



T H E A R K A N S A S

Community Banker

Spring 2011

Spotlight on the Servicemembers Civil Relief Act

Heidi Lauer

Usury in Arkansas: A Long Wait for Progress

W. Christopher Barrier

Customers Demanding Surcharge Free Access?
Cash Back at POS Can Help!

Jim Ghiglieri

Mobile Banking: Is It Time for Community Banks to Take the Plunge

Tim Miller

Never Allow the Regulatory Exclusions to be Removed
from the Bank's Directors & Officers Policy

Chuck Towle

Making the Grade: Do Your Directors Deserve an A+?

Catherine A. Ghiglieri and Jewell D. Hoover

published by

ARKANSAS COMMUNITY BANKERS ASSOCIATION



Making the Grade: Do Your Directors Deserve an A+?

Conducting Board Assessments and Peer Evaluations



Catherine A. Ghiglieri, president Ghiglieri & Company, Austin, Texas
Jewell D. Hoover, president, Hoover and Associates, Charlotte, North Carolina

Board assessments and peer evaluations are Sarbanes-Oxley best practices for community banks, but board members are often unclear on the process and CEOs can be a little bit leery of the outcome. This article outlines how to conduct board assessments and peer evaluations in a way that improves the productivity of the board and eliminates some of the mystery.

What are a board assessment and a peer evaluation?

A board assessment is an evaluation by each board member of how well the board is doing its job of overseeing the operations of the bank and fulfilling its responsibilities. The results of the board assessment should be summarized in such a way as to obscure individual board member comments and be presented in writing to the board.

A peer evaluation, on the other hand, is an evaluation of each individual director's performance on the board. The results should also be summarized in such a way as to obscure individual board member comments and be presented in writing to the individual board member. The Chairman of the Board often discusses board member evaluations with each board member. The peer evaluations should be kept confidential and not discussed with the full board.

Why perform board assessments and peer evaluations?

Board assessments and peer evaluations are performed in order to improve overall corporate governance processes, enhance board communication and improve decision-making of the board. The results of board assessments can also assist the Nomination Committee in identifying potential board members whose skill sets complement the existing board.

Peer evaluations can improve each board member's effectiveness and identify training needs for each board member. The board assessment and peer evaluation process may be extended to the board committees to improve committee member performance and communication among committee members, as well as improve decision-making of each committee.

What are the first steps?

The board of directors should first be educated on the process of conducting board assessments and peer evaluations in order to set expectations, thus ensuring a successful outcome. The board should then decide if it wants to conduct a board assessment, peer evaluation or both. Next the board should decide whether it will need external assistance or if someone internally is capable of conducting the assessments and

evaluations.

Board Assessment questionnaires are then formulated to allow board members to rate such topics as the following:

- Alignment of board's actions with the bank's strategic initiatives
- Board participation in the planning process
- Corporate Governance processes
- Level of communication among board members
- Effectiveness of board committees

Peer evaluation questionnaires focus on each individual director and evaluate such things as the following:

- Leadership style
- Value as a team member
- Teamwork
- Quality of judgment
- Communication with other board members
- Level of participation

The process should be constructed to be as non-threatening as possible. Many times boards seek external assistance to conduct the board assessments and peer evaluations to help remove any biases and prejudices from the process and to maintain confidentiality of results.

Board assessments and peer evaluations are best practices that can transform board behaviors and board dynamics that ultimately improve the overall corporate governance of the bank.

Ms. Ghiglieri is the former Texas Banking Commissioner and is President of [Ghiglieri & Company](#), a bank consulting firm based in Austin, Texas.

Jewell Hoover is President of [Hoover and Associates, LLC](#), a bank consulting firm in Charlotte, North Carolina. She serves on a board of a Fortune 500 company and is the former Deputy Comptroller for the Office of the Comptroller of the Currency's Western District.

Ms. Ghiglieri and Ms. Hoover are co-authors of ["The Ultimate Guide for Bank Directors"](#) and co-founders of [The Bank Directors' College](#), which provides training to bank directors.

