

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

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RAY DAVIS With PETER ECONOMY

# LEADING THROUGH Uncertainty

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



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# LEADING THROUGH Uncertainty

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

Ray Davis With PETER ECONOMY

Foreword by William C. Taylor



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

# Foreword

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

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

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

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

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

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

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

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

why the most effective leaders serve an agenda larger than themselves and create organizations where everyone shares a common cause.

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

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

William C. Taylor

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

# Introduction: The Great Uncertainty

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

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

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

We must be leaders. We must *lead*.

My first book, *Leading for Growth*, was published in late 2007, before the 2007 financial crisis had taken hold of the

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

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

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

Few people imagined just how bad things would get or how long it would take to recover. However, one thing was

certain throughout: effective leadership during difficult times is not only needed; it is *required*.

*Leading Through Uncertainty* addresses just that: the importance of leadership within organizations competing during challenging and uncertain times—and also through times of growth. Let's face it: effective leadership is motivating, and it can and should be the energy that propels a company through inevitable waves of change. Poor leadership can lead to disaster and has sunk more than a few companies and governments alike.

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

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

Throughout, we remained focused on both navigating the recession and our long-term growth strategy. Despite the challenging economic environment, that strategy never

wavered. We remained focused on building a different kind of bank—one that combines the sophisticated products and expertise of a big bank with the service and local engagement of a community bank. This allowed us to remain opportunistic in ways that advanced our growth. During this time, we completed four transactions assisted by the Federal Deposit Insurance Corporation (FDIC), adding significantly to our geographic reach while protecting the financial health of communities in Nevada and Washington State.

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

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

\* \* \*

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

*Leading Through Uncertainty* reminds leaders to:

- Remember that the truth will set them free.
- Remain agile in the face of uncertainty and change.
- Keep their heads out of the sand when problems arise.

- Understand the value of intuition and why it's important for their people to exercise theirs.
- Motivate and inspire their people in order to build successful companies.
- Recognize the need for momentum and the value of leverage.
- Build a company culture that reinforces a meaningful value proposition.

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

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

Part 1, "Leading Yourself," is about how a leader has to get comfortable within his or her own skin in order to lead others effectively. In other words, how confident are you, the leader, in yourself? It shouldn't be difficult, but unfortunately all too often it's painful for leaders to be truthful with both themselves and with fellow workers. We frequently read stories in the news about leaders who are

obviously avoiding the truth, timing an announcement, or trying to soften the blow to others when full disclosure is the best course of action for their people and organizations. Believe me: being truthful will absolutely set you free. By being forthright and transparent, you will gain respect and credibility from others, while reinforcing your own leadership ability. In addition to exploring the value of being truthful and the energizing impact it can have on organizations, the chapters in Part 1 consider:

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

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

- The value of being really good at executing the basic underlying fundamentals of a business.
- The creation of a meaningful value proposition, which can set you apart from your competition and propel your company forward.
- What being available to all of your many different stakeholders can mean to the organization and the influence this has on sustaining a company in times of great turbulence and uncertainty.

- The simple fact that leaders can't lead if they can't motivate and inspire their people. There are many ways to accomplish this, and it is a leader's job to figure out what approaches are most effective.
- How, even in difficult times, a leader must have the vision to know when to leverage up a company's assets.

The first two parts of this book aim to prepare leaders to accomplish great things for themselves and for their people. The chapters in Part 3, "Leading the Way," offer strong fundamental strategies that can lead to progressive advances within your company, propelling it to the top of its industry.

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

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

*Leading Through Uncertainty* is a practical book of commonsense advice that will help leaders in any business and any industry sustain their company through uncertain economic times. This isn't a book of science or formulas,

and it's not a book about obscure management practices. This is a book about leadership, pure and simple, from the perspective of someone who has successfully guided a company through great challenges. Above all, this is a book of common sense that I hope will resonate with readers and bring to life those essential leadership skills that we all need to be reminded of from time to time.

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