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HEADLINE: New Chief Executive of FleetBoston Prepares for Post

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BODY:

BOSTON--Somewhere between boarding school and the board rooms, Ivy League and integrations, Charles Gifford formed the philosophy for the job he is again about to take.

It is a philosophy that describes Gifford as well as the company he once headed -- BankBoston Corp. The well-mannered son of a banker who worries actively about shareholder value, Gifford long ago became convinced that good customer relations lead to profits. During his four years heading the venerated BankBoston, he developed a reputation as "Mr. Boston," an executive immersed in community affairs and fueled by good business sense.

"My waking hours are focused on family and the bank," a shirt-sleeved Gifford said from headquarters last week. "That doesn't mean I'm a workaholic, because I don't think I am." But despite his convictions, his storied upbringing and even his perennial grin, it is the way the 59-year-old Gifford will run FleetBoston Financial Corp. for which he will be remembered.

His opportunity begins next week.

As part of his October 1999 agreement to sell BankBoston to Fleet Financial, Gifford on Jan. 1 will succeed Fleet chief executive Terrence Murray. On that day, Murray becomes chairman, and Gifford takes the helm of a much larger, more powerful holding company.

The transition represents a cultural as well as conventional shift of leadership. From the hard-bitten, "Darwinian" Murray, who built FleetBoston into a powerhouse with assets exceeding \$ 200 billion, to the well-heeled "Chad" Gifford, who many respect for his traditional banking principles.

"We're given capital by shareholders and our job is to grow that capital," he said, to illustrate. "You work for shareholders, but you only do that by doing the job for the customers."

But don't expect any fireworks. Industry observers agree the year ahead will be a lot like the year that passed, not withstanding actions to weather the recession.

Large-scale acquisition efforts are expected to be mothballed. The company's leading initiatives -- to grow its core businesses and improve the customer experience -- have Gifford's fingerprints all over them.

Such initiatives will continue to be the focus of the bank's work in the next year, as it looks for practical growth options in an unstable economy.

"I think he's focused on the right things. On the franchise that they built over the last decade or two," said Dave George, an analyst with A.G. Edwards & Sons. "I'm confident it will be a relatively seamless transition."

Still, there will be challenges. The country is in a recession and several of FleetBoston's businesses, from its capital investments and corporate lending to its Latin American bank, are exposed to weakness.

Last week the company said it would cut 700 jobs and take a \$ 650-million charge to fourth-quarter earnings to better position itself for an expected recovery next year. That brings the number of jobs cut this year to 1,750.

"I think he sees his duty or mission as CEO is to really get this company together," said Nancy Bush, an analyst at Ryan, Beck & Co. "I think it will emerge at the end of his CEO tenure as a very different company."

Looking back upon his life, it seems Gifford probably could have become whatever he pleased. The son of Priscilla and Clarence "Bud" Gifford Jr., the chairman of the former Rhode Island Hospital Trust National Bank, Chad enjoyed a close family and a charmed life.

He attended St. George's boarding school in Newport and summered on Nantucket. Childhood memories include driving trips through Italy and walks to his father's bank, where he'd be given nickels to buy Cokes.

"I was a very privileged young man," Gifford said.

An historic footnote serves to illustrate such privilege. In 1956, a 13-year-old Gifford was among the passengers rescued from the Andrea Doria, the Italian luxury liner that sunk off Nantucket.

When it came to college, Gifford chose Princeton and studied history. He had planned to join the Peace Corps, but he fell in love. Marriage meant career, so in 1966 he joined what was then called the First National Bank of Boston.

By 1989, he was president, and Bank of Boston had acquired his father's bank, Hospital Trust.

"I was motivated by customers, I wasn't particularly motivated by a career," Gifford said. "To be candid with you, early on I didn't aspire to be the president of the bank."

Instead, he became chief executive, in July 1995, after the directors ousted Ira Stepanian following a series of unsuccessful merger negotiations.

The match seemed perfect -- the affable Yankee banker and the nation's oldest commercial bank. BankBoston was founded in 1784 and held a list of clients that included John Hancock and Paul Revere. It long dominated the region before being eclipsed by the fast-emerging Fleet, then the country's ninth-largest bank. BankBoston, at the time of its merger with Fleet, ranked 15th.

"I think he's going to do one hell of a good job (at FleetBoston)," Bud Gifford said of his son, who he called "a straight arrow from the start." "The culture's going to be a little different. Terry is a different cut of the jib than Chad. But let me tell you, they respect each other."

Murray, as chairman, will maintain a significant role in strategic planning, which will include

how to best put to work FleetBoston's \$ 20 billion in capital. That is a Murray strong suit, and Chad Gifford said he'd be crazy not to use that talent.

"This is a guy who's been CEO for 20 years and built far and away the largest, I think the most admired, bank in New England," he said. "If there was a hall of fame for bankers in this country, Terry Murray's on the short list."

Murray, in turn, described Gifford as a man with "a great sense of morale, spirit and company tone."

"We both early on knew that it was important that we get along for the well-being of the company and we both worked very hard at it," Murray said last week.

Turns out, he said, it wasn't a difficult task. "I don't think there was a single large strategic issue we didn't see eye to eye on."

Analysts and reporters have made sport out of comparing Gifford with Murray since the two executives decided to bring their banks together. While Murray is the raw-knuckled spark plug, a factory worker's son who chewed his way to the top, Gifford is the genteel Brahmin whose privileged upbringing led, inevitably, to the corner office.

It's hard to describe Gifford without using the word "quintessential."

"He is by far and away the best people person I've ever met," said James Moynihan, senior vice president of Boston-based Advest Inc. "When it comes to getting things done, they're both very much alike. They're both no-nonsense guys, they rule with a heavy hand," said Thomas Hanley, managing director at Friedman, Billings, Ramsey, who has known Gifford for about 15 years. "He holds people accountable at least as hard as Terry."

Most agree the near-term plan at FleetBoston is more practical than sexy. Though noted for its acquisitive prowess, FleetBoston has not been as effective growing its own businesses, from its wealth management group to its Quick & Reilly brokerage.

Analysts say it has a considerable amount of work to do as far as getting those lines of business to benefit from each other.

"The company has got some head winds in front of it," said Gerard Cassidy, an analyst with RBC Capital Markets. "They'll get through them, but it will be a tough row to hoe."

Selling more products to existing customers sounds easy, but it isn't for a company that's in the midst of a large integration, and that's a state in which FleetBoston has found itself for years.

"They have everything they need in terms of products, there's just been no incentive among the branch people to sell," said Bush.

Part of the challenge is that customers won't buy additional services from a bank with which they don't like doing business. And that had been FleetBoston's conundrum.

As the holding company spent the past few years focusing on integrating its takeovers, traditional bank customers began to feel ignored. The common thinking was that FleetBoston cared only for large clients that generated a lot of fee income.

Last spring FleetBoston initiated a \$ 50-million program to enhance service, and it is having some success. Third-party and in-house surveys show improvement, but Gifford said the

company still is not where it wants to be.

"There will be much more of a focus on the customer," said Bruce Marks, chief executive of **Neighborhood Assistance Corporation of America**, a consumer watchdog group. "I think he's well intentioned. I think he is customer oriented. I think he has an interest in working with the community."

Gifford is involved in a host of charitable and educational organizations. He said poverty and racism are two of the country's biggest issues.

"I feel very strongly and expect when we have a leadership position in any market, the community should and can expect us to be the leader in the community," he said.

Gifford is ensuring that Fleet Rhode Island chief executive Anne Szostak is well involved, too.

Next year, Gifford will be wedded to his bank for 36 years. Yet his loyalty has not quashed some speculation that the bank could be sold after changing leaders.

Acquisitions are to FleetBoston what hunting was to Hemingway, but of a dozen industry experts interviewed, only one said FleetBoston would have to make a major buy to keep from being acquired.

"They had gotten themselves into the big leagues and unfortunately the big league keeps moving," said Arnold Danielson, a Maryland-based banking expert who has for years studied New England's players. "If he does nothing, he will be entertaining offers."

Gifford isn't saying no to acquisitions, but he said it is more reasonable to expect small takeovers that expand various lines of business than to look for a full-scale bank merger.

Most analysts agree. The bank is worth more than its stock price indicates. Moynihan said a fair price is at least 50 percent more than where the stock is trading.

Besides, they said, Gifford isn't interested.

"Nobody I know of becomes CEO and then turns around and sells it," said Hanley. "I've been doing this a long time and I have never seen that."

Standing in the 25th-story lobby at FleetBoston headquarters, Gifford shrugged off the takeover question.

"I never worry about that. Frankly, it's not worth worrying about. This company is a very, very strong company on its own."

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