Board Governance:

The Top 10 Best Practices to Maximize Long-Term Performance

Board governance is more important than ever before, with increasingly complex regulatory requirements, pressure on earnings, and the search for profitable growth. In an environment of both great challenges and great opportunities, the need for engaged and informed directors governing the financial institution is critical.

Below are the top 10 best practices that will ensure your board provides the right leadership and governance for your institution:

1. Complete a robust strategic planning process, with both board and senior management participating annually, followed up with focused execution and monitoring by the board throughout the year.
2. Conduct a board assessment. Has your board evaluated its performance in the areas critical for governance, including board policies, board culture, board practices, and board composition?
3. Ensure a thorough board succession planning process is in place. In planning for future board members, your board needs to consider the composition of the board in terms of the skills, expertise, and experience needed to contribute effectively to the success of your institution.
4. Have a CEO succession plan in place and hold the CEO accountable for succession planning for key management positions. A sound succession plan for the CEO is critical so there is a smooth transition when the current CEO retires or leaves.
5. Make sure your financial institution has a sound risk management structure in place. Given the heightened scrutiny of regulators on safety and soundness, the board needs to be confident adequate risk management processes are in place.
6. Examine your committee structure, committee charters, and election of board officers and committee chairs. Make sure the board has an adequate committee structure, with well-developed committee charters in place.
7. Be intentional about developing the culture of your board.
8. Evaluate the performance of the CEO. The boards of well-run financial institutions typically conduct a written performance review of the CEO. This is an opportunity to discuss performance against measurable goals and objectives accomplished during the year. In addition, it is a time to establish measurable goals and objectives for the coming year.
9. Put in place an adequate board orientation and education program to support the developmental needs of board members.
10. Ensure your financial institution has an updated Code of Ethics policy in place and a process for reviewing compliance on an annual basis. A whistle-blower policy should also be in place.

If you would like more information or have questions regarding the information above, contact:

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