

THE IMPACT OF THE CEO'S FUNCTIONAL CAREER PATH ON A COMMUNITY BANK'S FINANCIAL PERFORMANCE

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ABSTRACT

Given the conflicting pressures to make high quality loans to individuals and businesses in their communities, yet simultaneously build the bank's capital account, it is imperative that the selection of a CEO of a Community Bank be one that can insure high asset quality while simultaneously generating earnings with which to build the bank's capital accounts. Community Banks, not unlike other industries, tend to select personnel with banking industry experience. The authors sought to determine which of several Functional Career Paths within the banking industry offered the higher probability of success in meeting the financial goals aspired to by both the Regulators as well as the bank's shareholders and community. Community banks and savings associations in Florida, Georgia, Tennessee, North Carolina and Virginia comprised the study population. A total of 926 institutions were selected from the directories published by the various state bankers' associations. A self-administered survey instrument was utilized for the study. Interviewees were asked a matrix of open ended questions about their respective banks total assets, total capital, and profit after taxes for a three year period. These figures were obtained or derived from audited financial reports filed with each of the bank's appropriate governmental regulators. Demographic questions were also asked including "What was the functional career path of the CEO". A total of seven Functional Career Paths were listed. There were: Commercial Lending, Retail Lending, Operations, Finance/Administration, Investments, Trust, and Other. The findings of the study support the author's premise that those banks with CEOs having a Functional Career Path in either Commercial Lending or Finance/Administration generate the higher business performance as measure by after tax earnings, capital growth, and market value of the bank.

Keywords: *career, banks, saving associations*