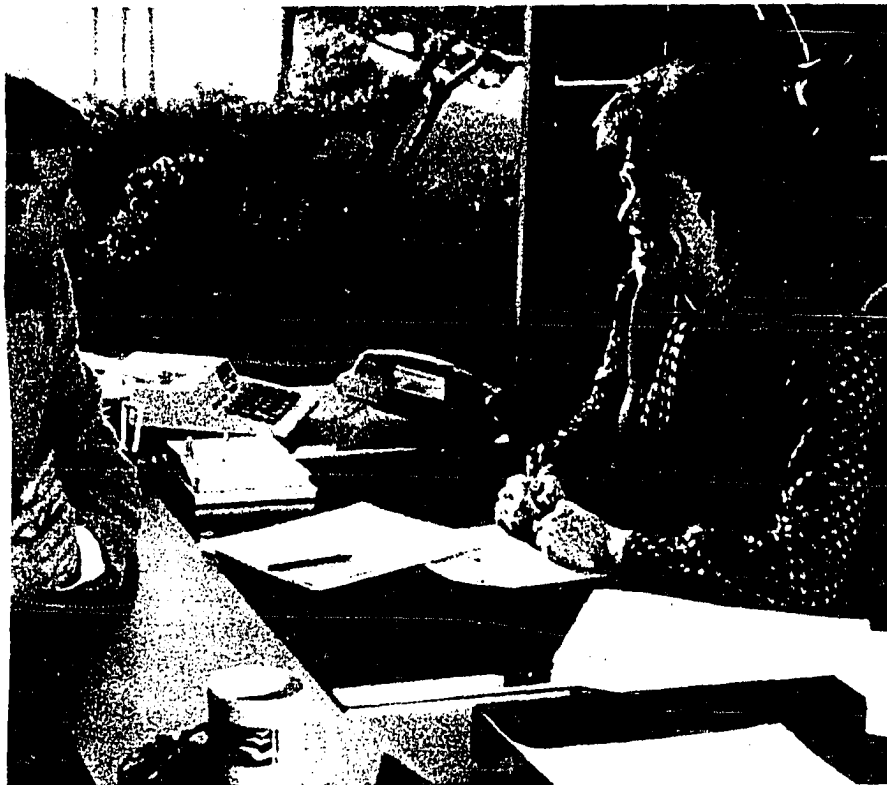
Integrity
 Hard work
 Enthusiasm
 Loyalty
 Pride
 TEAM membership
 Skills





5. Innovation.

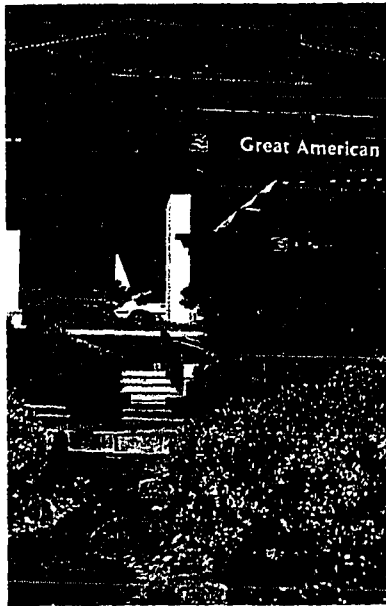
We must continuously improve what we do and how we do it. All of us must anticipate change and manage it. Our competition, our markets, our regulations and the future all move too quickly for us to stand still and expect to prosper.



6. Growth.

We will grow. We won't always grow at the same speed. We should never grow faster than our capacity to profitably manage the growth, and sometimes we might reduce parts of our business. In the long run, however, we value steady increases in the strength of the company, its profits, the success of its businesses, the value of its stock, and in the career opportunities for its employees. In other words, we value quality growth.

These, then, are our six corporate values. And when each of us acts according to these values, exciting things happen. First of all, we act together and support each other because we understand and trust the motivation of others. Second, knowing why we do things helps us perform better. The "what" and the "how" tend to follow without confusion. And third, we have more fun. When you know you can trust others and contribute to an undertaking with them, you get immense personal satisfaction out of the time you spend.



Professionalism



Let's take a closer look at the ingredients of professionalism, then briefly discuss how the six key values operate in concert.

Integrity.

· Honesty, ethics, responsible behavior . . . these preserve the trust on which our business is built. We need to nurture this trust by maintaining the highest standards of personal integrity and fair dealing with our customers and each other. We need to keep confidential matters confidential. We must avoid conflict of interest situations. Remember, we represent the bank to everyone we meet.

Hard Work.

We must commit ourselves to high levels of performance. We should strive for results. Customers and fellow staff members prefer to hear someone say "I'll do it" instead of "I'll try." We should only promise what we can deliver, but work very hard to deliver a lot and get a job done . . . promptly and right the first time. If something can't be done quickly, persist. Finish strong.

Enthusiasm.

Our customers return when they feel we want to do business with them. We show our enthusiasm for this in person, on the phone, and in written communications. We should never act as if we are doing the customer a favor. Our enthusiasm brings out the enthusiasm of others. It makes work more fun and productive. Most successful managers have it because it motivates so powerfully. It communicates a pride that is contagious.



Loyalty.

Do you believe in the company? Every statement or act communicates to others something about your opinions of the bank. The bank thrives when your communications are positive. So do your fellow team members.



Pride.

We should be proud of ourselves and our company. When we do things in which we can take pride, both we and the company grow in respect. In the same way, everyone benefits when one of us expresses pride in the achievements of a fellow staff member. The final expression of this is the pride we have for the whole company. Its aim and its progress should be important to us. All this will show in what we say, how we look, and what we do.



Teamwork.

Our organization succeeds through teamwork. This calls for superior individual performers who also go out of their way to help others. They keep

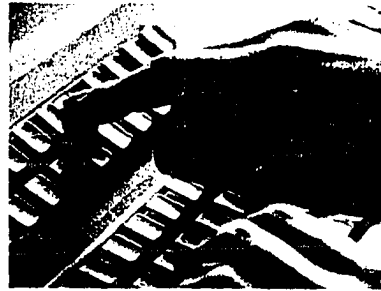
in touch, collaborate, and avoid bureaucracy. They stay flexible, adapting their talents to those around them. They focus on the task, not on their "turf."





Skills.

A winning team needs skilled professionals. We should identify our real talents. Build on them. Develop skills and knowledge which complement our responsibilities. Broaden these. Continue our personal as well as professional growth. Don't stop.



Share the Spirit.

Now, how do we put all these together? Each value takes on special meaning when understood in the context of the others. For instance—

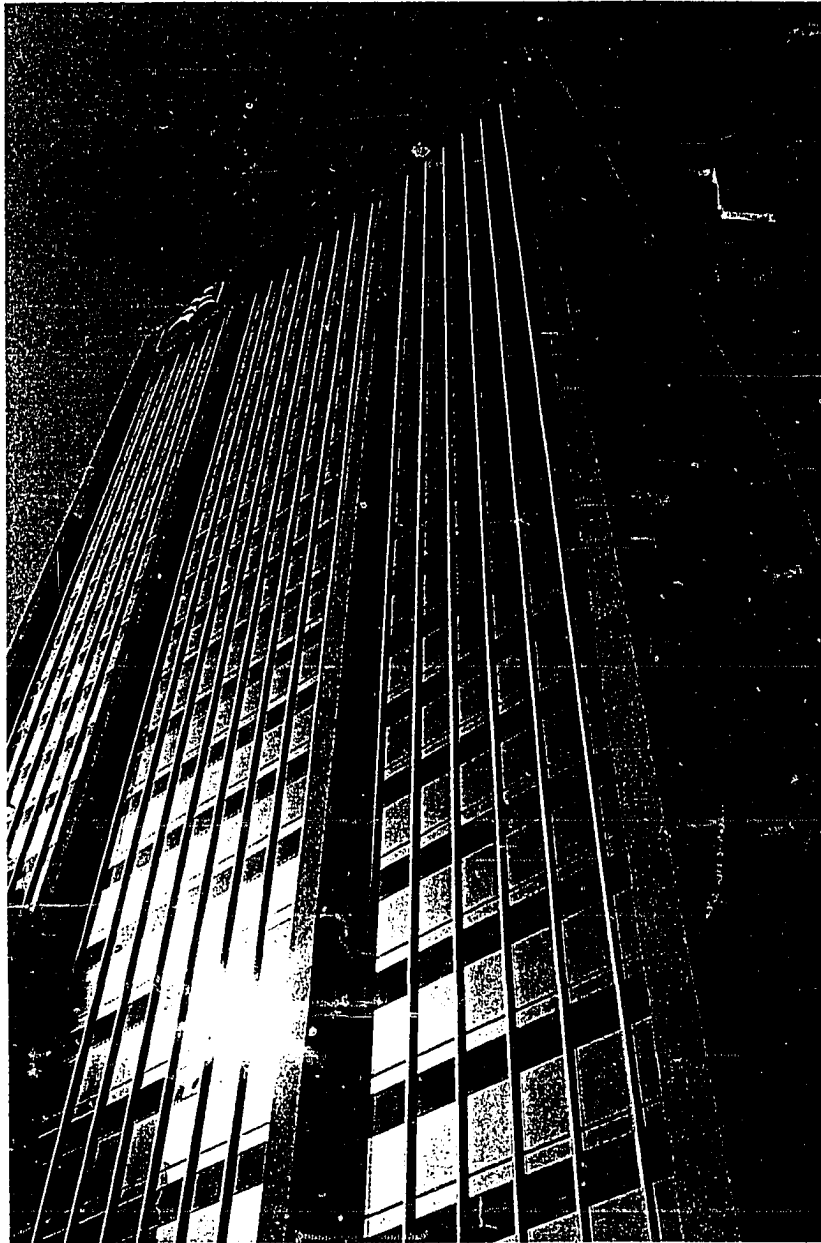
Innovations mean change, but we favor thoughtful change. We only want to adopt changes that promise to improve the bank. At the same time we should have the ingenuity, skill, and flexibility to examine our current ways of doing things and promote better ones. It takes the persistence and enthusiasm of a professional to introduce change and keep a team united. Sometimes this involves the risk of failure, the risk of disrupting team members who are already working hard. The risks are acceptable if we learn from the experiences and build on them together.

Any financial institution can grow fast. Just offer the highest rates on deposits and the lowest rates on loans and services to all customers. This, however, is seldom profitable in the long run and it is not the purpose of our charter. We want the quality growth that brings sustained

earnings. To do this better than others requires rigorous cost containment, great customer service, and hard work. It may be more difficult, but it's more gratifying over time.

These examples only give a flavor for the power of the six key values that make up the Great American Spirit. Each of us should reflect on how they best apply to our own work situation. We hope you discuss the six values with your fellow staff members frequently. They are most important to us. Respect. Profit. Service. Professionalism. Innovation. Growth.





Great American Headquarters

APPENDIX F

LIST OF PERSONS INTERVIEWED

Marilyn Allen, First Vice President, Director of Staffing and Operations.

Robert Atherton, Retired Senior Vice President and former Vice Chairman of Laguna Beach Savings and Loan Association.

Wendy Augustine, Retail Branch Employee.

Rollie Ayers, Senior Vice President, Community Affairs Manager and former Retail Branch Manager.

Jamie Cameron, Los Angeles Regional Trainer, formerly of Community Federal Savings and Loan Association.

Tim Clark, Management Trainee.

Tom Detrick, First Vice President, Central Regional Sales Manager.

Nannette Drosky, Secretary, Laguna Beach Branch and former Peoples Savings and Loan Association employee.

Donna Dudley, Terminated Employee, formerly of Los Angeles Savings and Loan Association.

June Hendershot, First Vice President, Director of Human Resources.

Tom Hyatt, Former Regional Loan Manager.

Mary Laack, Northern California Regional Operations Supervisor, formerly of San Joaquin Savings and Loan Association.

Nancy Manginelli, Senior Loan Processor, Laguna Beach.

Lindsay McCormack, Arizona Division Training Coordinator.

Lorna Mills, President of Laguna Beach Division, former Vice Chairman of Board. Former CEO of Laguna Beach Savings and Loan Division.

Lloyd Plummer, retired Senior Vice President. Former Branch Manager and Personnel Director.

Robyn Pullar, Retail Branch employee, Washington Division.

Mike Rombold, former Senior Vice President and Southern California Regional Manager.

Marc Sandstrom, Senior Executive Vice President, Chief Retail Banking Officer and Manager, Retail Branch and Legal Group.

Jim Schmidt, President, Chief Managing Officer and Vice Chairman of Board of Trustees.

Connie Spencer, Teller, San Diego

Robert Sullivan, former Member of Board of Trustees.

Rod Tompkins, Senior Executive Vice President, Chief Administrative Officer and Operations Group Manager.