Appendix

D

Case Study

*Definitions, page 153

**Bibliography, page 213

***Root ideas, page 144

CASE STUDY:
Financial Services/Banking Industry

Change can move a business environment in both positive and negative directions, and it is its inherent risk that can make it a feared activity. When 180-degree vision is lacking (as discussed within the book), we can as participants be unaware of what we are a part. What decisions are made over time may in turn be less than ethical in nature.

The following case addresses part of what has happened within the banking and financial services industry over the last 30 years and serves as an example of how well-intentioned and ethical people can ultimately falter.

In the instance of the deregulation each of us who participated within the financial industry (from elected legislative and government administrators, to financial services leaders, executives, managers and employees) became part of creating a more difficult and perplexing environment for all concerned, from our customers to our employees and shareholders.

Prior to 1980, the commercial banking and savings and loan industry was regulated and kept separated from the insurance industry and equity/stock market industry. This separation dated back to the early 20th century with regulations such as the McFadden Act of 1927, and the Glass-Steagall Act of 1933.

Within the banking industry, companies were regulated as to where they could operate geographically as well as to what products and services they could offer and at what price. Most components within the marketing mix (pages 56 and 57) were set and standard.

Within this very important industry, financial standards within many of the components described on pages 56 and 57 became ones by which companies were judged as "well run." Two efficiency ratios accepted as important industry measures were the return on assets (ROA) and return on equity (ROE) of the company or bank. These benchmarks are illustrated as a subcomponent within the section exploring financial principles and process (box labeled "net income") on pages 56 and 57. Prior to 1980, the ROA statistic suggested that a well run banking company should earn from point eight (.8) percent to one (1.0) percent return on its assets (i.e., a one billion dollar bank should earn 8 to 10 million dollars as net income after taxes). A major reason for that accepted standard was that regulation of banks and savings and loans defined how much they could