

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

THE WALL STREET JOURNAL.

WSJ.com

BUSINESS | NOVEMBER 14, 2008

Cultures Clash as Merrill Herd Meets 'Wal-Mart of Banking'

By RANDALL SMITH and DAN FITZPATRICK

Nashville, Tenn., financial adviser Kent Kirby spent 16 years at [Merrill Lynch](#) without even considering a recruiter's phone call.

But after Merrill rushed to sell itself to [Bank of America Corp.](#) in September, Mr. Kirby fretted that a mass-market "bank culture" would overcome the higher-end, bigger-spending culture of Mother Merrill. He soon left to join the private-wealth arm of Swiss bank [UBS AG](#).

Mr. Kirby's experience shows some of the struggle that awaits Bank of America as it tries to integrate Merrill's 60,900 employees. The culture clash may be most pronounced with Merrill's "thundering herd" of nearly 17,000 stockbrokers, a group with a fierce independent streak that isn't afraid to gripe to extract better terms from an employer.

About half of Merrill's brokers were offered bonuses to stay on, and Friday is the deadline for accepting the offer. As of late Thursday, 90% of them had already signed up, people familiar with the firm say.

Still, for the denizens of the 94-year-old Merrill Lynch, which long prided itself on its fleet of top-producing brokers, it has been hard stomaching the new edicts from the Charlotte, N.C., bank. BofA prides itself on a Main Street approach, having expanded via \$110 billion worth of acquisitions over the past five years, making it the nation's largest bank by assets.

Merrill staffers joke nervously that Bank of America employees are recognizable in the elevators by their less expensive attire and American-flag lapel pins. "There's a huge cultural clash between Merrill and Bank of America," says Darin Manis, a brokerage recruiter at RJ & Makay in Colorado Springs, Colo.

Mr. Kirby grew alarmed when he saw a network TV interview with Bank of America Chief Executive Ken Lewis describe his company as "the Wal-Mart of banking," and when Mr. Lewis said some Merrill employees were overpaid. "That doesn't resonate with the average Merrill Lynch broker," Mr. Kirby said.

In part to temper that, Bank of America is throwing big retention packages at Merrill's best brokers, but doing less for smaller producers. The fear has been that the best brokers will take their clients -- and their commissions -- to rival shops such as UBS or Citigroup Inc.'s Smith Barney. Those firms are offering even bigger up-front cash bonuses, as much as 150% to 200% of annual production. Mr. Kirby, whose team serves clients with more than \$10 million in assets, had about \$5 million in revenues for the past year.

Merrill's bonuses for top producers, who generate \$1.75 million and above, include seven-year loans and deferred cash equal to 100% of a broker's past year's commission and fee revenue. Lower-producing brokers get as little as 10% of their production in contingent payments.

Some Merrill brokers, such as New York's John Barrett, don't see a problem in the transition. "This is a wonderful culture we have all been blessed to have at Merrill Lynch, and we expect to bring it with us," Mr. Barrett said. Citing evolutionary theorist Charles Darwin, he said, "it's not only the strongest of the species that survive, nor is it the most intelligent, but the one most responsive to change."

Win Smith, the son of one of Merrill's founders, said any integration this big will inevitably "generate challenges. Not everyone will think it's great." But he added that Bank of America "seems to want to keep the integrity of Merrill Lynch intact." While other firms might pay more to recruit some brokers, he said, "given what the circumstances are today, if the financial advisers really think about it...maybe they're pretty lucky to be getting anything."

Shares of the two Wall Street firms that have remained independent -- Goldman Sachs and Morgan Stanley -- have fallen 48% and 59%, respectively, since Sept. 15.

The effort to keep brokers is just one part of a larger integration that was by necessity thrown together abruptly. The deal to sell Merrill came over just one weekend and did not include the usual weeks or months of transition planning. That has left some of Merrill's other employees, namely traders and investment bankers, uncertain about their future.

Part of the nervousness stems from recent remarks by BofA chief executive Ken Lewis. Mr. Lewis has vowed to cut \$7 billion of costs -- or 11% of the combined firms' \$61.1 billion in costs for 2007.

In an interview with Fortune, Mr. Lewis noted acridly that Merrill's "staff people were making a lot more than our staff people. That won't last."

Mr. Kirby, the UBS private wealth adviser, said he was concerned that some of

the cost cuts could erode the service quality at Merrill.

Brokers "have signed in great numbers," said Bank of America's Brian Moynihan, who is in charge of the transition and played down any culture clash. Brokers from Merrill Lynch, he noted, will be able to serve their usual clientele while also benefiting from Bank of America's presence in half of all American households.

The brokers "realize they are going to have their cake and eat it, too," Mr. Moynihan said. "We represent everybody."

Mr. Moynihan said the company does not have a "one-size fits all approach" to acquisitions, but those familiar with Bank of America's past acquisitions said the company uses the same cost-cutting and talent-evaluating playbook for its many deals. That approach can cause problems when applied to high-end private wealth and investment banking, said bank analyst Nancy Bush of NAB Research LLC.

Bank of America has been wary of rock-star attitudes of New York investment bankers, said Ms. Bush. Without Bank of America, she noted, Merrill "could have disappeared from the face of the earth."

Write to Randall Smith at randall.smith@wsj.com and Dan Fitzpatrick at dan.fitzpatrick@wsj.com

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved
This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com