

## CEO Sought: Cycle Veteran a Plus

American Banker | Monday, June 9, 2008

By KEVIN DOBBS

When Wachovia Corp. joined the ranks of major banking companies looking for a new chief executive, it entered what observers say has become one of the most challenging recruiting landscapes in years.

Recruiters and analysts say the credit cycle may be the biggest factor affecting how CEO candidates are judged right now. In down cycles, these experts say, experience in the top job carries even more weight than during favorable times, especially if it specifically includes having managed risk through a past period of tumult.

"The pickings were slim to begin with. Now with added necessity for an A-team player in a down cycle, there are really only a handful of realistic candidates that would be qualified and would appease shareholders, the markets, and the employees of a company like Wachovia," Robert Voth, a partner at the executive recruiting firm CTPartners, said in an interview last week.

**"Gray hair, bald heads, and wrinkled faces are back," Rod Taylor, the senior partner of the Atlanta executive search and consulting firm Taylor & Co said in an interview last week. "And you need real credit, real risk management chops."**

**But tapping into the pool of executives who may fill that bill may not be a simple task. Mr. Taylor and others said possible recruits who have this type of experience tend to be in their**

**60s, not far from retirement, already in good jobs, and leery of topping off their careers by trying to repair a damaged company.**

And convincing people who may be on the brink of retirement — if not already retired — can be a tough sell.

"A lot of the old CEOs — the guys that people really respect — they don't want to get back in and fight in the trenches," said Mark Fitzgibbon, head of research at Sandler O'Neill & Partners LP. "They don't want to jump back into the game to try to save a floundering company."

That environment helps explain why the lists of potential candidates to fill a high-profile financial services CEO spot often repeat each other.

Recruiters almost always cite Richard M. Kovacevich, the chairman of Wells Fargo & Co., as an example of someone with the right type of experience.

As Wells' CEO, he presided over a long, successful run at the San Francisco company, which, relative to most other large-cap financial services companies, has weathered the latest downturn well. Last year Mr. Kovacevich, 64, turned over the CEO reins to John Stumpf as part of a succession plan meant to culminate with the chairman's retirement.

Mr. Kovacevich's name has come up before, such as when Citigroup Inc. ousted Charles O. Prince as its CEO late last year. The New York company picked an insider, Vikram Pandit, as its leader.

Through a spokeswoman, Mr. Kovacevich would not say whether he would be interested in returning to a CEO role. But recruiters say he has given no indication he wants to put

retirement aside to head a company such as Wachovia, which forced G. Kennedy Thompson out last week after eight years at the helm.

Asked for short lists of lieutenants or former chief executives who might be a fit for a turnaround situation, analysts were able to come up with names, some that went off the beaten path.

Even as he professed skepticism about bringing people out of retirement for vacant CEO posts, Mr. Fitzgibbon suggested William J. Ryan, the chairman of Toronto-Dominion Bank's TD Banknorth Inc. who stepped out of the CEO role last year as part of a succession plan, as a possible dark horse candidate. A TD Banknorth spokeswoman said Mr. Ryan would not discuss the matter.

Recruiters and analysts said Richard K. Davis, the 50-year-old chief executive of U.S. Bancorp, would be a logical candidate, because of his age and the fact that his Minneapolis company has navigated the down cycle without taking steep mortgage-related hits.

A U.S. Bancorp spokesman would not discuss the speculation, but recruiters said Mr. Davis is not viewed as someone likely to leave solid footing for a turnaround job.

"A guy like Davis, sure, he'd be appealing simply because he hasn't showed weakness," Mr. Voth said. "Up cycles allow a board a certain amount of natural leeway in the assessment of talent. An up market has a tendency to hide weak leaders, to cover up blemishes, and allow a board to stow away the microscope on management. That's not the case right now, obviously, so the few CEOs who have been strong really stand out."

Several recruiters and analysts cited Liam E. McGee, the head of Bank of America Corp.'s consumer bank division, as a candidate for the

Wachovia company. Mr. McGee, 53, presides over a large and financially successful piece of the B of A empire, making his experience appealing.

What's more, if he and Wachovia were to come to terms, he presumably could make the transition somewhat smoothly since both B of A and Wachovia are based in Charlotte. A spokesman for Mr. McGee did not return calls for comment.

Mr. Fitzgibbon said an executive search might well lead Wachovia to look outside the banking industry for a replacement. He did not name names, but he said successful managers of large hedge funds, or star executives within the financial divisions of large companies such as General Electric Co., might offer attractive options.

Mr. Fitzgibbon said a company looking for dramatic improvement would also likely look for a CEO who will guide it over the next decade, so Wachovia or a similarly situated company would be less likely to go after an executive approaching retirement age.

"You don't want to go through major change now only to turn around and go through it again in two or three years," he said.

Jeff K. Davis, an analyst at First Horizon National Corp.'s FTN Midwest Securities, said in an interview last week that CEO searches are often lengthy and exhaustive, especially when an internal candidate does not quickly rise to the top. For the likes of Wachovia, that will hold true today as it has in the past, he said.

"But that doesn't mean the market for CEOs is any less robust than at some other point in the past," Mr. Davis said. "I think there is enough good and interested talent out there to fill top jobs."