

Western Banker Magazine: Director's Digest

Issue #16 – October 2008

Peer Evaluation & Self-Assessment*By Scott Byorum, Nationwide Real Estate Tax Service, Inc.*

Have you ever gotten lost while driving? It is a disconcerting event. You are still in your car, which is familiar, and you are still on a road, and you know what those look like, but everything that surrounds you is unfamiliar. Oh, you've seen the objects in your surroundings: trees, houses, rocks, etc. They just are not in the positions and arrangements that you are familiar with...that signal that you know where you are.

The thing about getting lost while driving is that you become lost well before you realize that you are lost. You can find your way back, but it may take some time and aggravation depending on how long after the fact that you realize that you are lost. The same thing can happen with an organization if it doesn't take steps to practice regular self-evaluations.

Bank board members should not consider themselves above the assessment process. In today's industry you can see many financial institutions, both young and old, losing their way. One way to prevent this from happening is to have a structured and measured system of peer evaluation and self-assessment that keeps the board members focused on their duties and responsibilities and the core values of the bank.

It takes only a couple vocal and assertive people to steer an organization down the wrong road. Periodic evaluations allow all members of a board to reflect on the bank's position and path and how the board, and each individual in it, has contributed. It allows for issues to be raised that may get overlooked or ignored. But most importantly, it brings the board back to its original intent and purpose: "How are we serving the bank's success?"

A good evaluation and assessment tool is a satisfaction survey. For each topic and sub-topic, the survey asks each board member "Are you satisfied" or "Are you unsatisfied." Make sure it addresses the main topics key to the board's purpose:

1. **Mission & Purpose:** Are all board members familiar with the mission statement? Do they support it and are their actions consistent with its purpose? Does the mission statement reflect the bank's direction?!
2. **Strategic Plan:** Does the board understand the bank's market and clientele base? Does it engage in strategic planning to address opportunities and challenges? Is there a strategic vision?
3. **Bank's Products & Services:** Are the products and services the bank offers best serving the clientele base? What are the strength, weaknesses, and performance of the bank's products and services?
4. **CEO's Performance:** Are the CEO's responsibilities clearly defined? Is compensation fair and performance-based? Is the CEO providing effective leadership for the bank and its

staff? Is the relationship between the board, the CEO, and the bank's staff understood and based on trust?

5. **Financial Oversight:** Are risks under control and being managed effectively? Are financial statements being produced on a regular basis that are clear, accurate, and independently audited? Is the budget in line with the bank's strategic direction? Are sound investment policies in place and being adhered to? Is the bank appropriately capitalized against the risks it carries?
6. **Bank's Public Image:** Is the bank a trusted and respected entity in the community? Do the board members promote a positive image for the bank? Are policies concerning data sensitivity and confidential information understood and in control?
7. **Board Performance:** Are board meetings planned, timely, and efficient? Are issues approached objectively, with thought and consideration, and resolved effectively? Do board members conduct themselves ethically and leave personal issues at the door? Is the board best serving the bank's interests and policies? Is personal accountability and honesty a respected tenant of the board?
8. **Outlook:** How can the board's organization and performance be improved? What issues will the board need to consider and address over the next few years?

No matter how many times you have been down a road before; no matter how expert a driver you are, consulting a map and recognizing road signs keeps you focused on your destination. For the public, a bank is a vehicle for financial stability and security. Keep the bank on the road to prosperity by ensuring your board is navigating it effectively.

Scott Byorum is the director of business development at Nationwide Real Estate Tax Service, Inc., an author and a certified Instructional Designer. He can be reached at 800-528-7803 or scott@nationwidecompliance.com.