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CONFERENCE CHATTER

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Banks must develop talent as current leaders age, retire

By Ken McCarthy

Aging leaders and a dearth of new talent entering the banking space is leading companies to poach budding executives from one another and should force financial institutions to focus on developing and retaining their own key people, industry experts say.

Banks today rarely offer management training programs and recruit on college campuses much less frequently than they used to, so the coming talent gap is almost unavoidable. And the old community bank strategy of taking up-and-coming talent from the big banks is not as fruitful as it once was, Peter Crist, founder of Crist Kolder Associates and chairman of Wintrust Financial Corp. said during the SNL Community Bankers Conference on April 10 in Dallas. He said the nation's largest banks now have a structure that makes it difficult for smaller banks to find appropriate talent for their needs. "You go into JPMorgan Chase & Co. or you go into Citigroup Inc. and you look at the talent … it is so siloed that it doesn't have the capability to do in the end what a community bank CEO has to do," he said.

Crist said the only way for community banks to address the problem is by investing far more in community-style, generalist bankers and deploying them in a variety of roles. "As a board member, I'm constantly reminding our team that we need to move our talent around, we need to challenge them and give them more opportunities," he said.

And the current group of senior managers is not getting any younger. Crist said bank CEOs are now about 58 years old on average. "So, it's a shrinking industry run by old white guys," he said. "There's an issue here about the future of the industry and how talent gets developed," he said.

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> **–– Peter Crist, chairman of Wintrust Financial Corp.**

Flynt Gallagher, president of Meyer-Chatfield Compensation Advisors, said a lot of aging CEOs that have been through the downturn and are now facing increasing regulation and compliance requirements are ready to get out of the business and retire. At the same time, a lot of talent that would have served as successors are leaving the industry for other fields that are less regulated and pay better. "And we're not growing our own anymore," he said. Big banks stopped using management training programs because they found that all they were doing was training future community bank leaders, he said.

Crist said middle or senior managers in banks today that want to move up the ladder have to broaden their experience. Additionally, employees in small community banks who aspire to "run something" have to make sure they are in an organization with the structure that allows them to do that, he said. Employees have to feel comfortable that the company offers the possibility for upward movement "because if it doesn't then there are opportunities elsewhere," he said.

Gallagher said healthy, profitable banks need to be aware that their top people are being

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recruited by other banks that may or may not be as healthy. "If you have a strong COO, I guarantee somebody has approached them about becoming their CEO … because they don't have the talent internally," he said. Crist, the Wintrust chairman, said the number of executives holding the title of COO is declining both because boards are pressing CEOs to be closer to the business and because COOs are often approached to be CEOs in other organizations.

Crist said banks are increasingly looking at the "soft" elements of leaders' attributes including trustworthiness, fairness and unassuming behavior. "The imperial CEO is gone … that whole concept is gone," he said. "He must be approachable." Also, sensitivity is now a much sought-after attribute. "We hear constantly of [banks] trying to find people who have sensitivity to others. It's come to the fore now, and it's hard to identify. But it's something that every company will look for now," he said.

Gallagher said banks today are trying to identify workers who are key to their future success and then find ways to tie their compensation to performance. One way more banks are doing that is by using supplemental executive retirement plans, or SERPs, which are financial guarantees above and beyond typical IRA or 401K plans. They are paid out to executives that stay with a company into retirement, Gallagher said. "It's an expensive tool, but that's what makes it so effective," he said. SERPs also force CEOs to make sure succession is handled properly, he said.

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