

# 40 tips for association Boards

*John Peacock is the Chief Executive Officer of Associations Forum and is one of Australia's most experienced advisors to associations and is a thought leader for the associations sector.*

*Kathy Nguyen, Manager - Client Services at Associations Forum, has worked on over 30 consulting projects helping association clients improve their structure, operations and governance.*



## 1 Incorporate under the appropriate legislation.

Consideration is required to choose the best jurisdiction and law under which to incorporate. Learn about the options, implications and costs.

## 2 Structure your objects with an overarching mission.

Constitutions require an 'objects' rule stating why the organisation exists. These are best constructed as an overarching mission and, if necessary, general ways the mission will be achieved. Ensure the objects suit your intended tax status.

## 3 Incorporate with a good Constitution.

Constitutions are the mini-laws of associations. They ensure that the governance of the association is smooth and effective. They are not operational. Model Rules or templates are often not appropriate.

## 4 Hire a good CEO.

The turning point in 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.

## 5 Avoid rigid geographic Boards.

In the Australian context, it is understandable that associations do not want to see dominance by particular states or territories. However, Constitutions can be written to allow a balance of geography and popular election.

## 6 Hold a planning day.

All associations need to know where they are going as there are different individuals involved who need certainty of directions. Associations must have an annual day to develop a new, or update an existing, association plan.

## 7 Don't micromanage CEO and staff.

The CEO is hired to run the association and make decisions. With an association plan in place, it will be clear what has to be done, so allow the CEO to achieve outcomes.

## 8 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 recommended every three months. Teleconferences may occasionally be required.

## 9 Elect the President/Board Chair from within.

As each association can choose how to elect their Board leader, it is best if the Board chooses their leader rather than the membership.

## 10 Hold elections prior to the AGM.

Elections are the lifeblood of an association. They should be held with due process and allow every voting member to vote well before the AGM.

## 11 Don't have general business at the AGM.

AGMs are important formal meetings of members, held with a minimum notice of 21 days. The agenda is set in advance, so close the AGM and commence a "members open forum" immediately afterwards to receive member feedback.

## 12 Have only 1-2 external Directors.

Whilst there is a case for having Directors from outside the profession, industry or cause to bring in a different perspective, limit the number. The best Directors will be from the membership, who know the sector and have a passion for the cause.

## 13 Directors are not delegates.

Directors on the Board need to act in the best interests of the organisation. They should not make decisions based on directions given to them by a group or segment that has nominated them. State Presidents on Federal Boards may tend to represent local interests rather than the national association.

## 14 Aim for only 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 President and Vice President need to be selected from within the Board.

## 15 Don't deem members to be members.

People or organisations must agree to be a member of an association. Associations cannot say or write that all their members are to automatically be members of another body.

## 16 Have a Board accountable to others.

In rare cases, associations have only the Board of Directors as voting members. This is not ideal as a principle of good governance is that Boards report to others.

## 17 Have a wise external auditor.

External financial audits are vital as they independently verify to members the accuracy and honesty of financial reports. In addition, external auditors should give management advice to Boards on changes that should be considered.

## 18 Pay Directors a modest amount.

In associations where individuals sacrifice income earning to be on the Board, it is appropriate to consider some financial payment to Directors. However, be cautious about paying an amount that makes being on the Board financially attractive.

**19 Have a Finance, Audit and Risk Committee.** A Finance, Audit and Risk Committee should be used instead of an Honorary Treasurer. This group of 3-4 people needs to verify financial processes and controls.

**20 Beware of CEOs who think they are indispensable.** CEOs are a crucial component of successful associations. They need to implement the Plan of the association and be respectful to the Board as the voice of the members.

**21 Have a qualified or at least trained Company Secretary.** The role of Company Secretary is more than agenda preparation and minute taking. A qualified Company Secretary is recommended to give valued advice.

**22 Respect the Chair.** The Chair is the figurehead of the association and needs to be supported by the CEO and respected by the Board as the first among equals. They may need mentoring or coaching to perform well.

**23 Have appropriate minutes.** Board minutes need to reflect the decisions made and the reasons for decisions, but not how Directors have voted unless specifically requested. Minutes are confidential to the Board although they can be accessed by a judge in the unlikely situation of legal action. They are best done live at the meeting or within days afterwards.

**24 Market the Board and communicate its directions.** Boards need to promote their role and work as this will give the membership confidence in stable governance. Boards need to have a positive and stable image as this will appeal to future potential Directors. Boards need to see major decisions are communicated to enhance acceptance.

**25 Be a vigilant Board.** Associations should be run by the CEO following a Board-endorsed association plan. When the Board's role is governance, they are guardians on behalf of the members. They should not be complacent and have undue trust in the CEO but be watchful and vigilant yet supportive.

**26 Review your Constitution every few years.** As associations change, it is unlikely that the original Constitution of an association will always be suitable. Associations Forum undertakes Constitution reviews which provide valuable input to the Board to assist it in deciding what changes to make.

**27 Link agendas to plans.** Boards should monitor the achievement of the plan, and this is best done by structuring the Board agenda to follow the pillars of the plan.

**28 Ensure balance between Board turnover and continuity.** The composition of Boards should ensure that there are new Directors every few years at least, whilst institutional knowledge is also maintained. A maximum of 10 or 12 years on the Board is suggested, with ability to return after a proscribed break.

**29 Stagger terms of Directors.** Associations Forum recommends staggering elections so that, say, three Directors are elected every year for a two-year term. This lessens the probability of many Directors leaving at once.

**30 Have term limits on President and office bearers.** In most associations with sufficient member numbers, there are potential new Presidents in the pipeline. It is healthy to have transition of Presidents to inject fresh ideas and enthusiasm.

**31 Get professional advice.** Associations need to have quality advice in governance, planning, finances and law. Smart associations do this on commercial terms rather than relying on volunteer advice that may not be appropriate.

**32 Evaluate Directors or at least Board meetings.** Although it is difficult in a volunteer environment, evaluation of Director performance is valuable feedback and will result in better Boards if done professionally. At the least, associations should have a process for written evaluation of the effectiveness of Board meetings.

**33 Aim for a Board size of 7-9 Directors.** Surveys by Associations Forum have consistently indicated that respondents believe the average ideal Board size is 7 to 9 Directors. This research is consistently supported by experience.

**34 Expect quality and timely financial reports.** Boards are the stewards of association finances. Boards need to receive timely, accurate and clear financial reports at least every quarter.

**35 Query whether matters really need Board approval.** Ideally associations employ capable CEOs, so Boards need to constantly ask whether they really need to be making decisions on matters presented to them.

**36 Avoid having an "inner Board".** For matters that genuinely require Board approval, ensure that all Directors are asked rather than a few office bearers.

**37 Give potential Directors realistic expectations.** Whilst candidates should be encouraged to seek Board election, let all candidates know in advance the responsibilities and role of the Board and the personal skills and time commitment expected.

**38 Don't have ongoing Board meetings.** Board meetings should be at a defined time and for a specific period. There should be a minimal amount of ongoing emails and communications if a Board is performing its governance, not operational, role correctly.

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

**40 Have a Governance Charter.** Whilst associations 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 that should be updated or confirmed annually.