

At Regionals, Heirs Apparent Missing

By Paul Davis



Robert Voth,
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Bank of America's and Citigroup's succession messes have resembled reality shows this year, but many regional banking companies are ripe for minidramas, too, with chief executives poised to turn over en masse.

Several midsize banks have graying CEOs who survived last year's financial crisis and the continuing recession. Their reward: more government oversight, compensation limits and a slow economic recovery in which growth opportunities may be harder to come by.

For all of those reasons, many observers believe the industry will see an unprecedented number of battle-weary CEOs retire during the next three years. Many of those banks have not designated successors to the CEO, a situation some said could foreshadow rough transitions to new management or serve as a catalyst for consolidation.

"I think bankers are tired," said Anthony Polini, an analyst at Raymond James & Associates. "I don't necessarily think they are distraught or crippled by the financial crisis, but the regulatory environment is increasingly more burdensome, and it may be difficult to actually make a decent salary."

The median age among CEOs at 20 major regional banks is 60, and their median tenure exceeds seven years, according to American Banker research in company disclosures.

The silence on succession plans is difficult to interpret. It is unclear whether the companies are unprepared or keeping their intentions secret for now.

Robert Voth, a managing director at the executive search firm CTPartners, said that boards are acutely aware — or should be — that they must act before scrutiny shifts from big banks to regional players. "Succession planning is no longer an option for senior management and boards," he said, declining to discuss individual banking companies. "It is a requirement, and it could potentially have serious repercussions for the regional banks that do not have clear succession plans."

Few regional banking companies have explicitly said who would succeed the current CEO.

Regions Financial Corp. said last month that O.B. Grayson Hall had succeeded CEO C. Dowd Ritter as president, a strong signal that Hall is in line eventually to replace Ritter, who at 62 is three years away from the Birmingham, Ala., company's mandatory retirement age. SunTrust Banks Inc. in Atlanta took a similar step last year, tapping William Rogers to succeed CEO James Wells as president.

Observers said the succession story is murkier at a number of midsize banks, including KeyCorp, where Chairman and CEO Henry Meyer will turn 60 next month, and Comerica Inc., where CEO Ralph Babb is already 60. Synovus Financial Corp. announced the departure this year of President Frederick Green 3rd, who had been widely viewed as the top candidate to succeed CEO Richard Anthony, 62.

A Comerica spokesman said only that the company has "a prudent plan in place." A Key spokesman declined to comment, and a Synovus spokesman did not respond to questions.

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AMERICAN BANKER: At Regionals, Heirs Apparent Missing (Continued)

Events of the last 18 months have had a meaningful influence on succession planning. On one hand, more aspiring CEOs have garnered invaluable experience by enduring the most difficult crisis in recent memory. However, the near meltdown that took place last year also made it obvious just how complex many banking companies have become, raising the bar for qualifications.

David Ritter, an analyst at Argus Research Corp., said finding suitable successors to retiring CEOs, whether internally or externally, may prove difficult. "I think boards are discovering that it is very difficult to find someone who has the right skills to even begin to manage these complex organizations," he said.

There are no legal requirements to disclose succession plans, but regulators are debating whether to institute some. Christopher Marinac, an analyst at FIG Partners LLC, said companies should be more open about succession planning though it would provide critics with more grist, he said.

An executive recruiter agreed, saying that the drama playing out at B of A, where numerous CEO candidates have declined to be interviewed for Ken Lewis' job, is not atypical. The problem at B of A has been the publicity given to the search, he said, and similar spectacles could occur at companies whose boards "fail to get ahead of the issue."

Raymond James' Polini said that boards, many of which have also aged considerably in the past 18 months, that are unable to identify a clear-cut CEO successor may consider selling, even if the CEO is not pushing retirement age. "In many cases, even if you have a young CEO, ... you have an average age of the board that is usually north of 70," Polini said. With that in mind, "we are probably 12 to 15 months away from a healthy round of acquisitions."

Rod Taylor, the senior partner at the Taylor & Co. executive search firm, said factors exist that may keep some CEOs in place. For instance, some will extend their tenures in an effort to rebuild some of the wealth they lost in the past two years.