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Predicting the Next Boss

When Jim Holly looked for someone to replace him as president and CEO of Porterville, Calif.-based Bank of the Sierra (<http://www.bankofthesierra.com>), he turned to the Predictive Index. This behavioral planning tool helps identify attributes that contribute to a job candidate's tolerance for risk, entrepreneurial drive and ability to multi-task and work well with others.

"You might have a vague notion" of whether a person has those characteristics, Holly says, "but this gives you an explicit narrative of what the person is like."

Holly says using the index helped Bank of Sierra identify three strong candidates with the desired attributes, including one candidate who closely mirrored Holly's personal index assessment. Holly says he's not trying to find a "clone" of himself. But he says he and his board are looking for similar skills and behavior to keep building the \$1.1 billion-asset bank.

The Predictive Index is essentially a checklist of 172 adjectives, says David Wiseman, president of Predictive Index Utah, a Salt Lake City consultancy that licenses the behavioral index. Job candidates are asked to pick the terms that best describe how they see themselves and how they believe others view them, which generates a personality profile.

By looking at how these factors interrelate, the analysts can determine the types of positions or situations in which the job candidate would most likely succeed, Wiseman says. Holly says Bank of the Sierra has used Predictive Index for about four years as a part of its overall recruitment process and to help in determining promotions and reassignments.

Created by the Wellesley, Mass.-based consulting firm PI Worldwide (<http://www.piworldwide.com>), Predictive Index has long been used by corporate human resources departments to help screen. Ellen Belli, vice president of marketing, estimates financial institutions represent about 10% of PI Worldwide's 5,000 clients.

"The graying of the American workforce is elevating the importance of succession planning across industries, including community banking," says Dan Handalian, a senior consultant for PI

Worldwide. Wiseman notes that "many people in leadership roles in banks, particularly community banks, are turning 60 this year and about to retire."

Attorney Walter G. Moeling, a partner who runs the financial institutions group for Atlanta-based Powell Goldstein, LLP (<http://www.pogolaw.com>), says failing to develop a succession plan is a common fault among community banks.

Moeling, whose firm represents 300 community banks nationwide, says many CEOs put off anointing a successor, or even setting up a strong "number two." Often, Moeling says, "the current CEO is not anxious to have a ready, immediate and apparent substitute."

Holly, who turns 65 in August, speculates that many of his peers might avoid the succession issue simply because they have "a sense of living forever; they don't sense their own fragility."

Wiseman says many community banks don't look beyond their own top executives for a CEO successor. "There's a fairly common idea that the next CEO of a bank should be the old chief financial officer (CFO)," he says. A CFO "might be a great number-cruncher, but not necessarily a good marketer or a people person," he adds.

In a recent PricewaterhouseCoopers (<http://www.pwcglobal.com/gx/eng/main/home/index.html>) survey of 364 CEOs at privately held companies, nearly two-thirds (65%) had plans to move on within the next 10 years. But only 22% had done a lot of succession planning, the survey found, while 24% had done little and 19% had done almost none. Nearly half of those surveyed (45%) had not identified a successor.

For community banks, Wiseman says, this failure can be expensive. While hiring the wrong teller can cost as much as \$18,000 in wasted recruitment and training expense, "the cost of choosing the wrong CEO could be in the hundreds of thousands of dollars," he says.

For more information about the Predictive Index, visit our website at: www.PIworldwide.com or call: 1-800-832-8884.