

Governance/Compliance

Don't be afraid of tough questions

By JEANNINE BROOKS

Governance is serious work and it is now more than ever in the spotlight. Corporate and not-for-profit boards are similar in that their members have a fiduciary duty to the organization: an obligation of loyalty, honesty and good faith to act ethically in the best interest of the corporation or the association they serve.

Board members in both sectors have a duty of care that should be performed to a certain standard.

The duty of care requires that directors use an appropriate level of skill and diligence in carrying out their responsibilities. Duty of diligence, which requires directors to attend meetings and to be adequately prepared, is required in both sectors.

While good governance issues in recent times have become central to the operation of corporate boards, expectations for boards in the not-for-profit sector have similarly been affected.

A key question to ask: 'Are your board's activities, or are you as a board member, adding value to the association for which you are responsible?'

Many professional associations, like the Canadian Institute of Chartered Business Valuators (CICBV), have voluntarily undertaken corporate governance reforms and are continually seeking improvement in the way they serve their members. There has been an increased focus among professional associations to follow best practices in everything that they are involved in, including corporate governance.

Most members serving on the boards of professional associations deal with corporate governance in their day-to-day working lives. They are committed to good governance and this is reflected in the policies and strategies adopted by the boards on which they serve.

Often, good governance arises out of an association asking itself self-assessing questions such as: What does good governance really mean to professional associations? Is the present system working? Why are some organizations better than others at establishing policies and strategies that further their mission? Why are some associations better than others at corporate governance?

The success of an association may be measured, in part, by the degree to which it applies the following principles of good governance to its everyday operations. These principles include:

- Setting direction (establishing organizational policy and budgets);
- Promoting strong ethics



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(instilling values in the organization and setting the tone at the top, with clear lines of accountability);

- Overseeing results (oversight to ensure policies are implemented, monitoring so that performance meets expectations);
- Accountability reporting (good financial and performance reports); and correcting one's course (identifying problems and taking corrective action).

Association governance is a partnership between all volunteer members and the association staff. Roles, responsibilities and expectations of all parties are well known by all concerned. So what are some desirable characteristics of good governance? They include:

- Focus. Governing bodies work primarily at the strategic level. The board focuses upon vision, mission and goal development; public policy and advocacy positions; strategic plan development and approval; and organizational oversight.
- Being result-oriented. Governance exists to identify and achieve the organizational vision, mission and goals.
- Being skill-based. Governance participants at all levels need to have or acquire specific skills to fulfill their governance responsibilities.



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- Being knowledge-based. Methods for obtaining knowledge may include open forums, town halls, panel discussions, surveys, think-tank groups, focus groups.

• Being empowered. Association management and staff are empowered to produce results. They are given clearly defined outcomes to achieve; timeframes and progress milestones; resources – financial and staff support; and the authority to act within established scope of assigned work, timeframes and resources.

- Accountability. Governance and operational bodies are held

accountable for the work assigned to them and expected to produce results. Transparency is an important part of accountability, yet some not-for-profit organizations release only the minimum information on their operations. This challenge requires the board to be willing to share information with the membership.

• Being diligently communicative. Association management, staff and board members work together to effectively create and disseminate useful and consistent key messages and action plans that reflect and reinforce the goals of the association.

• Being structurally effective. Committees of the board are kept to the minimum number necessary to produce results.

• Leading change. Governance is the engine that drives the train of change. Association management and board members introduce new ideas and policies when appropriate and adjust existing ones in concert with the evolving needs of the association and its membership.

• Being operationally efficient. Governance bodies are flexible, employing a minimum of procedural rules, and are regularly self-assessing. Effective boards control their structures.

- Having a partnership with association management and staff.

The management and staff of an association is left to fulfill their responsibilities and treated as partners in the governance of the association.

• Using systems thinking. The board members recognize that the interests of their institutions or constituents will be best served in the long run if the association as a whole pursues and achieves its mission.

Professional associations are continually challenged to meet the needs of their members due to the ever-changing business environment.

One roadblock to meeting the need for change is the fact that many common governance structures, bylaws, policies and job descriptions were created decades ago.

Governance processes and approaches for professional associations must adapt to a more complex community and the changing perceptions of value in the world.

Boards should not be afraid of difficult conversations, including questioning the status quo. Boards should strive to meet higher governance standards to be more effective in delivering the vision and the mission.

High performance associations develop, implement and maintain governance practices and procedures that provide a clear understanding of the responsibilities of the association management versus the elected leadership of the organization.

Some professional associations are better than others in terms of corporate governance. These associations typically possess a strong sense of commitment and culture of compliance, and their boards have a strong sense of independence, diligence and ethics.

Professional associations should continue to voluntarily adopt corporate programs that help them to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

Most importantly, this must be done to meet their commitment to their stakeholders, assure services to members and achieve their purposes with integrity, accountability, and transparency.

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