

WHY DIRECTOR TRAINING?

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The first sentence in M. Scott Peck's best selling book, The Road Less Traveled, states "Life is Difficult."

That proposition certainly applies to corporate bank directors today. There has been so much attention devoted to the structure and governance of boards that the essential role of directors may have been forgotten—to provide advice and oversight. This is more difficult than it sounds. Today's directors must understand the bank's strategy, business model, organization, regulatory requirements, and ethical standards. Gaining a sound working knowledge of those essential business activities requires a good deal of time and effort. To perform well, attending monthly meetings is not enough.

The starting point is to understand that financial institutions are businesses. While community banks often serve community interests and are certainly subject to regulation from many oversight organizations, public service is not their primary goal. Rather, banks are in the business of returning a profit to their owners. A director must understand this as a first principle. In order to oversee, monitor,

assist, and contribute to the business, directors must understand how the bank makes its profit, manages risk, develops its staff, and meets and exceeds shareholder expectations.

Your knowledge of the industry and business must be continually refreshed. That's because this industry is changing quickly and what we knew in the past no longer applies. Changing customer expectations, technology, and new competition coming from all sides have hit the financial industry hard. What once seemed to be an industry modeled on "a banker's way" of doing things is long gone. Each institution now must find its own way, its own unique strategy and its own business model, while at the same time steadfastly preserving the core values and culture that it has relied on in the past for success.

Fortunately, director training is a high priority for successful banks, which are actively responding to these challenges. National and state banking organizations have created well-designed programs and speakers. Today the resources are available; director education simply requires the will and commitment to attend.