



It's All About People and Execution

An Interview with James E. Rohr, Chairman and Chief Executive Officer, The PNC Financial Services Group, Inc., Pittsburgh



James E. Rohr

EDITORS' NOTE Although "I don't think we're due for a huge economic uptake," Chairman and CEO James Rohr remains optimistic about the future, as he is already seeing "signs of an economic recovery." In that context, "PNC is very well positioned," he contends, with "a great business mix," the best capital and liquid positions in its history, as well as "our strong credit quality, reserve position, risk-management systems, and corporate-governance ratings," all of which "give us an excellent platform upon which to build." But even more important, Rohr relates, the firm "makes a difference for our customers." Of course, the level of service those customers receive and, in turn, the growth that PNC enjoys are "directly related" to the satisfaction of its 23,500 employees, he reasons. After all, "satisfied employees better serve our customers," and at PNC "our employee-satisfaction rate is well above corporate America's average." For ultimately, success is "all about people," he concludes, and "it's always a team effort."

After receiving a B.A. from the University of Notre Dame and an M.B.A. from Ohio State University, Rohr joined PNC in 1972, where he has proceeded to hold positions of increasing responsibility over the years. He was elected vice chairman of the firm in 1989, a director in

1990, president in 1992, COO in 1998, CEO in 2000, and chairman in 2001. Rohr additionally serves on the board of directors of Allegheny Technologies Incorporated and Equitable Resources, Inc.; on RAND's board of trustees; and as chairman of the Pittsburgh Cultural Trust and the Greater Pittsburgh Council of the Boy Scouts of America.

COMPANY BRIEF Headquartered in Pittsburgh, the PNC Financial Services Group, Inc., is a leading supplier of diverse, customer-focused financial products and services, from personal banking to corporate financing. Its flagship subsidiary, PNC Bank, offers consumer and corporate services through some 700 branches in Delaware, Kentucky, New Jersey, Ohio, and Pennsylvania. In addition, the firm owns about 70 percent of publicly traded fund manager BlackRock and has agreed to acquire United National Bancorp, which operates 52 branches throughout New Jersey and eastern Pennsylvania. Employing roughly 23,500 people, the company (NYSE: PNC) reported revenues of \$5.4 billion and net income of \$1.2 billion in 2002.

In the highly competitive financial-services industry, how does PNC set itself apart from its rivals?

At PNC the biggest differentiator is the customer experience. In our relationships with them, we strive to add value by, first, maintaining a well-trained and experienced customer-contact team; second, providing a broad range of products and services; and third, leveraging our premier technology platform.

Are you satisfied with your customers' understanding of the PNC brand?

Our customers have come to understand our brand by working with our people. We're focused on reflecting our culture and commitment to the customer in our brand. We feel very good about the way we've been able to grow our customer base, and we believe that growth is directly related to our employees' satis-

faction with the company. After all, satisfied employees better serve our customers, and they recommend PNC to their friends and family. Our employee-satisfaction rate is well above corporate America's average, and in some business segments, our customer-satisfaction rate is 95 percent excellent.

Along these lines, we have a program called the Chairman Challenge, which encourages all of our non-sales employees to refer business – their friends, family, and associates – to PNC. In fact, I've gotten people whom I sat next to on airplanes to do business with PNC. About 80 percent of our non-sales employees have referred new business to us through this program, and it received a Silver Anvil Award from the Public Relations Society of America. Further, the program has been a lot of fun, bringing new people into our sales-and-marketing culture at the grassroots level. It's not just about making the numbers; it's about finding a way to have all your employees engaged in the sales process. From an employee-recognition perspective, we also celebrate the best of the best and give out performance awards, for which our employees nominate one another. The fact is, we feel strongly about recognizing the work our people do because ultimately our success is all about people.

Given the challenges presented by the current economic climate, are you optimistic about PNC's growth?

Yes, I am. I don't think we're due for a huge economic uptake, but I do see signs of an economic recovery. Frankly, I'm excited because PNC is very well positioned for the future upturn. We're already sharply focused on our customers and our employees, and we have a great business mix. Our balance sheet and liquidity positions are the best in recent memory. Furthermore, our strong credit quality, reserve position, risk-management systems, and corporate-governance ratings give us an excellent platform upon which to build.

Will that growth come primarily from your existing markets or from other regions?

It depends on the business. With our regional bank, we're obviously focused on a particular region – New Jersey, Pennsylvania, Delaware, Ohio, and Kentucky – in which we are growing well and will continue to grow. If we do acquisitions in that business, they'll be in and around the same region, where we can lower costs and leverage our capabilities to the benefit of our customers – as we plan to do with our recent United National acquisition. In our wholesale area, we have a regional middle-market



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business, but we also have national real-estate and business-credit businesses. Although real estate isn't growing much right now, business credit is growing very nicely, so we see strong potential there across the United States. Meanwhile, BlackRock and PFPC, our global funds-processing business, are clearly strong national and international players that have the potential to capitalize on many wonderful growth opportunities throughout the United States, Europe, and the Far East.

As a result of recent corporate-governance failures, it seems that all businesses and their leaders are now being painted with one broad brush. Does this growing lack of trust among the public concern you, and what can companies do to demonstrate their integrity?

Clearly, some serious mistakes have been made and have severely impacted the credibility of corporate America. The SEC, the Stock Exchange, and the government have all obviously responded aggressively to these issues. But for the most part, I believe corporate America has high integrity and, over time, will regain the public's trust.

At PNC there's a strong emphasis on corporate citizenship. In your opinion, what is a company's responsibility to the communities in which it operates?

At PNC we focus on four constituen-

ties: the shareholders, the customers, the employees, and the community. In order to achieve long-term success, we must serve all of these constituencies, including the community, which is critical. I personally believe that we all have a responsibility to help those who are less fortunate than we are, and furthermore, it's good business. After all, when we give back to the community, the community does better, the economy benefits, and everyone's quality of life improves. For these reasons, PNC is very generous, both in our charitable contributions and with our volunteer time. In fact, over the past few years, our employees have contributed more than a million volunteer hours to charitable causes, and we recently announced PNC Grow Up Great, a 10-year, \$100-million commitment to school readiness.

Does technology play a major role in the way you service your clients?

Ultimately, it's all about execution, so we need to deliver technology in a way that makes a difference for our customers. We made a commitment to technology a long time ago, and today we have a data warehouse that enables us to manage information very efficiently. In addition, we have a call center that has been rated among the best in the industry, and we've Web-enabled all of our branches. In fact, I believe our on line-banking program has the second-highest penetration rate in the industry. As a result, we can provide a common customer experience, whether it's through the call center, ATM machines, or online banking.

On a more personal note, how is technology affecting the way you operate as CEO? Modern conveniences such as e-mail, voice mail, and cell phones are enabling executives to stay in touch more effectively than ever before, but they often make it impossible for people to turn off their businesses and relax.

CEOs are always thinking about their businesses, and I use e-mail quite frequently to keep in touch with clients and colleagues. But you're right: It's important to achieve a balance in your life. Of course, each person balances his or her life differently. As a CEO, I travel and work a lot, but I also make time for my family. I've been very fortunate to have remained married to the same incredible woman for 31 years and to have three children, two of whom live in Pittsburgh, as well as two grandchildren.

How do you define your role as CEO, and how do you budget your time?

As CEO, it's my role, along with the board, to set the company's strategic direction and then to communicate that direction to our people at all levels throughout the organization. So I have to create an atmosphere in which people

understand, embrace, and commit to our direction. In addition, I have to select the right leaders and empower them to make a difference, as well as communicate effectively and often so that everyone knows where we are in terms of achieving our goals.

Over the next year, what will PNC's main priorities be?

Our main priority will be to take advantage of the positioning that we now have – to maximize the opportunities we've been afforded as a result of the work we've done to the benefit of our four constituencies.

You joined PNC as a trainee in 1972. Did you ever imagine that you would spend more than three decades with the company and eventually become its chairman and CEO?

No, I didn't. When I interviewed at PNC, I liked the people I met, which really differentiated the company for me. But 31 years ago, of course, PNC was a small regional bank, with less than \$2 billion in assets – not the nearly \$70-billion-asset company it is now. Not only did I never imagine myself at the company's helm; I



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never imagined that PNC would grow and prosper in the way that it has.

Do you ever take the time to reflect on your success, or are you always focused on the next challenge?

The fact is, I've been very fortunate. I've worked hard, of course, but I've also been lucky, and I feel very fortunate to be the CEO of this company. There are many bright, hard-working people who haven't had the good fortune that I've had. So, when I step back and reflect on my success, I'm very thankful. For this reason, I also know that I have to give back to the community and take the time to recognize other people. Nobody ever achieves success by himself; it's always a team effort. As I said, it's my job to create the right atmosphere and assemble the team, but ultimately it's up to them to perform. ●