

# Enhancing Board Effectiveness: What about Induction and Training Programs for Directors? \*

by

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## Abstract

*The paper discusses the idea that an institutionalized and effective board induction and training process could maximize the director's contribution and thus improve board effectiveness in banks, especially if training and induction are done in a board that respects good practices with regards to board independence, board diversity, presence of board committees, degree of directors' turnover, , recommended by regulators and institutions. In the wake of the recent financial crisis, in fact, a growing "professionalisation" of directors may be considered as a tool to improve the board effectiveness in banks. Contrary to the relevance of the topic, the available literature is very poor. Using the qualitative research methods, the paper shows, first of all, the state of the art on board induction and training programs for directors in the 25 largest European banks and, then, the results of a survey about the opinions of an Italian panel on the topic. Findings confirm that induction and training programs for directors are a fundamental tool to improve the effectiveness of corporate governance. However there is a substantially limited dissemination of these practices in banks and, in those cases where these practices are used more extensively, it is possible to spot some areas of improvement compared to best practices. Overall, the most disappointing results, in terms of the dissemination of induction and training programs for directors, emerge from the interviews carried out on the Italian panel. Based on the results, some motivation and managerial implications are proposed.*

**Keywords:** Banks; Board of Directors; Effectiveness; Directors; Induction and Training Programs.

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