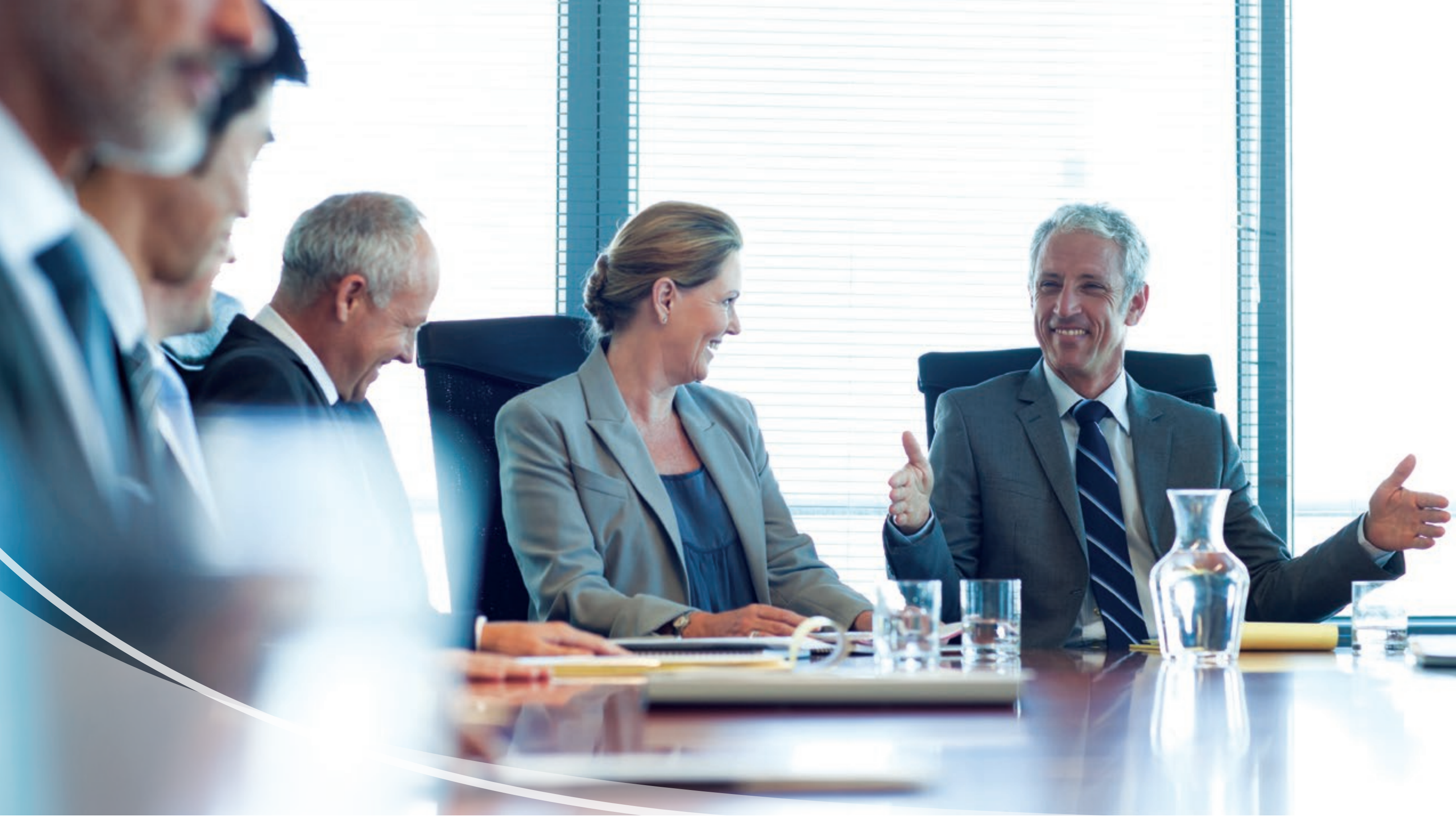


Getting **new board members on board**

These days, one of the more challenging roles to fill within a financial institution is a seat on the board of directors. While board members play a vital role in an institution's overall governance as well as provide significant fiduciary guidance, the process of identifying, evaluating and providing onboarding and ongoing training for these individuals is often overlooked.

With a board member's personal reputation and assets on the line, it is more vital than ever to find community leaders who are not only well respected but have the wherewithal to guide the bank with integrity from a strategic perspective.

Banks can encourage participation by board members and foster a sense of collaboration among them.

To take a deep dive into the evaluation, acquisition and training of a board member, we asked the principles of banking training and coaching company, St. Meyer & Hubbard — Bob St. Meyer, president, and Jack Hubbard, chief experience officer — to share their insights gleaned from 40 years of banking and sales experience.

Risk and Responsibilities

The challenges banks face in getting board members up to speed on their director role became apparent in their discussion of some of the key responsibilities of boards for financial institutions.

Hubbard, who is board member of a Chicago area community bank, suggests three main director duties involve fiduciary, advisory and strategic oversight.

Fiduciary

"Clearly, the fiduciary responsibility of boards of directors is critical," Hubbard said. "The buck stops there."

Many potential board members are reluctant to join a bank board because the accompanying liability of taking on the role, according to Hubbard. He cited the significant legal consequence that can occur if board members fraudulently or unwittingly approve unsound loans or look the other way when something unseemly takes place.

Advisory

The advisory role can be especially challenging for individual board members who do not have a background in banking or who are not able to keep up with the ever-changing banking laws and regulations, according to Hubbard.

How far a board member goes into the business of bankers is a legitimate concern. "Board members should not seek to run the bank day-to-day, but it is important to share their expertise and provide their perspective," Hubbard said. "It isn't possible to do without some working knowledge of the industry."

Strategy

According to Hubbard, strategy is where diversity in experience is extremely important.

"It is absolutely vital, not only that banks get people involved from other industries but from other disciplines that can help from a strategic perspective," Hubbard said.

But that does not always happen.

"Often, banks bring someone onto the board because they do a lot of business with the bank or they are a big deal in the community," Hubbard said. "That sounds good on the surface, but then they get into a full board or a committee meeting and they can't contribute anything."

Getting them up to speed

Board members are no different than new bankers. When they are brought onto the team, they need to be properly and effectively onboarded and trained similarly to any new employee joining the bank. It's the only way to make each productive.

"You have brought on someone you believe has the requisite skills to help the bank progress," St. Meyer said. "They may not know the jargon or the shorthand, and even reading the board reports might be a challenge."

How a new board member is introduced to the information they need to become a successful contributor at board meetings is important. When a new board member joins the bank, Hubbard suggests the following ideas to ease the onboarding process:

Pre-meeting reading materials: Provide some relevant and current information about the industry and high-level overviews of key laws and regulations before the board member's first meeting and as laws and regulations are updated.

Strategic and tactical plans: Share current plans and those from the past three years to help the board member understand where the bank has been and where it is going.

Job aides: Provide a one- or two-page sheet of some of the abbreviations they might hear at meetings. For example, what is Reg H? What are some key lending ratios the bank is looking for? What are some policies and procedures such as CRA and ALLL?

A day with bankers: Have the new member spend time in several departments to understand what each does and how they work in concert for the benefit of the bank and the customer. This also helps humanize the new board member.

Bored? Or board engagement?

Engaging the board is the chairman's responsibility. He or she is a meeting facilitator who needs to pull members into the conversation, according to Hubbard.

Hubbard and St. Meyer said in order to establish productive and engaging board meetings, there needs to be trust between members and executives. This can take time to establish, and this trust has to be carefully managed.

"It's one thing to have a board member learn that this is a relevant question to ask the leadership; It is another issue to understand when and how to ask those questions," St. Meyer said.

"With all the changes in financial services, it is incumbent upon us as board members to stay current with industry trends," Hubbard said. "It is up to the bank to provide board members with tools to stay informed and up to speed."

7 Tips for board participation

Banks can encourage participation by board members and foster a sense of collaboration among them and the bank through ongoing formal and informal education of the board members, according to Hubbard. Some suggestions include:

1. Create a formal onboarding process for new board members.
2. Designate a banker buddy to help new board members better understand how to get things done and to build trust.
3. Survey or engage in a discussion with each member to gauge understanding on pressing topics.
4. Share regular communication with the board about essential banking topics through memos, articles or by uploading information to a board portal on your bank's share drive.
5. Offer packets of relevant information and/or links to appropriate topic sources before meetings.
6. Present e-learning and self-paced learning opportunities on key topics.
7. Hold an annual one-day offsite meeting that combines business and social activities. This helps board members and bankers get to know each other better.

Creating an atmosphere of collaboration

One way to evaluate overall board engagement is if all board members are asking questions, making recommendations and actively participating in meetings. To assist with meeting focus, consider asking board members to leave their cell phones outside the meeting room.

Some questions to ask when this collaborative atmosphere is not apparent during board meetings are:

Is the agenda engaging?

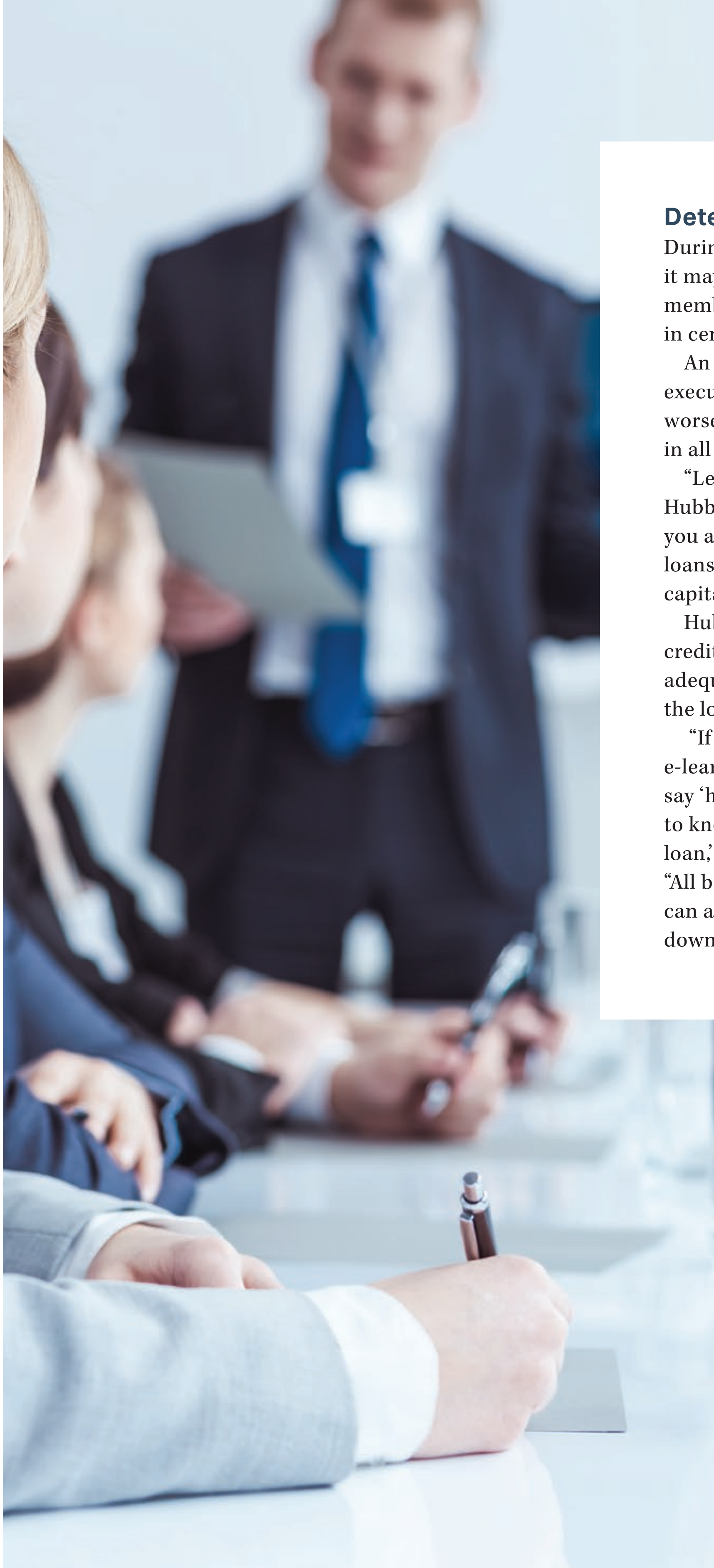
Is the board packet full of one-dimensional reports or do the reports lead to insightful discussion?

Does the chairman explain situations, policies and laws well enough for board members to make valid decisions?

Are sales and marketing topics discussed? Are they at the top of the agenda to help the meeting start off with good energy?

Is there an executive session at the end of the meeting where confidential topics can be discussed without management present?

Does the bank ask board members to take an annual survey to assess the meetings, the information they receive and other topics?



Detecting training gaps

During the evaluation and onboarding process, it may become apparent that individual board members or the entire board could use training in certain areas.

An uninformed board not only leads to poor execution, it can be a precursor to lawsuits or worse. St. Meyer & Hubbard sees training gaps in all areas within the board process.

"Lending is certainly the number one thing," Hubbard said. "If you don't understand what you are doing when evaluating and approving loans of any size, you are putting the bank's capital at risk."

Hubbard suggests providing some level of credit training for directors to ensure they have adequate knowledge to actively participate in the loan approval process.

"If you could get board members to take an e-learning class or have someone come in and say 'here are some important things you ought to know about making a loan and approving a loan,' that would be beneficial," Hubbard said. "All board members need is the basics so they can ask the right questions before the up or down vote is cast."