

KENNETH LEWIS

ORAL HISTORY

**COMPUTERWORLD HONORS PROGRAM
INTERNATIONAL ARCHIVES**

**Transcript of a Video History Interview with
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Chief Executive Officer, Bank of America**

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DSM: Let's start at the beginning, with when and where you joined the Lewis clan.

KL: That's probably the easiest of the questions I will get today. I was born in Meridian, Mississippi, April the 9th, 1947. You're born in Meridian, Mississippi if you're from Walnut Grove because there was no hospital in Walnut Grove, Mississippi, which was a town of about 500. My father was Vernon Kenneth Lewis. He is deceased. My mother is still alive, and her name is, Alice Byrdine Lewis, and goes by Byrdine, which is an unusual name, and I'm not quite sure of its origin.

DSM: Did you grow up in Walnut Grove or Meridian proper?

KL: I grew up in Walnut Grove and lived there until I was about 5 years old. Then I moved to Heidelberg, Germany. My father was in the Army. He had a 5th or 6th grade education and realized that the only way he was going to escape the sawmills of Walnut Grove was to join the Army. So as soon as he could escape, he did. We lived there for a year, and then moved to Columbus, Georgia.

DSM: So do you have any memory of Walnut Grove?

KL: Yes, I remember a little bit. I remember what it didn't have. It didn't have a movie theater. So if we wanted to see a movie it was off to another town. I also remember Native Americans coming into the town and having wrestling matches every weekend. That's about all I remember though.

DSM: Do you have sisters, brothers?

KL: Yes I have a sister, Gloria who is 4 years younger than I.

DSM: Are there any memories you have of Heidelberg.

KL: The only thing I can remember about Heidelberg was that there were twin brothers who ganged up on me one time, and my mother came down out of the building and said, "Okay you can fight him, but you're going to have to do it one at a time." So I fought one and then I fought the other, and that's the only thing I can remember about Heidelberg. I won both fights by the way.

DSM: So about 6 or 7 you moved to Columbus, and do you consider Columbus to be your hometown?

KL: Yes, it's where I graduated from high school and went to college.

DSM: Tell me a little about 1950's Columbus.

KL: It's not a small town. It's bigger than you might think. At the time it was 200 to 300-thousand people. It's in South Georgia, so it has all that south Georgia contains. It's very conservative -- about 90 miles south of Atlanta. It had the largest infantry center at the time, so it had a huge military base. It wasn't nearly as progressive or dynamic as Atlanta. Only recently has it started to grow again and be home to some fairly major companies.

DSM: Your mom was working as a nurse?

KL: She is an RN rather, she was an RN. My mother and father divorced when I was pretty young. She essentially raised my sister and me. One of the things that I remember most is just the work ethic. Many times not only was she a nurse, but she also worked double shifts. I think back now to someone who would work a shift on her feet, bedside nurse 7 to 3, and then from 3 to 11 do it again. It would be a pretty tough day I would think.

DSM: Did you go to school in Germany?

KL: Yes I had one year in Germany.

DSM: Do you remember what it was like, the change?

KL: I was going to school with a lot of Americans in Heidelberg. Other than just different people, new people, there really wasn't much change that I could recall.

DSM: Do you remember any of your early pre-high school teachers, and did you know how to read before you started school?

KL: Yes I knew how to read. I don't know what age I learned how to read but I knew how to read pretty well early on.

DSM: Tell me about your junior high, high school days in Columbus.

KL: I guess the most traumatic thing for me was that I thought I was going to be this great athlete, and I was playing in a Pop Warner All Star football game and hurt my back pretty seriously. I had about a year's worth of rehab after that. I never again was quite the athlete I thought I was going to be. I probably wasn't all that good anyway, but that was quite traumatic for me because I had always been, what I thought in those days, really good at football and baseball. Those days kind of ended for me after that.

DSM: Did you start running then?

KL: I actually didn't start running long distances until I was about 30 years old when I went to New York. So it was long after that. I was always a sprinter until I hurt my back and didn't run long distances.

DSM: I read that you were nearly always a young man with a job. Describe having a paper route and Christmas card door-to-door sales, and selling shoes in Columbus.

KL: At a very early age I realized that incrementally I was not going to be able to do things I really wanted to do unless I went out and made some money, because obviously we didn't have a lot with my mother essentially raising us and not making a lot of money as an RN. So I guess the first job I had was selling Christmas cards door to door. Then after that I began delivering papers. I had a paper route. I worked for a gas station at one point in time. I worked for a mill supply company unloading steel off of railway cars for a while. Then my senior year in high school I did begin to sell shoes. I think the interesting thing about that was that it was on commission. The range of prices was \$2 to \$6, and you got a 6% commission. So I could make a range of 12¢ to 36¢ as my commission. You had to sell a lot of shoes to make money, and several of us did.

Interestingly, during that time I saw that by using your mind it could even help you sell shoes. What I'm talking about is this. , Obviously you wanted to have as many customers as you could because the commissions were so small. If you went back to get the shoes and you memorized what shoes were there and the sizes that were there, then you could quickly, if somebody asked for a certain shoe, remember that we don't have that size and not have to go all the way back. So you could be much more efficient.

Going back to the job subject, when I went to college I knew I had to obviously still have jobs. That's one of the reasons I went to Georgia State University in Atlanta. I knew that there would be more jobs if you went to a major metropolitan area as opposed to Athens, Georgia where the University of Georgia was. I wanted to go to a place where I could not only find a job, but one that would be meaningful to me in later years. I had three very interesting jobs. I was a fire underwriter for an insurance company, which taught me that I did not want to be a fire underwriter for an insurance company; this was in undergraduate school. Then I also worked as an accountant for a municipal bond firm, and did that for a while. Then my last job was as a reservations agent for United Airlines from 6 to 10 every night.

I was taking a heavy course load then and I couldn't work full time and all of those jobs taught me something, or were relevant to me later on in my career. I really felt like when I went into the business world, not only did I have a business degree, but I also had some background that maybe others didn't have and maybe it gave me a head start.

DSM: Can you tell me about some influential people, or some lessons you learned during those jobs?

KL: The municipal bond firm was bookkeeping, accounting, so that helped me both in school, and as I became a credit analyst for the NCNB. I had some accounting background that went beyond just a formal education. Fire underwriting I think taught me what I mentioned, that I just didn't want to be one. Reservation agent is so much like what we do in our call centers that when I go to call centers I have an empathy and I can relate to what they do a lot better than many other people can.

DSM: For those reading these 100 years from now, you also have to remember this was before computers – word processors. Did you have computers at Georgia State?

KL: Somewhat at Georgia State. I actually took a programming class and realized I didn't want to be a programmer either. That was my first exposure to computers.

DSM: What about teachers either in high school or college, any that was particularly important?

KL: I had several that were very supportive, and usually the theme around their support was that you can do anything that you want to do, almost reinforcing what your mother tells you. You have the brains and the capacity to go far and make sure that you do, and make sure that you don't underachieve, and optimize your abilities.

DSM: Were there friend, rivals, or heroes that were major childhood figures?

KL: For a long time, sports figures were my heroes. Mickey Mantle, Mohammed Ali, Willie Mays, Jim Brown, were all sports heroes of mine. I always appreciated and respected what my mother did, in terms of working so hard and not neglecting us at the same time. She was and still is, a hero.

DSM: You grew up in the early days of television. Do you remember the first TV set you had?

KL: I remember a very large television set in Walnut Grove, that my grandfather had. He was a country doctor. It had something blue at the top, artificially put on the TV, and something green at the bottom, and it was very large. That's the first TV that I remember.

DSM: How about your first car?

KL: I do remember that. I was 16 and it was a Lancer. I think Dodge made the Lancer. I recall the first time I drove it. I got it used and it was this ugly green, but I had saved enough to buy it and I had never driven a stick before. So I got it out on the street, and a friend of mine was with me, and there were 2 girls in the car next to us. They were looking at us and we were looking at them and I put it in gear and took off, but I was in reverse. They would go forward and I would go back, and it was pretty humbling.

DSM: You graduated from Georgia State with a degree in Finance in about 1969. Between the time from high school and the time you graduated from college, this was an exciting period of time in the nation, with Civil Rights and Kennedy and the Space Program. Can you talk about what it was like to live in that time, and in that part of the United States?

KL: One of the first dilemmas I had was should I join the Marines or the Army or something and go to Viet Nam. That always was something that played in my mind, should I go and do that? My friends and family would always talk me out of it. I was wrestling with that dilemma most of my 4 years.

The assassination of John F Kennedy happened when I was in high school. I remember that vividly and how traumatic that was, and I remember spending the whole next days just glued to the TV. The most traumatic thing that happened was Martin Luther King's death. Of course Atlanta was a huge part of that, because the services were there. I remember standing on the sidewalk and just watching the procession and literally being right there and seeing everybody come by. That's a vivid recollection for me.

DSM: 1969 you graduate from college, and look for a job. Tell me about that.

KL: Actually it was a good job market, and I had about 10 really good job offers -- GE, Shell, Westinghouse. . I was a B student, B+ in my majors, so I was okay, but I had some good work experience. I interviewed at banks. I didn't care about working for a bank, but I didn't know what I wanted to do. There is an old saying, that if you don't know what you want to do, go to work for a bank. You'll see a lot of different things and you'll determine what you want to do. And it was supposed to be good training in the process.

So I interviewed at several banks, one of which was First Union, which is now Wachovia. I interviewed at NCNB, also C&S, which we bought later, and First Atlanta. They actually offered me a job on the spot, right there at the time. We took some tests and they said they would make me an offer that day, but they wanted an acceptance right then. So I said, "No, I need to think about it." Then I interviewed at NCNB afterwards. I have always said that the only advice I would give somebody who was looking for a job out of school is, "Try to find a personality in that company through your interviews." That's what I did, and felt like that personality fit with me. They had visions of a future they really shouldn't have had given their size. They really had a can-do attitude, and I felt that they were winners individually, and that they were going to be winners as a company, and I was right.

DSM: We were talking about early jobs and one of those was selling a newspaper.

KL: I sold *Grit*. It was a weekly newspaper I think, and actually after a while you had people that really looked forward to getting it, and wanted to receive it as fast as possible. So I had this nucleus of customers that were repeat customers.

DSM: So you made about a nickel a piece?

KL: I had forgotten that!

DSM: Let's get back to you getting hired in 1969. Can you talk about who hired you and about getting into the banking industry?

KL: Well the person that hired me was Ron Savas. He used to say, "It's forward or backwards, S-a-v-a-s." And he's still with us. He actually works in our workout group of all places. He would have been here 2 years longer than me, so almost 37 years with the company.

DSM: So you were hired, had you been to Charlotte before?

KL: Yes. I moved to Charlotte in September 1969. There were about 12 of us, a combination of some with just undergraduate degrees and then several with MBA's, and from very good schools; Harvard, Virginia. We were put together and we started analyzing credits, individual credits. I do remember they give you easy ones to begin with, so they gave me Bank of America to analyze. What irony. I remember beginning to analyze them and looking at their growth in deposits from one year to another, and I made the observation that they grow more than we are. That's how much bigger they were, and I got the appreciation for the relative size of NNCNB versus Bank of America at the time.

DSM: Talk a little about how different the banking industry was then.

KL: At the time, banks had to be within a very narrow geographic area, sometimes within just cities. In the case of North Carolina, we had branch banking so we could branch statewide. But being able to branch statewide was very progressive during that time. California had it, and North Carolina had it, but very few states had the ability to branch statewide.

NCNB has had, and as we have gone forward, has very visionary leaders. The person in charge of the bank at the time was a person named Addison Reese. He said that he felt like if we didn't find a way to escape North Carolina, that we would not survive, because there were other banks in other places, in bigger states or bigger areas that would dominate and eventually, when laws did come down, would just gobble us up. This was unheard of, someone talking about something like that. He was well before his time.

Then he was followed by Tom Storrs as a CEO. During Tom's time we actually found an escape route through a loophole and went to Florida. We were the first bank to go to another state certainly on the east coast. As a result of that, we began buying banks in Florida. Tom proposed a southeastern pact come into effect. His premise was that we could not compete with the money center banks in New York, Chicago and California. But if you would allow us time to gain size through merging with other banks in the southeast, we then would propose that you have interstate banking, and having a level playing field for anyone who wants to expand. He and Hugh McColl, his successor, were actually the drivers in making that happen. So the interstate banking, the National Banking Act that we have now really stemmed from the thinking, you could even say Addison Reese, but certainly Tom Storrs and Hugh McColl.

DSM: This began in the early 1980's. You were at NCNB for dozens years – can we go back a few years to 1971 when you were 24 years old and became an officer at the bank. There's a story about your mother – can you tell that?

KL: I called her and told her, "Mother I was made an officer today." And she said, "Well, how far away is that from President?" And it kind of took me aback. So I had to count up and told her it was quite a ways. There were still a lot of titles in between.

DSM: Then you became Western Area Director of the US Department. What was that?

KL: You could say that was part of our delusions of grandeur at the time. We had what we called a national division. So after the credit department I became a national accounts officer. I would travel different parts of the country drumming up business for the bank. During those days that business was loans, treasury management, and some international things, but we were competing against the really, really big banks. You had to have a good story and certain capabilities that were regional in nature to compete with these very large banks.

DSM: Is there a first close story that you remember well?

KL: I remember the first big piece of business that I got was what we called a “dispersement account” at the time. It was Skelly Oil Company in Tulsa, Oklahoma. They have since been bought by somebody, but there was so much activity that it required a \$300,000 account to compensate for the activity. That was a big deal at that time. Bringing in that big account, got me a little notoriety and exposure to upper management. .

DSM: Did you do a lot of traveling then?

KL: I would do a lot of traveling. At different times my territory was the southwest. It was the Midwest at another point in time. It was the west coast at another point in time. We called on banks and we called on industrial companies, and the interesting thing now is that so many of the banks I called on then, we now own, and they make up Bank of America.

DSM: That’s the main reason you went in the business to begin with, that you get to interact with lots of different businesses. The other question I have is about your 1977 job. You were named Manager of their International banking Corporation and moved to New York City. What was that, and if there are stories there please tell them.

KL: I was still in our corporate banking group and was running one of the regions. Hugh McColl, who had become President at the time, came to me and told me that we weren’t doing all we can do in New York. He wanted me to go run what was then called our Edge Acts subsidiary. It was a Senator from New Jersey who was responsible for legislation that allowed banks to go outside their territory only to do international transactions so we didn’t violate the existing laws. So I told him, other than I know nothing about international banking, and that I had only been to New York once or twice in my life, it sounds great. He said, “We want you there for your leadership and the fact we know you can learn the business. So don’t get hung up on the fact that you don’t know anything about international banking.”

So I went, and as an aside, we didn’t have cost of living adjustments at the time. So I went there on a Charlotte salary, which was very tough. I actually had our best correspondent bank there, Manufacturers Hanover, which is now part of JP Morgan Chase, turn me down for a mortgage. They called back to my boss, who ironically was Ron Savas at the time and said that, “We don’t think he’s going to make it on this salary.”

Well, back then making your age was a big deal, and I had just gotten a raise to \$30,000, and I was 30 years old. So I thought, well gosh I'm making my age, of course I can. They wouldn't make me the loan though, and ironically a bank called Summit Bank Corp in Summit, New Jersey, made me the mortgage loan, and I lived in Summit, New Jersey. The irony of that is Fleet Boston, who we just bought, bought Summit. It all comes full circle.

So I got the mortgage, but back to the job. I knew nothing about international banking and so I took banking courses at NYU at night while I had the day job. That's when I began to feel fairly isolated. I had always been a part of the company, you know right there in the home office. It was a lot different being in New York, on your own downtown, not in mid-town. Even when my friends would come to New York they didn't want to come downtown and so I did feel a little isolated.

DSM: How many staff were there in your office?

KL: It was a staff of about 30, but a big clerical staff. There were really only about 5 or 6 officers in the group. Now back to your earlier question about running, then to take my mind off things, I began running. The first time I ran I couldn't run but about a half a mile, and just kind of picked it up over time and was running 10 or 12 miles a day before I ran the marathon.

DSM: So you ran the New York marathon?

KL: I ran the Marine Corp marathon.

DSM: In Washington D.C.?

KL: Yes.

DSM: There is a story I read about a federal inspector visiting you in New York, to see if you were doing domestic business out this international office. You told him that you thought the rules were archaic. Can you tell that whole story?

KL: As part of this thing is called "Red K" and is what these Edge Acts operated under. It was really frustrating to me because I had come from an environment where I was soliciting total business for the company, trying to bring all of our resources to bear on the client that were relevant. This law says you can only in fact solicit international business, and regulators would actually come in and see if you are doing that and not violating the law. I told him that it just seemed very archaic.

That it did tie peoples' hands behind their backs and really wasn't a service to anybody, particularly the client because that limited competition. The reaction was basically a bureaucratic reaction, "Well that's not my problem. I'm here to see if you're complying or not."

DSM: 1979 you become the VP and Manager of the US department. Tell me how that happened.

KL: The US group had both international and domestic responsibilities. I had at that point done both, and we had been pretty successful in New York. Hugh McColl was right, they didn't need a technician. We were able to mobilize the sales force a little better, get out and get business. We had a pretty successful track record, my team and I did. I think it was recognition for that and I knew Hugh wanted to grow the business and thought I could do it.

DSM: The 1980's were not a happy time in the banking business. I read that in that decade there were the greatest numbers of bank failures in the history of US. Can you describe what it was like?

KL: Actually it was one of the best of times for us. As you mentioned we went to Florida early in the 1980's, 82',83'. It was a very interesting time for me because there were two huge opportunities during that time. Well, three really. First early on, after sometime in the US Group, I was asked to manage our middle market efforts which was lending and doing business with commercial companies that were not as large as the corporate, Fortune 500. We did business with a lot of them and that was back to our roots. That gave me another aspect of my training or exposure to banking.

In 1985, I had a very similar situation to the one that I had in New York. Hugh McColl came to me and said, "I would like you to go run our Florida bank." And I said, "Well, other than not knowing anything about retail banking, it sounds like a great opportunity." So I went. It was a huge learning experience for me. It also showed that you needed different skill sets, different communication skills to manage that number of people. A corporate bank has a lot less people in it, and people with very similar backgrounds. When you get to the retail bank, it's much more diverse and it's much larger.

Then after three years there, in 1988, back to your point about it not being a good year for some banks at least, we bought the failed First republic, which was the largest bank in Texas. So that gave me the opportunity to go be President of what we called NCNB Texas.

It was one of the great times of my career. Florida was too, but here was a failed bank that we had to bring the morale back to the people who were there, who felt really bad about being part of a failed bank. We also had to compete in an environment where many of the Texans didn't particularly want you there, and we were competing against banks that were saying they were Texas banks and here are these out-of-staters from North Carolina. Having said that, we had experienced the same exact thing in Florida so I was used to that.

DSM: First Republic was no small bank.

KL: It was the largest bank in Texas, and in fact it was the 2 largest banks in Texas having come together only a short time ago. It actually doubled our size. It also was something that nobody thought we would be able to pull off. We were competing to get the bank. We were competing with Citigroup and Wells Fargo, which were much, much larger banks at the time. So when it was announced, nobody could believe that this little upstart from North Carolina had won the deal. Secondly, to show that we were an upstart, we couldn't afford the full price on day one. We had an arrangement with the FDIC to make 5 payments over 5 years in paying them off in terms of the price of the deal that we had agreed to. Interestingly one year later to the day, we paid off the whole thing because the deal had been so successful.

DSM: To lend some perspective to that, this was between 1983 and 1993 when there were more bank failures in the US than any time since 1929. There was the savings and loans crisis, the stock market crash of 1987, and you guys make 26 acquisitions.

KL: We were growing, doubling our size with the First Republic acquisition, having been very successful in terms of producing a very large cash flow and profits. We actually thrived during that time.

DSM: Things got better after 1987, 1990 you were made President of Consumer and Commercial banking, and this was on the eve of the Sovereign merger. Can you tell that story?

KL: In 1991 we formed what we called the General Bank, which would equate to consumer and commercial banking. When we bought C&S/Sovran in 1992 Hugh asked me to go to Atlanta and run the combined operation, but be based in Atlanta because C&S was such an important entity in that city, state and region. So I did, and of course it wasn't home, but back to a place I had lived for 4 years. It was a great time for me. We did very well and Atlanta really embraced me and the company.

Sometimes you have negative things said about a new company coming in, and it was the first time I had gone to a place and been accepted so quickly personally, and the company as well. I think that speaks very highly for Atlanta.

DSM: We've mentioned Mr. McColl several times. Can you tell me when you first met him and describe him?

KL: I remember in either 1969 or early 1970 he was running the national division, which is that corporate bank. The national division at the time had the southeast and the rest of the country as well and some international. He was vying for the presidency with a person named Luther Hodges, whose father had been governor and secretary of commerce. North Carolina was the much bigger profit center, obviously it sounds grander to have the rest of the country and world, but Hugh would always say, "Luther has North Carolina. I have the rest of the world." I remember that line. One of his requirements before someone came to the national division is that he had to meet them. At the time we had a little cafeteria where you could get breakfast or lunch. He invited me for a cup of coffee. So we sat down and he asked me questions and talked about different things.

DSM: How old were you?

KL: I would have been 22 at the time. And he's a great motivator and a great leader so I was very excited and wanted to go to national. At the time, it's not this way now, but at the time, if you really were going to succeed and have a chance to be at the top it was thought that you go to the national division to do that. If you got an assignment somewhere else then you hadn't quite made it. So I was very anxious to go for that reason, and he seemed to be fine and so it was okay for me to come to national.

DSM: Hugh McColl had a similar background starting as a trainee.

KL: The difference there is he was turned down, and then his father called. His father was a good customer of the bank and so they hired him. So I wouldn't have been able to do that because I didn't have a father who could have done that.

DSM: Another name that keeps popping up in my research; and the Florida story is such a turning point in the history of banking, and that is Paul Polking. Did you know him at all?

KL: I knew him but I wasn't as involved in the acquisition side. I was more involved in running it after the acquisition. Paul actually just retired from the company a few weeks ago in fact, but was instrumental in any number of acquisitions. He is the person that found the loophole to go to Florida in the first place.

DSM: The other note I made to ask you about, and you briefly touched on it in terms of its importance in winning over the hearts and minds employees at First Republic. Can you talk about "Project Yellow Rose?"

KL: There was a time before what we call "Day One" when we would be actually taking over and managing First Republic, and somebody came up with the idea. The idea was that we would send everybody a yellow rose, ala the Yellow Rose of Texas. So that day one, when we became officially the managers of NCNB Texas, the old First Republic, everybody had a yellow rose on their desk that morning.

DSM: We've been talking about the gradual liberation in banking. 1994, interstate banking act is passed. Describe what that meant.

KL: We felt at that point in time we were going to be able to compete on a more level playing field in terms of realizing an ambition that we had, and that is to become a nationwide, coast-to-coast company. We felt like that was necessary to survive. We've always had that survival thing in our mind, that we wanted to be a winner and a survivor and knew that we had to have a sense of urgency about that because so many others were so much bigger. We thought that that world had opened up to us at that point in time, and as I mentioned, had been very, very focused on getting that legislation passed.

DSM: The guidelines I heard about survival were that there were 3 rules; survive, prosper and retain control.

KL: Right.

DSM: I want to go back and pose this question in context of your family. You spoke before of how hard working your mother was, and of your own career efforts. Was there a moment that you can talk about when you knew that everything was going to be fine for the Lewis family?

KL: The other story is about my mother is, when I became President, she said, "Well I didn't know at the time that I asked you about that that there was a CEO title. How far away is President from CEO?" I could answer her in a better way then because it was easy to add up, there was only one in between.

She's always been very supportive and you know how much she cares, but she doesn't really heap a lot of praise and say, "Boy you've made it. You're only one away." She knew that I was driven to do that and she didn't need to do that.

One time that sticks in my mind that I may have known that we going to do well is that I remember when I moved from North Carolina to Tampa, Florida, when I became President of our Florida bank. I decided at the time that was going to be the watershed time when I didn't mow my grass anymore. I hired somebody to do it. So maybe that was the time I thought, "Boy I made it. I don't have to mow and edge anymore." (laughter)

DSM: So we move from not having to mow or edge anymore to buying the Bank of America. Can you talk about that deal?

KL: As I mentioned before we had this desire, this ambition to become a coast-to-coast bank. We realized that we probably would never really be considered that unless we had a major presence in California. So this was what we had thought about for a long time. AT that point in time there were only two banks that would have done that for us, and they were Bank of America and Wells Fargo. So from a strategic standpoint we saw this as the answer. Interestingly because we had been so focused on acquiring banks we could have the merger, and because we had gotten larger than they at that time, we could still maintain control. We could have more directors and be the winning of the two, if you will. We felt like we were in a position at that point in time in history to do it because we had come out on top. Any time before then we would not have been able to and would not have done the deal.

It has turned out to be everything and more than we expected. It has really put us on the map. It truly made us a national bank. To then have the opportunity to merge with Fleet and become truly the Bank of America, because we went into the one truly big region of wealth that we weren't in, and with much of the history of America there, that was really the icing on the cake.

I will say however, in between the time of the Bank of America acquisition and then becoming the new bank of America, and then the Fleet acquisition, we did something that I think will turn out to be as transformational as the acquisitions. We stepped back and said, “We’re going to draw a line in the sand. We have dominant positions in the fastest growing markets in the best country in the world. We cannot cede market share to others, and we are not going to be able to buy banks going forward to the extent that we have in the past. We have to become a customer focused, customer-centric company.” If you think about leadership, a part of leadership is the ability to see the need for change, articulate that need and then create excitement about it. I thought I had, but I could have looked back and found no one with me because there were many that still found excitement in buying banks as opposed to getting customers one at a time. It was to their credit, and thankfully they did come with me, and I think that will be one of the defining moments of my leadership.

DSM: You also set new standards for performance. You put in Six Sigma system, which is factory, industrial based.

KL: Yes it was thought to be. I got very interested in process improvement, and thinking that was the way to become that customer-focused company. Then I felt that using the Six Sigma methodology was the way to effect that process improvement. I became very interested, and we have begun to transform this company using that technology. Our point is, if you can define an activity as a process, which we think most activities are, then you can use Six Sigma methodology to attack the issues that are inherent in that process.

DSM: Going back to your shoe-selling days, you also overhauled the bonus system at your bank.

KL: We always have felt very strongly about measurement, and people do what is inspected, not expected. That’s part of our culture, but we did find as we really tried to be a customer-focused company in ways we never had before, that in some cases our rhetoric and our measurement incentive systems were out of sync. You have to align those two or you are never going to get the behavior that you need. So we went back and really looked at linking up our incentive systems to what we were saying in the marketplace.

DSM: You became President and COO in 1999.

KL: Actually it was the beginning of 2000.

DSM: Then you became Chairman....

KL: In 2001 I became Chairman and CEO.

DSM: 2000 was just an apocalyptic time. You have Y2K and all those fears in the banking industry, which is so dependent on technology. You have the collapse of the dot-com boom. Can you just describe what it was like doing business during that time?

KL: Interestingly, the change of the century and all the things that we thought that might bring in terms of the technology issues, either we did a great job or it was overblown because it seemed to be a non-event. I think in banking in particular, we had the regulators on it so early on, and we focused on it and did a pretty good job in handling that.

Another important event was the collapse of several major corporations in 2001, and a collapse of that segment in ways we had never seen before. Usually a recession begins with the consumer, small business, little markets, and finally gets to the large corporate market at the very end. This recession was actually led by a collapse of the large corporate market. Therefore we had major issues with huge exposures to some of these companies, and actually compounded by the fact that 2 big banks who were in that business, had come together; Nations Bank and the old Bank of America. We had feverishly been trying to reduce those exposures, not because we thought the companies were bad at the time, it was just because of the combination, they were bigger than we would normally hold. Thankfully because we had had a sense of urgency about it, we had dramatically reduced our exposures. Now we got hurt as everybody did when they did collapse. We lost a lot of money, but we would have lost 2 or 3 times that amount had we not been focused on reducing those exposures. Actually of all the events that took place, that was probably the most threatening to us, particularly if we had not taken the actions we had taken.

DSM: Were there some signs of this gathering cloud, both in terms of the market and all the other scandals that were going on?

KL: No because they were scandals and some cases obviously represented illegal behavior in some cases. They happened for different reasons than a company deteriorating over some period of time. They were almost instantaneous collapses, and it's just very hard to prepare for something like that.

DSM: December 2003, you cancelled your own employment agreement, and what I read is, you wanted to make a point.

KL: I never did like the fact that I had a contract because our people for the most part, don't have contracts. With as much money as I make, and with my position, why should I have one?

Early on we had the contract because we felt that because several BankAmerica executives had them, it would not be right for 2 or 3 that would be their equals to not have them either. Then when I became CEO, I really wanted to let it go at that point in time but the Board felt like that would send a message I didn't intend to send or didn't want to send, something that had unintended consequences. Then as we got past that and there was no doubt that I had the Board's confidence, I felt now was the time to make the statement that I should not have a contract and have a safety net that others don't.

DSM: Where do you think your concepts of honor and integrity, and the sense of what's right, which you obviously just demonstrated, where do you think they come from?

KL: I don't know if I can pinpoint something. I think it's a collection of experiences that you have your whole life, from your first grade teacher to your mother, or whomever, telling you that doing the right thing is what you should do. If you think about it, many of the things that you act upon were instilled in you very early in life, in very simple notions about right and wrong and you doing, within the own framework of your own being of what is right. So I think all of those things affect you and cause you to be the person that you are, and the way that you act.

DSM: Certainly your Mom has served as one of the best examples of honor; it's a debt that is owed to people who expect it of you. Is there a person you think of when you ask the question, "What's the right thing to do?"

KL: No but I usually know there is an easier way out, and that you are taking the more difficult of the routes.

DSM: I would like you to tell the story about the play, "Angels in America."

KL: It stems around my being asked to run a campaign. We had had controversy over the play, and I thought the controversy stemmed from a very small group of people who didn't represent this society of this city. So one of the ways that I was able to react to that is through having a campaign for the Arts and Science Council.

I normally wouldn't have agreed to run that. We would have had somebody else do it, but I thought it would be a way we could make a statement to the broader community and to the country that Charlotte's not this way. We raised a lot of money and proved that.

DSM: I try to ask everybody about innovation. You've had a career where you have worked with some of the most innovative and creative people in the world. Where do you think great ideas come from?

KL: I think in some cases from adversity, and maybe severe adversity at times. Then I think it comes from necessity in that you just need to do something differently or improve on something dramatically. So the innovation is born out of necessity and in all cases, it comes out of extreme focus. You can't be doing a lot of other things, or I couldn't at least, and be innovative at the same time. It's discovery that results in dramatic improvement, at least the things that I think of as being innovative.

DSM: Let's talk about education and your recent involvement with Georgia State in the area of nursing education.

KL: It's not so unique. This was really an ironic story. I was thinking about what could I do to honor my mother while she was still living. I had a call from the President of Georgia State University. He said, "Have you ever thought about naming the school of nursing after your mother?" I said, "You're not going to believe this, but I've been thinking about doing something like that." You can do something at the Business School and you can get your name put on something, but what could be more fun and rewarding than do something for nursing. The fact is that we have a nursing shortage now, and then secondly I could do something for my mother; honor her while she is still living. So a lot of stars lined up and this was the thing to do.

I also have a keen interest in early childhood development and education. I've seen so much evidence now how the world will be shut off to you if you don't develop very young in life, and how the world opens up to you when you are. So I will spend time and money and effort in that arena as well.

DSM: You are trustee of the National urban League. How did you get involved there?

KL: I have always had an interest in many of the things that the Urban League does. It's about early childhood education. It's about providing job opportunities to the under-employed. It's about doing all kinds of things for African American citizens. So when I was asked to go on the Board, I thought, "Gosh that is something I am interested in, and is an area I want to make a difference in." I probably was the only southerner ever to be Chairman of the National Urban League. I was very proud of that. I came to be very fond of and respect Hugh Price, who was the CEO at the time, and just have the highest regard for him.

DSM: The Committee to Encourage Corporate Philanthropy; I may be wrong but I doubt there are very many bankers in your position that came up the way you came up. Is that why you think corporate philanthropy is so important?

KL: I would certainly say your first assumption is correct that there probably aren't many people in the banking business that came up the way I did. It's more often than not from more affluent backgrounds. I don't try to self analyze, but clearly I want to give other people the opportunity that I had. I want to create level playing fields when I have the chance to and that's what I have liked about this company, in that it gave me an opportunity, not because of where I went to school or who my parents were, to reach my full potential. Hopefully I haven't yet, but am on the way to. I feel very strongly that I owe that to others, and that's why we are so into being an inclusive meritocracy.

DSM: The last formal question I usually ask is the hardest. I think people hundreds of years from now will be fascinated with this period of time, this information technology and the people who are changing the world. As the Chairman of a major bank and 30 plus years of banking you have played a major role in that. When your great grandchildren look back on this time and this place, how do you hope they'll think about your role in what's happened?

KL: That's a great question, and again you don't think about those things every day. That he would have been part of making banking much more convenient, much easier, less expensive and actually redefined what it is in the sense that it's so much broader now in terms of product breadth and redefined what convenience means, because it's not physical anymore. That he was part of a group that kept his industry as technologically modern as the rest of the world, and did not allow it to get left behind.

DSM: It's been a real honor to spend this time with you. I thank you very much.

KL: Thank you.