

What to Look for in Your Next CEO: Part I

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Selecting a chief executive to lead your institution is a bank board's single most important responsibility. Everything flows from this decision, including the bank's strategy, reputation, the ability to attract critical talent, investor and employee confidence and the credibility of the board itself. Selecting an underprepared or inadequate leader—no matter how well liked or how long employed—can quickly send a bank in the wrong direction.

The list of optimal skills required in a bank CEO today could easily include dozens of items. Here we will highlight ten technical skills that we see as “must haves.” Next month, we will highlight ten leadership competencies and attributes which will complement the qualifications below.



Experience Working with Regulators

Regulatory relations were barely on the radar screen for bank leaders a decade ago, unless the bank was in trouble. However, in today's altered regulatory climate, the ability to forge a positive working relationship with a bank's varied regulators has become a vital ingredient for success.

Balance Sheet Management Experience

The extended low interest rate environment has put pressure on bank spreads like never before. With interest rate risk and margin pressures on the front burner, CEOs need to understand the construction of their balance sheet, including capital strategy, more deeply than before.

Commercial Credit Skills

You can never have too much credit skill in a bank, in our opinion. Credit quality issues will quickly turn a good bank into an underperformer. The path to the CEO's desk still goes through the commercial lending area more often than any other area.

Experience with Corporate Governance

Boards are under increased scrutiny from investors, customers, regulators, communities and even employees. CEOs need to appreciate the pressures facing directors (even for privately held and mutual institutions), and respect the ongoing challenges facing the board.

Technology Savvy, Including Evolving Channels

Technology in banking has moved from the back office to the front lines. Understanding how the rapidly shifting technological landscape is impacting the industry—and how to respond in real time—has become a vital ingredient for ongoing success.

A New Perspective on Risk Management

In the good old days, risk meant credit, fraud or simple liability for slip-and-fall accidents. Nowadays, this category has broadened to include cybersecurity, counterparty risk, compliance issues, legal challenges and more. Being able to identify and triage the bank's risk factors is more important than ever.

Marketing and Social Media Knowledge

As mentioned, technology has become a front-line channel for growth. The integration of social media with technology has changed how many banks must go to market, build brand awareness, drive engagement and respond to customer needs. CEOs need to be plugged into these shifts, even if they are not active themselves on social media.

Exposure to Fee-Based Lines of Business

Given the decline in interest margins, boosting fee revenue appears to be on almost every bank's strategic planning agenda. Even for banks with a low percentage of fee-driven revenue, CEOs need to explore alternative ways to grow the top line.

Transaction and Integration Experience

Many banks that never previously considered a transaction are now exploring all options, including acquisitions, mergers of equals, branch sales and purchases and fee business acquisitions. Exposure to the transactional arena has become more critical, as has the ability to successfully integrate post-transaction. Otherwise, the value derived from "doing a deal" may not be achieved.

Strategic Planning Skills

Everyone seems to have a plan, but how real and achievable is it? A CEO's ability to craft a meaningful path forward and drive the plan's execution has become a differentiator for successful banks.

There is no perfect template of skills which will guarantee success, particularly in the pressure-filled and constantly evolving banking industry. However, finding a CEO with a foundation grounded in these ten industry skills will increase your bank's odds of surviving and thriving.



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