Board Self-Assessments

by Steve Brown Topics: strategic planning, leadership, performance

Summary: Fifty-four percent of privately held financial institutions do not conduct board evaluations at all. We explain why they are important.

The National Center for Education Statistics finds that while graduating from college in 4Ys or less keeps college costs down, only 41% of students do so. Even worse, only 59% earn a bachelor's degree in 6Ys. This sure looks like a failing grade on this test.

Speaking of testing, community banks often do testing of a different sort about once a year when they ask board directors to conduct assessments of themselves and one another.

One question that surfaces in this process is whether director self-assessments are worth very much. We would argue that a good self-assessment can lead to improved performance for the director and the bank, but only if you are intentional about the questions you ask and constructive about the follow up.

A quick look at Bank Director research finds: 54% of privately held financial institutions do not conduct board evaluations at all and only 18% do so annually. This compares to 53% of publicly held institutions that do conduct a board evaluation annually. That is food for thought as you seek to nurture your board and directors, boost training where needed, and gain additional support for initiatives.

To do director assessments, you can either hire a consultant to help perform them, handle them internally, or pursue a blended strategy. Handling them in-house may be the least expensive option, but an experienced consultant may save you time, bring impartial outside perspective, and help you gather and present results to boost group performance too.

Once that decision is made, the nominations and governance committees (and the consultant, if you're using one) usually meet to identify the assessment's goals and design the process, including questionnaires and interviews.

There are different types and levels of assessments that include a full board assessment, a committee assessment, and individual ones too. So directors are not overwhelmed, a bank might stagger these or combine them to simplify the process.

Typical assessment goals include producing a high-quality, readable report; creating a SWOT (strengths, weaknesses, opportunities, threats) analysis; spotlighting commitments the board has made; and enhancing overall effectiveness.

Given an overall goal to achieve, a bank can then choose a focus that's as wide or as narrow as it prefers. Some banks use assessments to decide whether they need to add board members with specific skill sets, while others broadly examine strengths and weaknesses, identify training needs, evaluate the quality of meetings and materials. Nearly all of them consider issues of succession and diversity, or ask other specific questions.

Peer reviews are sometimes part of an assessment and that means anonymous questionnaires. Digital questionnaires, which might include 10 to 50 questions can be delivered online and streamline the process.

Once the assessment is done, the results should be presented in a way that preserves anonymity and the board should speak with a single voice; averages or medians are good, with outlier discussions held 1x1. Then follow up on whatever the board identified as needing attention for best results.

BANK NEWS

Embezzler Traits

Hiscox global insurance provides some tips on how to spot someone who may be embezzling. Common characteristics include: 1. Intelligent and curious; 2. Extravagant; 3. Egotistical risk-taker; 4. Diligent and ambitious; 5. Disgruntled. You may have employees that have one or two of these traits, but if they have all 5, take a closer look possibly.

Retail Sector

Coresight research finds there have been 7,062 retail store closures so far this year vs. 5,524 last year and 8,139 in 2017. At the current pace, the number could exceed 12,000 by the end of the year and set a new record.

Industry Update

S&P Global Market Intelligence reports as of the end of Q2, there were 115 US bank and thrift M&A transactions announced vs. 138 for the same period in the prior year (about 17% less).

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