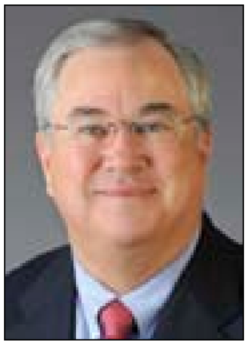
Rohr on Responsibility

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


James E. Rohr

EDITORS' NOTE *James Rohr joined Pittsburgh National Bank through its management development program in 1972. He served as Chief Operating Officer of PNC before assuming his current role. Before this, he served as President from 1992, Director from 1990, and Vice Chairman from 1989. Rohr serves on RAND Corporation's board of trustees and on several boards of directors, including those of BlackRock, Inc., Allegheny Technologies Inc. ,and Equitable Resources, Inc. He is former chairman of the Allegheny Conference on Community Development. He is a recipient of the Banker of the Year award from* American Banker *magazine in 2007. Rohr received a bachelor of arts degree from the University of Notre Dame and an M.B.A. from The Ohio State University.*

COMPANY BRIEF *The PNC Financial Services Group, Inc. (www.pnc.com) is one of the nation's largest diversified financial services organizations providing retail and business banking; residential mortgage banking; specialized services for corporations and government entities, including corporate banking, real estate finance, and asset-based lending; wealth management; asset management; and global fund services. Its flagship line of business, PNC Bank, operates 2,500 branches in 15 states and the District of Columbia. The firm also owns about one quarter of the publicly traded fund manager BlackRock. PNC employs around 56,000 people and is headquartered in Pittsburgh.*

In light of the economic crisis over the past 24 months, what was the impact for PNC?

Fortunately, not as much as we could have seen. We sold the mortgage company in 2001. The head of our mortgage company at that time explained how subprime worked, and we decided to sell rather than go into the subprime space, which was a good thing since subprime went from 3 to 21 percent of the market, and the rest is history. Managing risk better than our peers opened up the opportunity for us to buy National City and other entities over the course of the past few years. There is no question we're in a recession and clearly our loan losses went up. But we've made money every quarter with the exception of the fourth quarter of 2008, and that was only because we took a conforming allowance when we bought National City.

Is there an adequate understanding in the market of the opportunities for investment and business in Pennsylvania?

We now have many technology companies located in the southwestern part of the state. The region has rebounded because a lot of great companies have expanded the number of people they employ here. Our 250th anniversary celebration two years ago gave us a lot of visibility. The Imagine campaign was the number-one regional campaign ever done, and Pittsburgh has been named the most livable city in the country twice in the past seven years. The G20 meeting sited here also made a big difference. So there has been a lot more visibility for Pennsylvania and, particularly, for Western Pennsylvania.

To be successful in addressing issues like education, health care, and sustainability, how critical is public/private partnership today, and within Pennsylvania, are those relationships strong?

Yes, they are. Governor Rendell has partnered across the state in many ways. In his budget, the Governor has maintained $75 million for early childhood education, even in a difficult budget environment. Our public/private partnership on early childhood education has worked out well with the Grow Up Great program, for the betterment of the children in the state.

PNC is particularly involved, partnering on pre-K education. Jim Heckman (Economic Professor), a Nobel-winning economist at the University of Chicago, has shown that for every dollar invested in early childhood education, society saves at least $16 in terms of reduced welfare, incarceration, and rehabilitation.

Other scientists have proven that you learn how to learn in your first five years of brain development. So reading to infants is critically important. I testified in front of Nancy Pelosi's committee in Washington recently to try to get more visibility around this, because the benefits are obvious.

PNC has made major investments in programs like Grow Up Great. How do you measure the impact?

The metrics around the difference we make for the kids are indisputable. We have seen 30 to 40 percent improvement in vocabulary and science in different programs that we've run in different parts of the state.

We also have customers who identify with either Grow Up Great or our green building initiative – we have more newly constructed green buildings than anybody else. Green Branch is a PNC trademark. Because of these programs, our customers have a higher probability of doing more business with us. Our employees who identify with either one of those initiatives have a higher probability of being committed employees, and committed employees perform better; there is lower turnover and higher loyalty. So we can put metrics around both of those initiatives and it pays off for us on the employee side and with customers.

Are your investments in green buildings more costly in the long run?

We committed to green 12 years ago, and today, we build green branches less expensively than we built the traditional branches. The employees get more natural light, there is cleaner air, lower fuel consumption, and we use recycled carpeting. So it's not only the right thing to do but it's cost effective.

How critical is it for leaders to drive community involvement, and do employees need to be engaged as part of their role, or is it their decision?

It's their decision. We pay them up to 40 hours a year to volunteer for Grow Up Great. If they want to do that, they can; if they don't, that's okay, too. Prior to National City, we had over 25 percent of our employees volunteering time in Grow Up Great. People get a lot of satisfaction out of working with the kids.

Do you foresee a time when you will slow down, or is that not in your nature?

They'll kick me out of here at 65. But 10 years ago, when I became CEO, it was my job to make sure the members of our management team complemented each other so the company could be successful, because it isn't about me. There is one thing in hindsight I can say: during the first part of your career, it's what you yourself can do, whether it's writing, or originating business, for instance. Eventually, you reach a point where your individual performance is no longer relevant to the group you manage; your success is totally dependent upon the success of the group of people you're leading and working with. That is a key factor in the transition from managing a small group to managing a large company, and that is the part that is the most fun for me now. We've got a great team of people here. Someday I won't be here and, hopefully, there will still be a great team of people here. ●

