LOOKING FOR
leaders

By Steve Cocheo, executive editor & digital content manager
Ideal candidates blend traditional skills with new ones—technology and empathy—to meet the needs of an evolving industry

Ecclesiastes 12:12 advises, “Of making many books there is no end,” and if you doubt this, enter “leadership books” on Amazon. You’ll find more than 86,000 entries. If that’s not enough, don’t fret. More books are being written as you read these words.

What’s harder to find are good leaders. Mankind finds leaders in many ways: revolutions, bloodlines, elections, smoke-filled rooms, recruitment, training, experience—and sometimes by apparent serendipity.

What makes a good banking leader? And how do you find and grow them? We talked to industry experts and banks about their views and what they found that works.

Drop the salute; learn to adapt

For decades, commercial lending served as the usual road to the top, and the militaristic “command-and-control” model set the tone. Clearly, this has evolved and is evolving, as banking’s workforce, the society it serves, and the definition of “banking” changes. As banking becomes more complex and increasingly re-regulated, the hunt for good leaders on boards, in the corner office, and throughout institutions takes on increasing urgency.

“Leadership development gets ten times the attention it used to,” says Dr. Don Mullineaux, curriculum director for ABA’s Stonier Graduate School of Banking, which has seen a 20% increase in registrations recently, breaking a 20-year record. “The pace of change in banking is so much quicker than it used to be, and banks face competitors from so many more sources.” The financial crisis and its aftermath only underscore the importance of finding and training the leaders of today, and tomorrow. Management succession, always a concern, looms over every bank boardroom and C-suite as never before.

“Leadership styles go in and out of vogue,” says Sallie Krawcheck, industry observer and former Merrill Lynch CEO, as well as past leader at Citibank and Smith Barney. “But I’m of the opinion that as the world changes, a less command-and-control style, a style more collaborative, and a broader set of skills will be useful, if not essential.” She believes communications skills have become more important, and while a talented introvert may succeed, the “people person” will have an edge.

It used to be assumed that the folks at the top had all the answers, Krawcheck continues, but increasingly that won’t work. She believes successful leaders must be able to tap into ideas from a wider range of sources, and this will demand the ability to assemble diverse teams.

Diversity, in her view, goes beyond adding women and minorities to leadership. The idea is to invite people with different views and sets of skills into decision making.

A historical model appears in Doris Kearns Goodwin’s Team of Rivals. She describes how Abraham Lincoln filled his cabinet with the antithesis of yes-men—a collection of other politicians who had wanted his job.

Importance of empathy—plus technology

In the age of UDAAP, clearly, the ability to see, and raise, a concern about fairness would demand open discussion. Indeed, Krawcheck sees empathy as a prime word for the future bank leader’s job description. “The really successful leaders will have customer empathy,” she says, “and will be able to break away from the pack.”

In a related vein, Eugene Ludwig, former Comptroller of the Currency and now CEO of Promontory Financial Group, believes “community” will be in that job description. Whether heading up a small local bank or an international financial institution, a good banker must be part of the “community” served. This provides focus and the ability to set the “tone at the top,” he explains.

While these experienced industry observers see the importance of what some might call “soft skills,” this doesn’t mean that “hard” skills won’t count.

Technology reigns in banking now, and the meaning of customer engagement evolves. Banking futurist Brett King, consultant and head of fledgling Moven (formerly Movenbank), a mobile-only institution, says, “Someone with a good understanding of databases” will move up. Even credit will be important, he says, but with the understanding that consumer credit will be less of an “event” in the future, and more of an ongoing process ruled by more than traditional measures and scores.

As banking’s distribution model breaks up and reforms, King says, the banker who understands the industry’s customer advisory roles will have a leg up.

Krawcheck, returning to her point about what’s in vogue, notes that for a time among very large banks, a trading background was seen as essential to top leadership. Technological prerequisites may have a longer-lasting influence. “A leader may not have to be a quant,” says Ludwig, “but they will have to be more comfortable with the technological side of banking, for portfolio management as well as service delivery.” Since the financial crisis, regulators have stressed—no pun intended—the importance of risk management as never before,
with the role of enterprise risk management increasingly being pushed down into more banks. The hat of regulatory manager is one that leaders will have to grow accustomed to. For instance, says Ludwig, “for consumer bankers, there will be a shift from a ‘buyer-beware’ environment to a ‘seller-beware’ environment.”

Educating leaders for tomorrow
What degree would Ludwig recommend for a would-be banking leader? He says he’s not so concerned by the type of degree, but what the student learned: strong analytical skills and technology.

Many bankers, even today, started on the front line, but that route won’t be as readily available as the industry’s way of doing business evolves, says Ludwig. Hence, a background in humanities, in school, may teach some of what young bankers once learned on the job. If he had to reduce this all to a phrase, Ludwig says it would be that tomorrow’s leader must be “an accountant who is also a poet.”

Some qualifications won’t change. Ludwig looks back at industry icons like John Medlin, leader of the old Wachovia in the 1980s, as folks still worth emulating. Those past leaders’ strong credit skills still mean something today.

Yet, tomorrow’s leaders will have to learn faster, he says. “Today, there is less margin for error, and less tolerance for not getting things right.”

Stonier’s Mullineaux thinks future leaders he’s seeing “get it.” In years past, he says, it wasn’t unusual to see students reading the paper during classes, casually taking in what instructors delivered. “I see very little of that now,” he says. Not coincidentally, 20% of Stonier’s program focuses on leadership, spread throughout the three-year program. (Stonier is held at University of Pennsylvania’s Wharton School, and graduates receive a Stonier Diploma and Wharton Leadership Certificate.) Formerly, only final-year students heard about leadership concepts. While about half the students are lenders, the other half are from across the banking spectrum.

Training tomorrow’s leaders
To see how banks aim to turn promising candidates into tomorrow’s leaders, we tapped a range of five players—Umpqua Bank, Capital One Financial Corp., Fifth Third Bancorp, Bank of the West, and First Bethany Bank and Trust.

Fifth Third: “emotional intelligence”
Lauris Woolford’s LinkedIn profile makes clear her job No. 1: “Develop the leadership capabilities of individuals, teams, and organizations within a 22,000+ employee, Fortune 500 bank, by expanding their openness, increasing their emotional intelligence, and improving their capacity to solve problems.”

Woolford, executive vice-president, organization development and planning, at the $119 billion-assets company, started at Fifth Third when it had 4,500 employees. She says over time, the bank realized that its leadership model needed updating. Technical skills, core values, and suitability to a strong sales culture remain important. But, she and her associate, Elizabeth McKay, vice-president and program manager, executive development, found that something more was required.

“Leadership,” says Woolford, “is so much more about emotional intelligence, not IQ. Emotional intelligence becomes more and more important as our world evolves.”

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—Eugene Ludwig, Promontory Financial
becomes more and more diverse.”

The need for change became evident as the bank worked through annual reviews, and found repeatedly that promoted employees exhibited personal ability and social awareness—emotional intelligence. “And others were being derailed by the lack of them,” she says.

In 2010, Fifth Third launched revamped executive training that stressed emotional intelligence. So far, over 300 operational and strategic leaders have gone through it; the concepts are applied elsewhere in the training mix, as well.

Commitment to this concept is serious. Leadership candidates receive a “360-degree” emotional intelligence assessment, McKay says. Executives spend six hours coaching candidates over several months.

“It’s transforming our culture,” says Woolford. For many candidates, she says, the emphasis and training is transformational. A year or so after initial training, participants go through a workshop that delves further, and they receive another 360-degree assessment. A third stage is under development.

An unusual source of bank training advice here is the world of medicine. Fifth Third has worked with Harvard Medical School to adapt “empathetics” training that the school uses to teach future doctors how to work better with patients.

Part of the bank’s training has been designed to recognize that emotional intelligence applies to relations between leaders and their teams, and among teammates, too. What aspect of banking today does not hinge on getting players from multiple disciplines to cooperate?

Putting emotional intelligence and other skills—the bank didn’t drop functional education—into practice is key. As part of the strategy, Fifth Third moves people around to help them gain practical experience.

What’s interesting is a matter of direction. Traditionally, a connotation of being a leadership candidate is the career ladder—moving up.

“But, we do a lot of lateral moves now,” says Woolford. “In fact, some people have moved down to develop skills laterally.” Woolford says her boss, Teresa Tanner, Fifth Third’s chief human resources officer, “believes deeply in career lattices.”

Bank of the West teaches leadership

People speak of “natural leaders” and opine that “leaders are born, not made.” Back in World War II, the enlisted ranks sometimes scoffed at the so-called “90-day wonders,” who went into Officer Candidate School as green men, and emerged with lieutenant’s bars.

At $63.3 billion-assets Bank of the West, management believes appropriate, selected candidates can be taught leadership, says Eric Eisenberg, executive vice-president and director of human resources. In recruiting, the bank looks for people who demonstrated some leadership skill—team building, an activity exhibiting “vision.” Aptitude for following rules—“we’re in an environment where there is compliance”—counts, as does perceived integrity.

“If you are good at interviewing,” says Eisenberg, “these qualities come out loud and clear.”

The bank seeks to bring out leadership potential through training and job assignments. Bank of the West provides an intensive one-year management training program for promising candidates, and works at “keeping people challenged,” says Eisenberg. Each year, meetings with business unit leaders seek to spot talent that can be drawn out. As a smaller large bank, he says, the organization is intimate enough that people get to know people, and ability tends to rise to visibility.

“We work to get these people additional responsibilities, and special assignments, with additional expectations,” says Eisenberg. Candidates are encouraged to stretch.

Beyond this, in 2012, the bank started its Emerging Leader Program, a focused effort to give a dozen promising employees training and guidance. It also sends people to graduate banking schools. These are for bankers whose potential can be further enhanced by learning more about the business of banking.

Capital One’s extensive training

At Capital One Financial Corp., developing leadership ranks is a key task for the top players—it’s actually mentioned, at length, in the company’s annual report. Twice a year,
human resources meets with Chairman and CEO Richard Fairbank to review the well of executive talent. The board has a similar meeting annually, concentrating on critical management positions. And it’s a constant factor as the company looks for potential future leaders on campus, in the external recruitment process, and among employees who joined the $331.6 billion-assets company through acquisitions.

Lane Hopkins, managing vice-president, recruiting and talent management, says the most important filter for potential leaders is deep subject-matter expertise in Capital One’s key markets.

“Today, a bank must not only have people like that to survive, but also people with the ability to adapt to change, a strong customer orientation, and the ability to collaborate,” points out Hopkins. “A leader can no longer make decisions in a vacuum.”

Hopkins says leadership concepts can be found in many elements of the bank’s extensive training programs, which include the online Capital One University. One of the offerings for new hires is an analyst course, for instance, in which bankers learn how Capital One views credit. This course includes elements concerning people management. Instructors include senior bank leaders, who help entry-level students through case studies.

As bankers grow in their careers, more training includes leadership material, and the core effort is the three-week, invitation-only Leadership Development Program. The program draws on three sources for teachers: faculty from the University of Virginia’s Darden Graduate School of Business Administration and from the University of California at Berkeley’s Haas School of Business, as well as Capital One’s own leaders.

Umpqua, where everyone can lead
When a bank has made a name for itself by doing things differently, taking an atypical approach to leadership doesn’t come as a surprise. At Umpqua, any employee can take leadership training—virtually from their arrival at the bank.

“We believe it’s not just the CEO and top team that make the bank today,” explains Barbara Baker, executive vice-president, cultural enhancement (human resources elsewhere). With that in mind, Umpqua believes everyone engages in leadership in some fashion, and should be able to obtain training.

Michelle Van Allen, training director, says this takes the form of two programs, which both usually take two years to work through.

The first is the Emerging Leaders Program, also dubbed “Lead to Succeed.” Anyone in the bank can enroll in this program, which concentrates on developing traits such as adaptability and management of change. Baker says the concentration is on “leading oneself and leading a team.”

The second course, for managers, is called LeadingEdge. It concentrates most on leading the bank through ongoing change. Like the first course, anyone with direct reports can take this opportunity.

Baker explains that Umpqua’s top management doesn’t believe in traditional hierarchies, and thus believes leadership training should be applied broadly.

“If we are going to empower people to be leaders,” says Baker, “we have to show them how to do it.” In 2012, out of an FTE of 2,400, about 700 Umpqua associates went through one course or the other.

Baker says the bank started these programs using trainers and experienced staff, but adds the goal over time is to put experienced graduates into the teaching posts—new leaders training would-be leaders.

Candidates exhibiting strong abilities may be fast-tracked, says Baker. Indeed, these programs are critical because Umpqua puts priority on its unique culture, and resists hiring leaders from elsewhere.

“If we hired leaders from outside Umpqua, it would dilute our culture,” says Baker. “And if you dilute your culture, it’s almost impossible to get it back.”

First Bethany taps local aids
How does a $219.4 million-assets bank with 37 FTEs cope with its own leadership development challenge? Oklahoman Jane Haskin, president and CEO, First Bethany Bank and Trust, found a way—a community way.

Haskin says the local Chamber of Commerce offers a strong, yet inexpensive leadership course that the bank has sent staffers to. Likewise, the area school district’s vocational technology program offers an adulted leadership training course that the bank has found valuable.

Haskin gets bankers practical experience within the confines of a small staff through leadership posts in nonprofit organizations. Groups need presidents and treasurers, and bankers bring skills. First Bethany supports staffers’ efforts by granting time off to participate and making cash donations. “This helps develop leadership in our employees,” says Haskin, “and it gives them a sense of giving back.”