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Jill Castilla: I got a call in May of 2009 from my stepfather saying that the bank was in trouble. I had taken home the profit and loss statement and found rampant fraud by our leadership. I had a look at the call reports and find that capital is overstated by \$2 million. We paid for weddings. We paid for medical school. There was a senior leader that was watching porn all day. You potentially could get banned from banking just by being part of this incredibly dysfunctional organization. You know, that was a really scary place to be.

Kurt Greenbaum: From Olin Business School at Washington University in St. Louis, I'm Kurt Greenbaum and this is *On Principle*. Thank you for joining us, and welcome back to the podcast, where we bring you stories about the pivotal moments executives, entrepreneurs and other leaders confront in their businesses. In today's story, we're going to zero in on a century-old small-town community institution at what was arguably the worst moment in its history. And our storyteller today? Well, in 2020, *American Banker* magazine called her the most powerful woman in banking, but just a few years earlier, she took a leap of faith. She returned to her hometown in Oklahoma to confront dysfunction that permeated the walls of her bank and seeped into the community, even into her hairdresser's salon. She'll tell you she wasn't ready to face this sort of turmoil. In fact, she originally had other expectations for where her life would take her, and they didn't go much further than making sure she packed the eggs safely on top of the grocery bag.

Jill Castilla: My name is Jill Castilla, I'm the president and CEO of Citizens Bank of Edmond. I also chair our bank holding company board, Citizens Bankshares. If you've seen the movie *It's a Wonderful Life*, I'm basically that Jimmy Stewart role — George Bailey — and just basically engage in the community to see where the needs are, where businesses need capital, or to help with their business strategies or challenges. And then trying to gather deposits to fund loans that we can lend out to businesses, as well as someone getting a home or a new car or trying to pay for their kid's college. So it's very much kind of being knee-deep in the community. You really have a social responsibility and accountability to your community to get the capital where it needs to go.

Kurt Greenbaum: And how did you end up in this role? As a little girl growing up were you always dying to be a banker when you grew up? Or how did you get from one place to the other?

Jill Castilla: I grew up in rural Oklahoma and with a single dad, and his goal was just to get us through high school — my sister and I. And there really wasn't a lot of encouragement to go to college. I was working at the local grocery store carrying out

groceries all during high school, and I was hoping to be a cashier someday. But I was really lucky. A lady I carried groceries out for was the chairwoman at the local bank board. Grew up with her grandkids my entire life. And she is ... she's the one that encouraged me to go to college and just to apply to the two state schools. And so I did without really support from my family in doing so and got a really great scholarship offer from Oklahoma State University and had saved up enough money at the grocery store to pay for college. My major was chemical engineering. I was really strong in math and sciences, and so that's where I was kind of guided towards. And I ran out of money. I just couldn't keep up with making \$2.14 an hour trying to pay tuition. It just wasn't working for me. I was really involved on campus, really doing well academically. As luck would have it, I was carrying groceries out for an Army recruiter one day, and I was really desperate, and he asked me why I was working so late and what I was planning to do with my life. And I kind of confided in him that I was going to have to leave school, and I really didn't know what I was going to be able to do. And so he said if I enlisted in the Army, I could be an independent student and apply for financial aid on my own and get GI Bill. And it literally was like heavens opened up and angels started singing, and I had a way to be able to get my education, so I enlisted in the Army.

Kurt Greenbaum: Skipping ahead, Jill went from chemical engineering to finance as she bounced along her career path with a two-year detour into the Army before she finished her finance degree. But even that path was interrupted again by tuition problems. She discovered a family member had spent \$15,000 she put away from her Army salary, and she just didn't know at the time she could have fought to get it back. That meant more research for a college with scholarships to give away. Eventually, she got on track. She fell in love with finance, earning her undergraduate degree and a master's in economics and then a rather meager job at her Oklahoma bank.

Jill Castilla: So I came back to Citizens and worked in the bookkeeping department for minimum wage. And then Monster.com, it just came out, and the Federal Reserve Bank of Kansas City was recruiting for a management development program analyst. And so I applied for that job, and that's really what set me off to be able to be part of banking. And I just felt this overwhelming call to be a community banker.

Kurt Greenbaum: So I want to ask you about that — feeling called to be a community banker, I mean, I ... I really like to write, I've enjoyed being a writer and a journalist and editor for my entire career, but I'm not sure I could say I've been called to it. Can you talk about that? What is it that you felt?

Jill Castilla: When I found community banking, each step was ... felt so solid, no matter how turbulent things were around me, it just all seems so easy. Not intellectually easy, I wouldn't say. I mean, it's still very challenging, and it's part of the thrill of it is that it is a dynamic and evolving, threatened industry and that is capable of doing so much good. Without that challenge, I wouldn't be prepared to do what I'm

doing today or what I did five years ago. And so that's why I feel ... I feel like I'm uniquely equipped for this moment in time and this place in this business.

Kurt Greenbaum: Can you talk a little bit more about what an institution like Citizens Bank means in a community like Edmond, Oklahoma?

Jill Castilla: Yes, a Citizens Bank of Edmond started in 1901 and statehood in Oklahoma's start ... was in 1907. And so we were ... we started when it was just Indian territory. There are four banks on each of the corners in the downtown and we're the only one that remained. So since 1901, this bank has just helped build this community. During this time too, the banking environment exploded in Edmond, but Citizens really remained true to being that community steward and being inclusive to ensure that the least of us had the same access as those with the most, and a leader in our schools, ensuring that we had foundations to support our students and teachers, and starting many of the nonprofits. Organizing our first president ... securing the land in which the University of Central Oklahoma is built upon — and that was our teachers' college in Oklahoma. Now there's 60 something banks in Edmond, Oklahoma. We have one location, and we are just beloved.

Kurt Greenbaum: So at this point, we need to talk about the timeline. And, yes, for decades, Citizens Bank of Edmond was a beloved institution. In fact, have I mentioned that four generations of Jill's family have been involved in the bank's leadership? Including Jill's stepfather, who was chairman of the board as we get back to our story in mid-2009. And by that point, Jill had spent 11 years supercharging her career — nine at the Federal Reserve Bank in Kansas City and the last two as senior vice president of finance for a community bank in Grand Rapids, Minnesota. Then the phone rang.

Jill Castilla: I got a call in May of 2009 from my stepfather saying that the bank was in trouble. They had just been through an examination and that he really felt like they needed some help and asked if I would consider coming back to the bank. It was kind of a strange management situation, so he asked me to send my resume to the CEO and that they would get back to me on a job offer. I got the job offer and it was a 50% cut in pay. The title was assistant treasurer, and I was like slashing every benefit that I had, but my husband was like, there's no way you're taking this. You're worth what your paid. You should get paid more. So I said no, and my stepdad flew up to Minnesota. Just said that he needed my help. And he couldn't do anything about the financials, but that I could live with them, and that he would give me a plane ticket to get to Oklahoma City and that they would let me use one of their cars.

Kurt Greenbaum: Why did he need you so badly?

Jill Castilla: He was afraid that they were going to lose ownership of the bank. He ... I don't think he thought the bank was going to fail, but that they would have to sell the bank or that he'd be pressured to sell the bank at a cost that would be devastating for the employee stock ownership program. They had all their

management in three different locations, and I'm sitting in downtown Edmond and all three locations were within two blocks of each other. But the management was all separated and did not talk to one another. My emotional intelligence was not very high at this time, and so I don't know why I cannot see this. My husband, his word of advice was, "They're going to hate you there." And so ... and these were people I worked with 15 years before. And so I really thought I was returning to a family. I thought I was returning to people that would be working together to save this organization and that I couldn't even process that there would be any ill feelings towards me.

Kurt Greenbaum: So you thought it was returning to family. What did it turn out to be?

Jill Castilla: So I walked in and the president and CEO would not talk to me. I reported to him, but he would have no interactions with me. Even beloved friends completely avoided me. My office was a closet that had like one of those coded locks in it and is where they stored all the car reports. They thought that they were going to be fined. Whenever you get in troubled condition, you have to have examinations every six months. And we'd had an examination with the Federal Reserve and the management felt strongly that the state banking commissioner would come in and waive off all the findings from the Fed. And just that politically, we'd be situated to where the bank would ... that these were just silly findings. We were taking things very seriously on the south side.

Kurt Greenbaum: Now, remember, at this point, Jill's there as a favor to her stepfather. She doesn't even really have a formal title, and she certainly doesn't have the ear of the bank CEO. The Federal Reserve had declared Citizens Bank of Edmond in what's known as a "troubled condition," requiring further examination every six months. And as Jill put it, the bank's leadership assumed they'd skate by with a few fines. But from her closet office, surrounded by piles of 300-page quarterly call reports, she's digging up some serious problems. Ironically, the only place the bank's reputation is suffering, however, is with banking regulators. Remember, Citizens Bank is a beloved institution in the community. No, it's Jill's reputation that's beginning to suffer — both inside and outside the bank.

Jill Castilla: This is an environment in which I would be in a loan committee meeting and they would call me an idiot in the loan committee meeting. I mean, it was very ... it was ... I never had an experience someplace where I would be lied to or things would be misrepresented. There is a senior leader that was watching porn all day, and I received the audit report from our IT, and I was told explicitly that I was picking on this officer and I needed to just leave him alone, and that his wife was pregnant and that's what men do. So they looked at porn all day and just kind of get over it. Within 30 days, I had taken home the profit and loss statement and found rampant fraud by our leadership. That was a really scary place to be, to get fingerprinted, to think that you potentially could get banned from banking just by being part of this incredibly dysfunctional organization.

Kurt Greenbaum: The potential for disaster at Citizens Bank of Edmond just continued to pile up. Jill found the bank's capital was overstated by \$2 million. Auditors had rubber-stamped suspicious reports. She found the bank had overstated the value of its employee retirement plan for four years. They had \$10 million in loan losses. By late summer of 2009, she'd gathered the 125 employees together to report on the bank's condition. Even then, nobody believed what Jill was saying. They thought she was lying. But that late summer time frame is important. See, the bank's staff only gets a report on the value of their employee stock ownership plan once a year — in March. So when March 2010 rolled around months later, that's when the staff learned the employee stock ownership plan had plunged from \$51 a share to 14. Jill had their attention.

Jill Castilla: Everyone was leaning forward, saying, look, what happened? It's like, well, you're the loan clerk, you're responsible for draws. And whenever you're just letting someone call in to fully advance on a \$1 million home loan and never inspecting that they're actually building a house, you are the gatekeepers. It's not just senior leadership, it's all of us protecting the assets of the bank.

Kurt Greenbaum: Tell me about the inflated corporate expenses.

Jill Castilla: So what we found was that it was all Visa charges, essentially. Some using the bank's credit cards. But then sometimes it was personal credit cards that we were just reimbursing. But whenever we looked at the bank credit cards, the very first credit card statement I looked at had Victoria's Secret, Coach, Michael Kors. It was the day after Thanksgiving ...

Kurt Greenbaum: ... so somebody was doing their Christmas shopping on the company's credit card?

Jill Castilla: Yes. And when we dug into it, we paid for weddings. We paid for medical school. It was just rampant. I mean, it ended up being over \$2 million in just this one year, but it had been something that had been occurring for previous years as well.

Kurt Greenbaum: Now, it wasn't too long before the senior management of Citizens Bank was out. The board brought in a new CEO and promoted Jill to CFO. They worked on communicating clearly and often with federal regulators and the US Attorney's Office. They'd worked on staff development to ensure bank employees understood their role as stewards of the community's money. Meanwhile, Jill's husband was still working at his job in Minnesota. Jill and her three kids were still living with her mother and stepfather. She'd bring her kids to the bank at 6 a.m., work until school started. Drop them off, pick them up and work at the bank till midnight.

Jill Castilla: It was just an incredibly stressful time, and a lot of it was not so much leading as managing, it was very much to get the ship to shore down. We started a character first program to teach people about ... This is what honesty is. This is what accuracy is, like, just the very basic kind of ethical rules to start rebuilding this culture. It just seemed impossible, and everyone was telling me how impossible it was. They would make fun of me and call me Johnny Cash because I was wearing black all the time. Like, I was super serious. I didn't crack a smile. The other ones called me Undertaker. My nickname was Cobra, but it was that seriousness and that toughness and ... and just that laser focus that helped shield others from seeing the fear. I went to get my hair cut and the lady cutting my hair asked why I moved to Edmond, and I said to work at Citizens Bank. And she takes her scissors and puts them down and says, "You need to be careful. There's a lady that works there that's evil." And I said, "I think you're talking about me," and she's like, "No, you're so sweet. It can't be you. This person's firing everybody and the leaders over there are esteemed in the community, and she's ran them off." And I'm like, "You, no, you're definitely talking about me." I can't get on a banking committee at an association. Just not, well liked. Our reputation was not good, and the bank's reputation wasn't either. We just had this huge heaviness on us that we couldn't make a mistake, that we had to do things perfect. We were so concerned that the bank was going to be shut down or that we were going to be sold in a fire sale.

Andrew Knight: Inevitably, in a problem that involves organizational change, you are changing people, and that can either be by changing the people who are part of a business, and that often happens through turnover or by inviting, encouraging and motivating people to change the habits and the routines and the ways that they have been doing things in the past. It's a very human process to either change, you know, the actual individuals who are there or to get people to do things in a new way.

Kurt Greenbaum: That's my colleague Andrew Knight. He's vice dean for education and globalization and a professor of organizational behavior at Olin Business School. His research centers on how teams work together and collaborate both in the real world and virtually. And his long list of published work has been cited thousands of times in the past five years.

Andrew Knight: On an ongoing basis, what makes a business function is really people to people, you know, exchanging information with each other or encouraging one another or disagreeing with one another, bouncing ideas around together. Believe it or not — and although the world is certainly very different than it was in the 1960s — I don't think people are all that much different. And so as a result, I think some of the basic foundational principles of how people engage with one another are pretty timeless. Humans have evolved a set of social and interpersonal skills to coordinate with one another to solve basic problems of survival throughout, you know, millennia. And the vestiges of that remain with us today, and we carry our evolutionary baggage into the workplace when we interact with one another. And sometimes that can be quite helpful and quite positive, and sometimes it can thwart

our efforts to be fully rational, you know, mission-driven, goal-driven, economically driven individuals in the workplace.

Kurt Greenbaum: So you spoke about this evolutionary baggage that people carry into their relationships and into the workplace. And you said in some cases that evolutionary baggage can be positive. It can bring benefits and in others the opposite of that. I mean, can you think of an example of that evolutionary baggage?

Andrew Knight: One clear example I think that we often encounter within any workplace is the development of “in groups” and “out groups,” where we feel attachment and belonging, especially to people who are like us or who we share a common affiliation with. And so most businesses will have different functions or units or divisions or departments, and people have a role within that specific unit or division of their workplace. That can be really functional when humans feel like they're a part of a group. They do things like support and help the other members of that group. On the other hand, most businesses are not simply adding up the contributions of the different units or different departments that are part of the business. And instead, they are hungry for those different units, departments, divisions to coordinate with each other, to integrate their work in order to achieve something even greater than is possible for any one unit to achieve on its own. And so that same tendency of mentally segmenting the world into “in groups” and “out groups,” that same tendency that can be helpful for enabling people to help their own group, sometimes creates obstacles and barriers for people to effectively work with, coordinate and integrate their activities with members of other groups.

Kurt Greenbaum: I assume it's not uncommon for leaders to face dysfunction in their organizations. And I guess I'm wondering what sort of best practices or principles have emerged in the course of your work to confront that kind of situation.

Andrew Knight: So I think when it comes to the substance of how a leader might act when facing challenges, I do think that is a bespoke problem, that there's no one-size-fits-all strategy for resolving organizational problems or organizational dysfunction. There may be certain leadership strategies that are especially relevant or important when an organization is going through a downturn or it's facing really life-threatening obstacles. Research in ... on leadership has over the years identified several different styles or types of leadership behaviors that people deploy in the workplace. Whether you hear phrases like charismatic leadership or transformational leadership or transactional leadership — there are lots and lots of these behavioral styles or leadership tendencies that have been studied over the years. But there is really a fairly simple breakdown of leadership approaches that has repeatedly been discovered in research stretching back to the 1950s and 1960s, which is a basic distinction between task-oriented, highly structuring leadership versus more person-focused, you know, more follower-centric kinds of leadership styles. What I think is quite clear in the research is that when an organization is facing challenges, the need for the task-focused style goes up dramatically. And that's not to say that the person-focused style is not necessary, valuable and important, and it's not to say

that you can't do both at the same time. But the need for someone to clarify objectives, to make decisions, to allocate responsibilities — that just goes up dramatically when organizations are in crisis.

Kurt Greenbaum: This is an organization that's 120 years old. It's been an institution in the community for that long, and I ... I wonder in what ways that complicates these sorts of stories, these sorts of issues. How do you react to that?

Andrew Knight: In some ways, the analogy I would use is to humans in human life, that it's much easier for someone earlier in life to make dramatic and radical identity changes, changes in capabilities, changes in behavioral habits and routines. It's much easier to do that before someone has crystallized an identity. And the same is true when it comes to organizations that for a brand-new startup company, it's much easier to pivot both to new markets, to new products, but also with what the identity of the business is. Compared to a business that is 120 years old, where it has tradition, it has investments that it's made in the past. It has a brand. It has a reputation. All of those links and ties create this really dense, interconnected fabric that's ... that's pretty tough to change so quickly, especially in comparison to a brand-new business.

Kurt Greenbaum: So how did you know you were starting to make progress?

Jill Castilla: Because we had so much fraud, they had a special operations exam and there was a lady there. Her name is Susan Head, and she is the most intelligent person I've ever worked with. So I had told the team like, if there's more to find, she's going to find it. We've just got to be prepared for it. Well, I get into my little office, and we're having our meeting with the examiners about the operations review. So she would ask me a question, and we'd be sitting at a table. I'd have to stand up to talk to her — that's how intimidating this woman was to me. There's like 12 examiners and me in this room. And she said, "I just have one word to describe what I see here." And she said, "Wow, I just have to say, wow, Jill," and that one word — and I've told her this a million times — gave me more wind in my sails than ... than any moment. And it really made me feel like I can do this, and we can do this. And she had no findings. That was really powerful, and to have that discussion with our shareholders who stuck by us the entire time was really, really powerful. Those were just further affirmations of that not only have we gotten over that hump, but that we were building something that's meant to endure.

Kurt Greenbaum: What did you do to start turning the corner culturally within the bank and in the community?

Jill Castilla: So it took a lot longer for the shift in culture than the shift in leadership, where it took a long time for me to both build the team as well as build the trust and mutual respect with the team in order to really see the culture change occur. What I really think culture is ... is how the organization works without the leader. Like, what standards are we holding each other accountable for? What are our expectations of

one another? And it's taken a very, very long time to where that wasn't my direction. And now it's very common that someone will come to me and say, hey, this person is a great fit. We need to work on this or ... or, hey, this is an idea that we're going to explore, just making sure that you're not opposed to it. We're going down this road or it's just a lot more collaborative, too, versus it being me like forcing people to get in a room together and be collaborative. The other thing is we removed the walls in our bank. We consolidated all our branch locations to one location and we literally eliminated every single office. There's no walls, and so it just ... physically having that openness versus having this hierarchical ... where you could see someone's importance based upon the type of office they have, where we really were all at one level and you don't see that anymore. That was a huge step for us and really just breaking down the walls, both culturally, but also physically.

Kurt Greenbaum: How about outside the bank? You didn't expect it to take longer outside to turn the corner culturally.

Jill Castilla: It was almost immediate that my credibility came. The bank's credibility came. When I would tell the story the very first time about the bank's turnaround, it increased the legitimacy and credibility of the bank in a way that everybody was concerned about me talking about it. You're not going to talk about how bad a condition the bank was in? That's kind of ruining people's confidence in the bank. But having that vulnerability actually increased loyalty like just unbelievably. And then also this ... how the community view me and my leadership.

Kurt Greenbaum: So it sounds like outside because you were being a straight shooter with the community, because you had taken steps to put this longtime institution on good footing, because you were getting recognition for all this work by the banking industry that was helping you turn the corner outside. But that just wasn't seeping inside the walls quite as quickly.

Jill Castilla: Yes. And so like internally during the turnaround, I would give everyone my cell phone number and say, oh, text me, we have this anonymous line. We got a lot of the fraud information from people using the anonymous line. And so I was very accessible to an excessive degree. I didn't really realize that that was anything unique, and so I started sharing my cell phone number to the world and saying, you know, if you need anything, let me know if I can help you. And engaging people in that way. And it was much more appreciated externally than internally, but it's now kind of caught up because the leadership has come on board. They have been attracted to the bank because of this external perception, and now have this expectation internally ... this is what we're going to build and this is who we're going to be ... that's really then made the culture take off in very fast fashion and really inspired by how we're perceived externally.

Kurt Greenbaum: Give me a sort of current-day example of where you've come as a bank and as a leader since then.

Jill Castilla: I hired a chief innovation officer earlier this year, Nate Stone. And Nate's got an MBA from M.I.T. Combat-wounded Army Ranger, an extraordinary man from the oil and gas industry. Well, on Nate's very first day, we get pitched a free digital banking platform. And because of the work that we've done in the community and fintech space, the partner is wanting to work with us. We immediately within the few days get our team together and say, hey, this is the opportunity that we have available. What do you guys think? And man, they just started whiteboarding and ... and saying, these are all the things we could do. And so doing something like a digital bank, all of a sudden, do we take advantage of this opportunity? It's a huge resource suck, but this team like runs to the opportunity. It's really incredible to see an organization that can act very quickly ... make decisions fast ... cut something that may be a great opportunity but just not for us ... and be able to do that without any egos around it. We're just all trying to figure out what we can do best and well and good and then continue doing that over and over again.

Kurt Greenbaum: That's our episode of *On Principle*, thank you for joining us, and many thanks to Jill Castilla for sharing her experience at Citizens Bank of Edmond. Thank you also to Andrew Knight for his perspective on managing conflict and organizational dysfunction. I'll link to more information about Jill, including some stories about the bank's turnaround and another interesting episode about her partnership with Shark Tank's Mark Cuban. You'll find those links in the show notes for today's episode. All that's on our website at onprinciplepodcast.com, where you can also hear past episodes of *On Principle*. You can also find *On Principle* in your favorite podcasting app. So I hope you'll subscribe and get updated when new episodes drop. If you have any comments, questions or episode ideas, send an email to Olin podcast at W-U-S-T-L dot E-D-U. That's olinpodcast@wustl.edu. *On Principle* is a production of Olin Business School at Washington University in St. Louis and comes to you with creative assistance by Katie Wools, Cathy Myrick and Judy Milanovits. Special thanks to Ray Irving and his team at Olin's Center for Digital Education, including our audio engineer, Austin Alred. Jill Young Miller is our fact checker. Sophia Passantino manages our social media. Mike Martin Media edits our episodes with original music and sound design by Hayden Molinarolo. We have website support from Lexie O'Brien and Erik Buschardt. As dean of WashU Olin Business School, Mark Taylor provides support for this podcast, which is the brainchild of Paula Crews, senior associate dean of strategy and marketing for the school. Once again, I'm Kurt Greenbaum, your host for *On Principle*. Thanks for listening.