

## TRAITS OF A CEO

by [Steve Brown](#)

To be successful as a CEO of a bank, you have to be either totally committed or take great steps to ensure you have no idea what is going on. As this credit crisis trickles through, the press has tried to vilify banks and Wall Street for providing liquidity. Sooner or later, some bank CEO will be brought to testify before Congress. When this occurs, it will pay to be a master of the facts and to show all the quality traits of a good CEO. If you can't do that, then make like Ken Lay / Bernie Ebbers and claim that, despite an outsized compensation package, you have successfully shielded yourself from all details of the bank with the exception of lobby decorations.

Assuming the latter approach isn't your cup of tea, we point you to a study by the University of Chicago. It suggests "hard" practical virtues of a CEO (such as analytical skills and persistence) correlate more with success than "soft" skills. Researchers examined personal assessments of 313 CEOs and tracked their success.

Academic researchers drew information from 4-hour interviews with CEOs and then developed a scorecard of traits ranging from motivation and intellect, to a candidate's ability to fire underperformers. The study then correlated this data with financial profitability.

The study found 5 traits that mattered most to superior CEO performance: persistence, attention to detail, efficiency, analytical skill and setting high standards. Oddly the traits that mattered least were: strong oral communication, teamwork, adaptability, enthusiasm and listening skills.

The researchers were careful not to throw "softer" traits out the window, however. Many of these CEOs had moderate levels of interpersonal skills and enthusiasm, which are certainly of some value. Granted, an executive who is aggressive and bottom-line driven will promote efficiency and output in employees, but being respectful and flexible may make for better management. The study found that super enthusiastic CEOs did not perform significantly better than those who were moderately enthusiastic (a trait that most of the CEOs had).

The takeaway of the research is to get back to basics and drive performance with a mastery of the core competencies of banking. Of course, we are sure it doesn't hurt to be a well-rounded CEO that has good analytical skills, sets high standards AND provides quality leadership. However, if you want to take the Enron / WorldCom approach, then our research uncovers this tactic - the next time you go to a meeting where they start talking about bank details, put your fingers in your ears and go, "LA LA LA, I CAN'T HEAR YOU!" It will help support your defense later.

## BANK NEWS

### Housing Worsens

The latest S&P/Case Shiller home price index of 20 cities fell more than 15%, the fastest pace in 8Ys. The 2 cities that posted the biggest declines were Las Vegas (down 26.8%) and Miami (down 26.7%).

### M&A Off

Jacksonville Bancorp (\$410mm, FL) has rescinded an offer to purchase Heritage Bancshares (\$173mm, FL). Jacksonville's shares had lost about 20% of their value since the deal was announced,

while Heritage reported an increase in loan delinquencies (non-current loans have jumped to 8.72% of total loans) as of March 31.

### **M&A On**

Hometown Community Bancorp (\$1.5B, IL) will acquire Alpha Financial (\$178mm, IL) for an undisclosed sum.

### **More Writedowns**

A Merrill Lynch analyst predicts Citigroup will need to take \$8B in new writedowns this quarter, following the \$40B it has already taken over the past year.

### **Small Biz**

An amazing 43% of small businesses have registered their trademarks. Banks might want to consider starting a program to help businesses do this, in an effort to get new customers and open more deposit accounts.

### **Competition**

Microsoft said it plans to increase the amount it lends to small business clients for technology purchases to \$1.25B this year, a 60% increase over 2007.

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