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Interview with C.D. Spangler
C.D. Spangler Construction Co.
July 2001

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C.D. SPANGLER

The Early Years

My background is very much connected with North Carolina, where I was born sixty nine years ago. My family lived in the western part of rural North Carolina. I still spend a great part of my time there. My father was raised on a small farm. He was one of twelve children. My mother was raised on an adjacent farm and was one of eight children. I have probably fifty first cousins, all in North Carolina. I spent my youth in Charlotte. I went to the public schools there and I loved it. I had a very good time growing up there in the late 1930s. I went off to high school at Woodberry Forest, which is a preparatory school in Orange, Virginia. It was a hard-working, very academic high school. I thoroughly enjoyed being there. My parents didn’t have money to go to college and they very much wanted me, as their only son, to go. In some ways, the things I’ve done in the academic world are an attempt to live up to what I perceive their expectations to be. They wanted me to go to the University of North Carolina, which I did. Somewhere along the line my father heard about Harvard Business School and knew it was a good place to be. He talked to me about it, I looked at the school, and I agreed that it was a good place to go and get my MBA.

My father was an entrepreneur. Growing up, he didn’t like farming. It was rough raising cotton and corn, and he and his family didn’t have equipment. His family couldn’t afford a tractor; they used mules. Anyway, my father decided that farming was just not his cup of tea. After he and my mother were married, when they were seventeen or eighteen years old, they went to Charlotte. My dad took a commercial business course to learn accounting and how to take shorthand and dictation. He became a male secretary for a man who had a substantial amount of property in Charlotte. This was in the early 1930s, during the Depression. Dad was making maybe $100 a month. He asked his employer if he could build a house on one of the lots. The lots weren’t selling in the Depression. My dad told his employer, “I can’t pay you for the lot, but I think the house will sell, and when the house sells, I’ll pay you.” He replied, “Well, Mr. Spangler, that seems like a reasonable approach to me.” He also said, “As you know, I give a 5 percent commission on these sales, but I’ll give you a 10 percent commission, and you won’t have to pay me any interest until the house is sold.” So Dad built that house for about $6,000 and he made $300 off it. Dad told me that he thought he had discovered a gold mine, working for $100 a month and then building a house on the side and making $300. He did this on two lots, then five lots, and that’s how he got into the construction business.

When I was in the first grade, I walked around these houses with my dad and I knew the electrician, Mr. Morrison, and the carpenter, Mr. Curlee, and the plumber, Mr. Hefner, and the plasterer, Mr. Kirkland. I could read blueprints when I was in the seventh or eighth grade. By then, I would spend each summer working on a construction job. Usually I would drive a tractor or something, taking material from one place to where it was needed. Finally, I earned higher positions staking out the building and making sure that some of the details were done right. I think I assumed that I was going into the construction business since I was the only son. My father talked a lot with me about business, so the finance part of it was not a mystery to me. I would go to closings, where there were lawyers and bankers, and I would see what was going on.

Even when I was in my teens, I would be in business meetings, carrying people's bags, driving the car, and things like that.

Learning to Seize the Moment

There's a story from my youth that has become a bit of legend in North Carolina. In the high school I attended in Virginia, there were a great number of boys from either Virginia or North Carolina. So there was—and still is—a fine, very old rivalry among the students about allegiance to the University of Virginia and the University of North Carolina at Chapel Hill. Back then, in 1948, there was an all-American football player named Charlie Justice who played for the University of North Carolina. He was from Asheville, North Carolina. He wasn't a very big person but he could run in such a way that nobody could tackle him. One day, the University of North Carolina was playing the University of Virginia at Scott Stadium in Charlottesville, which was close to our high school, so we all went over to see the football game. True to form, Charlie Justice ran right through the UVA team for a touchdown or two.

I was seated in the second row, right behind the North Carolina cheerleaders. I noticed that on one play, one of the UVA players grabbed Charlie Justice's jersey and tore it a little bit, right around where his number was, number twenty-two. Justice came off the field and he pulled off his jersey to put on another one, which he pulled from a trunk. The torn jersey went back in the trunk, right in front of me. The second half went much like the first: Justice scored and passed and punted, and the University of North Carolina won the game. In fact, Justice had carried off most of the touchdowns. As soon as the game was over, I pulled on the pant leg of a cheerleader and I said to him, "Sir, there's a torn jersey in that trunk down there, and I sure would like to have it." He said, "It's Justice's jersey, isn't it?" And I said, "It's number twenty-two, yes, sir." He said, "Son, I know what number it is."

I'm a little bit embarrassed to tell the next part of it, but it's public knowledge now. He said, "I'll get that jersey for you, but I'm going to a party tonight at UVA and I need some money to get a fifth of whiskey." I had no idea what that meant exactly, so I asked, "How much does a fifth of whiskey cost?" He said, "Ten dollars." Well, back then, ten dollars probably paid for four fifths, but I said fine and gave him the money. When I was leaving the stadium, several of the North Carolina alumni offered me $100 for something I had just paid ten dollars for. Even then, I knew that was a pretty good return but I said, "No, I wouldn't take anything for this jersey." I kept the jersey for years, including when I was president of the University of North Carolina. I think that by then, the statute of limitations had run out on obtaining state property without exact title to it. Anyway, the best part of the story came at halftime during a football game a couple of years ago. We had a ceremony on the field and I returned the jersey to the University of North Carolina. The jersey is now in the trophy room.

University of North Carolina

I had great preparation for college. From grammar school and junior high to high school, there were different people who impressed me and had some sort of impact on what I did later. I had wonderful elementary school teachers. Just last month, I visited my fourth- grade teacher at her nursing home. She's ninety-five years old. I told her how her geography book is still in my mind. She taught me where the Tigris and Euphrates are. I told her that I've been to most of the places that we learned about in the fourth grade. At the University of North Carolina, Chapel Hill, I experienced complete freedom in association with academics. At the preparatory school, we went to school six days a week and had religious studies on Sunday. Our time was pretty well controlled, including our off-time athletics. But at UNC I had the exact opposite experience. We were there without a parent and the professors were not telling us whether or not we could go to the movies in the afternoon. That freedom was something that I hadn't ever experienced before. That freedom is still a prime force at the University of North Carolina. What I learned at UNC is that some students were willing to work or achieve while others had no interest in that. At UNC I saw fellow students who were willing to take responsibility and study and do what they were there to do, and others who were there to play. I've followed them through the years and, basically, their lives have gone in the direction they took in college.

The HBS Experience

At Harvard Business School, there was an intense focus on activity. I would go to bed around midnight or 1:00 a.m. and I don't recall ever going to bed thinking I had finished my work. I always thought everybody else was smart enough to have finished, but I was not. I didn't realize that everyone else also went to bed thinking they hadn't finished their work. Part of the rigor of the HBS program was to figure out what's most important to do and then do it while putting other things aside. It's a pretty painful experience, to go to bed each night thinking you haven't finished everything. You might have read the cases, you might have studied them, but there was always a lot more you thought you should have done. I think that was a characteristic aspect of the Business School. The first year at Harvard Business School was difficult…challenging. I will always be grateful to my classmates. They were excellent peers. We got along very well and studied together. We had good study groups. Of course the outstanding part of Harvard Business School really is the combination of professors and students together…a wonderful combination.

My getting into Harvard Business School is an interesting story. I was a junior at the University of North Carolina and I already had enough credits to graduate. When my junior year ended, I applied to Harvard Business School. I even went to campus for an interview. The person who interviewed me told me that the school wasn't even considering accepting me and that the best idea was for me to go back to Chapel Hill for a fourth year and broaden my course load. So, in my files, I have a letter of rejection from Harvard Business School. My senior year at UNC was wonderful. I studied poetry and music and art, which were much more broadening subjects than I had taken the previous years. I applied again to Harvard Business School and I was admitted straight out of undergraduate college. When I came in 1954, I was one of the younger students. I think there were only about 5 percent or 6 percent of the class who were straight out of undergraduate college. Of course, I had some work experience, but I hadn't worked for a company like most of my other classmates. It was a shocking experience for me to come straight out of UNC into Harvard Business School. I recall being in Aldrich on the first day and looking around the room thinking, “Every one of the 100 people in this classroom is a Phi Beta Kappa graduate from Yale University.” Now, that wasn’t true, but that’s the feeling I had. I felt like I might be in the wrong place. It took me some weeks to realize these people were from all over. Of course, we all tended to look alike. There were no women in the class and very few minorities.

Also during the first week, we had a course taught by a Professor T.J. Raymond. Our class was in Aldrich, which was only a year old. The classrooms were marvelous. The blackboards moved up and down, and seats were in tiers and moved around. They also used seating charts that had all of our faces pictured. This was 1954, and I thought this was the highest technology I had ever seen. It was incredible to me that they knew where we were seated and had our names and faces in order. Anyway, Professor Raymond walked into class that day and didn’t say anything to anyone. He’s an imposing, tall, heavy, sort of bald-headed fellow. He walked to the blackboard and wrote the name of the case on the board. I think it was the Aroostook County Potato Farmer’s Cooperative. Then he wrote his name. Professor Raymond picked up the seating chart that had all of our faces pictured and he picked a person seated about three seats to my right. He said, “Mr. Maiser, what would you do if you were the chief executive of this organization in regard to this problem?” Dick Maiser said, “Professor, I’ve read the case, but I would wait until I received more information.” With that, Raymond turned around, picked up the seating chart again and said, “Mr. Hexter, what would you do if you were the chief executive of this company?” Dick Hexter, who is quite bright, said, “Professor, I see three alternatives. These are the alternatives, and I would choose alternative three, for these reasons.” Then there was a discussion in the class for about forty minutes.

About ten minutes before the class was due to be over, Professor Raymond walked over and stood right in front of Dick Maiser. He put his hands down on the first tier of desks— Dick and I were sitting in the second tier—and Professor Raymond looked Maiser right in the face, just a few feet away. I could see the professor’s face getting redder and redder as he got angrier and angrier. He said, gritting his teeth, “Mr. Maiser, I want to tell you something. I don’t want you to ever forget it. You’re here to learn how to be a good businessman. I don’t know that you will be a good businessman. You’ve had enough information in this case to make a decision but you have not made a decision. I don’t want you ever to come back into my classroom without having made a decision. Do you understand me, Mr. Maiser?” With that, Dick Maiser said, “Yes, sir.” Then Professor Raymond banged through the double doors on his way out. It was so loud you would have thought the doors were coming off the hinges. Professor Raymond left this class of eighty or ninety students, and there was dead silence. I recall thinking, “I hope Professor Raymond doesn’t think that Maiser is a friend of mine.” The next week, we walked back into the class and Professor Raymond writes the name of the case up on the board and, without even turning around, he said, “All right Mr. Maiser, let’s have it.” I was thinking, “Oh dear God, let Maiser have made a decision.” Maiser said, “Professor, I see three alternatives. These are the alternatives, and I like alternative three.”

That was one of my first experiences at the Business School, and it was terrifying for us all because none of us knew how to handle that. Later, after I had become president of the University of North Carolina, I became friends with Professor Raymond. I recounted this experience to him and he said, “Yes, I always prayed that during the first few weeks somebody would say what Maiser said to me. I would tell them roughly the same thing I told your classmate.” Then he added, “Of course, I was talking to all of you.” We didn’t realize he was talking to all of us, but it’s perfectly apparent to me now that he was. One of the characteristics of these good case professors is that they’re theatrical. They know the cases perfectly, they know the students, and they know how to get students to respond. They can bring out the best in the discussions. For instance, I can recall Professor Charlie Williams, who was teaching finance. He would stalk up and down the aisles with his pointer. He would ask a question and put his hand out as you were responding. He’d be nodding at you and you’d think that you were going down the right path. When you were done speaking, he would say, “But on the other hand,” and he would turn his hand over and you knew you were not going down the right path. Then he would bring forth the weaknesses of your analysis. I will always remember him saying “But on the other hand...” It was professors like Raymond and Charlie Williams who made Harvard Business School such a great place.

As it turned out, my father and I studied at Harvard Business School at the same time. During my first year, I met some people in the Executive Education course called the Advanced Management Program. I told my father, “Dad, you ought to come up and visit some of these AMP classes. I think you would find it interesting.” So he came up from North Carolina and I gave him copies of the cases that were going to be discussed while he was in class. After he attended the classes, he came to my room and said, “Son, I really enjoyed those AMP classes. I wonder if they would let me enter the program.” He was worried about getting in because he didn’t have a college education. I told him that I didn’t think that was what they were looking for so much as common sense and experience. I suggested that he go talk to the assistant dean in charge of the program and when my dad came back about an hour later he said he was beginning the next AMP program, in September 1955.

During my second year at HBS, I lived in Chase and my father lived in Hamilton. I think we were the first father-son team on campus. I recall that on September 15, 1955, my dad’s fiftieth birthday, I got all his classmates to sing Happy Birthday to him. He warned me to never do that again. Anyway, my experience was unusual because my dad and I were students at the same time. In the thirteen weeks that he was there, Dad had the same sort of cases that I had—in a program that was maybe a bit more intense—so that when he left, he realized what I had been exposed to. By the time I joined his home-building business, after I graduated, he decided that it would be my job to run it.

Early Career

After I graduated from Harvard Business School in 1956, I had to go into the army. Everybody was required to serve for two years back then. It was peacetime, from 1956 to 1958. Since I had an MBA, my job was to research contracts and do some auditing work. It wasn’t terribly exciting, but it was something that I got some pleasure from since I enjoyed the physical challenge of basic training. Being exposed to that sort of unusual activity was broadening. It wasn't anything that I would have enjoyed for a long period of time, but for two years it was OK.

When I joined my dad's business as the only son, and obviously the heir to the business, he made me president and, basically, stepped aside. I was still in my twenties. During the summers and at other times, he had seen me involved in many decision-making situations, so he felt comfortable that I could do the job. Leading the company so soon was a good thing for me to experience since the earlier you make decisions, the better off you are. There is a learning curve in making decisions, and making your bad decisions when you're young gives you time to outlive them.

Transforming the Family Business

In our construction business, we were building homes, mostly middle-income housing. I couldn't find any way for us to make money. We had a great number of competitors in building houses, so that's one of the reasons there were no profits. We either broke even or took a loss. We had to buy about 100 acres or 200 acres and subdivide, maybe five years in advance of selling the developed property. We immediately had to borrow money to pay for part of the land and then we had to put in storm drainage, sewers, curbs, water, streets, and all that. We had this high front-end expense and when we sold off the houses, we would make a little profit. Inevitably, though, there would be a recession before we got through the five-year cycle and house prices or house sales would drop. I always thought it was an unstable business. We would also bid on schools and things like that, but we hardly ever made any money doing it. We would do the complete project, but we usually finished somebody else's project using our own money.

After about six to eight years, I decided to exit that business. I decided that if we were going to build anything, it would be apartments and warehouses that we would design, build, and finance. That way, even if it cost a little bit more than we had anticipated, at least the property would be ours and over time we would get back the cost overrun through rents. Essentially, we transformed our business from building for other people to building for ourselves. It was a pretty interesting transformation and it required expertise in finance since we borrowed almost all the money it took to build these projects. After the transformation, we owned properties and we collected rents on the properties. The rents were enough to pay the mortgages. We were very highly leveraged, but there was nothing particularly wrong with leverage since the properties were well located, the rents were low, and the interest rates were very low. On some of the projects, we had interest rates that were 5 percent or 5.25 percent for twenty or thirty years. In addition, it was a time of sustained inflation. The business wouldn't have been a very good idea if we had deep recessions and the economy changed. Back then, we didn't worry about that. There was constant, moderate inflation, which was very good for people who had large debt, as we had. We became the largest apartment owner in Charlotte, which was growing into a larger, more influential city from just a modest-sized community. Our business was providing something that was needed and that earned us a profit, but not a substantial profit. The profits always came when the mortgage was paid off and we could sell the project or refinance it.

Finding New Opportunities

During my father's career and mine, we have had very good legal advice. My father picked strong lawyers to give him advice. Around 1965 or 1966, one of our lawyers, a man named N.A. Townsend, said to my father, "You have a son and a daughter and you have made some money, so you're going to have an estate tax problem. I think it would be good estate planning if you would set up a separate company for future activities, not the old business." My father acted on the lawyer's tax planning advice and we started a new company called Golden Eagle. My sister's children and my children later participated in the business. Very few people handle their estates the way my father did, which took away from his net worth. It didn't bother him since he was pleased not to have the government take his net worth upon his death.

Motels

Golden Eagle is, among other things, an investment company. With Golden Eagle, we built and owned about thirty motels. At the time, Holiday Inn and other motel chains were selling at fifty times earnings. It occurred to me that we could design, build, and finance motels. I thought we'd start our own chain but we would not franchise. We would build enough motels to have an earnings stream of maybe $1 million a year. Based on what the market was doing then, I figured our investment might eventually be worth $50 million and if we sold even half of it we could greatly increase our net worth.

That's the path we took, but before we could achieve the earnings, along came the gas crisis and the recession in 1972 or 1973. Our motels were middle income and catered to traveling salesmen and businessmen, who just quit traveling. Our earnings dropped basically to nothing. We had been planning to take the company public, but we weren't able to do so, which is one of the great good fortunes of my life. If we had gone public, my friends and neighbors and relatives would have all bought stock in the company and we wouldn't have had the earnings. Instead, we would have lived with the ignominy of running a company whose stock decreased in value. We've never brought a company public and I'm perfectly delighted. At the time, however, I was sad that we weren't able to achieve the earnings fast enough to go public. We didn't decide not to go public. The market decided that for us, and now I'm glad it happened that way. Later, we sold the motels and it enhanced our net worth. It all worked out very well, despite the recession in those early years.

Banking

When I was a freshman at UNC, my father bid on and won a housing project at Camp Le Jeune in Jacksonville, North Carolina. The project was to build 1,000 units of housing for the Marines there. The marine base is located in a very remote part of North Carolina, close to the coast. It's a very jungle-like area down there. Some people would consider it lovely. Anyway, to build these houses my father went to the local bank to set up a payroll account. We had about 1,000 people on the payroll for that project. The bank wanted my father to put four weeks of payroll on deposit before they would cash checks for the employees. Well, our total net worth wasn't four weeks of payroll, so my father couldn't do it. Unfortunately, the bank my father went to had a monopoly in eastern North Carolina and was taking advantage of people by not serving customers and by requiring things that are now unthinkable.

As a result, my father plus the local hardware store owner, the fish camp owner, and a couple of insurance salesmen organized a bank called First National Bank of Jacksonville, North Carolina. The total assets were $150,000, most of which was my father's payroll account, so he had about 10 percent of the bank. The bank had a very small storefront, but a national charter. The bank grew and it eventually had seventy branches and $400 million in assets. The bank's name changed, too, to the Bank of North Carolina.

In 1972, the bank was insolvent. The bank management had made some terrible mistakes. My dad was a director of the bank. He came to me and said he thought I ought to be a director and that he ought to step down. I said, "Dad, I don't want to be a director of that bank. It's got big troubles and I don't want to be a part of it." I lived in Charlotte and the bank was down in the eastern part of the state for the most part. He asked me what we should do. I told him I supposed we should just sell it. The next day, he came back to my office and said, "Son, I don't like what you told me yesterday. The bank's in trouble and I don't think we should walk away from it." He asked what our alternatives were and I told him that the only one with any merit was that he and I tell the bank's president and chairman of the board that we wanted half the board of directors to resign, we wanted to name which half must resign, and we wanted to be in charge of the new board. My dad was all for it, but I said, "Dad, we've never been in an adversarial takeover situation before, and I've got enough to do running our business," which was doing well. I told him I didn't want to do it. My dad said, "Well, son, I want you to do it."

Within a couple of weeks, I was chairman of the bank. When we first went down there and talked to the president of the bank and the chairman of the board, they pretty much told us to go to hell and said they weren't thinking about any changes. My father and I had our own lawyers check into the bank's practices and we learned that the bank was paying dividends when they shouldn't have been. There are national banking laws that require you to pay dividends out of earnings. The laws also state that if you don't have earnings and your capital is impaired, you shouldn't be paying dividends. We pointed this out and a variety of other things we thought were mismanagement—not criminal mismanagement, but mismanagement to a degree that had made the bank insolvent. One by one, the directors began calling me and saying, "You're right, but we don't know quite what to do about this. We play tennis with the chairman of the bank and we're from the same church." I just pointed out to them that holding back was not going to help the bank and the other shareholders. They eventually turned the bank chairmanship over to me and I named almost all the directors. We changed ten out of the top eleven officers of the bank.

Then I went to the Federal Reserve Bank of Richmond and told them about the bank's insolvency and asked them to lend the Bank of North Carolina $65 million for a year while we got the bank back in order. Bob Black, the young president of the Federal Reserve in Richmond, said, "Dick, as you know, we just lend money overnight." I said to him, "Well, we'd like it for 365 nights." He laughed and said, "Let's see what we can do." His executive vice president had lived through probably five depressions. Then he said that he didn't think there was a reason the Federal Reserve Bank should be involved with the Bank of North Carolina. He wanted me to tell him why I thought otherwise. I said, "Well, I wasn't there when Bank of North Carolina got in trouble, but you people were." He paused and said, "You've told us exactly the way it is, so we need to listen to what you have to say."

There were a few other people in the room during this conversation. One was Hugh McColl, who became the incredible chairman of the board of North Carolina National Bank and then Bank of America. I had lived in the same apartment complex with McColl in 1960. McColl was in the room along with the then-chairman of NCNB, and they were giving support to our plan for Bank of North Carolina. We explained how we were going to get the bank out of insolvency and pay back the Federal Reserve Bank loan. Finally, the Federal Reserve Bank agreed to lend us the $65 million. Our plan was actually carried out exactly on schedule, maybe even two or three months earlier than planned. Charlie Williams, the professor of finance at Harvard Business School, wrote three cases about it, disguised as Oregon Union Bank A, B, and C. I had the pleasure of teaching Oregon Bank Case C the first time Williams taught it. In fact, I taught it in the same week we paid off the loan to the Federal Reserve Bank. The story tells of a great success for the Federal Reserve Bank, and it was a great experience for me to learn more about the banking industry.

As chairman of the board at the Bank of North Carolina, I had to find people who could run the bank while I tried to figure out how to restructure it financially. The restructuring required the cooperation of the Federal Reserve, the controller of the currency, and it also required Hugh McColl and Mr. Storrs of North Carolina National Bank, NCNB. Mr. McColl and Mr. Storrs said they would back us if we got the approvals from the Federal Reserve and the controller of currency. They backed us at a time when it was very difficult to do so, in 1973 to 1974. They lent us some executives and they were our main correspondent bank, which was profitable for them. They also put in money for subordinated debentures, and we paid that money back. I went to NCNB because my family had been a long-time customer of NCNB and I knew the people quite well. We had been a reasonably good customer of NCNB and our family and our business were substantial shareholders.

Selling the Bank of North Carolina

I knew that being a $400 million bank with seventy branches was not going to work out in the long run and that we would not survive. I thought it would be beneficial to me and my fellow shareholders if first, the bank was profitable, and second, we could find someone to buy the bank. To learn about what banks were worth, I looked at the American Banker and all the other industry publications indicating what banks were selling for. We could have sold to probably ten different organizations, including NCNB.

In 1982, on Washington's Birthday, my wife, our two little girls, and I went up to Snowshoe, West Virginia, to go skiing. We had driven in our station wagon and got up there at about half past midnight. The desk clerk at the small motel told me that Mr. Storrs had called and said it was imperative for me to call him as soon as I arrived. I said that I would call him back in the morning since it was pretty late. The desk clerk said, “Mr. Spangler, Mr. Storrs made it really clear to me that he wants you to call him as soon as you get in.” Mr. Storrs was Chairman of NCNB. I called him at 12:30 a.m. He said, “Dick, Hugh McColl is waiting to receive your call.” Hugh was then president of NCNB. Then Mr. Storrs said, “He wants to talk to you about us buying your bank.” So, around 1:00 a.m. on Saturday morning, I called Hugh McColl. He answered on the first ring. He told me he wanted to buy the bank and I told him that I would be back in the office on Tuesday morning to discuss it with him. He said, “I don’t think you understand what I’m saying. I want to talk to you in the morning.” Well, Hugh was down in Charlotte and I was up in Snowshoe. I asked him where we were going to meet and he said the Greenbrier Airport. He was going to fly in on a little Kingair plane.

The next morning, I drove two hours to the airport and arrived at 8:00 a.m. It was foggy and snowy and McColl’s pilot landed that little old King air on that short runway in the dark of the morning. We went to one of the big rooms at the Greenbrier and Hugh said, “I’ve been authorized by my board to buy your bank. What’s the price?” I told him 1.8 times book. He said that was a little high and I said I didn’t think it was since that’s what banks were selling for. I was sure I had accurate knowledge about the value of our franchise and our earnings stream, which was reasonably good at that time. He said, “Well, I was told to tell you that was too high,” and he laughed and said, “Let’s work out the details.” So, we wrote it out by hand, how many shares it would be. There was nothing special for me—no salary, no corner office, no car, nothing like that. I was a shareholder representing the shareholders. That’s how we sold our bank. There was no investment banker and no lawyer in the room. We did it without any help and it turned out to be a fabulous investment for their shareholders and for ours. After the sale, I became a member of the executive committee of NCNB and I was there when NCNB went into Florida, which was one of the great moves in banking history. We’ve been connected with them ever since.

There were many lessons to be learned from the experience. The first is that when people are making mistakes in running an organization, they should no longer be part of that organization. You need to bring in people who can manage a loan portfolio and who can match the borrowings of the bank with the maturity of investments that are made. These are some very obvious principles of running banks, principles that are still true today. Then, it became apparent that the industry was profitable and that we wanted to be owners of common stock. It also became apparent to me that I did not want to be a banker, that I didn’t have the skills to be a banker, and that other people do want to be bankers and have those skills. I learned that I prefer private enterprises and being able to take part in other transactions as we might choose.

Later Career

When I had a daughter in the third grade and a daughter in the first grade, the Charlotte Mecklenburg schools were in a chaotic state. The United States Supreme Court ruling from the Swann v. the Charlotte-Mecklenburg Board of Education case said that busing could be mandated upon a community to cure segregation problems. The community was not very happy about the ruling. Since I had gone to those public schools and knew how important they are to our community, I thought it was an extreme tragedy to see the community come apart through racial strife. I thought the turmoil would harm not only individuals but also the community and its businesses. I asked myself, “Well, what can I do?” A couple of people talked to me about running for the school board since I had some degree of credibility in financial matters. I ran for a spot on the Charlotte Mecklenburg school board in 1972 and I was elected. We proceeded to integrate the schools in the best way we knew, which was with busing. While I was running for election, I spoke at all 100 schools in Charlotte and I spoke to the PTAs, the women’s bowling leagues, and all those kinds of groups. I kept saying that we’ve got to be concerned about the schools at the end of the bus ride, rather than the bus ride. Fortunately, the community did become more concerned about all the schools having the same resources than just about the busing. The situation has never been perfect, but it has worked out to be much better. The school board situation quieted down. The community accepted the integration better than any other community in the country. Things didn’t go perfectly, but I think it was a very good solution. Charlotte was not injured and the students received good educations.

Charlotte is a law-abiding community. They have always held the law in high regard, and the ruling was the law of the land. People accepted it. They turned their eyes to what was the most important thing, which was trying to make all the community’s schools good. The working relationships were about as good as I could imagine them being, and people worked together for what clearly was the common good. They were working not only for schoolchildren of all races, but also for the city at large and for the business community. Everybody had something to gain by having, if not tranquility, at least an effective school system.

The Charlotte-Mecklenburg experience received substantial attention across the nation and it was held up as being a good example of what could be done successfully and fairly. People from all races had some pride in what had been accomplished. A number of us involved in the process were credited for good work, which lead Governor Jim Hunt of North Carolina to call me one evening and say, “Dick, I want you to be chairman of the state board of education.” That was about 1982. I said, “Governor Hunt, I appreciate your asking me, but I don’t think I want to do that. I’ll help you find someone else.” Governor Hunt said, “Dick, I don’t need any help finding someone else. I want you to do it. I’ll call you back in two or three days.”

I talked with my wife, Meredith, about it and we decided that it was an interesting opportunity. I decided to do it. It’s a volunteer-type position with a board of about nine people from all over the state. Meetings were in Raleigh. There are a couple thousand schools in North Carolina’s 100 counties and I had a chance to meet most of the superintendents from all 145 school systems. I also went to many of the high schools.

I met all of the General Assembly members since the General Assembly in North Carolina funds the public schools. Part of my job as chairman of the state board of education was to ask the General Assembly to provide the funds needed to pay teachers. North Carolina has never been a wealthy state—though it’s becoming more so now—and so I had to make a very good case to get teachers the money they obviously deserved.

The North Carolina public school system is very complex and it's very difficult to manage. People say that the public school system is failing. That's really not the case. The public school system in North Carolina, which I know a lot about, does a very good job for about half the students. We don't do very well for the other half of the students. I'm guessing that the same is true nationwide. In my opinion, the basic cure for whatever ails the public schools is to do for the other half what we do for the first half. From my personal standpoint, being chairman of the state board of education was a broadening experience, which I enjoyed. I enjoyed talking with all of the state's school superintendents, visiting the schools, and seeing different parts of the state I'd grown up in. I liked being a part of all of that, even though I was also running the family business.

I had an experience during my chairmanship that is worth mentioning because it brings up an important lesson in leadership. While I was chairman of the state board of education, North Carolina public schools had a full-time person hired as superintendent of the state's public schools. To a degree, my board was over that superintendent, although he had a lot of authority. At one point, the superintendent's chief aide had resigned to become superintendent of a local system. I suggested to the superintendent that it was a good time to search all across the country and find the very best person he could to be his new deputy. I also told him that it had been my experience that if you hire someone smarter than you are, that person will make you look good. I offered this advice since the superintendent had a history of picking friends as his aides. I was advocating for him to go outside the realm of friendship and find the best person. He hired a person who didn't turn out to be very effective in the role—someone I wouldn't have hired. The lesson I learned from working with this superintendent, who is a good person and has done some good things, is that people sometimes have difficulty employing people who are smarter than they are. I think that's a terrible mistake because you can still supervise people who are smarter than you are. As a matter of fact, every person you hire ought to be very good in a certain field and be brighter than you are in that field. I've seen people who just wouldn't employ people who were brighter than they were. I don't know why. Maybe it has to do with lack of self-confidence.

UNC Chapel Hill Presidency

In 1986, when I was still chairman of the state board of education, I received a call informing me that I had been nominated to be president of the University of North Carolina. This was beyond anything that had ever occurred to me. I wrote a letter to the selection committee saying that I thanked whoever made the suggestion but that I was not qualified.

About ninety days later, I was at the breakfast table with my wife, Meredith. I was reading the Charlotte Observer and I said, "I see they haven't found anybody to follow President Friday at the university." That's when I told her, "They called me about that job." She asked, "What on earth did you say?" I told her that I had written to tell them I wasn't qualified. She asked what I meant and I explained, "Well, I don't have a Ph.D. and it seems to me that the university deserves somebody who has a Ph.D. and who's a professional academician." She told me, "You've made a big mistake. What they need is an administrator. They've got thousands of

Ph.D.'s; what they need is someone who can manage a complex university system. That's the sort of thing that you've done and have the ability to do. I think you made a mistake." Then I told her, "You know, the job would require us to move from Charlotte to Chapel Hill," and she said, "That's not all that bad, is it?" I said, "No, I love Chapel Hill. It's a beautiful little town."

So, I called Phil Carson, the chairman of the board of governors and the chairman of the search committee. I told him that I might have made a mistake and that though there was only one chance in a thousand that I would be selected as president of the university, I would like to be considered. At first, he didn't say anything. Then he said, "I'll call you back in a little while." He called back a few hours later and said, "Dick, we want you and Meredith in the Research Triangle on Sunday morning at 10:00 to meet with the search committee." So Meredith and I met with the search committee and then I met with them a couple of times a few weeks later, and then they offered me the job. I was president of the university for eleven years and I loved it.

Being president of the university is the best job in North Carolina. There are very few high-quality organizations in the state. We have beautiful mountains and beautiful beaches, but not a lot of major organizations. The University of North Carolina is a major organization, with sixteen campuses. It's the oldest public university in the nation, established in 1795. The university has made a huge difference in the quality of the state by graduating people over these 200 years. Many organizations in the state are run by University of North Carolina graduates. For someone like me, whose whole life experience is tied to North Carolina, the job was a significant opportunity. The other great part of the job was the challenge of dealing with about ten constituencies. The ten constituencies are not in agreement with each other and dealing with them is very complex.

You have the obvious constituency of the students, which is the most important group. That's the only reason you have a university. Then you have the students' parents. Another constituency is the faculty, which is a powerful constituency and terribly important on all campuses. You have the staff of the university as a constituency; the alumni and a subset of the alumni who are wealthy and donors; the media; the local community; and, in the case of a public university like UNC, the legislature. The legislature gave us $1.5 billion a year to run the university system.

The legislature was like our bankers. There were other constituencies that were influential, too. As president, you have to sort out what to do about certain issues even though all the constituencies are not in agreement. It is a very challenging situation. You go to X number of meetings a day—I must have attended 15,000 meetings—and from one meeting to the next, there are always different problems. You have the challenge of having multiple constituencies, all of which are powerful, and trying to get them moving. It's not like running a business. You can't tell them to do something. You're not the CEO. You're a university president. You do not tell the faculty what to do. You hope they understand what's best for the students, and you talk about that. Ultimately, however, the faculty can do what they choose, as well they should. They should have protection of their academic freedom.

What worked for me, being president of the University of North Carolina, was that I had already had a fulfilling career as a businessperson. I had dealt with many challenges, such as cash flow problems, that required careful handling. Since I had that background, I was able to enter this career with some degree of confidence. I'm not saying that I knew the solutions to all the problems, but I'm saying that I didn't have to prove myself. It gave me the freedom to take more risks without having to worry about always being right. My business background gave me confidence. You don't, however, use the same techniques in business that you use in running a university. Running a university requires entirely different techniques. There is leadership involved in both roles but it's a different type of leadership. Universities are unique in their role and require unique management. I would go to faculty meetings and tell the faculty right up front that I wish I had their jobs. I told them, "You have all the pleasure. You meet the bright students, you talk with bright faculty all the time, at lunch and at meetings. The things I do as president are the things you wouldn't want to do, or you would do poorly. I have to see that the buildings are maintained and I have to see that there's a payroll system to pay you each month. I have to go to the General Assembly and talk to them about giving you a salary increase. I'd really much rather be in the classroom teaching bright students, but I'm not qualified. You are and that's the reason you're teaching and I'm just doing these things, some of which I enjoy and you wouldn't." They would laugh and acknowledge that it was the truth.

Faculty members generally don't have much interest in being administrators. Some go on to be deans but that's one out of 1,000. Some go on to be presidents but that's one out of 100,000. Those few are successful at being able to cross from being a faculty member into being an administrator. President Summers is no longer a professor. He has to lead a complicated university. He has to deal with multiple constituencies such as alumni and students; he has to be in contact with Boston's mayor to make sure relationships with the city of Boston are in perfect order so that he won't have major problems as the campus spreads and develops. I think President Summers is a good pick as Harvard's president, but he is not succeeding because he was a professor. He is succeeding because he is one of the few who can transition from being faculty to administration.

Summary Reflections

Harvard Business School overloaded you with work, and you never felt you were finished with it. That's exactly the way real life is. I've come to the conclusion that having a single problem is overwhelming. I think that having ten problems is easier to handle since you can move from one to the other as you make a little progress, take a break when you're not exactly sure what to do, then come back to it. Having to handle only one problem would drive me up a wall. Having ten problems seems to be an easier way to run my life. You also learn how to put things that are more important to the front of the line so that you spend less time on things that are less important, or you defer those things until a time when you can give it better attention. This kind of time management is what I've seen other executives do, too. I think you have to learn to operate like a computer, which performs simultaneous activities…several things at the same time. You have to be able to go from meeting to meeting and be aware that the current meeting is not the same as the one before. As a university president, I would manage switches from what the students might want me to think about to what the faculty might want me to think about to what an alumni group or the General Assembly might want me to think about. All those groups wanted me to think about something different. They all had their own agendas. Being able to relate to them required a pretty agile ability to set aside what I had just come from and work on something new.

Another bit of advice is kind of humorous. I think people should always marry someone smarter than them. It's the same reason that I think people should hire workers who are more talented than they are. There are people who are just naturally good at doing particular things and, as a manager, you really want them on your team, even if they are stronger than you at that particular thing. It's like putting together an athletic team. There are different positions on the team that require different talents. The end, who catches the passes, has different skills than the center, who's centering the ball. Business is pretty much the same and so is administration of a university. You need to tolerate surface differences in order to help people focus their talents on what needs attention. One of the weaknesses of some people in administration is that they want people around who look, act, and think like they do. That's a recipe for disaster.

Putting Lessons Learned into Practice

In my life, I have levels of responsibility. My top responsibility is my family. It's my job, as the head of the family business, to ensure that the business satisfies the family's needs. On a related note, my next level of responsibility has to do with finances. I have to arrange financing and look at alternative sources of financing and think about how to use our assets. In many ways, taking care of financing depends upon leveraging the relationships I've developed over forty years with people I went to Harvard Business School with, with people who were my teachers at the Business School, and with people who are now heads of banks and with whom I used to play tag football. Nowadays, my job is primarily tied to the financial world. My third most important responsibility is the work I'm doing for Harvard University as an overseer. I'm working for HBS dean Kim Clark, calling on people who are likely to support the ideas that the dean and his advisors feel will take Harvard Business School from where it is now into a more global environment. There are a lot of changes coming to the Harvard Business School. One is to make certain that Harvard Business School attracts students regardless of their ability to pay. We can't set financial hurdles, so we have to have scholarship funds. You can't be a great university

if the only people you can attract are the children of wealthy individuals. Next on my list of responsibilities is management of our family foundation. The foundation is the result of a transaction that resulted in a very substantial profit. The foundation supports those things that we would support as individuals, such as the United Way, our church, the United Arts Council, our universities—including my wife's alma mater, Wellesley College, the University of North Carolina, and Harvard Business School—and other organizations that have to rely on contributions for support.

Advice for Entrepreneurs

My feeling about entrepreneurs is that they have a tendency to believe the projections on their spreadsheets rather than the reality of a situation. If three months into implementation the projection on the spreadsheet doesn't match up with reality, then you ought to believe what's happening in reality. There's a tendency to reject what the market is telling you in favor of a very natural tendency to want to see something else happen. Entrepreneurs must take a pretty sober look at what they can achieve. We've all seen situations, immortalized by the dot-coms, in which companies promote attractive features rather than a business concept. It just isn't enough to make a business succeed. We didn't understand this two years ago as well as we understand it now. So, I would say that an entrepreneur has to have a pretty sober understanding about the realities of running a business and financing it.

Related to this, entrepreneurs should know that even if they have a wonderful business idea, if they don't have financing, they won't be able to turn a business into something that will deliver a return. I recall that during my second year at the Business School, General Doriot talked about the importance of banking relationships. At the time, I thought he was being awfully detailed regarding the types of banking relationships. I now know that he was exactly right to do so. Financial stability and reliable sources of financial support are essential for entrepreneurs.

Almost all of these people who are academically qualified could sell life insurance and make a living and many people do. I would say that when you're relatively young, you ought to take chances. You've got time enough later to take a more stable role. I would say that it's worth the effort to be an entrepreneur. It has really paid off for almost everyone who has been a careful entrepreneur, taking calculated risks. You don't want to look back and say, "Well, I wish I had done something."

One last bit of advice for entrepreneurs. I learned this lesson shortly after I graduated from Harvard Business School and I was working in the family business. I was in Atlanta where we were developing a twenty-four story Federal Housing Administration, or FHA, apartment building. There were seven or eight lawyers in the room plus me. The group included my lawyer, John Garrity, two FHA lawyers, two bank lawyers, two title lawyers, and title company lawyers. I was the youngest person in the room by several decades. A problem came up about the project—it might have been a legal problem, but I don't remember—and the problem was hashed around by these lawyers for about fifteen or twenty minutes. Eventually, I turned to my lawyer, John Garrity, and I whispered to him, "John, I think the solution is XYZ." John said to me, "Yes, but don't you say it." So, I just sat back and was quiet. In about fifteen more minutes, the government lawyer said roughly the same thing that I had said. John leaned over and told me, "Now, say what you said earlier," and I did. Then the FHA lawyer said the same thing. That's when John said to the room, "You know, I think you've got something there. Let's work on that." He then proceeded to get all the lawyers in the room in agreement with what the government lawyer thought was the solution. What I learned is that you might be the first person to know the solution, but you don't want to be the first person to state the solution, especially if you're twenty-eight years old and everybody else in the room is sixty or sixty-five years old.

In other words, being the quickest to have the answer is not necessarily a good characteristic. You may have the answer but it's a lot better to let somebody else come up with the answer so that you can say, "I really like your idea." I think this is a very good piece of advice for all Harvard Business School graduates who are trained to be fairly quick with decisions and fairly able to express themselves. Sometimes, it might be better to wait and let other folks have an opportunity to express themselves and, then, to say, "You know, what you said really makes good sense."