40 Tips for Association Boards

In this article, Associations Forum presents 40 practical tips for good governance tailored to association Boards.

1 Incorporate under the appropriate legislation. Consideration is required to choose the best jurisdiction and law under which to incorporate. Learn about the options, advantages and disadvantages, and costs. National associations are usually under the *Corporations Act 2001 (Cth).*

2 Structure your Objects with a brief mission. Constitutions require official 'Objects' or Purpose – the reason your association exists. If well written, your official Objects can be your enduring Mission statement. Ensure the Objects suit your intended tax status.

3 Incorporate with a good Constitution. Constitutions are the key governing rules for an association. They are a legal document that ensures the governance of the association is clear and effective. They should not be operational. Model Rules or templates are often not appropriate.

4 Review your Constitution every few years. Association constitutions should be regularly reviewed to ensure they reflect current governance practices and operations, are aligned to any amendments to law and continues to meet member needs. Associations Forum undertakes Constitution Reviews as an inclusive member service.

5 Do not deem members. The freedom to associate is a key democratic principle and extends to not being forced to join. People or organisations must agree to be a member of an association. Associations cannot decide that their members automatically be members of another organisation.

6 Aim for a Board size of 7, 8 or 9 Directors. Surveys by Associations Forum have indicated that the ideal Board size is around 8 Directors. This is consistently supported by experience, where Boards of this size tend to be more effective in terms of Director participation, accountability, efficient decision-making and positive culture.

7 Enable sufficient diversity on Boards. It is good governance to have a range of backgrounds and perspectives amongst the Directors. Associations do not want to see dominance by geographic areas. Constitutions can be crafted to allow a balance of geography whilst still ensuring members are involved in electing Directors.

8 Member Directors should be a clear majority. Whilst having Directors from outside the profession, industry or cause may bring additional skills and different perspectives to a Board, limit the number. Most Directors should be elected from the membership, as they best know the sector and have passion for the cause.

9 Directors are not delegates. Whilst State representatives on Federal Boards can bring local perspectives to Board deliberations, Directors have a fiduciary duty to act in the best interests of the whole association. Directors should not make decisions based on directions given by anybody who has nominated them.

10 Have a Governance Charter. Whilst association Boards need to follow the governance rules of the Constitution, there are other operational, procedural and cultural matters that need to be written into a Board Governance Charter. This practical document should be updated or confirmed annually.

11 Ensure succession planning. Whilst institutional knowledge is valuable, Boards should ensure that there are new Directors every few years. Be aware of Directors' experience and capabilities and the sequence of retirements. A maximum of 10 years on the Board is common. Form a Nominations Committee to facilitate recruitment, election and succession.

12 Stagger terms of Directors. Stagger elections so a proportion of the total number of Directors come up for election every year. For example, have two-year Director terms with half of Directors coming up for election every odd year and half every even year. This lessens the risk of a majority of Directors leaving at once.

13 Give potential Directors realistic expectations. Whilst candidates should be encouraged to nominate for Board elections, all candidates should know in advance the responsibilities and role of the Board and the personal skills and time commitment expected.

14 Have term limits on Chair and other Office Bearers. In most associations with sufficient member numbers, there are potential new Chairs in the pipeline. It is healthy to have transition of Chairs to inject fresh ideas and enthusiasm – and to share the honour.

15 Aim for two Office Bearers. Associations should aim to have staff capable of presenting finances, arranging agendas and taking minutes. Finance Managers and Company Secretaries can replace the Honorary Treasurer and Secretary roles. Hence only a Chair and Deputy Chair may need to be selected from within the Board

16 Have a Finance, Audit and Risk Committee. A Finance, Audit and Risk Committee is a better option than an Honorary Treasurer – who would be redesignated Chair of this committee. This group of 3 or 4 people can work together as a team to verify financial processes and controls – and minimise financial mismanagement or fraud.

17 Have a qualified or at least trained Company Secretary. The role of Company Secretary is responsible for governance compliance - more than agenda preparation and minute taking. A Board-appointed qualified or at least capable Company Secretary is recommended to give ongoing governance counsel.

18 Elect the Chair from within the Board. It is best if the Board chooses their leader rather than the membership and 70% of associations do this. The working relationships in the boardroom setting means that the Directors are best placed to make good decisions through seeing and choosing leadership capabilities rather than the members.

19 Hold elections prior to the AGM. Elections are fundamental to associations as the membership says who should be the current custodians of their organisation. Therefore, annual elections for Directors should be held before the AGM to allow every voting member the opportunity to consider the candidates and cast their vote.

20 No general business at the AGM. The AGM agenda is set with a minimum notice of 21 days and proxies enable members who are unable to attend to direct their voting on resolutions. Therefore, don't allow substantive items to be raised at the AGM as it corrupts due process. Have an 'open forum' after the AGM concludes instead.

21 Have a Board accountable to others. Associations represent causes important to the members who join – and are run by the Board. In rare cases, associations have only the Board of Directors as voting members. This is disadvantageous as a principle of good governance in that Boards report to and are accountable to others.

22 Have an experienced external auditor. Whilst some very small associations need not do an annual financial audit, this process is vital for most bodies as it independently verifies to members the accuracy and honesty of financial reports. In addition, external auditors should be encouraged to give advice to Boards on financial changes and strategies.

23 Pay Directors a modest amount. In associations where individuals sacrifice income earning to be on the Board, consider some financial payment to Directors. However, be cautious about paying an amount that makes being on the Board financially attractive or this payment being the primary reason candidates nominate for Director positions.

24 Hire a competent Head of Staff. A turning point for an association is when it hires a management-level CEO to run the association, ideally supported by staff, rather than the Board making ongoing operational decisions. With a strategic plan, the Board will set clear expectations on what needs to be done and then should allow the CEO to achieve outcomes.

25 Governance vs management roles and responsibilities. When an association has management-level staff, the Board is responsible for oversight and confirming plans. They provide direction to the CEO who is hired to run the association and make operational decisions in implementing the Board-endorsed strategic plan.

26 Be a diligent Board. When an association has a CEO and staff, the Board Directors are custodians on behalf of the members. While the CEO is accountable to the Board and empowered to implement the plan, the Board must not be complacent or have unquestioning trust in the CEO. Be cautious about relationships between CEO and Directors being too personal.

27 Respect the Chair. The Chair is the ultimate leader of the association who is first among equals. A good Chair will support and be supported by the CEO plus be respected by the Board. Considered interactions between Chair and CEO are critical for a successful association and both are responsible for nurturing this relationship.

28 Hold a Planning Day All associations need to know where they are going as there are a range of individuals, including Directors, CEO, staff, volunteers, supporters and members who need certainty on purpose, priorities and activities. Associations must have an annual day to develop a new or update an existing association strategic plan.

29 Have quarterly face-to-face Board meetings. Boards can meet too often or too infrequently. For the smooth running of a Board and to allow the CEO to make progress, face-to-face meetings are ideal every three months. Online (virtual) meetings may occasionally be required to supplement these quarterly meetings.

30 Make Plans clear then link to agendas. On occasions, associations may over-engineer their plans through complexity. Boards should monitor the achievement of the plan, and this is best done by structuring the Board meeting agenda and management reporting to follow the pillars of the plan. This way plans cannot be overlooked.

31 Expect comprehendible and timely financial reports. Boards are the stewards of association finances. Boards need to receive timely, accurate and clear financial reports every quarter. Interestingly, monthly financial reports may be a disadvantage as they can seem routine. And make the finances clear by also using activity-based reporting.

32 Query whether matters really need Board approval. Ideally associations employ capable CEOs and have clear delegations of authority, so Boards need to constantly consider whether they really need to be making decisions on matters presented to them. Directors should ask – is this a governance decision or a matter for management to deal with?

33 Have appropriate minutes. Board minutes need to reflect the decisions made and the reasons for decisions, but not be a verbatim transcript nor record how each of the Directors voted. Minutes are Board confidential although they can be discoverable in the unlikely situation of legal action. Minutes are best done a few days afterward or even live at the meeting.

34 Evaluate Directors or at least Board meetings. Although it is sensitive in a volunteer environment, evaluation of Director performance may improve Board performance if done professionally. At the least, associations should have a process for written evaluation of the effectiveness of Board meetings.

35 Promote the Board and communicate its directions. Boards need to appropriately market their role and work to give members confidence in their association. Boards need a positive and stable image to appeal to future potential Directors. Communiques to members describing the Board's activities and major decisions can enhance member support.

36 Avoid having an "inner Board". Directors have one vote each and equal responsibility. Therefore, for matters that genuinely require Board approval, ensure that all Directors are involved in decision-making. This should not be delegated to a few Office Bearers who operate as an exclusive inner Board.

37 Don't have continuous Board activities. Board meetings should be at a defined time and for a specific period. There should be a minimal ongoing emails and communications if a Board is performing its governance role correctly. Too much activity and emails between meetings can be a warning sign that the Board is being too operational or unstable.

38 Ensure appropriate management of risk. The Board is ultimately responsible for the association's risk management policy and determining the appetite for risk. The Board should ensure that appropriate resources, systems and processes are in place for managing and monitoring risks.

39 Train your Board to act legally, responsibly and ethically. Associations Forum regularly provides governance training to Boards on their role, responsibilities, and best practice processes. Further financial training is valuable, particularly for associations whose members are less involved in financial matters in their day jobs.

40 Get professional advice. Associations need to have quality advice on structure, governance, planning, finances and law. Wise associations do this on commercial terms rather than relying on volunteer advice that may not be appropriate. At times associations seek advice on increasing income and profit, as associations need strong financial equity.