

## Changes at BB&T Going Right to Top

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By PAUL DAVIS

BB&T Corp.'s management committee has evolved over the last five years: It's younger and larger.

The changes provide insight into both succession planning and a shift in the North Carolina bank's acquisitive strategy to one more focused on organic growth.

Under John A. Allison, BB&T's chairman and chief executive since 1989, the executive management committee has grown more than 22% to 11 members since 2003. Its ranks include many younger executives as well, in part because several longtime executives have retired or are poised to do so.

But that's not to say the committee is full of new faces: Each of the last six executives to join has been at the company for at least 20 years and participated in its in-house management program. All were 48 or younger when they were tapped.

Though Mr. Allison, at 59, is 6 years from BB&T's mandatory retirement age, observers say he may be setting the stage for his eventual successor.

Early retirement is not unheard of at the \$132.6 billion-asset BB&T. In 2006 its chief financial officer stepped down at 56, and its current chief risk officer, W. Kendall Chalk, who is 62, plans to step down in September.

Kevin Fitzsimmons, an analyst with Sandler O'Neill & Partners LP, said the Winston-Salem company is taking a "deliberate" approach to ensure there is a "fluid handoff to the next generation." He said BB&T decided to enlarge the committee "after realizing that their inner circle was all about the same age," and that a "methodical" transition was necessary.

**Rod Taylor, the senior partner of the executive search and consulting firm Taylor & Co., agreed with Mr. Fitzsimmons' assessment, and said BB&T is good at developing talent and retaining "the best and the brightest."**

Clarke Starnes 3rd, the manager of BB&T's specialized lending group, joined the committee in 2006 and is expected to succeed Mr. Chalk as chief risk officer this summer. The 48-year-old said the twice-a-month meetings are led by Mr. Allison, and there is "active participation" from all members in discussing performance trends, corporate governance, and growth objectives.

Attendance is mandatory, Mr. Starnes said in an interview last week. "We certainly try to make decisions by consensus, though everyone is required to have independent thoughts," he said. "Certainly John guides the direction, but it's not autocratic ... because everyone has an equal say."

These days the committee may spend more time discussing the housing market and the economy, but Mr. Starnes said the meetings have not become more frequent as the industry's problems have become more pressing. "The process has been so well defined over the years," he said. "Certainly there are special things that come up, but it isn't ad hoc at all."

BB&T began expanding the committee in 2003, around the time it announced it would not abstain from bank acquisitions for two years.

Mr. Allison said then that there was "indigestion" from past purchases and that BB&T needed to concentrate on cutting costs.

Several recent additions to the management committee speak to the increased emphasis on organic growth. Donna Goodrich, BB&T's manager of deposit services, joined the committee in 2006, after BB&T found that deposit-gathering generated three-quarters of its profits. The executives who run lines such as electronic delivery and the banking network also joined in recent years.

Albert Savastano, an analyst at Fox-Pitt Kelton Cochran Caronia Waller, said Tuesday: "Clearly, when you put business-line executives on a management committee, it reflects an increased focus for the overall firm."

BB&T's internal focus may be a reason it is performing better than many of its rivals.

Christopher Marinac, an analyst at FIG Partners LLC, said in an interview last week: "BB&T's simplicity still speaks volumes on how they do business. I am as skeptical as others that they came through the first quarter squeaky-clean, but I don't think any hits are going to be massive."

Despite bringing fresh blood to the management committee, Mr. Allison seems intent on preserving BB&T's "cult-like" culture, as Mr. Fitzsimmons put it.

Mr. Allison is as apt to discuss philosophy as banking, and he uses 10 core principles, including "reason" and "justice, to guide his company. He briefly detailed his managerial requirements in announcing the latest round of additions in late 2006, saying in a press release that BB&T looks for people with "intellectual insight, moral character, and proven experience."

However, Mr. Fitzsimmons said building a seemingly homogenous team from the inside could lead to tunnel vision. He said some investors wonder why BB&T has not hired more executives with "large-bank experience."

Mr. Starnes said BB&T has a "very open" culture. "Everyone has a significant opportunity to contribute and develop their capabilities and careers."

"The more you're here," he said, the more "you develop an affinity for the company."