

# CHANGING HOW WE THINK ABOUT BOARDS

## Presented By:

Philip K. Smith, President

Gerrish McCreary Smith, Consultants and Attorneys

## Presented at:

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Senior Officers and Directors

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## GERRISH MCCREARY SMITH

Consultants and Attorneys  
700 Colonial Road, Suite 200  
Memphis, Tennessee 38117  
Telephone (901)-767-0900  
Facsimile (901)-684-2339

[www.gerrish.com](http://www.gerrish.com)

[PSMITH@GERRISH.COM](mailto:PSMITH@GERRISH.COM)

# What is Driving Us to Change?

- Regulatory Change
- Technology Change
- Stockholder Change
- Economic Change

# Fundamental Director Duties

- Attend Meetings
- Select Management
- Develop Policies and Procedures
- Business Development/Marketing
- Do Not Micro-Manage
- Strategic Planning
- Corporate Governance
- Regulatory

# What Has Not Changed: The Primary Role

## To Enhance Stockholder Value

# What Does It Mean to Enhance Stockholder Value?

*Your Job Is To:*

- Increase earnings per share
- Maintain adequate return on equity
- Create liquidity for stock
- Provide adequate cash flow

# Resource Allocation

- Allocation of Financial Capital
- Allocation of Managerial Capital

# Key Areas of Possible Change

# Continuing Education for Directors

- Education Budget
- Various Educational Alternatives
- Rapid Change
- Regulatory Requirement?
- Online Reading and Resource Materials
- Third Party Assistance

# Time Commitments

- Do you have the time?
- How long are meetings?
- How much attendance is required?
- Electronic participation?
- Electronic board books?

# Overall Board Structure

- Board Composition (Number and Type)
- Qualifications
- Election of Directors (Majority Voting)
- The Role of the Chairman
- Tactical Versus Operational
- Executive Session
- Majority Independent

# Overall Board Structure

- Terms of Service
- Staggered Terms
- Mandatory Retirement
- Evaluation of Directors
- Director Emeritus

# Succession Planning

- Succession Planning Should be Part of the Overall Strategic Plan

# Establish Procedures for Board Succession

- Result of Failure
- GOAL: Enhance Stockholder Value
- Size of Board
- Succession Failure/Loss of Independence
- Mandatory Retirement
- Evaluation/Self-Evaluation

# Compensate the Board Fairly

- Heightened Duties
- Compensation for Risk?
- Equity Plans (Stock Options/  
Restricted Stock)
- Additional Compensation for  
Chairman and Committee  
Chairman?

# Key Ways to Help Fulfill Your Role of Enhancing Stockholder Value

- ◆ Structure
- ◆ Stockholders
- ◆ Strategy

# The Structure of Your Organization

- Bank Holding Company
- S Corp
- Public Versus Private

# Stockholder Strategy

- Total Number of Stockholders
- Who Are Your Stockholders?

# Strategic Planning

# Making the Most of Strategic Planning

1. Don't Focus Too Much on SWOT
2. Once Your Mission Statement is Set, Leave it Alone
3. A Planning Session is Not a Budgeting Session
4. Not Addressing "Real" Issues
5. Focusing Too Much on Process

# Making the Most of Strategic Planning

6. Not Being Honest (With Yourself and Others)
7. Not Making Efficient Use of Time
8. Not Making the Event Enjoyable
9. One Person Dominating the Meeting
10. Assign Responsibility and Follow-Up

# Changing How Boards Think About M&A

# Five Common Mistakes of Sellers

- Pricing expectations beyond what the market will bear
- Not understanding how banks are valued
- Structuring a merger of equals
- Timing
- Not getting value from your professionals

# Five Common Mistakes of Buyers

- Getting the board ahead of the numbers
- Failure to lock up key individuals
- Not conducting adequate due diligence
- Using the wrong method of payment
- Why buy it if you can steal it?

# Characteristics of an Effective Director

- Knowledgeable and Informed
- Independent
- Integrity
- Vision–Strategic Planning
- Confidentiality
- Avoids Regulatory Problems
- Fulfills Role to Stockholders
- One Who Can Change and Adapt

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