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Benchmarking Your Bank: How Leadership Priorities Change

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While some issues are of near universal concern among financial services organizations, some concerns vary by size of institution.

For example, according to the 2017 Financial Institutions Compensation and Benefits Survey conducted by Crowe Horwath LLP, larger banks are much more likely than smaller banks to report they had enacted an organized effort to recruit new board members. On the other hand, smaller organizations are more likely than larger organizations to report they had documented plans for CEO succession. The survey included responses from banks under $250 million in assets and over $1 billion in assets.

Leadership Issues

Among the smallest banks in the survey (those with $250 million or less in assets), fewer than a third (32.8 percent) reported they had an organized effort in place for finding new board members. As banks grow larger, however, board recruitment appears to become a higher priority.

Among banks in various midsize categories, between 40 and 43 percent of survey respondents said they had board recruitment plans. But among the largest banks in the survey (those with $5 billion or more in assets), 57.1 percent reported they had organized efforts to recruit new board members.

Conversely, the issue of CEO succession appears to be of greater concern among smaller banks. Among banks with $250 million or less in assets, 70.6 percent reported they had documented plans for CEO and other high-level executive succession. That number declines steadily as bank sizes become larger. Among banks with $5 billion or more in assets, only 42.9 percent of the survey respondents had documented CEO or executive succession plans in place.

Similar trends are seen when comparing survey responses according to the size of the community in which the bank is located. Two-thirds (67.0 percent) of the banks in communities with populations less than 100,000 had documented CEO or executive succession plans. But among the banks in larger communities (those with more than 100,000 in population), fewer than half (48.8 percent) had such plans in place.

The reasons for such size-related differences are not always obvious. One might speculate that small banks with smaller executive teams are more dependent on their CEOs and thus are more concerned about being prepared for a change in the top executive office, particularly if they have a smaller pool of potential candidates from which to choose.

On the other hand, in some instances succession planning also could be used as a tool for retaining promising executives. Being named in a succession plan could encourage senior managers to stay with a smaller bank rather than joining a super-regional for more money and opportunity.

Regulatory Issues

Size-related patterns also were seen in the survey responses related to current regulatory developments. Survey respondents were asked to rate their organizations' levels of concern, understanding and preparedness regarding planned changes to the overtime pay exemption and federal minimum wage rules under the Fair Labor Standards Act and to pending executive pay disclosure requirements under Dodd-Frank.

In these areas, the disparities were less surprising, given the likely impact of these regulatory changes on banks of various sizes. Banks with more than $5 billion in assets expressed significantly higher levels of concern about proposed Dodd-Frank pay-for-performance and pay ratio disclosure requirements than did smaller banks—presumably reflecting higher executive pay scales in large banks. At the same time, though, the largest banks also expressed higher confidence levels in their understanding of and preparation for these requirements.

Smaller banks generally expressed higher levels of concern about the effects of overtime rule changes.

Interestingly, the survey indicates noticeable jumps in the average salaries for several categories of branch and operations management positions. The presumption in this case is that banks are adjusting pay scales in anticipation of the expected overtime rule changes.

Survey data coupled with other research can provide bank directors and officers with useful insights into how other organizations are responding, while also helping them compare their own leadership priorities against those of their industry peers.

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