

Western Banker Magazine: Director's Digest

Issue #10 – April 2008

Establish a Code of Conduct*By Scott Byorum, Nationwide Real Estate Tax Service, Inc.*

“The golden rule is that there are no golden rules.”
 ~ **George Bernard Shaw**, Irish literary Critic, Playwright and Essayist. 1925 Nobel Prize for Literature, 1856-1950

Most publicly scrutinized institutions establish a formal Code of Ethics for all of their employees to follow in order to ensure sound and safe business practices and to reassure investors and the public of honest dealings. It establishes a framework for professional behavior and responsibilities and provides the organization a benchmark for self evaluation.

So shouldn't this be enough for the board of a bank, as well? You may have heard the phrase “too many cooks in the kitchen spoil the broth.” It is easy to overlook the strong dynamics of the personality structure of a board of directors. The members typically come from roles of leadership: successful business owners, chief executive officers or executive vice presidents, senior attorneys and accountants, doctors, community pillars, etc. They are individuals with seasoned personalities and opinions.

This is why the board of directors of a bank should establish a set of rules on how they will conduct themselves as individuals that compliments the bank's Code of Ethics, a type of behavioral pact that helps bridge personality differences and strengthens the board as a functioning unit in its service to the bank. The purpose of establishing the board of director's Code of Conduct is to help positively facilitate discussions and decisions and to continuously verify commitment to the bank's success.

The act of creating a Code of Conduct should not be taken lightly. It is a standard of behavior that each member will hold to themselves and their colleagues. So when writing a director's Code of Conduct, how it is written is equally as important as what is written. Make sure each precept contains the following considerations:

- **First Person:** Use “I” statements to establish personal responsibility
- **Present Tense:** Claim the here and now, not the future or past
- **Positive:** State what you will do, rather than what you will not
- **Action:** Use action verbs to inspire motivation and achievement
- **Specific:** Add detail to each precept so that it is understandable to all
- **Unconditional:** Each element of the code should be upheld despite circumstance, so that in times of conflict members are encouraged to take the high road

The following are examples of poorly written Code precepts coupled with well written ones:

Poor: “Be honest.”

Good: “I deal honestly and forthcoming in all matters related to the bank.”

Poor: “I will leave my personal life outside the boardroom.”

Good: “I leave personal and family interests, and those of associates, outside the boardroom.”

Poor: “I will not perform actions that will harm the bank.”

Good: “I consider the impact of my actions on the bank, its owners, customers, employees, and the community.”

Poor: “I will voice my opinion, except in dissention.”

Good: “I voice my opinion, even if unpopular.”

Poor: “I listen to others’ opinions.”

Good: “I listen attentively to others without interruption and provide respectful and positive feedback.”

Make sure that your board’s Code of Conduct is thoughtfully constructed with the participation of all members. Have a poster printed with your Code on it and display it in your regular meeting place in a high visibility area. Recite the Code aloud with your fellow Board Members, especially when there is a new member or when it becomes apparent that your team is straying from the Code. Lastly, periodically review the Code for validity and function.

A team’s success is rarely an accident. It comes from discipline, determination, and cooperation. When great minds come together to create success for a project, such as a bank, it requires an equally great set of ground rules so that participation for all members is encouraged, acknowledged, positive, and constructive.

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.