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Merger Integration at Bank of America: The TrustWeb Project

Mike Morris happily settled into his seat on the shuttle from New York to Boston. The long security line and jostling for overhead compartment space on a Friday afternoon marked the high point for what had been a very long day. Morris was in New York for a two day "implementation festival", a review of merger integration projects for Bank of America's recent acquisition of U.S. Trust from Charles Schwab. Morris was tasked with running five transition projects; the largest and most significant was "TrustWeb" which was designed to replicate the functionality of multiple U.S. Trust applications into Bank of America's existing trust account servicing platform for Private Wealth Management associates. This was Morris' first large integration project at Bank of America.

Morris had flown down from Boston for the integration festival thinking that the project had issues, but that it was on track. He was leaving New York with very different thoughts. His ten minute status update with the bank's transition leadership team had lasted twenty-five minutes. Executives were skeptical of the team's progress as the first comment he received was, "I heard you're having some issues managing scope." The leadership team's concerns were best summarized by the question, "How can you tell me that design is on track when you don't know all of your requirements?" Morris had a follow-up meeting scheduled with his boss on Monday morning and since, Bank of America prided itself on its merger integration capabilities, Morris needed to explain how he was going to fix this mess.

Bank of America and the U.S. Trust Acquisition

On November 20, 2006 Bank of America announced the acquisition of U.S. Trust from Charles Schwab for $3.3 billion.[1] U.S. Trust was founded in New York in 1853 by a small group of businessmen with the mission of meeting the investment needs of wealthy families. While the owners and managers of the company had changed over time, this core mission had not. The company prided itself on being the oldest U.S. private bank serving wealthy customers and it still counted descendants of its initial customers among its clientele.[2] At the time of the deal, U.S. Trust had $94 billion in assets under management (AUM) and $159 billion in total client assets. Approximately 40%

[1] "Bank of America to Acquire U.S. Trust," Bank of America press release (Charlotte, NC, November 20, 2006)

[2] Michael L. Mayo, Christopher J. Spahr, and Jason M. Bezon, "BAC: Purchase of U.S. Trust from Charles Schwab," Prudential Equity Group, LLC, November 20, 2006, p.5.

Professor Gary P. Pisano and University of North Carolina at Chapel Hill Professor Bradley R. Staats prepared this case. Certain details have been disguised. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

of the assets under management came from clients with more than $25 million in investable assets.[3] U.S. Trust was still heavily concentrated in the northeast with 56% of assets under management from customers in New York, New Jersey and Connecticut.[4] Charles Schwab had purchased U.S. Trust in 2000 for $2.7 billion with the intention of broadening its target customers to include the ultra-wealthy. Unfortunately, Schwab found it difficult to, "make the acquisition work and … experienced many operating challenges,"[5] and so the sale marked a return to Schwab's roots[6].

Ken Lewis, Chairman and CEO of Bank of America, described the company's strategy in acquiring U.S. Trust:

> The acquisition … enhances our credibility in this market, significantly advances our capabilities to serve especially ultra high net worth clients and adds scale to our private banking business. U.S. Trust has a long-standing reputation for outstanding client service and providing clients with comprehensive financial solutions by offering a full suite of sophisticated products. We believe combining the complementary capabilities of both companies will add value to our clients.[7]

Bank of America was one of the largest financial institutions in the world offering its customers a wide-ranging suite of services. At the end of 2006 the company reported $21.1 billion in annual income on revenue of $73.0 billion with $706 billion in outstanding loans and leases.[8] Bank of America was divided into three business segments: 1) Global Consumer and Small Business Banking, 2) Global Corporate and Investment Banking, 3) Global Wealth Management. Each business segment consisted of multiple sub-groups (see **Exhibits 1 and 2** for more information on Bank of America).

The acquisition of U.S. Trust was intended to strengthen Bank of America's Private Bank within the Global Wealth Management business segment. At the end of 2006, the Global Wealth Management business segment held $542 billion in assets under management.[9] The segment was divided into three sub-groups: 1) Private Bank (Clients with >$3 million in investable assets; 2) Columbia Management (global asset manager); 3) Premier Banking & Investments™ ($300,000 to $3 million in investable assets)[10]. Brian Moynihan, President of the Global Wealth Management segment at the time, described the acquisition strategy as follows:

> With this move, we bring together two wealth management organizations with highly complementary strengths, similar business models, and a shared passion for serving the unique needs of wealthy and ultra wealthy individuals and families nationwide. U.S. Trust clients will gain access to Bank of America's broad-based services and unparalleled distribution platform, helping to better meet their comprehensive needs as individuals, family

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[3] James Mitchell and John Grassano, "Research Note for November 20, 2006," The Buckingham Research Group, November 20, 2006, p. 1.

[4] Vivek Juneja, Jeanne H. Sun, and Thomas W. Curcuruto, "Bank of America: Two Moderate Pvt Bks Joined in U.S. Trust Acq," JP Morgan, November 22, 2006, p. 2.

[5] Meredith Whitney and Carla Krawiec, "Bank of America: Ken Lewis Always Gets the Girl: Third Highly Coveted Deal in 3 Years," CIBC World Markets, November 21, 2006, p. 2.

[6] Michael L. Mayo, Christopher J. Spahr, and Jason M. Bezon, "BAC: Purchase of U.S. Trust from Charles Schwab," Prudential Equity Group, LLC, November 20, 2006, p.1.

[7] "Bank of America to Acquire U.S. Trust," Bank of America press release (Charlotte, NC, November 20, 2006)

[8] Bank of America, 2006 Annual Report (Charlotte, NC: Bank of America, 2007), p. 2.

[9] ibid.

[10] Michael L. Mayo, Christopher J. Spahr, and Jason M. Bezon, "BAC: Purchase of U.S. Trust from Charles Schwab," Prudential Equity Group, LLC, November 20, 2006, p.2.

> members, business owners or executives, foundation and institutional leaders. Bank of America's wealthy clients will benefit from expanded distribution, additional wealth management instruments, increased presence in key markets.[11]

While analysts generally applauded the strategy behind the deal, going so far as to note that "Ken Lewis always gets the girl,"[12] *The Wall Street Journal* summarized the potential operational concerns thusly, "Integration could prove tricky."[13] It was estimated that Bank of America would be able to cut 25-30% of U.S. Trust's back office costs by eliminating overlapping function, IT systems, and locations.[14] While these cuts were deemed reasonable, due to U.S. Trust's low pre-tax margin and asset productivity, it would be important to make these cost reductions without losing existing customers or employees. [15][16] *The Wall Street Journal* also noted potential cultural challenges, "Blending U.S. Trust with Bank of America won't be easy. U.S. Trust still has a genteel culture, steeped in a tradition of treating clients with personalized, white-glove service. Bank of America is more mass-market, with its ritualized "spirit" campaign and aggressive sales tactics."[17]

Merger Integration at Bank of America

At the time of the U.S. Trust acquisition announcement, analysts highlighted Bank of America's, "Stellar track record of seamless [merger] integration."[18] Bank of America grew rapidly in the 1980's and 1990's through the rapid acquisition of rival banks and financial services companies. In the two years prior to the U.S. Trust acquisition the company had been an active acquirer making multi-billion dollar purchases of Fleet Bank and credit card processor MBNA. Traditionally, while Bank of America sought to learn from the acquired company, senior management believed in integrating new and existing operations, rather than leaving an acquired company as a stand-alone business.[19]

Through its experience with acquisitions, Bank of America had developed a structured process for merger integration. The integration process was led by a dedicated transition leadership team (TLT). The chairperson of the TLT, Robert Sandberg for the U.S. Trust acquisition, was an accomplished senior manager at the bank who had both formal authority to make decisions on the transition, and informal status in the organization to build appropriate consensus to support those decisions. The chair typically reported to a direct report of the Bank of America Chairman and CEO, Ken Lewis. The rest of the TLT were experienced functional business managers from the various groups affected by the merger, who were hand-picked for their specific expertise coupled with an ability to maintain an

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[11] "Bank of America to Acquire U.S. Trust," Bank of America press release (Charlotte, NC, November 20, 2006)

[12] Meredith Whitney and Carla Krawiec, "Bank of America: Ken Lewis Always Gets the Girl: Third Highly Coveted Deal in 3 Years," CIBC World Markets, November 21, 2006, p. 1.

[13] Valerie Bauerlein and Robert Frank, "Bank of America Targets Ultrarich in U.S. Trust Deal," *The Wall Street Journal*, November 20, 2006, p.C1.

[14] David A. George and Angel M. Lupercio, "Bank of America," A.G. Edwards & Sons, Inc. November 20, 2006, p. 1-2.

[15] Betsy L. Graseck, "Bank of America: US Trust Acquisition Makes Strategic Sense; Reasonably Priced," Morgan Stanley, November 20, 2006, p. 1.

[16] Vivek Juneja, Jeanne H. Sun, and Thomas W. Curcuruto, "Bank of America: Two Moderate Pvt Bks Joined in U.S. Trust Acq," JP Morgan, November 22, 2006, p. 1.

[17] Valerie Bauerlein and Robert Frank, "Bank of America Targets Ultrarich in U.S. Trust Deal," *The Wall Street Journal*, November 20, 2006, p.C1.

[18] Meredith Whitney and Carla Krawiec, "Bank of America: Ken Lewis Always Gets the Girl: Third Highly Coveted Deal in 3 Years," CIBC World Markets, November 21, 2006, p. 1.

[19] Robert Frank and Valerie Bauerlein, "Bank of America Hits Snag in Bid To Woo the Rich," *The Wall Street Journal*, April 4, 2007, p.A1.

"enterprise view" of the transition's impact. They included technology, finance, human resources, marketing, legal, supply chain management, and the particular business segment(s) impacted by the acquisition; in this case, Columbia Management and the Bank of America Private Bank. These leaders were fully dedicated to the transition, often for six to eighteen months, after which time they would move back into line roles. The chairperson of the TLT also served as the key contact to the Stakeholder Group ("Stakeholders."). This group, made up of the senior business leaders affected by the transition, were involved in reviewing the most critical business process gaps, prioritizing the allocation of transition funding for projects , and supervising the most important decisions.

Reporting to the chairperson of the TLT was a head of the Transition Program Office (TPO), whose primary responsibilities were to enforce the rigor of the transition process with respect to timing, scope of deliverables, and budget. The day-to-day execution of the work fell to a Change Management Executive, whose broader team of over one hundred people included technology, operations, and business process managers. Individuals in this latter group were trained in Bank of America's processes and made up the core of the project teams and were tasked to work with the necessary functional and business representatives to make sure that projects were successful. Their task was to define the detailed plan and execute on it. Project managers within this Change Execution Team typically ran several projects simultaneously during the transition. Generally, the more senior the manager, the more projects she had within her portfolio, and the more resources (people, dollars) she had to support her.

The transition process was divided into an assessment and an execution phase. Each phase was then structured with sub-phases that included tollgates, or check-points the project team had to clear before advancing to the next phase. The company had developed a number of proprietary Excel based templates to guide individuals through the process. The entire process was built around a Six Sigma framework to ensure a repeatable, data-driven process. Historically, the entire assessment phase took anywhere from five to six months.

Assessment Phase

The goal of the assessment phase was to take an ill-structured set of tasks identified as instrumental to the merger, create a framework for the work to be completed in finite pieces, as execution projects, then exit the phase with an approved and funded project charter. The phase consisted of three sub-phases: 1) Current Environment Review; 2) Target Environment Assessment; 3) Integrated Plan. In the Current Environment sub-phase, team members were to identify the capabilities of Bank of America and the acquired organization as well as any gaps between these capabilities. It was a fact-based view, with no comparative analysis or consideration to an end-state model. The Target Environment sub-phase was where recommendations were made as to what process would be used for the going concern. Finally, the Integrated Plan sub-phase created a series of project charters that would be used to seek funding and launch a select group of projects into the Execution phase. Throughout the assessment phase, the two companies remained distinct legal entities. Prior to the deal closing on "Legal Day One," no merger related changes could be made; the companies could only make their future plans.

Current Environment

The first step to complete in the Current Environment sub-phase was to identify the stakeholders who would require updates and who would participate in periodic reviews. Next, the team defined the considerations that the assessment would cover, including work to be completed, key risks and assumptions as well as the dependencies for finishing the assessment. Examples of factors reviewed here would be: a segment of the U.S. Trust client service model (consideration), loss of key personnel (risk), and timelines for transition due to legal requirements (assumption). The output went into an

Excel template that captured the assessment team structure and scope. Next, the team assessed the current environment in both organizations. In this step, team members created process maps to depict the current state of relevant business roles, products, and functions. To do this, the project managers enlisted the help of those employees who ran or managed the applicable business processes at each company. Along the way, key performance metrics and the current performance of focal processes on these metrics were identified. Aside from gaining market share, a primary benefit of an acquisition was the opportunity to improve the efficiency or lower the cost of a key business process by adopting the model of the acquired company. It was in this sub-phase where these opportunities first began to materialize. In the end, all of this data was entered into a deliverable template titled, Defining the Current Environment. As with all sub-phases of assessment, this review went on simultaneously under the direction of each of the functional managers assigned to the TLT (i.e. technology, finance, Columbia Management, Private Bank, etc.) Having identified what the functional teams thought were the key processes, performance metrics, and current performance for both companies, the TPO then led the creation of a short, Current Environment Summary, which was reviewed with TLT and stakeholders. The assessment team was charged to create a summary, known as a tollgate, that did not overwhelm, but rather that provided enough information for the TLT and Stakeholders to understand the team's decision-making rationale and approve or reject progression to the target environment step.

Target Environment

Having cleared the Current Environment tollgate the team next started the Target Environment sub-phase. In the first step the team was responsible for recommending one of the current environments to use. This process was meant to be meritocratic, supported by performance metrics and a financial assessment, but occasionally, it became political. Usually, either the Bank of America or the acquirer's platform or operating model would be chosen depending on the particular business conditions. For example, after the Fleet acquisition, the Bank of America deposit or banking platform was chosen while, while the same transition adopted Fleet's trust accounting system. After the MBNA deal, the MBNA platform for credit cards was deemed superior and was the selection. Rarely was a blended approach, or selection of a third, outside option even considered, due to the risk and cost implications. In conjunction with the platform selection, the team then determined which performance metrics would be used to help justify the case for funding the project during the transition. As transitions sought to maximize cost savings and future revenue generating opportunities, those initiatives that were not deemed "critical to merging the two companies" were often deferred to be funded and managed by the business after the transition period ended.

The change managers led the team in the creation of two documents. The first, Environment Gaps and Recommended Projects, identified gaps between the systems or processes not selected and the target system (or process) as well as projects for closing these gaps. The second, Target Environment Definition, further identified stakeholders and the required levels of support, the risks related to adopting the target environment, as well as key decisions that would need to be made about the structure of the target environment. As part of the Target Environment sub-phase, the team provided periodic updates for the TLT. Through the use of a High Level Target Framework template the team sent information about the target selection process to allow the TLT to evaluate the overall strategic direction for the transition and intervene as appropriate.

The third step formally defined the projects that would be necessary in order to move a system or process into its target state. This was viewed as a key tactical step as it helped identify the budget that would be necessary for all requested projects, provided an input into project sizing for resource allocation in the next sub-phase, and provided a means to sort projects between must-have and nice-to-have status for prioritization of limiting funding. In the final step within the Target Environment sub-phase project teams summarized their results in another PowerPoint tollgate presentation, supported by an executive summary. A key part of each document was to identify hand-offs that might occur, so as to actively manage cross functional coordination issues, as well as key concessions, such as features or functions not included in the target environment. The former was then presented at the Target Environment Design "Festival" which was an event that included project managers and the TLT and provided the TLT with a first view of the new target environment across the entire engagement. The event was a detailed line-by-line review of each project. Ironically named "Festival" by the TPO, the event was anything but fun for the presenters. Feedback from this event went into the executive summary which served as the approval document to move forward with the transition.

Integrated Plan

The final sub-phase within Assessment involved the development of an integrated plan for each of the individual projects, as well as the entire portfolio of transition work. In the first step the team used the prior outputs to create a project charter. The project charter described the project in enough detail to identify the specific technology development needs, and corresponding costs. A project charter identified the Project Manager (a change manager), the Project Coach (a bank expert in Six Sigma), and the Project Champion (initially, a member of the TLT, after project funding a business leader). In the second step, the project manager with a designated partner from technology, would conduct an informal series of iterative reviews to identify outstanding questions and then subsequently answer those questions so that sizing could be completed. Next, the team members took part in Project Prioritization where the TLT determined which projects should be funded as-is, which projects should be altered and funded, and which projects should be declined for funding. The TLT served as the honest brokers among the business experts promoting their initiatives, the project managers looking out for their scoped, and the financial challenges and growth opportunities cross the Bank. Typically half of the proposed projects would either get cut or deferred for post-transition work.

After this step, assuming a project received funding, the team was responsible for updating the project charter to reflect any changes from the TLT and for identifying events that might have a high impact on stakeholders and customers, as well key execution risks. During both transition and routine operating activities, Bank of America maintained a very deliberate risk management mindset, consistently reviewing the internal and external factors that could impact operations, economic performance, and reputation. Within the framework of the transition management process, Bank of America defined an execution risk as, "a possible event or occurrence that can negatively impact an Execution team's ability to implement its portfolio of projects in the target environment." Risks were summarized in an Execution Risk Matrix which generated a risk score which was used to assess how aggressively the execution team would need to mitigate the risks in the project.

As the assessment phase wrapped up, the change execution team led the application of the Bank of America Six Sigma based framework to manage the execution of its projects. The company incorporated six steps embedded within the early stages of a traditional DMAIC (Define-Measure-Analyze-Improve-Control) process structure:

- Define the scope of the project (completed in assessment)
- Plan the project
- Plan the financials for the project
- Evaluate the project risks

- Perform the management checkpoint
- Review / update the project deliverables

The final step in the Integrated Plan part of the Assessment phase was to formally define the scope of the project. This involved finalizing the previously created project charter so that it would serve as a starting point for the execution team to assume control of the project. These charters combined to formalize the plan that would guide the transition team through the integration regardless of any personnel or leadership changes within the business that might follow.

Execution Phase

In the Execution Phase a cross-functional project team was tasked with making the project charter a reality. The team typically maintained some continuity from the assessment phase, as the technology development representative and the business subject matter experts were committed to the initiative for the duration. However, the change management team, or project manager was often new to the initiative. By design, during the assessment phase, a single change manager supported an entire line of business or function, which might lead to the generation of six to ten, or even more, charters. During the execution phase, each change manager had only one or two projects to directly manage, due to the increased level of process rigor and work involved. The execution phase usually lasted from twelve to eighteen months. It concluded with the launch or full integration of the target state capability, system, or process for the combined company.

One of the first tasks for the project manager and team was the development of a detailed project plan. Bank of America used Microsoft Project, as well as a host of proprietary tools for tracking milestones, issues, and financials. While the project charter provided the basic business objectives for a project, the execution team needed to complete three much more detailed documents, the Business Requirement Document (BRD), the High Level Design document (HLD) and the Low Level Design document (LLD) to actually begin implementing the project. Each of these was based on a standard template that captured operational functions and married them with the specific technology capabilities of an application. By the time the LLD was complete, a full set of technology coding changes to be developed and tested to integrate the systems or processes had been outlined. The entire process was collaborative between line of business subject matter experts, the change managers, and the technology partners. There was rarely a clear one-to-one mapping of functionality to project charters. Early meetings consisted of a negotiation between the technology and change management team with the front line business personnel to determine what work could be completed within the time and budget constraints that were previously specified. As time went on, additional items from unfunded or underfunded initiatives frequently crept into these negotiations.

Throughout the detailed project planning, iterative reviews took place with the finance team, the risk management team, a Six-Sigma team implementing the process rigor, and a team responsible for managing the impact of the work on the front-line associates who supported clients on a daily basis. With the addition of period leadership reviews with the TLT and the Change Management Executives, the project level change manager was forced to constantly demonstrate her general management skills in such areas as finance, detailed planning, technology operations, and tactical negotiations. Beyond that, she had to know when "leading through an issue" meant consensus building, and when it meant forcing or making the decision alone.

TrustWeb Project

As part of an acquisition budget, Bank of America assumed certain costs within the first year or two were necessary to bring the two companies together for the benefit of its customers and associates. It was estimated that one third of the integration costs would go towards client-facing systems and operations while two thirds would be spent on back office operations. While integration moved forward during the first half of 2007, it was not an entirely smooth process. In April, Peter Scaturro, the former CEO of U.S. Trust, who was expected to run the Private Bank at Bank of America decided to leave the combined firm to pursue other opportunities. The *Wall Street Journal* reported that:

> The disputes that prompted Mr. Scaturro's exit range from which computer system to use to whether Bank of America should begin charging some of U.S. Trust's ultrarich clients to use automated teller machines. But while the problems aren't seen as dire enough to derail the takeover, they underscore the difficulty financial supermarkets like Bank of America are having in adapting their mass-market philosophies to rich people with different standards of service than everyday customers.[20]

During the assessment phase Bank of America decided that their own proprietary technology platform for associates to service a client's investment and trust account data, TrustWeb, was more flexible and scalable than its U.S. Trust counterparts. The TLT decision was to migrate the basic functionality of two U.S. Trust systems, PMW+ and AWS, to TrustWeb. Behind these front-end applications, the core accounting systems of AMS (U.S. Trust) would be migrated to PACE at Bank of America. The reasons for this decision were multi-faceted, ranging from the significant investments that Bank of America had just made in developing TrustWeb, to the cost and contractual hurdles of keeping the U.S. Trust core accounting system (AMS) which fed PMW+, in favor of PACE, and the number of people on each side of the deal that would be impacted by the change.

Given that no two systems are exact in their capabilities, TrustWeb lacked some functionality with which the U.S. Trust associates were accustomed to using for serving their ultra rich, high touch clients. For example, while U.S. Trust associates could access data about clients and quickly create reports on asset allocation and portfolio performance, Bank of America associates had to access multiple systems to accomplish the same tasks. These "gaps" in client-servicing models, between the U.S. Trust model, and the Bank of America Private Bank, were not unique to TrustWeb. Given that many of the clients impacted by this transition had relationships with U.S. Trust for generations, and the assets and revenue they brought in were among the most profitable, a slightly "modified" approach was brought to this transition. Rather that selecting system A (Bank of America) or system B (U.S. Trust), a blended approach was brought to many of the projects. A $3.6 million project, TrustWeb, was approved that would attempt to add missing functionality to TrustWeb, in order to prevent the degradation of service to U.S. Trust clients. Not only would Bank of America be converting data from one system to another, but they would be making significant developments to their existing system to close functionality gaps at the same time. The project ranked in the top 10% of integration initiatives based on cost and complexity. When the project transitioned from the Assessment Phase to the Execution Phase, oversight of the project was handed off to Mike Morris, a relatively new project manager on the change management execution team.

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[20] Robert Frank and Valerie Bauerlein, "Bank of America Hits Snag in Bid To Woo the Rich," *The Wall Street Journal*, April 4, 2007, p.A1.

Mike Morris

Morris grew up in suburban Chicago before leaving in 1990 to attend the United States Military Academy at West Point, where he majored in environmental engineering. After serving six years in the army as ranger-qualified, airborne, combat engineer, Morris made the difficult decision to leave the military. To ease the transition into the corporate world he applied to business schools and in August 2000 he began his studies at the Harvard Business School (HBS). His first year at HBS was a whirlwind as he received grounding in business fundamentals. To broaden his experience set he elected to complete two summer internships. In the first he worked for Pratt & Whitney Military Jet Engines, assisting with project planning for the engines for the new Joint Strike Fighter. In his second internship he worked for a small technology start-up in Boston, revamping operations for their network monitoring center and identifying strategic growth opportunities. He enjoyed the breadth of his experiences and felt that he would benefit from more general experience and training in launching his post-MBA career. Therefore, during his second year in business school he made the decision to pursue jobs in consulting. Unfortunately the bursting of the Internet bubble meant that in the fall of 2001 all companies had severely curtailed their hiring.

After striking out on the consulting job market he searched for more general management jobs. While he had an offer to join the Pratt & Whitney group he interned with in Hartford, Connecticut, he wanted to stay in Boston as his wife was completing her medical training. He took a job as a regional manager at a security company that managed security guards for corporations in three New England states. In this job he continued his practical business education, while leveraging the leadership skills he had developed during his time in the army. He managed his own profit and loss statement, dealt with the personal problems of his guards, and often drove payroll checks around to the guards late into the nights on paydays, to inspect performance and monitor employee satisfaction. After one year he realized that his personal learning curve had flattened out and so he conducted a rapid job search, leveraging his network. After an introduction from a business school friend, he took a job at a global security and crisis management consultancy based in Washington, D.C. As his wife had not yet completed medical school in Boston he was forced to commute back and forth. His initial consulting assignments in this job included planning security for dignitaries and VIP's taking international trips. The projects forced him again to tap into his military experience and general management skills learned at business school, as well as leverage things he learned in his previous role managing security operations. During the next two years, Mike tackled a variety of complex consulting assignments, ranging from escorting the world's most famous cellist to Tajikistan, to searching for a missing American tourist in the jungles of Nicaragua.

After two years of commuting, Morris wanted to get back to Boston and to find a job that would allow him to use his general management and leadership skills again. This time he conducted a longer and more thorough job search, leaving his prior job before he found a new one. Through his network of West Point contacts he learned about and was eventually hired for a position at Bank of America as an operations analyst for the Northeast region of the Consumer Bank. Morris was part of a team of eight people responsible for identifying best practices and then disseminating those practices to drive operational improvement. After one year in this role Morris was visiting Bank of America headquarters in Charlotte, NC for some meetings. One day, an ex-military, business school classmate took Morris to lunch with his mentor, Robert Sandberg, a senior vice president, who was also ex-military. After meeting Morris, Robert felt that Morris' skills might be better used in other parts of the bank. After a series of introductory phone calls and emails, Morris was interviewing with senior leaders in the corporate strategy and program management areas that supporting the Bank's Global Wealth and Investment Management division.

Morris found himself interviewing in the program management office, where he was reconnected with Jeff Dunnock, a fellow West Point graduate, who ultimately offered him a position on his team. Dunnock realized that Mike lacked direct project management training, but believed he could be successful at the job given his leadership background. From September to December 2006 Morris ran three transformation projects within Global Wealth and Investment Management (e.g., creating a rollover IRA helpdesk, planning for a new financial planning tool). In December 2006, Dunnock and his entire team, including Morris, joined the transition effort to support the newly announced acquisition of U.S. Trust. His first assignment was to help work out the terms of a post-deal contract, called the transition services agreement. Since U.S. Trust had been a wholly owned subsidiary of Charles Schwab it was necessary to delineate what services, primarily technology-focused, Charles Schwab would continue to provide for some duration after the merger was legally closed. While the agreement was being finalized, Morris was asked to help evaluate the market potential for the post-deal private bank, the combined entity created from Bank of America's Private Bank and the newly acquired U.S. Trust. These estimates helped determine the organization's new market structure, both geographically and leadership-wise. It was during this analysis process that Morris met, Peter Santos, who had recently been named as change execution lead for the integration process for all client-facing tools. After the market estimates were completed, Santos asked Morris take over a portfolio of five transition projects, one of which was the TrustWeb initiative.

Running the TrustWeb Project

As project manager Morris was responsible for managing the process, the schedule, the people involved, and the approved budget. Morris' team included two direct reports, who were more junior change analysts, and a Technical Lead whose job was to take business requirements and turn them into technology requirements for IT personnel (both internal and outsourced teams). A number of business stakeholders from client servicing teams and back-office operations groups were involved in the process, but they did not report to Morris. Morris commented, "In a lot of ways I'm powerless. It's not clear what authority I really have. I have to get the stakeholders involved to see me as an honest broker who can help move this thing forward. Then I have to help them understand the tradeoffs that have to take place in any project."

When Morris inherited the TrustWeb project in May 2007 the charter and initial funding had been approved and the Execution phase was just beginning (see **Exhibit 3** for the project charter). At over $3 million, it was in the top ten percent of transition projects by funding, which was generally a good indicator of level of effort required. Fortunately for the novice change manager Morris, his technology partner had experience in navigating this process, and she had also worked on a recent business-as-usual upgrade for TrustWeb. The team's first step was to hold a business requirements working session with stakeholders. The project charter identified a handful of key stakeholders and Morris asked those stakeholders to further identify the line of business subject matter experts (SME's) with whom his team should interface. This yielded a list of eight people and when Morris spoke with those eight people they identified an additional four to five people each with whom Morris and his team should talk. With what Morris felt was a "solid list" of participants from both U.S. Trust and Bank of America, his team scheduled a large group meeting on May 30th in New York to discuss the requirements that the users felt would be necessary. The day before the meeting Morris sent out a PowerPoint deck that provided an agenda and an overview of the Bank of America TrustWeb system. The objectives of the meeting were to: confirm the scope of the project; validate the gaps identified in the project charter; define requirements; prioritize functionality; and identify more business contacts.

Morris launched the project kickoff meeting by telling the twenty-five participants that, "We're here to talk about enhancements to TrustWeb to make up for gaps in the current system." For the next several hours Morris and his team listened to a litany of complaints from the U.S. Trust participants, about the flaws of TrustWeb in terms of reporting, account maintenance, and cash receipt generation, as compared to U.S. Trust's existing system. Halfway through what became known by the execution team as the, "kitchen sink meeting" the Technical Lead pulled Morris aside to say that they would not be able to do half of the things already discussed given the time and budget constraints already imposed on the team. Commenting on the meeting, Morris noted:

> The meeting just kept going and going. We'd bring up a feature and then get bombarded with opinions. The personnel from U.S. Trust were very vocal. They were adamant that their clients were more significant and that it would be a serious degradation in service if we didn't offer the identical functionality that their old system had. At one point, they even suggested we revisit the selection of TrustWeb and PACE over PMW+ and AMS. I guess when they were part of Schwab they were largely left alone. They had a lot of custom technology and when they wanted something special, they had just gone out, paid the money and gotten it.

Morris returned to Boston knowing that satisfying the stakeholders on this project would be a challenging process. In consultation with his boss, Santos, Morris and his technology partner decided to split the project into two releases. In the first release the team would deliver enhancements that were required by regulations (e.g., privacy) as well as the reporting requirements that were generally agreed upon by stakeholders from both camps. He would then do a second release that would include the other enhancements. This approach allowed the team to start working on the agreed upon requirements while further vetting the decision for the remaining items raised at the meeting.

Following the New York meeting, as the U.S. Trust transaction neared its legal close in early July, Morris got pulled back into spending most of his time working on the Transition Services agreement. On the TrustWeb project he and his team were working on the first release while also creating process flows comparing the detailed specifications of the U.S. Trust and Bank of America systems. This involved many individual discussions with front office and operations personnel from both companies. There was no experience on his transition team, and relatively little in the broader organization, for doing complex gap-closure development as part of a transition. The experienced "transition veterans" were accustomed to focusing on just converting systems and data A to B. The work was further complicated as Morris noted, "There were a number of people from U.S. Trust that had been in the first meeting that we never saw again. In June and July the new combined organization's structure and roles were being decided, and we were losing people who, despite being rather 'vocal' had significant experience in meeting the customers' needs."

After the deal officially closed on July 2nd Morris shifted his full attention back to his portfolio of projects, the largest of which was the TrustWeb project. He and his team scheduled working sessions with many of the stakeholders for July 16th – 18th in Dallas to discuss the requirements necessary for the 2nd release of the project. The meetings would include approximately forty Bank of America and former U.S. Trust personnel. Unfortunately, the meetings would not include Morris. Each summer Morris and his family spent one week on Block Island with close friends. The trip had been scheduled for many months and after having worked many long hours balancing his regular project work with the transition services agreement he felt he owed it to his family to not cancel the trip. Morris knew he'd have to trust his team to manage the meetings and play catch-up after he returned.

It turned out that the Dallas meetings yielded more potential project requirements and Morris and his team spent the next several weeks understanding and negotiating with various business stakeholders on the priority and importance of different requirements. The transition process-purists would argue that "the project's scope was already locked in at the end of the assessment phase when the project charter and funding were approved." In reality, the accelerated pace of assessment and complexity of the two merging organizations allowed for discovery of only a portion of the requirements prior to charter approval. Negotiating for scope additions and potentially more money would occupy much of Morris' time for the next few weeks.

The team's work was complicated as TrustWeb was fundamentally a graphical user interface (GUI). While it looked like a single system it really served as a gateway to pull information from multiple, legacy Bank of America systems. Many of the requests by U.S. Trust personnel would involve changes to these underlying systems which had their own, separate change and enhancement projects running. Morris didn't have an extensive background in technology, so it took several off-line conversations between him and his technology partner for him to fully appreciate the complexity of the existing and proposed architecture.

Exactly one month after the Dallas meeting Morris headed to the U.S. Trust Transition Implementation Festival in New York. At the Implementation Festival project managers had ten minutes to give a status update to and field questions from the transition leadership team. The festival allowed the TLT to gain a sense of progress for the overall transition and to identify potential problem projects (see **Exhibits 4 and 5** for Morris' presentation slides for the TLT). In his preparation for the meeting in New York, Morris had multiple meetings with his team to consolidate the feedback from the Dallas sessions. Morris summed up their position as:

"We were clearly making progress, but for every item of scope that we'd get some consensus on how to manage, we'd have another one, unresolved, thrown in. Two of the senior leaders from U.S. Trust, one who managed client servicing, anther a technology lead, remained extremely vocal in the process. They were not willing to give up any functionality on client reports, as they believed the degradation would lead to client attrition. On the Bank side, our SME's, though they may not have been as vocal, knew that they owned the current system and ultimately had final decision on changes made. As a result, progress dragged, and in certain cases, stalled.

Next Steps

The flight attendant announced that passengers could now use their electronic devices and Morris turned on his laptop. As Morris reflected on the festival he realized that the presentation had been at a minimum, a "failure in content and presentation," and in all likelihood a signal of deeper issues he faced in managing the project. He needed to prepare for his Monday meeting. How could he address the issues around scope and get the project back on track?

Exhibit 1 Bank of America Corporate Information

Financial Highlights ($ in millions, except per share information)

FOR THE YEAR	**2006**	**2005**
Revenue *	$ 74,427	$56,923
Net income	21,133	16,465
Shareholder value added	9,121	6,594
Earnings per common share	4.66	4.10
Diluted earnings per common share	4.59	4.04
Dividends paid per common share	2.12	1.90
Return on average assets	1.44%	1.30%
Return on average common shareholders' equity	16.27%	16.51%
Efficiency ratio *	47.94%	50.38%
Average common shares issued and outstanding in millions	4.527	4.009
AT YEAR END		
Total assets	$1,459,737	$1,291,803
Total loans and leases	706,490	573,791
Total deposits	693,497	634,670
Total shareholders' equity	135,272	101,533
Book value per common share	29.70	25.32
Marked price per share of common stock	53.39	46.15
Common shares issued and outstanding (in millions)	4.458	4.000
* Fully taxable equivalent basis		

Breakdown of 2006 Revenue and Income

	Revenue	Net Income
Global Consumer and Small Business Banking	56%	53%
Global Corporate and Investment Banking	31%	32%
Global Wealth and Investment Management	10%	11%
All Other	3%	4%

Source: Bank of America, 2006 Annual Report (Charlotte, NC: Bank of America, 2007).

Exhibit 2 Bank of America Business Segment Information

GLOBAL CONSUMER & SMALL BUSINESS BANKING		
Overview: Global Consumer & Small Business Banking serves approximately 53 million consumer households through checking, savings, credit and debit cards, home equity lending and mortgages. We also serve mass-market small businesses with capital, credit, deposit and payment services.		
	2006 Revenue	*2006 Net Income*
Card Services	51%	50%
Deposits	41%	44%
Home Equity	4%	5%
Mortgage	3%	3%
Other	1%	2%

GLOBAL CORPORATE & INVESTMENT BANKING		
Overview: Global Corporate & Investment Banking provides comprehensive financial solutions to clients ranging from companies with $2.5 million in revenues to large multinational corporations, governments, institutional investors and hedge funds.		
	2006 Revenue	*2006 Net Income*
Capital Markets & Advisory Services	37%	25%
Treasury Services	29%	32%
Business Lending	25%	33%
Other	9%	10%

GLOBAL WEALTH & INVESTMENT MANAGEMENT		
Overview: Global Wealth & Investment Management provides a wide offering of customized banking and investment services for individual and institutional clients.		
	2006 Revenue	*2006 Net Income*
Premier Banking & Investments	37%	39%
The Private Bank	27%	23%
Columbia Management	20%	14%
Other	16%	24%

Source: Bank of America, 2006 Annual Report (Charlotte, NC: Bank of America, 2007).

Exhibit 3 Project Charter - TrustWeb

Project Charter
Bank of America

TrustWeb

Project Charter – TrustWeb						Template Revision History	
Project Leader / Manager	Project Name TrustWeb	Project Coach	Project Champion	Process	LOB GWIM	Project Type Reg: Compliance	Last Revised 3/27/2007

Problem Statement & Project Goal

The project focuses on defining the enhancements to the TrustWeb application which are vital to supporting the Private Wealth Management Group's asset management relationship (Trust-PACE) and the new combined UST/BAC relationship management business model. The goal is to build/enhance the TrustWeb application giving all PWM associates user friendly access to account data including transactions and history, holdings, cost lot information, asset allocation, dividend/interest income, realized and unrealized gain/loss, performance data, contributions/withdrawals, and account characteristics. Characteristics would include account title, tax id, tax payers/owners fee schedule, etc. The application should have the ability to download this account information to excel and to produce canned reports associates could run on the fly. These would include schedules of property with the ability to view and print an account or a consolidated group of accounts, asset allocation, equity industry diversification, all as/of a particular date.

UST associates have all this information at their fingertips today using PMW+ and AWS. These tools enable UST client service officers to easily respond to client inquiries regarding their investment portfolios. BAC associates do not have this capability today and have to request client information from several sources including portfolio managers and assistants, the ART group, and other help desks in order to respond adequately to their clients. The CSSO will be the officer servicing both banking and investment clients in the new PWM core client team. They will need an array of tools at their disposal to provide superior client service. UST clients expect immediate response to their investment inquiries and would be adversely affected if our CSSOs did not have the ability to respond timely and efficiently. In addition this inability to respond to client inquiries will be viewed by UST clients as a degradation of service due to the BAC acquisition. This functionality is sorely needed and will benefit BAC associates and clients as well as UST associates and clients.

Business Case Summary

In the combined UST/BAC PWM group the CSSO will be the day to day client service provider for all clients. When clients have investment related questions, the CSSOs will need a tool that can provide them seamless access to investment and account data in order to respond timely and accurately to clients. UST has had these capabilities and cannot support its client base without them. This new functionality will also improve the client experience for BAC clients chiefly due to the fact that associates will have more information at their disposal than ever before and will not need to seek search from help desks or ART as frequently. BAC clients will benefit from timely response to basic questions which in the past took days or week to compile on their behalf. 75% of all client inquiries require TrustWeb Tool

Project Scope

PMW Plus
Account maintenance and workflow migration
TrustWeb cash receipt functionality
Deployment of TrustWeb to PBRC

Project Cost

$ in thousands

	2007	**2008**	**Total**
Technology Resources			
+ Hours	32000	10500	42500
+ Dollars	$2,810.5	$811.0	$3,621.5
Non-Technology Costs			
+ Dollars	$0.0	$0.0	$0.0

Project Team

Role	Name/Contact	Organization	% Time Committed
Project Leader		UST	
Project Champion		UST	
Project Coach		GWIM O&P	
Finance Certifier			
Process Owner		UST	
Technology Proj Mgr			
Service Delivery Mgr			
Team Member		GWIM	

Source: Company documents.

Exhibit 4 Project Summary

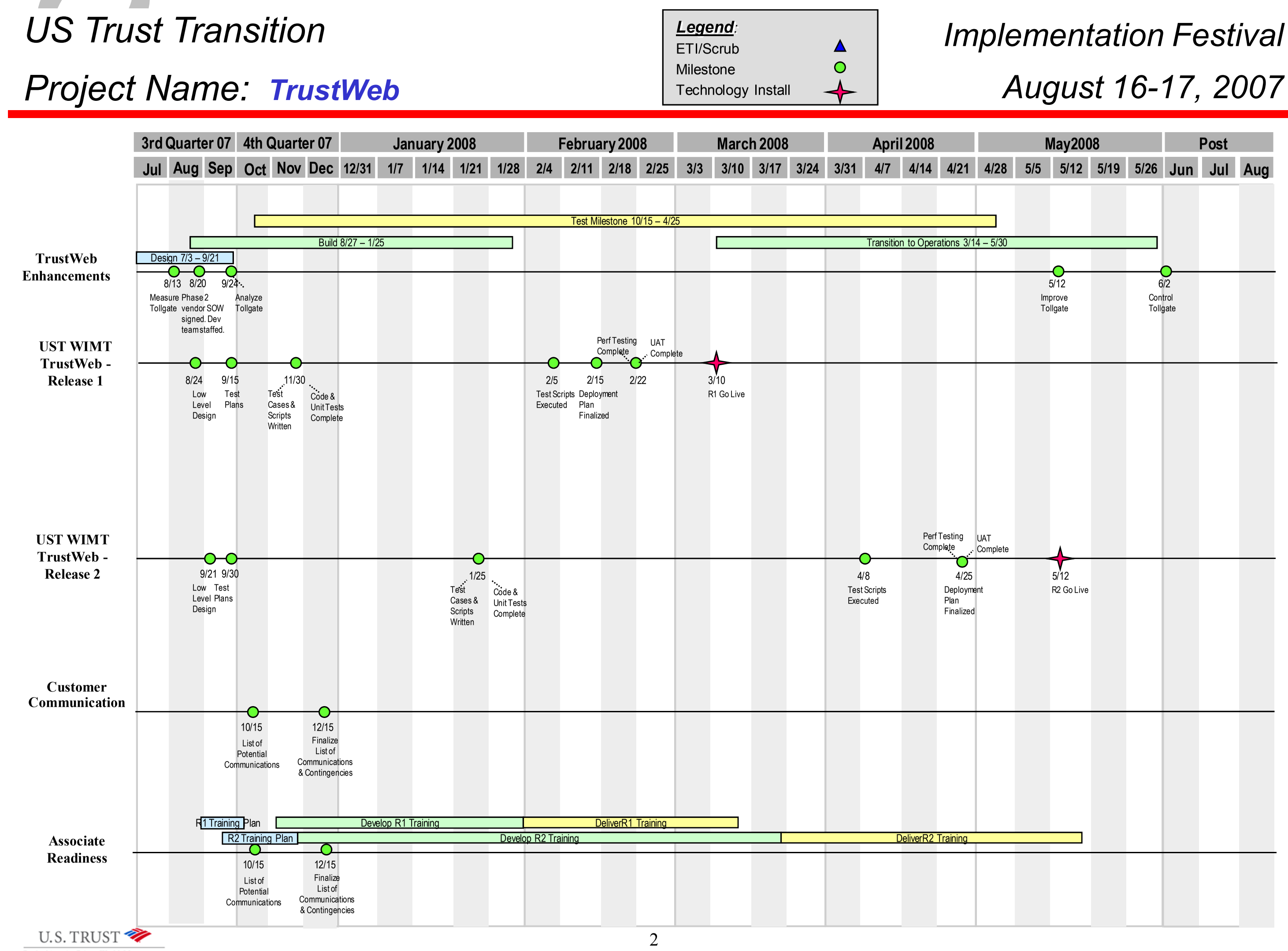
US Trust Transition | *Implementation Festival*

Project Name: TrustWeb | August 16-17, 2007

Overview:	**Status:** Green
• Provide PWM associates with a tool to answer most if not all client asset management account inquiries • Assist PWM associates in compiling client information such as income, transaction history as well as realized gains/losses and income earned • Close the gaps identified between the TrustWeb application and the following tools: PMW+ and ACM • Enhance TrustWeb to automatically mask account numbers in the standard description field to align with compliance privacy requirements	• BRDs for both releases are complete. HLDs are in progress and currently on track • Requirements are undergoing evaluation based on priority to the business and risk for implementation due to timeline and budget • Working through overlapping report requirements with other transition initiatives
Implementation Assumptions:	**Implementation Risks / Issues:**
• No conversion of data will be required, all necessary fields will be converted to PACE • SMEs can commit the necessary time to provide input on deliverables in order to adhere to the designated timeline • While we are addressing some of the account maintenance functions, we are not eliminating the dependency on PACE for Account Maintenance	• Lengthy approval of vendor SOW could delay milestones • Unique business-critical requirements of legacy organizations, identified post-charter development, augment scope

Source: Company documents.

Exhibit 5 Project Schedule



Source: Company documents.