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# HOW TO HANDLE THE OBNOXIOUS DIRECTOR

First step: Figure out if you've really got one

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For some reason, I have had a string of blogs with respect to dealing with director issues. In the last blog I dealt with the older, nonproductive director. In this blog, I thought it appropriate to deal with another common issue that is often seen in community banks-the "obnoxious director."

Have you got one on your board? Or just a tough one?

What is an obnoxious director? I have had a number of experiences with boards that harbor one.

This is not just a director that asks tough questions, who does his or her homework, and who shows up at every meeting prepared to discuss the relevant issues. This is the director who comes looking for a fight every meeting, who has a personal agenda, who carries his agenda into the parking lot after the meeting, who generally works behind the other directors' and management's backs, and the like.

This is not only a nonproductive director, this is a counter-productive director.

What do you do with a counter-productive director? This is really the bank chairman's responsibility.

How one chairman handled his obnoxious director

I was visiting with the chairman of a community bank the other day. He was describing the quintessential obnoxious director. I asked the chairman how he handled this board member.

He told me that he was very direct.

He took the director aside, told him that he was counter-productive to the board, and that these people all used to be his friends, but that now he had used up all of his "political capital."

And then the chairman gave him a warning.

He said that this board member did not find some way to control himself, and to be civil during board meetings, then he simply needed to get off the board.

This particular chairman indicated that the director took this to heart, but that it was simply not in his personality to be a participating and cooperating board member.

Two months later, he voluntarily resigned-to everyone's delight.

Don't misunderstand me. Nothing in this blog should be taken to mean that directors should just "go along to get along." In fact, that is the worst thing that a director can do.

#### Difference between obnoxious and occasionally negative

One of my 10 Commandments for Directors for 2011 is to "vote no." This does not mean to be obnoxious, to be obstreperous, to be counter-productive. It simply means if you have a check in your spirit, a twinge in your gut, a feeling that whatever transaction is being proposed is not appropriate for the bank, then vote "no" on it. (You can find my latest commandments in the current ABA Bank Directors Briefing, available as a free download, with order form, at this link.)

This can be done with little fanfare simply by stating your reasons and making sure it is recorded in the minutes. What the record in the minutes does for the board is simple; it shows that the board has thoroughly discussed an issue. It also shows that you voted against it. It also protects you as a director from liability on that particular transaction if it happens to go bad or it was a legal lending limit or classified loan or something.

I had another chairman tell me that had he voted no, as his instinct told him, on a transaction that ultimately sank their bank (caused the failure), he would be a much wealthier and less stressful person today.

It is important that board members distinguish between the director doing his or her job and occasionally voting "no," and the obnoxious director who is counter-productive and needs to get off the board. Another job for the chairman.

#### When the obnoxious director holds lots of chips

One other issue that needs to be addressed in dealing with the obnoxious director is what do you do when that particular individual purports to control a significant amount of business directed to the bank? That changes the dynamic somewhat. I will address that in the next blog.

Has your bank had to deal with an obnoxious director?

What did you do about it?

Tell us in the comment fields below.

#### About the Author

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