

Managing

The Joseph M. Katz Graduate School of Business University of Pittsburgh

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M A G A Z I N E

*Sam McCullough
drives a hard bargain,
and personal values are
part of the bottom line.*

*Total Quality
Management...Not!*

*Thinking big, really
big: Katz students are
preparing to manage
the world!*

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Banking On Values

Sam McCullough consistently challenges the status quo, a quality that has made him one of the banking industry's top CEOs and the 1993 Katz Distinguished Alumnus.

Samuel A. McCullough launched his career in the banking industry on the same day he started classes as a freshman at the University of Pittsburgh in the fall of 1956. At the time, he had no great dream to become a banker. No yearning for three-piece pin-striped suits or a mahogany-paneled office. The Pittsburgh native just wanted a way to earn some money to put himself through college. As it happened, Mellon Bank had an opening for a part-timer on the twilight shift in the check-processing department. "Nobody in my family had ever been to college, but I just knew I had to go," he recalled. "My father believed that he had fulfilled his obligation by getting me through high school. I wanted to go to college, but he said it was time for me to go to work. So I did both."

By his junior year, at age 19, McCullough had been promoted to supervisor of a department of 75 people. Part-time work had turned into full-time, and McCullough was putting in 60-hour weeks on top of a full academic schedule. He also was married with the first of five daughters already delivered.

"But talk about a neat experience in management," he said, displaying one of his enduring characteristics: the ability to make the most of even the toughest situation. His staff consisted largely of women who operated the proof machines that registered checking transactions. "I

was learning plenty about banking, but on the breaks these women were teaching me about life—about marriage, about working for a living, about people. It made me love banking." By the time McCullough graduated in 1960 with a bachelor's degree in business administration, banking was in his blood.

INFLUENTIAL BANKER – AND PITT ALUM

Today, at age 54, McCullough is chairman and chief executive officer of Meridian Bancorp, Inc., a bank and financial services holding company headquartered in Reading, Pennsylvania. Meridian serves customers in Pennsylvania, Delaware, and New Jersey and has selective financial services operations nationwide. With its acquisition of Commonwealth Bancshares of Williamsport, Pennsylvania, completed earlier this year, Meridian's assets total more than \$14 billion, making it the fourth-largest bank holding company in the state and among the top 50 in the nation. Meridian Bancorp now operates nearly 300 branch offices. Its stock is traded on the NASDAQ over-the-counter market.

McCullough also recently completed a one-year term as chairman of the Association of Bank Holding Companies, a prestigious group of about 85 parent com-

panies that control some two-thirds of the nation's bank assets, about \$2.3 trillion. His aggressive approach to legislative and regulatory reform within the banking world and on Capitol Hill has earned him widespread recognition as a no-nonsense advocate of new banking approaches and a challenger of the status quo. Headline writers have dubbed him "Rambo" and "America's Most Influential Banker."

But with all his success, McCullough hasn't forgotten his roots. He has been an active supporter and fundraiser

the 1993 Distinguished Alumnus Award in ceremonies at Pittsburgh's Duquesne Club on April 21. "Sam McCullough epitomizes the kind of success we all have as our goal," said Pete Stipanovich, vice president of PNC Securities and a member of the committee that selected the distinguished alumnus. "He's one of the success stories of Pitt, and he's a significant player in the banking world. He also has been very loyal to the school, and he has given generously of his time, talent, and money. We are very grateful for that."



PHOTOS BY DAVID PLANK

for the University of Pittsburgh in eastern Pennsylvania. For several years he has served on the Board of Visitors of Pitt's Joseph M. Katz Graduate School of Business, a group of some of the business world's heaviest hitters who offer advice and opinions to Katz administrators and faculty. He values his work with the board, which he believes plays an important role in helping the Katz School grow and change with the times. "The school's goal is to do the best it can to serve its students and the businesses that hire its graduates," he said. "We can provide guidance. We also listen to the students. Jerry [Dean H.] Zoffer] is very willing to listen to criticism, and that's important. The more feedback, the better."

In recognition of his success and for his consistent dedication to his alma mater, Katz awarded McCullough

PREPARING FOR THE FUTURE

M cCullough, who is always thinking ahead, has maintained an active interest in the Katz School and the role of business schools in the American corporate landscape, which has helped him to spot trends in the business world. He believes that one of the most important changes facing business schools and corporate America is the increasing diversity of the student body and the workforce. "All of the studies I've seen have shown that by the beginning of the next decade only about 15 percent of the people entering the workforce will be white males," he said. "All the rest will be women and people of color. As a practical matter, it's essential that we prepare for that, for the changes that already are taking place."

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For business schools, such as Katz, the reversal of historic employment trends will likely necessitate fundamental changes in marketing, faculty hiring, curriculum planning, and many other areas. McCullough believes that business schools must prepare for the future by more actively recruiting women and minorities, tailoring their programs to appeal to these new students, and promoting an understanding of the importance of diversity in the workforce, an understanding that graduates can carry with them throughout their professional lives.

A second important trend, according to McCullough, is the continuing rise of the global economy. He strongly supports Katz's efforts to create management training programs and to market economics education programs in Hungary and the Czech Republic. "If business school graduates are going out into the business world, they have to be prepared for a whole range of new things," he said. "And the schools have to prepare them."

PRACTICE WHAT YOU PREACH

Emphasis on preparing for globalization and cultivating diversity in the workplace is nowhere more evident than on McCullough's own home turf. Meridian provides financial services to members of the United Black Business Association, and supports several women's programs, including the National Association of Women Business Owners' Entrepreneurial Women's Series, a program that helps women start and nurture their own businesses. In recent years, Meridian has helped bankroll the nation's first minority-owned secondary marketing and mortgage banking consulting service, and it was lead investor for Philadelphia's first African-American-owned bank in more than three decades. Last year, McCullough's determination to combat discrimination earned him the Torch of Liberty Award from the Anti-Defamation League.

Inside the corporation since the mid-1980s, McCullough has spearheaded or thrown his support behind a series of distinctive programs designed to promote understanding and cooperation at the bank between people of different sexes and different races. One initiative involves sending senior executives and managers to week-long workshops to improve sensitivity about what causes problems between men and women and whites and blacks, and how they can be avoided. "The sessions are very tough on everybody," he said. "The whole concept is trying to understand and work around the differences between us all."

About five years ago, a company-supported minority network was formed at Meridian. Through a series of

regular meetings and annual retreats, the group provides an invaluable clearinghouse for complaints and suggestions about minority relations. "This is really intense stuff, and I think it's working," he said. "I still get challenged about upper-level promotions and things like that, but I believe it's my responsibility to hire the most qualified person for a position without considering gender or race. We're doing what we can to prepare for the future, and the guidance has to come from the top."

BASEBALL, BANKING, AND BEING THE BEST

McCullough's rise to prominence has been a steady one, although it started out with an important decision about future goals—a decision between banking and baseball. Upon his graduation from Pitt, McCullough's prowess on the baseball diamond caught the attention of talent scouts for the Pittsburgh Pirates. In the spring following the Pirates' thrilling victory in the 1960 World Series, McCullough found himself at a tryout at Forbes Field, on the pitcher's mound throwing his heart out. "It wasn't a formal offer on paper, but after I had thrown for a while they told me that I could probably play in Valdosta, Georgia, for \$300 a month for six months out of the year with no bonus," he said. "I decided to stick with banking."

He joined the management training program at Mellon, which he said was something of an accomplishment in itself for any Pitt graduate in those days. "I think I was one of the few people they let into that program back then who wasn't an Ivy Leaguer," he chuckled. "And the only reason I got in was because I had already been there for four years." He stayed on at Mellon until 1975, when he joined American Bank & Trust Company in Reading. Three years later, he became president and CEO of AB&T, which was one of two banks to merge and form Meridian in 1983. He became chairman of Meridian in 1988.

Throughout his career in banking, McCullough has never been one to sit around waiting for things to happen. From day one, he has been a go-getter. To this day, he chides earlier generations of bankers—as well as some of his contemporary colleagues—for failing to take strong action on a number of issues. That goes for everything from fighting for more favorable banking legislation on Capitol Hill to improving services to every banking customer, not just the rich and powerful. "I don't know what they were thinking," he said. "We've had lobbyists, but where have the CEOs been? In all the other industries, you had the top guy down there, meeting with Senators,

testifying before committees. Until recently, you didn't see that in banking."

McCullough has been a regular visitor to Washington, DC, where he has talked long and hard to anyone who will listen about what he sees as the need to increase opportunities for banks to expand into new markets, such as trading securities, and to keep a rein on government regulations controlling how banks lend money, how many reports they must file, and where they can do business. "I'm not saying there shouldn't be any regulations," he said. "I just feel they should be reasonable, and not the result of a panic reaction. The massive body of regulations that have been and continue to be proposed by Congress are most likely to hurt the very people Congress says it's trying to help: small businesses and individuals in lower tax brackets."

McCullough bristles at the notion, popular in some circles, that banks and their cautious lending habits are responsible for stifling economic development as the nation struggles out of the recent recession. "There's no credit crunch," he said. "We have plenty of money to lend, but there just aren't as many people coming to us looking for loans. People are keeping their old cars longer, and their homes. And maybe they're not building that new factory right now." For the loan applications that do come in, pressures from government regulators to avoid nonperformers, and from shareholders to maintain profits, mean lenders are less willing to take risks. "We are in the business of responsibly managing our risk, and that shouldn't be interpreted as restrictive banking," he said. "President Clinton has said he wants to make changes that would help us return to what he calls 'character loans,' the ones where gut instinct can make the difference in approving a loan even if the numbers don't absolutely support it. That's good."

NOT JUST THE BOTTOM LINE

Striving for that personal touch in banking is what motivates McCullough. He knows the numbers, but he is driven by the satisfaction of helping people. "I like banking because you can do productive things, particularly if you're lending money for the right reasons," he said. "You can make loans to

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build a plant, or build a house, or buy a car. Those are productive types of lending." Again, McCullough's philosophy has permeated the Meridian culture. The bank avoids highly leveraged transactions, which tend to break down companies rather than build them, and concentrates on lending money to the small and middle-sized companies that form the foundation of the nation's economy. Under McCullough's guidance, Meridian boasts that it has been the top Small Business Administration bank lender in the mid-Atlantic region for seven years in a row.

Meridian also was the first bank in its market area to provide Spanish language screens on its auto-

mated teller machines, and was one of only 16 banks to offer home computer banking on the *Prodigy* on-line computer information system. "Banks are here for the people, so we should serve them in every way we can," he said. "When you do that, the numbers work."

Banking is a major part of McCullough's life—he travels extensively on business and works most weekends and late into the evening. However, banking isn't the only part. Now a resident of the Reading suburb of Wyomissing, McCullough plays golf, and he and his wife, Kay, find time for tennis. They even manage a week every year for a getaway to a remote Caribbean island, which until recently had no telephone service. "That's when I get a chance to lie on the beach and read spy novels," he said. "It's nice to escape sometimes."

McCullough also serves on the national executive board of the Boy Scouts of America and is active in the Pennsylvania Republican Party. He has worked with the Easter Seal Society and the World Affairs Council. "I get tired sometimes, but I enjoy it," he said. "I need to make sure that I'm doing my share."

So what began for McCullough as a moonlight job to scrape together college tuition has flowered into a life's work. "I've been lucky, and I hope that I've made a difference," he said. "Every person who has been placed in a position of responsibility will leave his or her mark. I just hope that I will leave something that people will think is good."

Thomas Buell, Jr., is a freelance writer and journalist living in Pittsburgh.