



**Speech by Paul Ledwell, President, Institute On Governance
to Ottawa-Gatineau Chapter, CSAE
19 November 2008**

Thanks Nick for that very generous introduction, and for setting up our topic today so well. And thanks to the PACE Committee and the Ottawa-Gatineau Chapter for the kind invitation to address you today. Most importantly, I would like to thank you all for coming today and for giving up a precious lunch at a busy time of the year – all to hear about governance. CSAE, this chapter and all of you are to be commended for giving attention to an issue which is often overlooked in associations – indeed in many public institutions.

Je veut dire au début que, dès que je ferais la présentation en anglais, je suis prête de prendre des questions en français.

I take my task here today seriously – on the one hand, I have to keep you engaged on a topic that is not only overlooked but in many ways is seen as extremely dry (what the great philosopher Thomas Carlyle would have called 'dry as dust'); and on the other hand I can't leave you with indigestion by feeding you too much or too unhealthy a fare. My objective is to see you leaving here today fully engaged and fully nourished on governance – and strengthened to tackle the issue in your own association.

I should underline at the outset that I have an affinity with what you face as association leaders, having worked in associations for over 15 years, at least 7 of those as a CEO. I know very well that association leadership can often be like pulling rabbits from a hat. Sometimes, the rabbits aren't there. And sometimes, there isn't even a hat.

When I was young, a plaque used to hang in our family cottage which had words which went something like this:

'We the willing, led by the unknowing, are doing the impossible, for the ungrateful. We have done so much, for so long, with so little, we are now qualified to do anything with nothing.'

When I became an executive director, I had days where I reflected on those words. I can't say that the first part was ever entirely true – although there were times that elements of unknowing and ungrateful were painfully evident – but the last half certainly resonated as I got to know the association sector, and the many within it who are masterful at pulling rabbits from hats.

So why governance? Where does this fit in the long list of priorities for associations? Why is it so important that so many of you would come out today to hear about it? What trends should we be watching and what actions should we be taking in our associations? It is these questions that I hope to explore with you today. In particular, I want to leave you with two things:

1. an overall message that good governance will help make your association perform better; and
2. a useful framework within which you can consider governance in your own organization.

(And for business members here, these messages can apply to you as well.)

First, the basic definition. Governance, simply put, is the art of steering the organization. At the IOG, we define it in a few more words:

'The process whereby strategic goals are set, key relationships are maintained, the health of the organization is safeguarded, and account is rendered for performance.'

By this token, EVERYONE is involved in governance: public, private and para-public organizations; governments, corporations, unions, hospitals, universities, and associations. From the most intricate emerging democracies to the smallest NGOs. Even, arguably, families. (Perhaps its time to have a family governance assessment and talk to your teenager about rendering account for performance? Wouldn't that be fun?)

At root, governance is about leadership, relationships and goals. And good governance is about strong leadership, positive relationships and shared goals.

When IOG was created in 1991, people would look puzzled and say, 'oh you mean the Institute On GOVERNMENT?' No, the staff would say, and then patiently proceed to talk about governance and why it mattered.

Now, you can't turn anywhere, in any field, and NOT hear the term mentioned. Governance and corporate social responsibility. Governance and democratic development. Governance and accountability. Governance and leadership.

The danger, of course, is that more people are using the term but many still may not be clear on what it means.

Since 1991, and especially in the last decade, IOG has been working with public purpose organizations on governance questions. We have worked on over 1,000 projects and with countless organizations, undertaking research, doing assessments, initiating consultations, facilitating Board sessions, and writing reports and recommendations on how governance can be strengthened in those organizations.

We do not hold to a particular theory or model of governance (eg the Carver model) but rather work with the organization to find a mission-based approach that works best for them. As a not-for-profit organization with a public purpose mandate ourselves, we often publish think pieces and develop tools on governance which we make available publicly at no charge. I would encourage you to avail yourselves of these resources (www.iog.ca) and to contact us if you have particular challenges where our advice might be useful.

In our approach, IOG works from a set of principles which provide a point of reference for helping to inform decisions about structures, process and representation in any organization. These are: legitimacy and voice, performance, accountability, direction and fairness. From an association perspective, these might look in practice like:

1. *Legitimacy and voice*: the governance system inspires confidence in both its process and its results, and provides adequate voice to members and stakeholders. Decisions are based on a consensus orientation.
2. *Performance*: the system performs well, leading to sound decisions that are responsive to the interests of members and the public.
3. *Accountability*: the system allows members to hold decision-makers to account.
4. *Direction*: governance processes and structures result in a sense of clear strategic direction for the organization.
5. *Fairness*: members and stakeholders are treated fairly and impartially

What is most important is that good governance is adopted by you as an organizational objective and adapted for your particular organizational structure and culture – to make it intentional in your work and not incidental to it. When good governance practices are in place, associations will have a well-functioning

board, good Board-staff relations, a clear strategy that is reflected in agenda and initiatives, and openness, transparency and accountability.

At IOG, we often say that governance is a journey and not a destination. It should be constantly addressed and nurtured, and not just attended to periodically or when there is a crisis.

And speaking of crises.....

In the current context, there has been an increasing emphasis on governance, largely fuelled by very public cases of malfeasance in the private sector (Enron, Worldcom, Hollinger). In these cases, the directors were held culpable for not fulfilling their functions properly. This has had a knock-on effect that concerns all organizations:

- The introduction of the Sarbanes–Oxley Act in 2002 in the US, which while it was primarily aimed at corporations, swept associations along in areas of audit, financial reporting and whistle-blowing protection
- The Federal Accountability Act in Canada, which has affected associations directly through lobbying regulations and tightened grants and contributions
- Far more media attention on governance issues, across all fields
- A related public awareness and vigilance
- And, most importantly, heightened awareness around the Board table

While some of the issues that have arisen in the private sector are principally germane to that sector (eg executive compensation, ethical behaviour), many of the issues are shared in the public sector, including with associations (eg role of audit and finance committees, quality and transparency of financial statements).

These issues are made even more important due to the 'perfect storm' which we all face now:

- Deepening economic malaise
- Increasingly nervous populace
- Enhanced government oversight
- Demographic pressures - aging leaders (board and staff)
- Increased expectations (stakeholders)

In these contexts, how should CEOs and senior staff responsibly navigate board governance in their associations? What issues, processes and tools should they be using? How do we ensure that governance is not just a necessary evil - what is the minimum I need to do? - but actually leads to improved organizational performance?

There is a plethora (increasing) of literature on governance for associations and not-for-profit organizations; many of these are focused on long lists:

- 33 principles for good governance and ethical practices
- 16 governance best practices (in the CSAE library)
- 12 tips to help committees to do good work (in recent Association magazine)

All of these are helpful, but I don't want to ruin your lunch with a long and dizzying list, but rather want to give you a framework for thinking about governance in your association and how you can approach this issue for your organization.

This framework is based on three modes of governance that boards should be engaged in:

- **Fiduciary** – what we are most familiar with and what is generally accepted to be the minimum requirement of organizational governance; this is often termed 'the duties of loyalty and care', the fundamental work of financial and legal stewardship. If your board is not fulfilling this role, then you have a deep problem. If it is only fulfilling this role, then you also have a problem.
- **Strategic** – what is central in importance for associations who wish to move from being good to great in their organizational governance; this is where the Board and management work together to develop priorities and strategy, and where there is openness to address big picture questions (eg Is our business model viable? Will our membership base be stable in the next 10 years, and if not what will we do in response? Will we be stronger if we merge with association X?)
- **Generative** – what is often overlooked in the midst of the urgent and the immediate, and even the strategic, but is important to developing true leadership at the board level; this is the early thinking on 'wicked' problems that helps frame mission, strategy and problem solving and, when done properly, brings the Board in at the very first stages before mission is drafted and strategy proposed.

It may be overly simplistic, but is useful all the same, to say that organizations where boards practice only the fiduciary role are primarily management driven, organizations where boards play a strategic role have a good board-management partnership, and organizations that show elements of generative governance are ones where Boards are truly leading.

However, my main argument today is that elements of each should appear in the governance of any healthy organization. That Boards (and the Chair in particular) and CEOs – especially - should ensure attention and agenda space for discussions that cover all three categories. This means, practically, that every meeting (or some rotation thereof) would have a focus on reports (Chair, CEO/ED, Committees, etc), a focus on strategy against mission, and a time for the Board to wrestle with questions or issues that drive strategy, policy and problem-solving in the organization.

This latter category has been described by Harvard professor Richard Chait as KPAWN hours – KPAWN an acronym for Keeps the President (or ED) Awake at Night. It may be a frightening – dare I say nightmarish – thing for an ED to admit to a Board that she or he has not fully worked through a solution to a problem, or a plan for a perceived opportunity. But, if we can't turn to our Boards on those issues, where can we turn? And all indications are that these are the issues that really engage Boards and compel them to govern more robustly.

We tend in our associations to focus attention primarily on structures and procedure – on governance architecture - rather than the substance and purpose. So, large boards think they need to get smaller and smaller ones think they need to get bigger; some think they should meet less often, while others think more often is better; some abolish term limits, others are quick to adopt them. All think this will lead to more effective governance.

It is important to consider these elements – size, representational nature, meeting frequency, etc – as reflections of organizational approach. However, the main difference in successful boards is culture. A 2005 study of hospital boards in the US concluded that “(the best) are more likely to be characterized by extensive exchange of views before decisions are made, by constructive questions and skepticism and by decision-making processes and board meetings that tend to be more enlivened (and where) the prevailing culture is somewhat more interactive – more open to dialogue and debate.”

So, let me ask you: what is the culture of governance in your organization? Is this something you even think about? What do you spend the bulk of your board agenda on?

A culture of open debate, transparent sharing and grappling with the real issues, and responsibility to help develop strategy is absolutely essential to good governance. This can lead to a Board that functions FOR the organization - not just periodic transactions at meetings, but is fully engaged throughout the entire time of their term and bringing ALL their capital to their function as a whole: intellectual, reputational, political and social.

Now, having said all of this, I can hear you respond: how the heck do I change the culture of my organization, of my board? I didn't sign up for that, and there are too many dogs at the door for me to spend time worrying about our culture. But this is where the leadership from you is essential. You know that organizational culture is hugely important in the workplace, and I know that you spend a lot of time thinking about and addressing this within your associations. So should it be at your Board.

Along with the Chair, you should be paying full attention to developing your board culture, identifying areas where there is weakness or gaps. You need to encourage, and allow, the Board the space they need so that they can establish an identity and can coalesce through the tackling of tough questions and wicked problems. This can be uncomfortable for senior staff, but the end result is a Board that is truly and appropriately engaged in your issues – not passengers, not intruding in operational matters.

Now, I told you that I wouldn't dizzy you with long lists today, but I can't not point to some key issues which you should be considering in your organizational governance, many of which fall into one of the three categories I have outlined in the framework:

- Risk management frameworks – these are well established in corporations and in government, and there is an increasing trend to see these adopted in all organizations, including associations, to provide security that all potential areas (insurance, HR, fundraising, conflict of interest).
- Standards of good governance – again these are well established in corporate world, and are being developed in the charitable sector; many among you are exhibiting best practices of governance, but what should the standard be? It would be worthwhile for CSAE to consider the development of standards of good governance for associations
- Clearer policies – including conflict of interest, ethics, intellectual property
- The trend toward smaller, more strategic boards augmented by a larger Council or advisory body system – the so called dual governance model which provides representative voice to stakeholders but does not mean those voices are all around the Board table.
- The aim to get more younger voices around the Board table; interviews with 50 association leaders in the US underlined that these members:
 - display passion which inspires others
 - are driven to produce results

- open access to new networks
 - and provide a fresh perspective on old problems
- Evaluation and self-evaluation at the Board: regular Board and meeting evaluations as a whole and annual evaluations of individual Board members (note PARN work)
- Constant environmental scanning, rather than its relation solely to periodic strategic planning
- Board committees flexible based on strategic organizational priorities – thus fewer standing committees and more flexibility to establish committees based on strategic areas

I want to conclude by returning to the title of today's talk: Governance matters. It matters now for organizations that want to be mission driven, strategic and results oriented, and want to shepherd the Board's leadership role. It will matter even more as external and internal pressures mount on associations to be responsive and productive.

Smart association leaders and their boards will get ahead of this curve and address these issues now. Many of you already are, including this very chapter of CSAE.

If you are intentional in your governance, and consider the culture you want to instill and the fiduciary, strategic and generative practices you need to initiate to get you there, you will reap the rewards – your leadership and trust in your Board will be returned to you many times over.

The result will be stronger organizations: CEO and senior staff will get more active – and appropriate - engagement from their Boards, Board members will feel like they are actually contributing to something significant (and not just waving their hand at meetings). Good governance will establish positive profile for the organization and, when practiced by many of you, for the sector as well. And the sense of success at your Board level will be infectious - good Board members will let their peers know of the rewarding experience they had with you and will be the best recruiting tool for other good Board members.

Governance IS a journey, but is one that is certainly worthwhile.

Thank you for your attention. I look forward to your questions.

Sources

There are many - an increasing volume - of resources materials available for both executives and boards interested in governance. For this address, material has been used from a variety of recommended sources:

Institute on Governance (www.iog.ca):

- *Not a Rocking Chair! How board chairs can provide strategic leadership to public purpose organizations.* Tim Plumptre (June 2007)
- *Policy Brief No. 15: Principles for Good Governance in the 21st Century.* John Graham, Bruce Amos and Tim Plumptre (August 2003)
- *From Jeans to Jackets: Navigating the transition to more systematic governance in the voluntary sector.* Tim Plumptre and Barbara Laskin (May 2003)

BoardSource (www.boardsource.org)

- Chait, R.P., Ryan, W.P., and Taylor, B.E. (2005). *Governance as Leadership. Reframing the Work of Non-Profit Boards.* New Jersey: John Wiley and Sons Ltd.
- Chait, Richard P. *Sleepless in San Francisco: What Keeps Me Awake.* 2007 Closing Plenary Speech to BoardSource Leadership Forum

Laughlin, F.C., and Andringa, R.C. (2007). *Good Governance for Nonprofits: Developing Principles and Policies for an Effective Board.* New York: AMACOM.

Letts, C.W., Ryan, W.P. and Grossman, A. (1999). *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact.* New York: John Wiley and Sons Ltd.